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Local Business, Local Peace:
the Peacebuilding Potential of the Domestic Private Sector

Case study
Somalia*

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Somalia

Somali enterprises: making peace their business

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Businesses have played varying roles in Somalia's conflict, with both positive impacts on post-conflict reconciliation and negative impacts that contributed to an escalation in violence at different times. This study focuses on the dynamics of an evolving private sector and its interactions with violent conflict at different stages, in an environment bereft of regulation. It specifically focuses on south-central Somalia. It is based on desk-based research into secondary sources; surveys undertaken by the Somali NGO Centre for Research and Dialogue (CRD); as well as personal interviews with businesspeople, elders, civil society representatives and grassroots actors. Access to these individuals was achieved through CRD's network of contacts.

Geo-political profile of Somalia

Somalia is located in the Horn of Africa together with Ethiopia, Eritrea and Djibouti. During the colonial period, south-central and northeast Somalia was known as the Italian Trust Territory of Somalia, while northwest Somalia was the British Protectorate of Somaliland.

Two all-season rivers, the Juba and the Shabelle, rise in Ethiopia and flow south across Somalia. The inter-riverine area is fertile and was formerly known as the 'breadbasket of the Horn'. Around a quarter of the population are settled farmers living in this fertile zone. Elsewhere, the semi-arid terrain and climate support pastoral and agro-pastoral livelihoods; about 60% of Somalis are nomadic or semi-nomadic pastoralists raising camels, cattle, sheep and goats. The remainder of the population (15-20%) is urban.

Conflict dynamics

The Somali state collapsed in 1991 as a consequence of the gradual disintegration of its governance structures. One precipitating factor was the end of the Cold War, and the vast amounts of military and economic aid that the Somali government had attracted first from the Soviet Union, and latterly the United States. The impact of clan-based, armed groups, notably the Somali National Movement (SNM), the Somali Salvation Democratic Front (SSDF) and the United Somali Congress (USC) in different eras contributed to the collapse of the state. These factions had one clear goal – to depose the government – without formulating any unified, post-government plan.

The military government came to power on 21 October 1969, six days after the assassination of elected president, Dr. Abdirashid A. Sharmarke. Somalia saw a brief period of parliamentary democracy after it became independent in 1960. Fluid clan alliances had dominated the political arena, however, with election votes cast based on clan loyalty rather than political issues. This created widespread grievances, particularly in the north (British Somaliland), where many felt that southern Somalis (Italian Somaliland) sidelined unity issues and manipulated politics in their favour. The alienation of the north and accusations of election rigging in many parts of the country created the grievances that eventually triggered Sharmarke's assassination.

Exploiting the moment, the army seized power ostensibly to restore law and order. General Siad Barre, who led the coup, gained popularity initially by banning the manipulation of clan in all walks of life and by introducing Somalia's first written script. However, his rule soon evolved into dictatorship. Opposition figures were jailed or accused of treason, and freedom of speech was curtailed. The oppressive Barre regime fuelled the subsequent conflict and collapse of the state. Clan identities were manipulated in divide-and-rule politics and Barre capitalised on Cold War competition in the Horn to attract huge military and economic aid.

After Siad Barre was ousted in 1991, the rebels who deposed him struggled for power in the capital, Mogadishu, which is now dominated by one major clan, the Hawiye. Major differences emerged between General Mohammad Farrah Aideed, chairman of the USC, and Ali Mahdi Muhammad, president of the first transitional government. A four-month conflict from November 1991 destroyed most of Mogadishu's downtown landmarks and killed thousands of residents, while displacing tens of thousands more. A multitude of factions carved Mogadishu up into clan fiefdoms. Eventually, the conflict expanded from its epicentre to embrace all of south-central Somalia.

The rest of the country remained relatively stable. The entities of 'Somaliland' in the northwest and 'Puntland' in the northeast enjoy relative peace, and their administrations restored an environment conducive to trade and development. Somaliland offers an exemplary case of democratic process in the Horn with its citizens going to the polls for the third time on 29 September 2005.[1]

After 14 years, Somalia's capital is still unruly and remains the greatest obstacle to countrywide reconciliation, with Mogadishu-based clans disregarding the outcomes of several peace conferences. The Transitional Federal Government (TFG), formed in late 2004 as a result of the Somali National Reconciliation Conference led by the Inter-Governmental Authority on Development (IGAD), is still unable to agree on whether to establish its offices in the capital. Although the intensity of the conflict has subsided, flare-ups are common throughout south-central Somalia.

The paradox in the Somali context is that many of the factors that drive the conflict have also been central in ending it.[2] On the one hand, clan relations are used to fuel power and resource-based struggles, and to mobilise militia; on the other, clan elders are a primary source of conflict mediation and clan-based, traditional law is the basis for negotiated settlements. Secondly, the last manifestation of a centralised state under Barre, far from providing a model of stability, rule of law and the fair allocation of resources, was a conflict factor, and a source of violence and predation. Thirdly, economic interests have led to the emergence of war economies in some areas while, paradoxically, business interests have fostered peace and stability in others.

Socio-economic conditions

In the absence of central government, many assumed that Somalia would quickly degenerate into a state of continuous anarchy. However, compared to the benchmarks of wealthier countries within the region, Somalia fares better in key areas. For instance, Somalia has less extreme poverty and more income equality than richer countries in the region.[3] Forty-three percent of the population lives on $1 or less a day, compared to 50 percent in West Africa and 52 percent in neighbouring countries. Two explanatory factors are the Somalis' historical propensity for trade, facilitated by the country's geopolitical position and remittances (estimated to be five times the annual aid budget and accounting for around 30 percent of Somalia's GDP) from the extensive diaspora.[4] These factors, coupled with easy access to markets, have enabled many Somalis to engage in trade. Economic activities with a short time-horizon, such as trade, are more likely to prevail in the insecure context of conflict, which makes longer-term investments less attractive. The long, porous and unattended borders with Ethiopia and Kenya, and the presence of ethnic Somalis on both sides of the border, make it possible for Somalis to provide neighbouring markets with comparatively cheaper products (tax on goods are almost non-existent in Somalia, compared to Mombasa port).

