

BTI 2010 | Somalia Country Report

Status Index	1-10	1.34	# 128 of 128	
Democracy	1-10	1.47	# 128 of 128	➔
Market Economy	1-10	1.21	# 128 of 128	➔
Management Index	1-10	1.78	# 125 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Transformation Index (BTI) 2010. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	8.7	HDI	-	GDP p.c.	\$	-
Pop. growth	% p.a.	2.9	HDI rank of 182	-	Gini Index		-
Life expectancy	years	48	UN Education Index	-	Poverty ²	%	-
Urban population	%	36.1	Gender equality ¹	-	Aid per capita	\$	44.2

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.

Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than \$2 a day.

Executive Summary

Over the last two years, Somalia has experienced escalating violence and deteriorating security, which has led to massive population displacements and to the worst humanitarian crisis in the country since 1991 – 1992. Although backed by the Ethiopian military and the African Union Mission to Somalia (AMISOM), the Transitional Federal Government (TFG) has failed to establish itself as a government of national unity. Instead, the TFG and international forces have been involved in a war against insurgent groups, among them Islamists and clan-based militias. The main victims of the war are civilians, as massive human rights violations as well as violations against humanitarian law were committed by all involved parties.

Despite Ethiopian and AMISOM support for the TFG, Islamist militias through 2008 successively gained ground in their struggle. By January 2009, these groups controlled all major cities in southern Somalia, excluding Mogadishu. However, the political wing of the Islamist forces, the Alliance for the Re-liberation of Somalia (ARS), which was formed in Asmara (Eritrea) in 2007, had already split by 2008. While more modest representatives, later labeled the Djibouti group of the ARS (ARS-D), entered into U.N.-hosted negotiations with the TFG and eventually agreed on a peace deal in June 2008, the radical Asmara group of the ARS (ARS-A) however rejected the agreement. The deal included among other initiatives a ceasefire, the deployment of a multinational peacekeeping force and the withdrawal of the Ethiopian military. In November 2008, representatives of ARS-D and the TFG decided to integrate 275 new members into the Somali parliament, including 200 ARS members and 75 citizens from civil society groups.

During this time the TFG continued to suffer internal power struggles, causing President Abdullahi Yusuf Ahmed to resign in late December 2008. In January 2009, more than 150 ARS-D members joined the Somali parliament, doubling the number of seated ministers to over 500. On 30 January the parliament elected the former leader of ARS-D, Sheikh Sharif Sheikh Ahmed, as the new president. Also in January, Ethiopia removed its occupying military forces from Somalia. It remains to be seen whether President Sheikh Sharif will be able to pursue peace and

effectively reconcile with the Islamist militias.

Political crises in the south affected the independent but internationally unrecognized Republic of Somaliland and the autonomous regional state of Puntland. Both areas were devastated by a coordinated series of suicide bombings in October 2008. Somaliland nonetheless has continued its path toward democratization and has started to prepare for presidential elections. The country, however, has also faced serious political struggles over basic political and civil rights.

History and Characteristics of Transformation

With the complete collapse of state institutions in 1991, Somalia represents one of the modern world's most protracted cases of statelessness. While the central and southern parts of the country have since struggled amid intermittent violent conflicts, northern Somalia has developed differently. In the northwest, the Republic of Somaliland declared independence in May 1991 and has gradually rebuilt its basic state structures. Although the new country has developed a modest capacity to govern and has continued along a path to full democratic transformation, it has not yet gained international recognition. In August 1998, Puntland was established as an autonomous regional state in Somalia's northeastern region, yet it has since developed only rudimentary governance structures. Therefore, this report examines only the developments in Somaliland and not in Puntland.

In central and southern Somalia, localized processes of political reconstruction after 1995 have led to increased security and modest economic growth. In 2004, after two years of complicated negotiations, an internationally mediated peace and reconciliation conference in Kenya led to the formation of a Transitional Federal Parliament (TFP), which elected Abdullahi Yusuf Ahmed as the new president of Somalia. Abdullahi Yusuf named a prime minister, who in turn formed the Transitional Federal Government (TFG). Both the TFP and TFG relocated from Kenya to Somalia in mid-2005, and as the capital Mogadishu was too insecure, eventually selected the city of Baidoa as the interim seat of parliament.

While the TFP was plagued by internal conflicts and power struggles, a new political and military force called the Union of Islamic Courts (UIC) in 2006 began to assert itself. The UIC took over Mogadishu in June 2006 and soon expanded its rule from the capital to Kismayo in the south and toward Galkayo in the north. The UIC was, however, accused of maintaining connections with terrorist networks. In late December 2006, as UIC forces advanced to the western city of Baidoa, the Ethiopian military intervened on the side of the TFG but not until late January 2007 was the military able to oust the UIC from Somalia. Ethiopia was aided logistically by the United States military, which in January 2007 launched two airstrikes against fleeing UIC forces.

Aided by Ethiopian troops, the TFG installed itself in Mogadishu. In February 2007, the U.N. Security Council authorized the African Union Mission to Somalia (AMISOM) with an 8,000-strong force, aimed at replacing Ethiopian troops. However, the planned strength of the

intervention forces did not materialize, as only Uganda and Burundi by the end of 2008 sent contingents totaling just 3,400 troops.

The combined TFG, Ethiopian and AMISOM forces found themselves soon involved in a complex guerilla war. Especially in Mogadishu, violence had escalated, costing thousands of lives and forcing more than half a million people to flee the capital. The overall number of internally displaced people in Somalia increased to over 1 million by the end of 2008. U.N. agencies by the end of 2008 warned repeatedly that Somalia was facing one of the world's worst humanitarian catastrophes.

In its four years of existence, the TFG has not been able to initiate a reconciliation process, expand its support base or develop its capacity to govern. It is plagued by internal power struggles and lacks a clear division of labor. Members of the TFG are regularly accused of taking bribes and misusing international funds. TFG forces together with the Ethiopian military have also been involved in serious human rights violations.

State collapse and the subsequent disarray of its former centrally planned economy have led to the radical privatization of economic activities. In the mid-1990s, the economy, especially international trade and local services, started to grow. This progress was not attributed to any coherent economic management, but to the results of private initiatives of entrepreneurs, who, against the background of an insecure environment, often act in close cooperation with powerful militia leaders. Commercial activity is driven by short-term profits and in general relies heavily on armed protection. However, growing insecurity and violence has contributed to a subsequent and severe economic crisis. In Mogadishu, one of the capital's biggest markets was seriously damaged and several businesses destroyed. The country also faces the severe devaluation of the Somali shilling, as well as a steep rise in food prices due to the introduction of counterfeit bank notes in the market.