Historically, the Somali economy can be viewed in four different stages: colonial era, the 1960-69 periods, 1970-90 period and the post-government era.[5]

Colonial economy

The colonial economy focused on the establishment of cash crop plantations in the fertile land between the two rivers, along with the creation of a salaried, official class. In the south, the Italians laid the basis for profitable export-oriented agriculture, primarily in bananas, through the creation of irrigation systems. The plantations also produced cotton and sugar.

Banana exports reached $6.4 million in 1957 and cotton $200,000. In that year, plantation produce constituted 59 percent of total exports. Today, due to the re-occupation of fertile land and changes in international trade agreements, exports of agricultural products are no longer a significant element in the economy. Meanwhile, the appropriation of agricultural land by the colonial power left unresolved land disputes that are still outstanding.[6]

First post-colonial government

The Somali economy was at near-subsistence level on independence, and the new state lacked any capacity to collect taxes from herders and farmers. It could extract customs taxes on international trade but they failed to meet the needs of a government with ambitious development goals. Somalia therefore relied on Italian and British subsidies, which funded about 31 percent of the nation's current budget in the first three years of independence.

In the pastoral sector, the Livestock Development Agency, formed in 1965-66, emphasised veterinary services, the provision of water and holding grounds while cattle were undergoing inoculation and transportation. Pastoralists responded with enthusiasm by entering the international livestock market. In the early 1960s, the value and number of exported animals nearly doubled, and livestock surpassed bananas as Somalia's leading export.

Military regime (1969-90)

President Barre quickly brought a large proportion of the modern economy under state control. The government nationalised banks, insurance companies, petroleum-distribution firms and the sugar-refining plant, creating national agencies for building materials and foodstuffs. In 1973, the government issued a decree that laid the foundation for cooperative development. In this period, the government reorganised the sole milk-processing plant; established tomato-canning, wheat flour, pasta, cigarette and match factories; opened a plant that manufactured cardboard boxes and polyethylene bags; and established several grain mills and a petroleum refinery. The state expanded sugar operations in Giohar (Jowhar) and built a new sugar-processing facility in Mareerey. In three of the four leading light industries – canned meats, milk and textiles – output increased from 1969-75.

There were two watershed events for Somalia's economy. The 1974 drought, dubbed dabadheer ('the long-lasting one) devastated the pastoral economy and weakened the cooperative-based economy. The other was the Ogaden war, which transformed Somalia's political landscape.[7] The war also turned Somalia's socialist allies into foes and after the Ethiopian revolution in the same year, the Soviet bloc switched its support to Ethiopia. As a result, Somalia allied itself with the US and the West.

Following the loss of Soviet support, Somalia abandoned the socialist exercise and the IMF came in to restructure the economy. By the 1980s, the military government had lost its grip on the country's affairs. Corruption and nepotism became rampant, and the underground economy flourished. Senior officials exercised their power to partner with businessmen and the public lost confidence in government institutions. Trust-based networks of money handling, albeit illegal, replaced the existing financial institutions (see below).

The end of the Cold War was a critical factor in the collapse of the state. Somalia's geo-strategic importance ensured it received extensive foreign assistance, first from the Soviet Union and later the United States. This enabled Siad Barre to support a bloated bureaucracy and military, one of the largest in Africa, which could not be sustained without external support.[8]

Limited demographic and socio-economic data exist due to the lack of a Somalia national authority since 1991, and Somalia has not been ranked in the UNDP *Human Development Index* (HDI) since 1997. The World Bank/UNDP *Somali Socio-Economic Survey 2002*, published in January 2004, provides key macro-economic and socio-economic data, supplemented by the UNICEF 'End-Decade Multiple Indicator Cluster Survey' and the 2001 UNDP *Human Development Report*. Based on this data, Somalia ranks among the poorest countries in the world, with a per capita income of $226 ($291 in urban areas, $195 in rural Somalia).

Table 1 – Somali economic data, 2001-05

Indicator	2001	2002	2003	2004	2005
1. Proportion of population below $1/day		43%			
2. Under-five mortality rate	224	224	224	224	224
3. Gross enrolment ratio in primary education	12%	15.7%	17.3%	18.1%	22.5%
4. Ratio of girls to boys in primary education	35.2%	36%	36%	20%	22%
5. Maternal mortality ratio, per 100,000 live births	1,600	1,600	1,600	1,600	
6. Proportion of one-year-old children immunised against measles	15.6%		29%	27%	
7. HIV/AIDS (adults 15-49 years)	<1%	<1%	<1%	<1%	
8. Proportion of population reporting they have access to safe water		20.5%			

Sources: World Bank/UNDP (2004) *Somali Socio-Economic Survey 2002*; UNICEF *End-Decade Multiple Indicator Cluster Survey;* and UNDP (2001) *Human Development Report 2001.*

Civil strife and countrywide consumption of *qaat* (a plant chewed for its addictive, stimulant ingredient) are serious obstacles to recovery. *Qaat* is a particular social hindrance to development and represents an outflow of around $100 million annually.

According to the 'Somali Socio-Economic Survey 2002', the total population is estimated at 6.8 million (one million in Mogadishu), of whom two thirds are under 10 years of age. Primary household income sources are: 50 percent from self-employment; 14 percent wage labour; 22 percent from remittances; and 13 percent from rental income and aid. Prior to the war, the most prosperous parts of Somalia were the southern, commercial agricultural zones and Mogadishu. With the exception of Mogadishu, the situation is now reversed: formerly prosperous areas have declined and areas experiencing relative peace (predominantly in the north) have higher levels of growth. In the more prosperous north, urban centres have grown rapidly since the war.

Remittance companies transfer $700-800 million annually, of which half takes the form of direct payments to families. Remittances account for around 30 percent of Somalia's total GDP and are the economy's largest component. The large diaspora populations also support house construction, small businesses and telecoms services. Remittance companies therefore represent a valuable asset for Somalia's future. The larger companies offer basic banking services and are crucial in supporting the vibrant trading industry.