While the central and southern regions of Somalia were engaged in war, the Republic of Somaliland continued its path toward state-building and democratization. District elections were held in 2002, followed by presidential elections in 2003 and parliamentary elections in 2005, with the Allied People's Democratic Party (UDUB) maintaining its hold on the executive branch. Although the country was strongly affected by a number of suicide attacks in October 2008, Somaliland has continued preparations for its second presidential elections, scheduled for May 2009.

Limited in its effective and material capacity, the Republic of Somaliland has few means to regulate economic activity. Not officially recognized as a state, Somaliland receives only limited aid from OECD countries, which arrives primarily in the form of assistance from non-governmental organizations and multilateral aid. The state is therefore highly dependent on an emergent business class. As links between key economic and political actors are strengthened, corruption and patronage networks are bound to grow.

Transformation Status

I. Democracy

1 | Stateness

Somalia is a country without a state. In 1991, the state's already weak monopoly on the use of force collapsed. During the following civil war, Somalia was splintered into a mosaic of local administrations, based on the cooperation of militia leaders, elders, businessmen and sometimes the Islamic courts. Most of these administrations were overtaken by Islamist militias in 2008. However, these militias have been often locally recruited and therefore clan-based, and as such lack clear command structures and were, in some parts, already engaged in internal conflicts.

Monopoly on the use of force

Although internationally recognized, the Transitional Federal Parliament (TFP) and the Transitional Federal Government (TFG) failed to act as a government of national unity. While the TFG could only install itself in the capital of Mogadishu with the aid and protection of the Ethiopian military, its rule was immediately challenged by Islamist as well as clan-based militias. Mogadishu faced severe waves of violence during the reporting period, causing the death of thousands and the displacement of approximately one-third of Mogadishu's population. All sides in the war are regularly reported to be breaking humanitarian law. The counterinsurgency led by the TFG and Ethiopian forces included bombardments in residential areas, indiscriminate firing at crowds, deliberate attacks on civilians and summary executions. Several TFG raids were accompanied by massive looting. The TFG did not provide protection to the citizens it claims to govern. Insurgents relied on hit-and-run tactics and increasingly used indiscriminate methods, such as targeting officials, using land mines and suicide bombing. They have often threatened and killed civilians perceived as TFG supporters or collaborators; among these individuals includes an increasing number of aid workers.

Despite international funding combined with technical and assistance for the establishment of a national police force, the Somali police force still lacks a unified command or control structures. Furthermore, the police force is accused of being involved in regular human rights violations, including arbitrary arrests and ransom extortion from the families of the arrested. Although the TFG theoretically commands a 6,000-force strong national army, the morale within the ill-trained and underpaid army is low. Desertion is high and soldiers are regularly reported to be selling their weapons and ammunition on the local markets.

The U.N. Security Council authorized the African Union Mission to Somalia (AMISOM) with 8,000 troops, aimed at facilitating the withdrawal of Ethiopian troops and assisting the TFG in the re-establishment of a monopoly on the use of force. However, the planned strength of the AMISOM forces did not materialize. Only Uganda and Burundi sent contingents, totaling less than 2,500 troops by early 2008; the arrival of the second Burundian contingent brought the total to 3,400 by the end of 2008. Ethiopia nonetheless withdrew its stationary military forces from the region in January 2009.

Ousted Union of Islamic Courts (UIC) leaders gathered in Asmara (Eritrea), where they formed the Alliance for the Re-liberation of Somalia (ARS) in 2007. Facilitated by the U.N., the ARS and the TFG met for negotiations in Djibouti and agreed in June 2008 to end hostilities and to establish a Joint Security Committee as well as a High-Level Political Committee. The agreement, however, led to the split of the ARS. While the so-called Asmara wing under the leadership of Sheikh Hassan Dahir Aweys rejected the agreement, the Djibouti wing, led by Sheikh Sharif Sheikh Ahmed, continued the dialogue with the TFG.

Despite power struggles among its exiled political leaders, Islamist militias in Somalia continued their war and successively expanded their rule throughout southern Somalia. In March 2008, the United States branded the most radical but also most powerful Islamist militia in Somalia, Al-Shabaab, as a terrorist group. The U.S. military launched an airstrike against an Al-Shabaab camp in May 2008, killing Al-Shabaab leader Aden Hashi Farah Ayro together with an unknown number of others. However, the leader's death did not bring an end to the guerilla war, and Islamist militias constantly expanded their territorial control in the second half of 2008. In January 2009, Islamist militias ruled all the big cities in the south, except for Mogadishu. They controlled nearly as much territory as they did before the Ethiopian invasion.

In contrast to the escalating violence in south and central Somalia, the Republic of Somaliland remained relatively calm. Its monopoly of force has been established in most parts of the territory, although the Somaliland authority remains fragile along the border regions with Puntland (Sool and eastern Sanaag). Both Somaliland and Puntland claim these regions as parts of their territory. Since early 2004 army contingents from both states have faced each other in Lasanod, the capital of the Sool region, and have engaged in sporadic confrontations. In early October 2007, the Somaliland army in alliance with local clan militias drove the Puntland army out of Lasanod and established control of the city. While dozens of people were killed and more wounded, Somaliland has since established basic administrative structures in the town. However, both contested regions are still broadly characterized by an absence of functioning state institutions.

Terrorist attacks occurred in Somaliland and Puntland on 29 October 2008. Suicide bombers simultaneously hit the Presidential Palace, the compound of the United Nations Development Program (UNDP) and the Ethiopian liaison office in Hargeisa, the capital of Somaliland. At the same time two offices of the Puntland Intelligence Service (PIS) were bombed in Bosaso, a key port town and economic center of Puntland. Altogether 31 people were killed and more than 30 people were wounded. While no one claimed responsibility for the attacks, it is quite likely that Islamist militias or perhaps Al-Shabaab forces were behind it. Supporters of these militias are not confined to southern Somalia but have members and supporters in all parts of the country.

The vast majority of Somalia's population is ethnic Somali and nearly 100% of the population is Muslim, making Somalia a relatively homogenous country compared to other African states. While minority groups such as the Midgan, Yibir, Bantu and some Arabic minorities are seen as full-fledged citizens, they clearly suffer discrimination in many aspects of social and economic life throughout Somalia and Somaliland. In the south, however, members of minority groups are threatened by clan militias, which often target militarily weak groups; members of minorities are often harassed by gunmen and freelance militias.

In Somaliland, the notion of a Somali state identity is no longer accepted. It has gradually been replaced by a Somaliland state identity, since the area's declaration of independence in 1991.