Other primary economic activities are livestock production and agriculture (predominantly in the south). Livestock rearing is the most important economic activity in south-central Somalia, but it is equally important as farming in the Lower Shabelle, Middle Shabelle and Lower Jubba districts. From 1991-93, the volume of exported livestock increased in response to a seemingly endless demand for meat from Gulf markets. This trend ended in 1994 when prices fell sharply due to the deregulation of the livestock trade in Somalia, repeated outbreaks of Rift Valley Fever and increased competition from Australia and New Zealand.[9]

After a Saudi ban on live animal imports in September 2000, Somali businessmen shifted to the processing and export of frozen meat to the Gulf. Currently, two enterprises in south-central Somalia, Mubarak 1 in Mogadishu and Mubarak 2 in Galkayo, export 210 tonnes per month, in addition to monthly exports of 500 tonnes of raw meat. This translated into earnings of $12 million in 2003, according to the chairman of the two companies.

Besides frozen meat and live animals, hides, skins and other livestock by-products, such as milk and ghee, are also traded and consumed locally. Three major firms in Mogadishu export 150,000 unrefined hides and skins per month, realising about $2.7 million per year.[10]

The amount of land under cultivation shrunk drastically after the state collapsed in 1991, affecting both cash crop plantations and subsistence farming. The agriculture sector was hard-hit by the civil war. Factional competition for control of cash crops led to intense clan disputes. In some areas of the Juba and Shabelle valleys, clans aggressively displaced indigenous populations, sometimes coercing them into labour.[11] A number of other factors born of the conflict further weakened the sector, such as shrinking market share, the deterioration of infrastructure, land erosion or degradation, a shortage of skilled manpower and the donation by aid agencies of staple foods, typically maize and sorghum, at harvest time.[12]

Banana exports resumed in the mid-1990s and fierce competition between two multinational corporations, Brazil's De Nadai and Dole from the United States, accompanied by investment into the industry, reinvigorated production. This renaissance lasted only a short period, however, due to the excessive overheads for transportation and security (in the form of protection money). The struggle between different factions for control in Lower Shabelle – dubbed the 'banana war' – was not primarily about land ownership but distribution issues, namely taxation and marketing, between factions and traders. According to one report, 'multinational corporations involved in the Somali banana economy have financed political factions, thus contributing to the continuation of conflict in southern Somalia in the early 1990s'.[13] When the business costs became too high in 1996, the two companies withdrew. Subsequently, exports of bananas and other fruits reverted back to small-scale traders.

The farmers' subsequent disappointment was a blessing for local consumers. The markets in south-central Somalia are filled with fruits that are rare and expensive overseas: mangoes, papaya, bananas, grapefruits, grapes and guavas.

As well as fruit, south-central Somalia is rich in cereals, with 400,000 hectares of maize and sorghum planted in the first sowing season and 230,000 hectares in the second. Recently in Lower Shabelle the *deyr* (short October-November rains) produced a good maize harvest, although farmers in Hiiraan, Bakool and Gedo realised only limited quantities of sorghum and maize.[14]

Economic dimensions of US-led UN intervention

The US-led UN Operation in Somalia (UNOSOM) was initially formed in April 1992 to secure the safe delivery of relief aid after the civil war, although Somalis recall the intervention as an era of excess and the 'dollarisation' of their economy. Large sums poured into south-central Somalia and lucrative contracts were drawn up for the delivery of food and the essential infrastructures required for a major relief operation. "I had the contract to deliver vegetables and fruits to some of the troops," recalled one businessman. "I was making $10,000 per week."

The markets were flooded with cheaper food and a much-needed respite from the fighting gave Somalis the time and money to undertake business. Both international and national providers won contracts. A former procurement officer with UNOSOM recalled: "International food donations flooded the market. Access to food and markets was improved by the presence of international troops who deterred gunmen who usually looted and denied the needy the food. The abundance and accessibility of international donations to the public made other products in the market cheaper. Moreover, UNOSOM offered contracts to local merchants who in turn bought goods from local markets, stimulating intensive trade. Somalia's local markets were the suppliers while UNOSOM created demand. Also for rental buildings and construction, contracts were frequently given to local engineers. Before long, UNOSOM became virtually the sole job provider for most people. Local markets came back to life after international intervention provided security, food and money."

'Briefcase NGOs' (NGOs in name only that were characterised by one or two entrepreneurs carrying briefcases) proliferated to capitalise on the aid boom. Other economic by-products of UNOSOM included rents, security contracts, employment and currency transactions. Large extended families survived on a single worker's salary. When UNOSOM pulled out in 1995, there was a risk of economic collapse in Mogadishu where the UN had become the main employer, both directly and indirectly.[15] The economy went into 'withdrawal' from the artificial, externally driven stimulation and dependency on foreign aid. The value of the Somali shilling deteriorated, driving up the price of imported food in major markets.

There has been no engagement by external actors near the scale of the UNOSOM mission since 1995. In the absence of a recognised government, donors do not contract directly with regional administrations, NGOs or businesses, but instead fund international agencies for relief and rehabilitation (primarily the UN in south-central Somalia and foreign NGOs in the north), with medium-term development mainly in Somaliland. Due to safety constraints in south-central Somalia, most aid funds are spent in less acute, but more secure areas. Food aid delivery became slower and more expensive in 2005 due to a sharp increase in piracy off the Somali coast (including the hijacking of vessels carrying relief). Piracy is also reported to be driving up the prices of all imported commodities, including fuel.

Private sector activity in the conflict setting

A wide variety of business is active in Somalia, including remittance companies; three competing airlines; three phone companies in Mogadishu alone (offering the cheapest rates in Africa); several pasta factories; over 45 private hospitals; at least 55 providers of electricity; 1,500 wholesalers for imported goods; water purification plants; emerging light industry and manufacturing; and the recent establishment of a Coca-Cola plant with a capital investment of over $8.5 million.[16]

In many ways, the business sector has been one of the few sources of stability since the collapse of the state, meeting many of the latter's responsibilities, such as the provision of services like water, electricity and telecommunications. Through these services, business interests have been a driving force for peace, stability and the rule of law.[17] In other instances, war economies and competing interests have emerged that perpetuate violence and lawlessness. In all cases, businesses pay a high price for the absence of government, most obviously in the high overheads they pay for security. Thus, despite paying no formal taxes and operating in an unregulated environment, many actors in the business sector support the return of a functioning government and limited regulatory frameworks (although they would strongly resist a return to the high level of state control experienced under the Barre regime).