With the collapse of the government in 1991, the state's secular law ceased to function. Instead, two legal systems simultaneously operate in Somalia: traditional law (xeer) and the Islamic Shari'ah, with the latter growing in influence. In Somaliland's constitution, as well as in the interim constitution of Puntland and the Transitional Federal Charter, Islamic law forms the base of jurisprudence. In the contested areas of southern Somalia, Shari'ah courts are often the only source of even basic judicial guarantees in civil as well as penal cases. While Somalis usually draw on a modest form of Shari'ah, a process of radicalization has been witnessed. It can be expected that the integration of members from the Alliance for the Re-liberation of Somalia (ARS) into parliament will lead to a re-establishment and empowerment of Shari'ah courts in Mogadishu and other parts of Somalia. Radical Al-Shabaab militias have already indicated that they intend to continue fighting until their interpretation of Shari'ah law is restored throughout Somalia, including in Somaliland and Puntland.

In Somaliland, Islamic courts primarily regulate family issues. Although secular legal codes, including the old Somali penal code, have been applied across the country, they remain subordinate to traditional law, as the courts' institutional capacity is limited, and judges and attorneys lack the training and expertise in secular legal codes. The rise of Islamic forces in the south has also affected the north, with several social groups requesting a stricter interpretation and application of Islamic rule.

State identity

No interference of religious dogmas

Along with the state, all central administrative structures collapsed in 1991. The country was thus divided into a patchwork of localized administrations, established under the control of clan-militias, traditional as well as religious authorities and businessmen. Since established in Somalia in 2005, the Transitional Federal Government (TFG) has made no progress in rebuilding functioning administrative or government institutions. In the reporting period, most local administrations in the south have either been fragmented or have been taken over by Islamist militias.

Basic
administration

Somaliland has established basic administrative structures throughout its region. However, the state's capacity in remote areas, and especially in the contested border region with Puntland, is weak. But even in western areas the state's infrastructure is largely limited to maintaining stability and order.

2 | Political Participation

In southern Somalia, the Transitional Federal Government (TFG) has made no progress toward preparing for elections. The selection of parliament members was based on the so-called 4.5 formula, which allocated an equal number of seats to the four major clans, and then half that number to minority groups. However, power struggles between political and clan-based blocs and seat-swapping enabled President Abdullahi Yusuf Ahmed to fill a number of seats with his own allies.

Free and fair
elections

The first TFG president also exercised his power to appoint aides and political allies. Struggles between the president and the prime minister resulted in the resignation of the latter in October 2007 and the appointment of Nuur Hassan Hussein, also known as Nur Adde, as the new prime minister. Political conflict between the president and the prime minister, however, continued during 2008. When Abdullahi Yusuf tried to dismiss Nur Adde in December 2008, parliament and leading ministers supported the prime minister, who refused to leave his office.

President Abdullahi Yusuf then eventually resigned at the end of the same month, paving the way for a new round of negotiations with the Islamist opposition. Alliance for the Re-liberation of Somalia (ARS) members were integrated into parliament in January 2009, nearly doubling the number of parliamentarians. Members of the Transitional Federal Parliament (TFP) met in Djibouti and elected former Union of Islamic Courts (UIC) and later ARS-Djibouti leader Sheikh Sharif Sheikh Ahmed as the new president. Sheikh Sharif returned to Mogadishu and nominated Omar Abdirashid Ali Sharmarke as the new prime minister in February 2009. The success of this new government will depend heavily on its ability to either isolate or integrate the hardliners in ARS-Asmara, and increasingly on its ability to control the radical Al-Shabaab group and other Islamist militias.

The Republic of Somaliland is still committed to a system of multiparty democracy. The formal transition from a system based on clan representation to an electoral democracy began in May 2001 with a general referendum, 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 in April 2003 and parliamentary elections on 29 September 2005. International observers declared each of these elections as reasonably free and fair. For security reasons, however, parts of the Sool and eastern Sanaag regions could not participate in these elections.

During 2007, severe tensions between the Somaliland president, the parliament and opposition parties hindered the establishment of a National Electoral Commission (NEC), but the conflicts were eventually solved and the NEC was established for a five-year period at the end of 2007. In October 2008, Somaliland began the voter registration process for the second presidential elections, scheduled for March 2009. At the time of writing, the date was tentatively postponed until May 2009. However, political parties have so far failed to agree on a new electoral timeline, with the main opposition leader demanding the president leave office upon the expiration of his extended term on May 6.

The regional state of Puntland recently elected a new president. At the end of 2008, the 66 members of parliament gained confirmation by their clan constituencies. In January 2009, the parliament elected Abdirahman Mohamed Mohamud, also known as Abdirahman Farole, as the fourth president of the autonomous regional state. Contrary to Somaliland, Puntland does not seek independence from Somalia.

In its four years of existence, the Transitional Federal Government (TFG) has neither developed the effective power to govern nor has it displayed a commitment to democratic governance. Southern Somalia is torn by the ongoing civil war. Escalating violence and massive human rights violations have contributed to the catastrophic humanitarian situation throughout the country. The TFG has not only lost political support during the reporting period but also what little territorial control it had to Islamist militias. The TFG is confined to a few districts in Mogadishu, and it remains to be seen if the new President Sheikh Sharif Sheikh Ahmed will be able to turn these dynamics around.

Effective power to govern

The military campaign in southern Somalia has seriously affected citizens' freedom of association. Transitional Federal Government (TFG) forces and the Ethiopian military are regularly reported to attack civil society organizations on the grounds that they serve as hideouts for insurgents. In the same manner, Islamist militias have attacked organizations suspected of working too closely with Western agencies or supporting the TFG. The number of aid workers killed by militiamen increased significantly in 2007 and 2008.

Association / assembly rights

In Somaliland, freedoms of association and assembly are guaranteed by the constitution, and there is a high number of civil society organizations (groups for women and youth, occupational associations and so on) operating throughout the country. In 2001, the prohibition of political parties was abolished and replaced by a limitation to the formation of three political parties, determined in the local elections of 2002. When a new opposition party was formed in April 2007, however, the government intervened. While the founders of the new party insisted on their constitutional right to participate in political affairs and continued the party formation process, the government arrested the leaders in late July 2007, accusing them of unauthorized political activities. In August 2007 the three party leaders were sentenced to more than three years in prison, but were then pardoned by the president after nearly five months in prison. The suspension of the group's political rights (their candidacy in elections) remains in force for five years. The group eventually confined itself to the status of a political association and then allied itself with Kulmiye, the main opposition party.

The past two years in Somalia have been characterized by a significant decrease in freedom of expression. A large number of journalists have been killed and a much higher number have fled the country. Transitional Federal Government (TFG) forces, since their arrival in Mogadishu early in 2007, have repeatedly cracked down on media freedoms, ordering the closure of radio stations, banning Al-Jazeera television from Mogadishu and arbitrarily arresting journalists. Islamist militias too regularly threaten journalists, who have are accused of spreading Western propaganda or espousing non-Islamic values.