The role of the private sector in conflict settings has been a subject of major focus in post-Cold War era. The new uni-polar direction of global politics evoked rapid globalisation, economic privatisation and the retreat of state-led development that rendered private sector actors more relevant to peace, security and prosperity.[18] In Somalia, the absence of restrictive government policies, state provision, regulation and control has tended to encourage entrepreneurship and competition (including, on occasion, violent competition). Ironically, with the disappearance of the corrupt, centralised state, Somalis have developed better private sector services in many neglected areas of the country than existed in the pre-civil war era, although they may not be accessible to those who cannot pay.[19]

The unregulated economy benefited from entrepreneurial Somalis who created simple institutions to provide quick and cheaper transactions. These new structures eschew bureaucracy and streamline complex transactions in the transfer of money and goods. A simple phone call and a guarantor, preferably a known businessmen or an older relative, can complete the transaction or transfer.

In more complex sectors, such as telecommunications, where international service providers are involved, private sector enterprises have been creative in borrowing foreign jurisdictions.[20] These sectors emerged as Somalis who had fled the country brought back new ideas from their host countries. New light industries, machineries and electronic equipment were brought in. The export-import trade flourished, turning Bakaara market in Mogadishu into one of the busiest and largest in East Africa. Consumerism has grown with the new, aggressive sales mentality.[21] The overflow of goods demanded innovative ways of selling. Mortgaging products to customers, dubbed *Ha I wareerin* (part payments), have begun to flourish.[22] Young children roam residential areas selling products at cheaper prices. Privately owned radios and TV advertise products to generate money. A throwaway mentality has developed with the increased availability of one-time use and cheaply made goods.

Social service provision has also become the domain of the private sector. Privately owned schools, universities and hospitals have mushroomed in south-central Somalia. Some hospitals are subsidised by community handouts and receive assistance from international organisations, such as the International Committee of the Red Cross (ICRC), SOS, Médecins Sans Frontières (MSF) and others, but all charge fees and Somalis have become used to paying for essential services. Private power companies have carved Mogadishu into several zones and provide electricity at affordable rates. Similarly pumping stations scattered across central Somalia distribute water in different zones. The power and water services are actually more reliable in small towns than the bigger cities, since a single provider usually meets demand, while in Mogadishu there is a multitude of providers.

Nevertheless, in the context of the prolonged collapse of the state, there has been a heavy toll on the business sector due to the absence of central regulation, corruption, violence and its repercussions, such as lack of investment and shortened time-horizons. Businesses have adapted to a remarkable degree, and developed coping mechanisms, such as filling the regulatory void themselves, maintaining close ties with warlords or in some cases by assuming warlord-like roles themselves, effectively blurring the boundary between the two.

The costs of conflict to business

As well as loss of life and the destruction of property and livelihoods, the civil conflict and prolonged state collapse resulted in significant out-migration. While the diaspora remains closely connected to events in Somalia and makes a significant financial contribution to extended families and the economy, the resulting brain-drain, combined with lack of educational opportunities for the 'lost generation', left a substantial gap in human capacity, particularly outside the urban centres. The absence of a recognised government militated against international investment and Somalia's full representation in aid and trade agreements (such as the Cotonou Agreement between Afro-Caribbean-Pacific countries and the EU), as well as impacting on Somalis' ability to travel on Somali passports.

The primary costs of prolonged conflict for the business sector include: high overheads for security; poor, damaged or destroyed infrastructure (including ports and roads, with associated high transport costs); and problems associated with lack of regulation. The latter severely limits external trade in key commodities, such as livestock, as well as investment in the absence of both a banking system and a recognised legal framework. Since 9/11, lack of regulation coupled with increasing monitoring of financial transactions also threatens to curtail the operations of the remittance companies, which play a central role in the post-conflict economy.

Security costs

This section focuses on businesses based in Mogadishu, where the effects are among the most severe in the country, but similar dynamics pertain elsewhere to varying degrees.

There are huge security costs involved in running a business in a conflict setting. The cost of paid guards and compensation payments is monumental. According to one interviewee, 20-25 percent of a company's annual budget may be spent on security. Being part of a *diyo*-paying group (see below) can make compensation resulting from an accident in a company car more costly because the company's capital is taken into account when calculating damages.

In addition to escalating security costs, 'free services' may have to be offered to warlords, militia leaders and other individuals, ostensibly to establish friendly relationships. Sabotage, such as cutting wires to catch the attention of a company's security establishment, is frequent and the perpetrators may later demand free services or protection payments. In some cases, companies respond by hiring local men as guards in areas where sabotage is carried out (both to increase security and to offer employment to potential troublemakers).

To protect one's business from conflict, it is not enough to belong to a *diyo*-paying group or have an *abbaan* (see below); it may also be necessary to engage with different armed actors to avoid sabotage. As narrated by one businessman interviewed for this research, on one occasion the conflicts emanating from such incidents halted all business activity. In 2004, a businessman in northern Mogadishu, affiliated with an owner of the Nationlink telephone company, confronted a local warlord concerning the fees imposed on a construction site. When the businessman refused to pay, the warlord ordered a halt to construction. The businessman ignored the order and the warlord's army attacked the site. The businessman's gunmen (mainly from his clan or his *diyo*-paying group) defended the location. Some of Nationlink's guards subsequently became involved. The conflict developed into an open confrontation between the warlord and Nationlink.

Another issue is the vulnerability of Bakaara market, which has caught fire twice in recent years, causing huge losses to businesses. Many traders went bankrupt. While traders pay large amounts for security, it is impossible to safeguard against this kind of accident.

Cross-border trade is also costly and requires complicated logistical and security preparations. Huge costs can be incurred when freelance gunmen ambush caravans and loot their goods. The trans-border livestock trade from Lower Jubba to Kenya is particularly afflicted by cattle rustling. "I remember the looting of 4,000 head of cattle," said a Jubba Valley Alliance officer. "It was Ogaden gunmen looting from Galjecel and Shiikhal. We went after them and brought back most of the cattle."