Freedom of
expression

Although in Somaliland there is no systematic prohibition of public opinion or press, and since 1991 many newspapers have been established, in 2007 however conflicts over the rights to freedom of expression occurred. In January 2007, journalists from the independent Hatuf Media Network in Somaliland were arrested, and were sentenced to several years of imprisonment in March 2007 for allegedly reporting false information on the president. After a public outcry in Somaliland, among the Somali diaspora as well as internationally, the president pardoned the journalists in late March. The government, at the end of 2007, submitted a controversial new media bill to parliament that aimed to increase the influence of the government over the media. However, the bill has yet to be adopted.

3 | Rule of Law

The Somali Transitional Federal Government (TFG) has not established key government institutions. No defined division of labor exists between the president and the prime minister or between ministries. In fact, most ministries do not function at all. Staff below the ministerial level is rarely recruited, and minister appointments have followed the power interests of the first interim president. The

Separation of
powers

executive branch does not have the capacity to manage its myriad tasks and has generally prioritized external relations over confronting the urgent need for domestic reforms. The judiciary remains severely underdeveloped and hardly functions.

Somalia has no general, universal judicial system. Instead, a combination of traditional law (xeer) and Islamic Shari'ah law provide the basic judicial framework for Somalia's rural and urban communities. Under traditional law, clan elders mediate conflicts, negotiate peace agreements and, if necessary, compensation payments within and between the clans. Although traditional law has fused with Islamic jurisprudence over the centuries, Shari'ah influence in inter-clan relations was never very pronounced, leaving primarily family and personal issues (marriage, divorce and inheritance) to be regulated by Shari'ah law. In urban areas, however, Shari'ah courts have gained considerable influence, although they are often clan-based and have difficulties in passing judgment across clan lines.

Independent
judiciary

With the territorial gains of Islamist militias and especially of the extremist Al-Shabaab, a stricter interpretation of Shari'ah law is likely. In several towns, mixed gender entertainment facilities, such as cinemas, have already been closed and the popular Somali narcotic leaf, called khat, has been banned.

In Somaliland, the judiciary's independence is enshrined in the constitution. However, the executive has continuously undermined the judiciary's independence, and opponents and critics of the Somaliland government occasionally have been arrested without trial. Institutional differentiation in the judiciary is further challenged by functional deficiencies such as a lack of resources, qualified staff and expertise and insufficient territorial penetration. Altogether the capacity of the underfunded judiciary system is weak, and the majority of Somaliland's population refers primarily to traditional as well as to religious law to solve disputes. Only in cases where these systems fail to provide solutions for conflicting parties do people turn to the legal institutions of the state.

Former President Abdullahi Yusuf Ahmed used his executive power to appoint members of his clan and other political allies to powerful positions in government. There are accusations that members of the parliament and the government have received bribes and misused international funds aimed at the reconciliation and rebuilding of state structures.

Prosecution of
office abuse

In Somaliland, 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 in Somalia are not guaranteed at all. The escalation of violence in southern and central Somalia was accompanied by severe and systematic human rights violations, with indiscriminate violence against civilians practiced by all factions. Several thousand civilians were killed and the lives, livelihood and property of several hundred of thousands of citizens were destroyed. An estimated 1 million citizens have been displaced since 2007. Furthermore, crime has drastically increased during the reporting period, with bandits and militias setting up roadblocks, harassing civilians and looting property.

Civil rights

In Somaliland, civil rights are formally guaranteed, but at best within the limited reach of secular legal institutions. The dominance of traditional and religious norms and rules mean that women and minority groups in particular face discrimination.

4 | Stability of Democratic Institutions

Somalia does not have a federal government chosen through popular elections. Parliamentary members were selected according to a clan-based formula, but the president has successively filled the ranks of parliament with his own associates. However, political blocs and interest groups do view the parliament as an important body and continue to struggle for its political support.

Performance of democratic institutions

Democratic institutions in 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 traditional rules are in clear contradiction of each other (for example, women's rights), they tend not be perceived as competitive but rather as complementary.

There is no commitment to democratic values or institutions by any of the armed factions in southern Somalia.

Commitment to democratic institutions

5 | Political and Social Integration

Somalia does not have a party system. The Transitional Federal Parliament (TFP) and the Transitional Federal Government (TFG) was nominally formed according to clan lines and not political representation. Loyalties on the local level tend to bifurcate along clan and sub-clan lines. However, political struggles are more complex than clan rivalries, as personal power, business interests and religious dogma play an important and increasing role.

Party system

The Republic of Somaliland legalized the formation of political associations in 2001. Since local council elections in 2002, three political parties have been officially registered. The formation of a new party was hindered by the government and the judiciary in 2007. So far, the existing parties competed in both the presidential election of 2003 and parliamentary elections of 2005. The region is preparing for the next presidential election, tentatively scheduled for late May 2009. Political parties however have failed to consolidate. Parties' organizational performance remains weak, programs are ill-defined and policies, qualified personnel, general membership, defined internal structures and solid funding are lacking.

Cooperative organizations or interest groups that operate independently of the clan system are rare in both Somalia and Somaliland. Social conflicts are perceived and articulated primarily as conflicts between clans and/or sub-clans. However, religious affiliations have played an increasing role in Somali political and social life. While most Islamist militias can still be characterized by their clan affiliation, the militant Al-Shabaab group has successfully integrated fighters from all clans.

Interest groups

A survey of attitudes toward democracy has never been conducted in Somalia. Democratic norms and procedures, however, are also found in the traditional system, which points to an acceptance of democratic ideals within the Somali population. The example of peaceful democratic transition in Somaliland suggests a general acceptance for democratic principles.

Consent to
democratic norms

Political representation in southern Somalia, be it the local administrations or the Transitional Federal Parliament (TFP) or the Transitional Federal Government (TFG), is based on the principle of clan representation and power-sharing arrangements between the major clan groups. With the integration of members of the Alliance for the Re-liberation of Somalia (ARS), however, religion will most likely play a more central role in the parliament and government. Religion in Somalia holds the promise of transcending the deep clan-based cleavages within society. So far radical interpretations have not gathered much support in Somalia, although the experience of the long-lasting war and the years under the rule of warlords may have increased the desire for an Islamic government with a stricter interpretation of Shari'ah law.

The formation of social self-help groups and the construction of social capital is a prerequisite for survival within war-torn Somali society. However, social capital is based on kinship lines, and is grounded primarily in extended family systems. Membership in Islamic organizations and associations provides further opportunities for social organization across clan lines.