Physical damage to infrastructure

The key to social and political stability is infrastructure. Its main components are physical (transportation, clean water and sanitation, reliable power); social (a working government that provides financial, judicial, and security services, education, healthcare, communications, trade and housing); and cultural (arts, community, culture and sports).

The civil war decimated physical, especially public, infrastructure. Roads, ports, airports and all government infrastructures either fell into the hands of warlords of businessmen, or became defunct after prolonged neglect. A similar fate lay in store for government offices, buildings and housing. During the early years of conflict, the machinery in government-owned industries was shipped out as scrap to neighbouring countries. Profits from the sale of entire plants helped finance the civil war. The export of scrap from public infrastructure continues at a less intense level, due to the scarcity of available materials. "We ship the goods to United Arab Emirates (UAE)," said one scrap-metal dealer. "The major markets are in India."

Four major airports in south-central Somalia (Mogadishu, Kismayo, Baydhaba and Ballidogle), and two ports (Mogadishu and Kismayo) survived the war intact and are again functioning after minor repairs. Most formed part of the military infrastructure of the Barre regime. Kismayo port is currently functioning, although

Kismayo city has been in turmoil with control changing hands several times until two years ago.

Mogadishu airport is also in good condition, but remains closed because the competing warlords cannot agree to re-open it. Mogadishu port is closed for the same reason. International forces briefly opened it during the UNOSOM intervention, but it was shut down as soon as foreign troops left. The natural port of Elmaan is the only port currently operating near Mogadishu, and it was built and run by private businessmen. This destruction inevitably imposed major disruptions on business, and related costs.

Factors facilitating business activity

Despite the heavy costs, several other dynamics contribute to the vigour of private sector activity in south-central Somalia. These shaped the private sector and are the driving forces underlying the evolution of the sector.

Globalisation

Throughout the 1990s trade expanded at rates substantially faster than the growth rate of the global economy, spurred by the conclusion of the Uruguay Round of trade negotiations and the setting up of the World Trade Organisation in 1995.[23]

Although the 1990s were characterised by civil war and destruction, they were also a watershed period for Somalia's economy, which steered new directions in entrepreneurship, trade and enterprise. Much of this can be attributed to globalised trade. The influx of multinational companies into new territories in the developing world made services and products more easily available and more affordable. Somali traders no longer have to travel to Europe or the United States to launch their business ventures. Closer markets in the UAE and South East Asia provide better alternatives in terms of cost and access.

Furthermore, the fierce competition between global companies for markets encouraged them to venture into conflict-ridden zones. Telanor of Norway, MCI and Coca-Cola are all examples of multinationals that have partnered with Somali businessmen. Somalis provided the investment required for the Coca-Cola venture. Like any other local company, Somali businessmen make the investment and provide the security.

Local networks and the simplification of transactions

In the absence of centralised regulation, local networks play a major role in interactions between Somalis. While a working government is still elusive, the governance structures inherent in Somali culture have reasserted themselves. To a degree, this informal, non-uniform governance seems to perform better. In the absence of a working government, the private sector played a major role in restoring basic service provision and the related infrastructure. Trust, based on reputation and clan relations, is a major aspect of such transactions. That trust has been strengthened by crosscutting business ventures that transcend clan confines, further dampening polarisation along factional lines. A recent example of how this operates concerned the looting of a convoy of food aid in Burhakaba. The businessman contracted to deliver the aid contacted a fellow businessman in the area who mobilised his own forces and later returned the looted goods.[24] This *quid pro quo* for facilitating business across clan lines evolved throughout the period of state collapse as a survival strategy in the absence of any alternative regulatory system.

The role of local networks manifests itself in other ways, most apparently in the legal system. The traditional legal system in place employs customary law to settle disputes and resolve conflicts. The two major components of the customary law are *diyo* and *Xeer.*[25] Traditional conflict resolution mechanisms (TCRMs) are also used to settle land and property disputes. Although formal property rights are non-existent in Somalia, TCRMs mediate such disputes by reference to clan relations and networks.

Hawala, a financial institution based on trust, has replaced the formal banking system. It derives its vigour from an indigenous tradition whereby caravans travelled under the guard of *abbaan* (the *hawala* system is discussed in detail below).

Unlike colonial and post-colonial security institutions, the *abbaan* system has enjoyed the confidence of nomadic Somalis since pre-colonial times and never became obsolete.[26] The *abbaan* is the bedrock of a security network implemented between clans residing along the route of a trade caravan. Members of hostile clans provide protection for goods passing through their own territory. The majority of clans respect the role of the *abbaan*, knowing they may need safe passage of their own goods in the future. Although the function of the *abbaan* is the same, the role it plays in modern businesses, such as the telecommunications sector, has changed. It is no longer a caravan or goods that require protection, but infrastructure. The modern *abbaan* could be a shareholder inclined to protect the infrastructure or recruit customers from his clan and friends. However, nothing has changed in the selection criteria: reputation, status and strength of lineage. While the old *abbaan* was rewarded for the safe delivery of the goods, the modern *abbaan* relies on the profitability or success of the business.

Illicit business activity and its impacts

Some traders have profited greatly from the conflict dynamics and lack of regulation. Somalia is a primary route for weapons smuggled into the Horn and East Africa from Yemen, which has been described as a weapons supermarket. Expired or low-quality drugs and foodstuffs are among the commodities purchased in UAE for sale in Somali markets and beyond. The illicit export trade includes charcoal to the Gulf, causing irreversible devastation to the environment, female livestock and rare or protected species. The smuggling of duty-free, electronic goods from the UAE and Asia through Somalia into Kenya and neighbouring countries has undermined legal traders in those markets. Unregulated fishing for lobster and shark fins for export threatens the future of marine resources. The daily import from Kenya and Ethiopia of *qaat*, a mildly intoxicating narcotic leaf, costs Somalia an estimated $100 million per year.[27]

Scrap metal, charcoal, expired drugs

The lawlessness prevailing in the civil war era affected Somalia's export profile, with charcoal and scrap metal emerging as new export commodities.