Associational
activities

II. Market Economy

6 | Level of Socioeconomic Development

In the absence of state regulation, economic actors in Somalia have been organizing themselves according to traditional and socially embedded patterns of kinship relations. Structures of social control and trust within kinship groups mediate the parameters of economic interaction instead of legal guarantees and general regulations. Clan relations also shape social exclusion as well as inclusion. However, membership in Islamic organizations, which promises new business contacts with the Arab world, is of growing importance.

Socioeconomic
barriers

The Somali economy is based on international trade networks, which are controlled by a small group of wealthy businessmen, while the majority of the population continues to live at the subsistence level, engaged in small-scale businesses as petty traders, livestock or grain producers. However, escalating violence and increasing criminality in southern and central Somalia have shattered economic and income opportunities. According to U.N. estimates, more than 3 million people, more than one-third of Somalia's population, depend on food aid. Increasing food prices and the devaluation of Somalia's currency, the Somali shilling, have contributed to the economic and humanitarian crisis, while food stocks dwindle and malnutrition rates climb in large swaths of the country.

In the central regions, a severe drought has decimated livestock populations, and rural herders have started to migrate to cities to seek new income opportunities or other assistance. The Somali economy relies heavily on remittance income from Somalia's huge diaspora, and remittances meanwhile have become the only means to survive for a large part of the population.

Economic indicators		2004	2005	2006	2007
GDP	\$ mn.	-	-	-	-
Growth of GDP	%	-	-	-	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	-	-	-	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ mn.	-	-	-	-
Public debt	\$ mn.	1949.0	1881.5	1922.6	1978.8
External debt	\$ mn.	2848.7	2750.4	2837.8	2943.6
Total debt service	% of GNI	-	-	-	-
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	0.0	0.0	0.0	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources: The World Bank, World Development Indicators 2009 | UNESCO Institute for Statistics | International Labour Organization, Key Indicators of the Labour Market Database | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security.

7 | Organization of the Market and Competition

There is no state-based legal or institutional framework for market competition in Somalia. In the context of the state's collapse, all forms of economic transaction, including financial and currency systems, as well as social services such as health or education, have become radically privatized. Growing insecurity in southern Somalia as well as numerous checkpoints established by Transitional Federal Government (TFG) forces, insurgents or armed gangs have negatively affected trade as well as the transportation of food aid.

Market-based competition

The absence of an institutional framework limits any sort of positive economic performance in Somalia. Business transactions have been re-established along kinship ties and there are strong tendencies toward monopolization. Foreign trade, for example, is dominated by a few wholesalers who have managed to expand trade networks and to increase their wealth, while the bulk of the Somali population continues to live in extreme poverty and with high levels of social and physical insecurity.

Anti-monopoly policy

In the absence of security guaranteed by the state, businessmen must either cooperate with violent actors or arm themselves to protect their goods against robbery or looting. Better business opportunities exist more for members of powerful clans or sub-clans than for members of less-powerful or poorly armed groups. Although foreign trade is not restricted by the state, those engaged in trade must pay fees to use ports and airports as well as import "taxes" to the dominant local faction or administration.

Criminal business cartels are well-established, especially in Puntland, with several of these cartels contributing to the recent wave of piracy along the Somali coastline. In 2008 alone, more than 100 ships were attacked and dozens were hijacked, with huge ransoms paid by foreign companies and governments. Pirates hijacked a Ukrainian cargo ship carrying 33 tanks in September 2008 and a Saudi supertanker in November 2008; these events led to the NATO decision to actively patrol Somali waters by the end of 2008. However, business cartels are not only engaged in piracy but also in businesses that attract less international attention, such as printing of counterfeit bank notes and weapons trading.

General demand for imports of all kinds, such as food, clothes, electronics, the narcotic leaf khat and cigarettes, connects Somalia to the world market, and foreign trade in the country is completely liberalized. Due to a combination of factors, such as increased insecurity, hyperinflation of the Somali shilling and rising food prices since the beginning of 2008, Somali traders have faced increasing problems in buying food and other necessary items from international markets. Exports are based primarily on livestock, with a few other agricultural products as well as charcoal. Due to a severe drought in the country's central regions, many herders have lost livestock herds and exports have decreased significantly.

Liberalization of foreign trade

In Somaliland, domestic and foreign trade is not subject to much state regulation. However, there is a close bond between the state elite and economically powerful actors. In the past, affluent individuals who could provide financial support for state-building activities were exempt from taxes. Corruption and patronage networks are prevalent in Somaliland.

When the state-owned banking system collapsed, private remittance companies became the sole financial institutions connecting Somalia with the rest of the world. Diaspora remittances sent to family members in Somalia are the primary source for the reconstruction of an internal market. Although international actors are engaged in aiding the remittance sector in developing an institutional framework for their work, remittance companies in Somalia still operate under no regulations at all.

Banking system

8 | Currency and Price Stability

Somalia neither has a formal banking system nor a functioning central bank, and there is no policy for inflation or foreign exchange. Without institutional or political precautions to regulate and control the financial sector, the Somali shilling is prone to severe fluctuations. Currency transactions are carried out by local vendors, who set the exchange rate daily on the basis of localized and contingent factors. In 2008, billions of counterfeit Somali banknotes were printed in Puntland and have been the cause of hyperinflation throughout Somalia. By the end of 2008, the shilling's exchange rate to the U.S. dollar fell by almost 100%. Several traders in urban centers do not accept the Somali currency and have shifted to the dollar, which most Somalis are only able to obtain through remittances from their relatives abroad.

Anti-inflation /
forex policy

In 1994, Somaliland set up a central bank and introduced its new currency, the Somaliland shilling. Responsible for directing the monetary system and the currency, the central bank however lacks trained personnel, experience or market power, which weakens its institutional capacity. Although the central bank's attempts to control the currency market have failed, the Somaliland shilling is reasonably stable and widely used throughout Somaliland. Currency stability has been maintained for the most part by the established money exchangers and khat dealers in cooperation with the central bank. In the westernmost part of Somaliland, the Ethiopian birr is used as a second currency, and the former Somali shilling is still circulated in central and eastern regions. All major transactions are made in U.S. dollars.

The Transitional Federal Government (TFG) has not been able to develop a coherent revenue system. Instead it has relied on fees paid at checkpoints, ports and airports. The TFG has neither the technical nor the military ability to establish a nationwide tax collection system, and is therefore almost entirely dependent on foreign donors. There is, however, no transparent system on how this money is

Macrostability

spent, and there are allegations of corruption and private misuse of foreign money by both the country's first president and prime minister as well as by other prominent figures in the TFG.

9 | Private Property

In the absence of a functioning judiciary and executive branch, private property rights are not guaranteed on any level. The threats of looting and robbery are constant, and have increased significantly over the last two years. Escalating violence has caused significant destruction of private property, especially in the capital Mogadishu, where whole districts have been destroyed in the fighting. Furthermore, Transitional Federal Government (TFG) forces have repeatedly attacked the Bakaaraha market, the biggest market in Mogadishu, causing serious damage to private businesses. The popularity and attraction of Islamist militias lies especially in their promise to crack down on criminality, to establish a common law and to severely punish criminal actors.