In a country like Somalia, where industrialisation is in its infancy, scrap is a valuable raw material. Local mechanics and blacksmiths use it to manufacture domestic utensils. Scrap also provides spare parts. When a machine component wears out, defunct machinery is cannibalised for similar components that can be used as spares. "The export of scrap metal depleted the spare parts resource in this country," said one mechanic interviewed. "This country brought all kinds of machinery from all corners of the world. From Bulgarian-made machines to American and Italian tools. Some are obsolete. Their spares are not available. Even those that are available, we cannot afford. The farmers do not have money. Things have changed. So this scrap sometimes provides a spare for old, dysfunctional machines."

Meanwhile, the export of charcoal is indicative of the immense environmental degradation Somalia is undergoing. The depletion of trees has turned pasture into abandoned, arid landscapes with extensive erosion of the surface, alluvial layers that once made it fertile. An estimated 200,000 bags (50 kg) of charcoal are exported to the Gulf states every month through the natural ports Ceel Macaan and Ceel Cadde. The harvest area now covers the Bay, Lower Shabelle, Middle Shabelle and Lower Jubba districts. Since the backbone of Somalia's economy is the export of livestock, the erosion of pasture signals the future decimation of its herds, farmland and traditional livelihoods.

The import of expired, fake or low-quality, pharmaceutical drugs is another feature of the unregulated economy. Traders buy prescription medication near or beyond expiry in the UAE and elsewhere for import into Somalia where they are commonly sold on the streets. The absence of effective or affordable healthcare has led to increased reliance on unregulated, small pharmacies that offer prescription drugs for sale on request. Those running the pharmacies are generally unqualified and the public is poorly informed of the proper use of the medications, with the associated health risks.

Although no concrete data are available, drug trafficking is known to exist. A local warlord in Lower Shabelle confiscated marijuana on several occasions and farms growing it were burned.

Currency printing

The stateless economy invites fraud. From 1999-2000 Somali businessmen printed 38 billion Somali shillings ($2.53 million) in 1,000-shilling notes.[28] An additional 195 billion shillings ($13 million) were printed in 2001. This huge sum, channelled not through a bank but in private hands, created millionaires overnight. Sudden influxes of this currency typically caused inflation and price increases, impacting on the most vulnerable groups. Powerful factional and political figures were implicated as well as the businessmen. A panel of experts reporting to the UN Security Council described the printing of money as tantamount to violation of the UN arms embargo – given its potential for generating wealth to import weapons and foster conflict.[29]

Business and warlords: an evolving relationship

In a conflict setting, businesspeople change their relations with conflict actors to protect themselves and their businesses. This can include arming themselves to secure their interests and trade routes. In the early phase of the conflict, businesspeople needed the warlords' authority and protection to run their business. They therefore became financiers of conflict and partners of warlords: the provision of finance to warlords' causes fell on every clan member as part of the *diyo*-paying group, but the clan's businesspeople assumed the lion's share in putting their wealth at the warlords' disposal.

At that stage, the complex economic interactions between businesspeople and warlords blurred the distinction to the extent that they became indistinguishable from each other. In various ways, they combined in undesirable symbioses, using reciprocal strategies to maintain their own activities – with businesspeople doing business to sustain conflict, and warlords engaging in conflict to protect, pursue or promote their economic interests.

Early stages: business sustaining war

In the early days of the civil war, confusion, looting and anarchy were the norm. Conflicts emanating from the plunder of government stores, banks and everything of conceivable value triggered the wanton killing of civilians. Many so-called 'clan conflicts' at the time masked simple if vicious rivalry over resources. Freelance gangs exploited the anarchy and thrived through looting and extortion. Food aid became part of the war economy, leading to the notorious looting of international relief that prompted the US and UN intervention. An estimated 250,000 people died in the war and famine in 1991-92. But the looting of food donations had business dimensions as well. The faction leaders who led the overthrow of the Barre regime, and others who became powerful after the state collapsed, needed food for their fighters, while freelance gangs sold it to the public who, even when they had money, could not find food to buy.

In the absence of an overall 'winner' in the struggle for Mogadishu in the early 1990s, and after UNOSOM's withdrawal in 1995, the warlords required continuous and more systematic access to resources to fund and sustain their fighting. Somalia has no valuable natural resources, such as gold or diamonds, with which to fund conflict as other African countries do. These resources draw external actors with large sums of money into the equation. Nevertheless, warlords and entrepreneurs attempted to make do with what was available to them, through the export of goods looted during the UNOSOM period and later by exploiting charcoal, marine resources and rangelands associated with the livestock trade.[30]

Many businesspeople contributed funds as members of *diyo*-paying groups. Rich groups in the clan pay in advance in the hope that less fortunate members will face more exacting levies later. As the richer clan members exhausted their resources, other means were employed, such as using armed militia to confiscate and export the government infrastructure. Entire factories were sold to neighbouring countries, creating a generation of wealthy entrepreneurs, and industrial and heavy-duty equipment, such as tractors, vehicles and various machines, were also exported.

The protagonists' need to generate resources created entrepreneurs who became warlord associates, and could use the warlords' 'muscle' to confiscate the government's arms depots and productive equipment. These businesses, albeit illicit, provided some employment, though mostly for gunmen and accountants.[31] At the same time, these entrepreneurs needed weapons and guards to protect their business and property. A negative cycle ensued in which businessmen partnered with warlords both to protect their own wealth and fund the latter's power struggles, resulting in unbridled illicit business ventures. The new entrepreneurs (or warlord associates) filled the vacuum left by the Somalis who fled abroad, taking high risks, and reaping high profits.

Warlord associates with funding capability began to emerge. Powerful businesses, who could provide security and protection, won lucrative contracts from international donors for the delivery of food and essential medicines to remote areas. The money earned was re-invested in private business, especially import-export and construction.

Transition: business as a deterrent against warlords

The watershed period for the divorce of the warlords from the warlord associates coincided with the arrival of UNOSOM troops in 1992. UNOSOM served to weaken the warlords' role while empowering business through lucrative contracts (over $2 billion was injected into the market). At the same time, the protracted nature of the civil conflict wore down the warlords while entrepreneurs began to establish businesses that transcended clan confines through use of the *abbaan* networks.