Property rights

In Somaliland, private property is nominally protected by the state, and the clan system is the only genuinely effective enforcement mechanism for private property issues. In the absence of an effective state policy to regulate ownership of natural resources such as urban and agricultural land, water points or grazing zones, ownership and usufruct rights are, however, permanent sources of conflict throughout Somaliland.

All economic enterprise in Somalia is private and operates under conditions of insecurity and violence. No legal safeguards exist.

Private enterprise

In Somaliland, private enterprise is viewed as the primary engine of economic activity, and only the port of Berbera and the airport in Hargeisa are state-owned.

10 | Welfare Regime

Somalia at the end of 2008 was in the midst of a humanitarian catastrophe. Escalated violence, the destruction of homes and livelihoods, the displacement of more than a million people, increased criminality and a drought has added to the desperation of approximately one-third of Somalia's population.

Social safety nets

With the collapse of state-run social services, the only social safety nets that exist in the country are with extended families and clans. Remittances received from Somalis abroad account for a large part of this safety net; according to World Bank estimates, these remittances provide up to 40% of household income. However, this money is seldom enough, as the majority of the population survives at a basic subsistence level, and such funds are not able to compensate for the enormous destruction caused during this new phase of the war.

Access granted to humanitarian organizations, however, has been reduced, since national and international aid workers have become targets of militias which accuse Western organizations and their workers of cooperating with the United States and in the war against terror. According to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), attacks on humanitarian workers resulted in 35 deaths and 26 kidnappings between 1 January 2008 and 15 December 2008. Piracy further complicates the safe provision of food aid, as ships independent of their cargo are targeted by pirates.

In Somalia, there is no substantive equality of opportunity. Gender discrimination is pronounced in a citizen's access to education. In Somalia's clan-based and patriarchal social environment, girls are often subject to parental restrictions to education, and there are similar trends of exclusion visible among social minorities. Conditions for the huge number of internally displaced people (IDPs) in Somalia are catastrophic. Discrimination and violence against minorities has persisted during the period under review.

Equal opportunity

The Republic of Somaliland lacks the funds 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 have initiated campaigns to improve women's education. Nevertheless, substantive equality of opportunity for both genders remains beyond reach.

11 | Economic Performance

The real output strength of the Somali economy is impossible to establish, as there are no reliable economic data for Somalia. In southern Somalia and especially in Mogadishu, all signs of economic progress and performance have been shattered due to the escalation of violence. The rise of criminal activity and the establishment of road blocks by militia groups have further contributed to a general economic decline throughout the country.

Output strength

12 | Sustainability

Environmental concerns are entirely subordinate to profit opportunities and short-term benefits and have no institutional framework. The charcoal business in southern Somalia provides a striking example. Trees are cut and burned for charcoal export, which facilitates desertification and the destruction of valuable grazing zones and fertile soil for agricultural needs. Furthermore, foreign companies have disposed of toxic waste and engaged in uncontrolled fishing along Somalia's shores; the damage from this has yet to be assessed.

Environmental policy

The Republic of Somaliland has a Ministry of the Environment, but it does not have the necessary means and budget to provide effective environmental protection or to monitor environmentally sustainable economic growth.

In 1991, the formally organized education system in Somalia collapsed. In the absence thereof, education has been reorganized according to private interests and means. With an estimated adult literacy rate of 24%, Somalia still ranks among countries with the lowest levels of adult literacy worldwide.

Education policy /
R&D

In Somaliland, educational and training services have shown steady improvement. These services are based on the cooperation of state organs with local communities and external donors, including the Somali diaspora. The private education sector is booming.

Transformation Management

I. Level of Difficulty

Implementing a nationwide system of central governance in Somalia is extremely difficult and was, in the last two years, further constrained by the escalating war. The Transitional Federal Government (TFG) severely failed to cope with the twin challenges of peace- and state-building. The split of the Islamic opposition into a moderate and radical wing opened room for reconciliation between the moderates and the former TFG, which facilitated the election of a more integrative president and the departure of the Ethiopian army. Yet reconciliation between the new unity government and radical Islamists remains a serious test.

Structural
constraints

In addition, the government faces formidable challenges in battling the country's humanitarian catastrophe and widespread extreme poverty, but also in overcoming a tremendous lack of human resources while managing the scarcity of accessible valuable resources.

While Somaliland has succeeded in re-establishing state structures and directed democratic reforms, it nonetheless continues to grapple with huge structural constraints on governance as the transition to democracy faces numerous political, social, technical and financial challenges.

The modern Western understanding of civil society is misleading in the Somali context, where there is little distinction between public and private spheres. Strong traditions of social organization beyond the state, primarily based on social trust within kinship groups, exist throughout Somalia. Since the onset of civil war, social network structures have reorganized themselves and strengthened as a means of survival. Numerous NGOs have also sprung up since the mid-1990s, mostly in direct response to (real or expected) external funding from both Western and Islamic donors. However, after repeated bouts of authoritarian rule or fundamental lack of leadership, most Somalis are skeptical of attempts to restore a central authority, and trust in modern institutions remains weak.

Civil society
traditions

Since 1991, Somalia has suffered with a number of factional battles, as groups jockey for power within, and often at odds with, a weak patchwork of mostly clan-based localized authorities. All of this has left behind a society that is deeply divided along sub-clan affiliations. In general, politics within Somalia are radically localized. Even in relatively stable regions, such as Puntland, periodic inter- and sub-clan conflicts, often driven by competitive claims on water, land and grazing rights, continue intermittently in localized situations.

Conflict intensity

The period under review was characterized by enormous sharp increase in violence. The Transitional Federal Government (TFG) and Ethiopian forces were attacked by insurgents and have been since January 2007 involved in an intensifying guerrilla war. Especially the capital Mogadishu was torn asunder by stark phases of escalating violence, but the war soon expanded to central and southern regions. The war was accompanied by massive population displacements from nearly all towns in central and southern Somalia, but especially from Mogadishu, which started to resemble a ghost town. While Somalia suffers with a humanitarian catastrophe, the safe and timely provision of food and other emergency aid has been hampered by roadblocks, violent attacks on convoys and the targeting of aid workers.

II. Management Performance

14 | Steering Capability

There is no unified or common political leadership structure in Somalia. Both, the interim parliament and government on the one side and the Islamist and clan-based opposition forces on the other are affected by internal power struggles and ideological differences. The integration of the Alliance for the Re-liberation of Somalia in Djibouti (ARS-D) and the consequent doubling of seats in parliament in January 2009 will most likely weaken further the body's steering capacity. In particular, the refusal of ARS members of the splinter wing in Asmara (ARS-A) and other Islamist militias to cooperate with the expanded government continues to pose a serious obstacle to strategic priorities.

Prioritization

However, it must be stressed that the much more inclusive government structure which resulted from the Djibouti process, as well as the far more conciliatory and accommodating approach of the new president, provide a window of opportunity toward a re-orientation of the (expanded) Transitional Federal Government (TFG) toward long-term priorities. Although these changes will certainly be challenged while the new government seeks consolidation, there now are indications that strategic aims are gaining importance in policy-making.

In Somaliland, the steering capability of the political leadership is rather weak. Lacking the necessary resources and expertise, political leaders act ad hoc and without coherent political concepts. Bearing in mind Somaliland's serious challenges, with its young, embryonic state structures, a lack of resources and experience as well as the fact that transhumant herders make up a huge part of the population, attempts at democratic reform during the period under review have been very successful. But all attempts at economic reform through establishing regulatory measures, particularly in the currency and financial sectors, have failed so far.

The balance of activities by the Transitional Federal Parliament (TFP) and the Transitional Federal Government (TFG) over the last two years is rather disillusioning. The TFG has so far not shown any progress in achieving any of its prescribed goals, such as launching a reconciliation process or rebuilding administrative and governance structures. The TFG has not been able to establish its rule in the country, and even in Mogadishu it controls only a few districts. Security throughout Somalia has deteriorated considerably during the reporting period and the Somali economy is in crisis. Rising fuel and food prices and the eroding value of the Somali currency has already caused sporadic upheavals in urban centers; especially poorer societal groups and the hundreds of thousands of IDPs living in camps are in dire need.

Implementation

In Somaliland, generally speaking, the foundation of knowledge and the cognitive framework upon which policy is based are rather limited. The main challenge in Somaliland is to establish a political system capable of transcending the deep clan-based cleavages within society. Attempts to overcome clan structures, when undertaken at all, are boycotted by communities and political leaders alike.

The first Transitional Federal Government (TFG) did not learn from the numerous mistakes made during previous efforts to re-build a central government in Somalia. Instead of establishing itself as a government of national unity, it was plagued by internal power struggles and factional fights and, in the war against Islamist and other militias, became itself a threat to the civilian population. Furthermore, its strategy of implementing central governance structures was based on a top-down approach that had already failed once before. Without negotiating and consulting local leaders, the attempt to replace local councils with the government's own supporters has caused severe tension and even violent conflicts in several districts and regions.

Policy learning

However, the largely externally induced appointment of the moderate Nur Adde as prime minister in November 2007 marked the slow beginning of a policy change that ultimately led to the establishment in January 2009 of a more inclusive government framework. The new government still needs to demonstrate to what extent it will apply lessons from past failures. But its formation alone and some

initial moves have clearly signaled a more conciliatory and consultative approach, when compared to the hard line that former President Abdullahi Yussuf Ahmed used to practice toward his opponents.

15 | Resource Efficiency

Somalia's interim government under former President Abdullahi Yussuf Ahmed did not take sufficient advantage of human resources, neither in developing its administrative and bureaucratic infrastructure nor in integrating opposition forces into a broad-based reconciliation process. Furthermore, due to its deliberate use of violence against civilians and its inability to launch any reforms, the Transitional Federal Government (TFG) lost all credibility and support among the population. It is too early however to assess the new government under President Sheikh Sharif.

Efficient use of assets

The government in Somaliland lacks the requisite economic and human resources. The majority of the state budget is absorbed first by security needs (approximately 50%), and second by general administration tasks (approximately 10-20%), leaving few opportunities for social spending and economic development. Clan loyalties instead of competence continue to determine administrative personnel appointments at both higher and lower levels, a practice that facilitates patronage structures and obstructs the efficient use of resources.

The government of former President Abdullahi Yussuf Ahmed failed completely in coordinating its objectives and interests. Its authoritarian attempts to establish governance structures from the top down were broadly rejected within Somali society. Instead of entering in a process of negotiation with local administrations, the Transitional Federal Government (TFG) tried to reshuffle administrations from above and without seriously consulting local authorities. It therefore faced resistance and triggered conflicts in several regions and cities in central and southern Somalia. It is too early however to assess the new government under President Sheikh Sharif.

Policy coordination

In contrast, Islamist militias and especially the militarily and ideologically well-trained Al-Shabaab militias have utilized a quite different, and more successful, approach. Their conquests were usually followed by public outreach strategies and negotiations with traditional elders. Often, the religious authorities and clerics within the Islamist militias publicly announced the return to Islamic morals and values and were at the same time distributing food and money to the poor. But above all the Islamist militias could present themselves as the real bearer of law and order, as they often punished bandits, fought against armed gangs and dismantled illegal roadblocks in the area of their control.

Former President Abdullahi Yussuf Ahmed's flagrant practice of nepotism and the opportunistic nature of the Transitional Federal Government's fragile clan alliances led to a widespread perception among the Somali population of the government and the parliament as extremely corrupt. There are no integrity mechanisms in place, and members of parliament and government are regularly accused of taking bribes and pocketing money delivered by international donors.

Anti-corruption
policy

16 | Consensus-Building

Most political actors, including the moderate wing of the Alliance for the Re-liberation of Somalia and representatives of the Transitional Federal Government, publicly agree with the goal of building a market-based democracy as principally reflected in the transitional charter. However, in local politics, members of political elites often rely on violence rather than on consensus-building when trying to expand their rule. Nonetheless most actors also perceive parliament as an important institution, and while they may use violence to expand or secure their rule in certain regions, such actors may still utilize parliament as a forum to broaden their political support base.

Consensus on goals

Meanwhile, radical Islamist militias and ideas toward establishing an authoritarian Islamist regime have undeniably gained ground throughout Somalia. Somaliland has clearly committed itself to a market-based democracy, although this is yet to be reflected more fully in the conduct of political leaders.

Before 2006, at least all actors within the Transitional Federal Government (TFG) paid lip-service to the goal of establishing a democratic state. The rise of radical Islamism has significantly strengthened the anti-democratic camp throughout Somalia. Although Somali society builds on deeply rooted democratic traditions, the idea of a strict Islamic state has gained support. Its attractiveness derived first from its promise to restore law and order, to seriously clamp down on crime and to overcome the clan cleavages that accompanied and hampered all former attempts to rebuild national unity. Furthermore, Islamists build on patriotic and nationalistic feelings of a united and independent Somalia. The formation of the expanded TFG under President Sheikh Sharif Sheikh Ahmed has marked the beginning of a reverse development, in starting to co-opt former key figures of the Union of Islamic Courts into parliament and other institutions of the formally democratic system.