Taking advantage of their relationships as members of *diyo*-paying groups, some businesses began to recruit gunmen from the militias. This developed a class of armed businessmen whose relationship with the warlords sometimes turned sour. The greatest challenge, however, was the arrival of the Transitional National Government (TNG), formed at the Arte peace conference in 2000 and supported by business. Mogadishu-based warlords boycotted the government and vowed to prevent its establishment in the capital. Businesspeople in turn sponsored the government's arrival in Mogadishu, providing their armies to deter warlord attacks. Despite this, clashes between the warlord and business armies were inevitable. A confrontation at Mogadishu port in 2001 between forces respectively loyal to a businessman and a warlord resulted in heavy casualties including the killing of three senior army officers, and over 40 civilians and combatants.[32] Again, in 2004, the armed guards of the company, Banadir, clashed with a warlord's gunmen over tariffs at Elmaan port, leaving the warlord defeated. Later negotiations quelled the dispute.[33]

Businesses and warlord accommodation

Such intensive confrontations have recently given way to smaller incidents and flare-ups. By this stage, businesses have built sophisticated and expensive infrastructure. "In this phase of conflict," said one businessman, "there is a common understanding between warlords and businessmen. Both understand their roles. The warlords protect their political standing; the businesses guard their ventures."

Businesspeople and warlords have become accommodating to one another in an environment where the distinction between them has blurred. The fundamental difference between a warlord army and a business army is that a warlord's militia is usually dominated by his clansmen, while businessmen hire gunmen from different clans. The rationale is simple: businesspeople want to undertake ventures in various clan network domains, and hiring 'staff' from other clans provides them with access.

Profiting despite conflict

Despite the immense difficulties described above, it is apparent that some entrepreneurs have been hugely successful in setting up businesses in niche markets, reaping considerable profits while offering services that are in demand with the public. Having already described these dynamics above, this report will now focus in greater detail on telecommunications, *hawala*, and market trade.

Telecommunications

Prior to the civil war, telecommunications had always been in the public domain. In the current unregulated economy, the sector has mushroomed, facilitated by the simplicity of the infrastructure required and quick returns on investment. Together with the *hawala* system, telecommunications has become the leading private sector industry.[34] As indicated above, prices are among the cheapest in Africa.

For the large Somali diaspora, telephones are vital for staying in touch with home. Effective telecommunications infrastructure can stimulate economic growth, raise living standards, and restore and strengthen ties in a community. A modern communications network plays a vital role in narrowing the physical distances that separate the villages and towns, and dramatically improves access to information and markets.

Good telecommunications underpin a variety of other businesses. Along with financial institutions, it acts as an interface between business networks and the foundation for their structures. Whether ordering a product or buying spare parts; transferring money or finalising a transaction, telecommunications are indispensable. Among the many sectors that depend on telecommunications infrastructure, the media sector is most obvious. Local radio stations in Mogadishu have correspondents who use mobile telephones to broadcast the news from all over Somalia.

Given the dynamic nature of the sector, with its rapid rate of mergers, closures and start-ups, it is difficult to quantify its size or the number of people employed. However, the following description of the three large telecommunications companies in south-central Somalia gives some indication of the sector's capacity.

The big three in south-central Somalia

Three companies, Hormuud, Nationlink and Olympic Telecom, cover almost the entire telecommunications market in south-central Somalia, and Nationlink increasingly provides services abroad, notably in the Democratic Republic of Congo, Rwanda and the Central African Republic. Without a regulatory body, new entrants to the market cannot compete with established ones who keep a tight grip on their monopolies. The assigning of frequencies is undertaken under the auspices of the big three and the decision reflects their consensus. The regulating body in Somalia is, therefore, a market commodity, meaning that market share determines regulation, albeit on a consensual basis.

Similarly, the big three made a tripartite agreement to interconnect among themselves, allowing customers to make calls between networks. "The original idea was suggested by UNDP, which proposed hiring a consultant to study the issue," said one telephony engineer. "However, when we saw the cost involved, we asked ourselves: 'Can't we do this ourselves?' Then the managers of the three companies created a multi-company technical committee to study the possibility of implementing inter-operability. We succeeded and went ahead with the implementation. Now, the initiator of the call takes $0.08 a minute, while the receiver gets $0.07 cents a minute."

Hawala

Hawala is a traditional way of transferring money that is based on trust. The transactions are simple and cheap. "Modern banks will always ask you a lot of questions and ask you to fill in a lot of forms," explained a financial officer from the *hawala* dealer, Global Money Transfer. "This is not convenient for our people, who are an oral society. It is time-consuming. When they come to us, they just answer the how much, to whom, whereabouts and beneficiary-related questions. They don't have to write up forms."

The money-transfer business made its debut in the early 1970s. At the time, remittances were wired to the national bank as it was illegal to funnel money to private financial institutions. Nevertheless, as people lost trust in the banking system, an informal remittance business developed. That was the only way to avoid the unreliable bureaucracy in the failed government's banking system. On several occasions, money remitted from abroad was lost due to mismanagement. Corruption, caused by the bank employees' low salaries, eroded public trust: in 1975, private unrequited transfers dropped from $4.1 million to $3.3 million at a time when the number of Somalis working abroad had rapidly increased.[35]

As people discovered the simplicity of *hawala*, more and more adopted underground money transfers. The transfer goes as follows: the remitter hands the money to an overseas businessman who invests it in goods that are transferred to the local market in Somalia. The money is given to the beneficiary after the goods are sold. The downside is that the beneficiary only receives the net amount sent; the businessman does not charge, but has the prerogative to use the money for his or her business.

With the exodus of Somalis to all corners of the globe after 1991, remittance offices equipped with VHF radios sprung up like mushrooms. The underground market became the only market. Security was also an issue. Carrying money in the streets was an invitation to be robbed or killed. Local transfer businesses, employing clan networks, took on the task of transferring money around the country. In the early stages of the civil war, these networks mainly served the internal trade between the regions and cross-border areas that the VHF signals could reach.