Anti-democratic
veto actors

The former Transitional Federal Government (TFG) as well as its main political opponent, the Alliance for the Re-liberation of Somalia (ARS) and even Islamist militias, suffered and still suffer from internal cleavages and have lacked the ability to build consensus. Clan cleavages deepened during the years of civil war.

Cleavage /
conflict
management

These cleavages are now exacerbated by ideological struggles over what is seen as the correct interpretation of Islam. Several militias operating in southern Somalia are splinter groups of former Union of Islamic Courts (UIC) forces and lack a central command or general cohesion. Furthermore, conflicts between more moderate and more radical militias have begun in the country's central region, and are quite likely to expand in the future.

Here, too, the formation of the expanded TFG under President Sheikh Sharif Sheikh Ahmed has marked the beginning of a reverse development. While the new political leadership is not yet in a position to prevent the escalation of cleavage-based conflicts, it has clearly pledged not to exacerbate such conflicts. Conflict management between the followers of the former TFG and the Djibouti wing of ARS has improved, although the cleavage vis-à-vis ARS in Asmara and Al-Shabaab remains largely unchanged.

So far none of the governmental bodies inside Somalia, whether warlords, the Alliance for the Re-liberation of Somalia (ARS) and its militias or the Transitional Federal Government, have established an environment conducive for the formation and smooth operation of civil society organizations. Recently 75 seats in parliament were made available for civil society representatives. It remains to be seen if this move will be more than symbolic, and translate into a new openness toward independent civil society groups.

Civil society
participation

For most of the reporting period, no serious reconciliation attempts were made in Somalia. The Transitional Federal Government (TFG) organized one reconciliation conference in Mogadishu in August 2007. While this conference brought about important changes to the transitional charter (allowing individuals from outside parliament to join the cabinet), in terms of reconciliation, it was doomed to fail from its start. The conference was organized under a tight deadline, did not include opposition forces and even the selection of clan delegates from the different regions was dictated from above. Furthermore, the effort was largely driven by the government's desire to gain access to financial assistance provided by external donors.

Reconciliation

The Djibouti process and the integration of the Alliance for the Re-liberation of Somalia-Djibouti (ARS-D) members in parliament lay the foundations for a genuine reconciliation process. The new president has committed himself to this goal. However, many military leaders of the more radical Islamist groups have yet to be brought on board.

17 | International Cooperation

International development assistance to Somalia increased considerably since the Transitional Federal Government (TFG) was created in 2004. However, most of the money is allocated for humanitarian assistance, with the European Union and United States among the main donors. Effective use of humanitarian aid is seriously constrained by increased violence, ongoing population displacement and the targeting of national and international aid workers.

Effective use of support

Financial support to the TFG in the area of governance failed to make much of an impact in terms of rebuilding government institutions throughout Somalia. It has merely managed to keep the skeleton structure of the parliament and the core executive group of the TFG alive.

Following the Djibouti process between the TFG and the Alliance for the Re-liberation of Somalia-Djibouti (ARS-D), the new TFG leadership has signaled its openness toward improved cooperation with the international community. However, it is too early to assess the depth of this commitment.

In its first years, the Transitional Federal Government (TFG) did not build a credible governance structure for Somalia and acted in largely unpredictable ways. It is too early to foresee to what extent the TFG under President Sheikh Sharif Sheikh Ahmed will prove to be a reliable partner. Sheikh Sharif's election has, however, instilled new confidence within a wide range of international actors. The government however has yet to earn the trust of its cooperation partners.

Credibility

Regional actors remain among the key players in Somalia. The Transitional Federal Government (TFG) has relied heavily on military assistance from its main external patron, Ethiopia. However, maintaining military support for the TFG and the upkeep of its own forces in Mogadishu were a costly exercise for Ethiopia. Ethiopia originally had no plans to stay in the country and had several times announced its plans to withdraw as soon as the promised 8,000 African Union Mission to Somalia (AMISOM) forces arrived. Following the Djibouti agreement, Ethiopia removed its permanent forces from Somalia in January 2009.

Regional cooperation

Another major player in the Somali crises is Eritrea, which strongly supported Somali opposition forces, if only because of its animosity with Ethiopia. Therefore, one important pillar of stabilizing Somalia continues to be the facilitation of reconciliation between Ethiopia and Eritrea.

Strategic Outlook

Over the last two years, the political, economic and humanitarian situation in Somalia has deteriorated considerably. However, the integration of the Djibouti wing of the Alliance for the Re-liberation of Somalia (ARS-D) in the Somali parliament, the resignation of President Abdullahi Yusuf Ahmed, the election of Sheikh Sharif Sheikh Ahmed as the new Somali president and the withdrawal of the Ethiopian army in January 2009 inspire new hope for reconciliation and peace-building in the country. The task ahead is nonetheless extremely difficult. First, ARS-D has only limited access to militias in Somalia. Many of the Islamists' field commanders felt betrayed when the Union of Islamic Court's political leaders surrendered and fled the country. They distanced themselves from ARS earlier on and particularly from Sheikh Sharif's moderate wing later. Several of these militias have already announced their will to continue fighting until their version of Islamic Shari'ah is established throughout Somalia.

Reconciliation and peace-building depends on the ability of the new president to deal with the radical wings of the Islamic opposition and to either integrate them in a process of reconciliation or to isolate them from their social base within Somalia. The latter option may, however, be difficult, as radical militias have already gained the public's support, first by their constant struggle against foreign military intervention and second by their ability to fight crime and cooperate with existing local structures. To socially isolate the Islamist radicals, the parliament and especially ARS-D members should immediately launch a grassroots reconciliation process, engaging elders, business groups, religious authorities and as many actors as possible in serious talks about future prospects of peace- and state-building in Somalia.

Beside political measures, it is as important to open up the humanitarian space for relief organizations and to facilitate their ability to distribute emergency supplies to the suffering Somali population. Negotiations on improved humanitarian access have to be conducted with all local leaders, independent of their political and ideological background. The Transitional Federal Parliament (TFP) and the new cabinet will have to earn the trust of the Somali population, and they will, among other political actors, be measured by their commitment to protect civilians and to assist them in crisis situations.

While African Union Mission to Somalia (AMISOM) should be expanded to the initially promised 8,000-strong force to minimize the risk of sparking another and even more devastating insurgency, a solution to the Somali crisis can be reached only through political means. After nearly two stateless decades, peace-building and state-building must be based on genuine grassroots processes. So far, all top-down initiatives have led to escalated violence and contributed to the continued suffering of the Somali population.

The increasing problem with piracy has drawn international attention to Somalia. The piracy issue underlines the fact that it is not possible for the international community to ignore Somalia's statelessness.