By 1992 *hawala* offices, pioneered by the Al-Barakat remittance company, were established in major cities in Europe and North America. Al-Barakat grew into Somalia's largest private company in terms of employees and financial resources, which were estimated at $300 million per annum.[36] In addition to remittances, it also allowed customers to deposit cash for safekeeping and to set up checking accounts. Many UN and international agencies used it to finance their operations. It subsequently grew into a multinational company serving a number of Arabic and African diasporas, including Ethiopians, southern Sudanese, Egyptians and Kenyans. By the late 1990s one could find international queues lining up in front of Al-Barakat offices in London, Toronto and New York. It was also Somalia's largest provider of telecommunications services.

After 9/11, the United States accused Al-Barakat of having links with Al Qa'ida and the UN subsequently imposed sanctions against it and other remittance companies. Al-Barakat's considerable assets, including the savings of tens of thousands of Somalis, were frozen, seriously damaging livelihoods and the business boom in Somalia. The country's biggest company was accused of money laundering; around 6,000 Somalis lost their jobs; and many families lost their entire savings. The rate of growth of money transfer businesses slowed. In the absence of a transparent legal process, many Somalis regard the case against Al-Barakat and the impact of its closure very negatively.[37]

In late 2002 the Financial Action Task Force (FATF) tightened regulations for EU states and imposed significant changes on the money transfer industry. As the regulations began to be enacted in 2003, Somali companies, which operate on an informal basis, experienced increasing operational difficulties. However, in 2004 the larger companies, supported by UNDP, made efforts to become more compliant with FATF legislation. The key companies absorbed the regulations and 11 of them (Dahabshil, Amal, Dalson, Mustaqbal, Kaah, Olympic, Global, Ammana, Sahan, and Hodan Global) formed the Somali Financial Services Association, based in Dubai.[38] Not all remittance companies agree on the benefits of the association; they differ widely in their capacities and operational systems; and have varying levels of adjustment to external banking systems. Attempts to impose regulation, whether by a future Somali government or through external interventions, risk driving some of them underground. An alternative approach is to support the capacities of the companies, particularly in the context of the broader interdependence of service sectors (including airlines, trade and telecommunications), and build trust and confidence through this process.

Trade

Some research studies argue that higher volumes of trade make the costs imposed by conflict less tenable. Thus traders, in seeking to protect their investments, can become a force against armed conflict.[39] This observation needs to be more nuanced, since there are many examples that show that trade in various licit and illicit goods can feed into, and sustain, the continuation of conflict.

At the same time it is true that trade links are often the only forms of contact between warring parties and thus hold potential in terms of peacebuilding.[40] In the Somali context, trade certainly plays an ambivalent role. While feeding into conflict and containing some elements of coercion, trade also contributes to the mending of broken ties and the removal of barriers between conflicting parties. Business interactions can create a culture of interdependency and reciprocity that underpin networks of cooperation in all aspects of business.

Bakaara market

Somalia's largest market, Bakaara, was inaugurated by the late military government in October 1972. It is the lifeline of Somalis throughout the Horn of Africa, but particularly for areas bordering south-central Somalia. The market thrived during the US-led Unified Task Force (UNITAF) intervention, beginning in December 2002, as money poured into the city. A year earlier, business had been in recession due to war and a famine remembered locally as the *Caga-barar*.

There is little that is not available at Bakaara. It is Somalia's largest market for medicines, with most products imported from India and Pakistan. The fuel and petrol market is supplied from Dubai and Kenya, respectively. Large Somali companies, including GASCO, SOBIC, KAAH, Benaadir and Hillacc, control this trade. Initially, they operated as a cartel, fixing prices collectively. Similarly the trade in imported foodstuffs is controlled by a few companies, including Badar, Olad and Towfiq. Badar and Olad are wholesalers and importers, with big chains of stores throughout Mogadishu. Local maize, sorghum, beans, peanuts, sesame, wheat and rice are also sold on the market.

Each section of Bakaara market is protected by security staff paid by stores in the location. There is also a security network among different staff. "We know each other very well," said a security officer attached to Bakaara's gold market. "Some of us are limited to the protection of one or two stores, but you cannot be independent from each other. We help each other."

There are other hazards that are almost impossible to control in such a large, unregulated market: the fuel market is particularly risky, because huge tanks full of fuel are lined up on the streets, not underground as is standard in other countries. A recent UN Security Council report on Somalia revealed: "On the night of 10 April [2004], a serious fire in the main Bakaara market in Mogadishu resulted in at least eight people killed and more than 30 wounded. Armed looters shot indiscriminately into the crowd. The incident caused widespread insecurity in the areas surrounding the market."[41]

The market dynamics are simple, although they can also be slow. A network of brokers, accountants, stock-keepers, exchange rate checkers and a correspondent with international suppliers keep the market interactions moving smoothly. There are currently 11 smaller markets within it.

In addition, Bakaara hosts a large, arms trading centre. The weapons market, dubbed *irtoogte*,[42] sells a wide variety of guns, mortars (120 mm and 80 mm), rocket-propelled grenades, anti-aircraft weapons, mortars and ammunition of all types, making it one of the most notorious in the outside world. The unregulated arms trade is in violation of the UN arms embargo on Somalia and contributes to increased availability of weapons in the entire region (including Kenya).[43]

Business contributions to peacebuilding

Business activity is paradoxical in Somalia, having both stabilising and destabilising effects on the wider conflict as well as on the lives of ordinary people. Yet there are examples that, beyond businesses coping with conflict in order to keep daily life and keeping the economy going, present elements of peacebuilding.

These include provision of job opportunities, which have social and economic dimensions. One phenomenon is that many businessmen hire clan gunmen as guards and in other positions, using their influence and networks to convince them to give up their purely military activities. Thousands of young men have been diverted from the militias into the workforce as a result. Young men become productive and are spared the hopelessness that many militia members face. Other social activities include the donations businesses give to Banadir and Medina hospitals, previously owned by government, but now in community hands. Businesses, along with international NGOs, provide a lifeline for these hospitals. Many businesspeople regard what they give to the community as the *zakkah* required of them as Muslims.[44] Many use *zakkah* to give to the needy, while other contributions are directed to building a road or mosque.

Business groups in the past invested in mediation meetings between warring factions. Typically, businesses undertake the logistics for meetings of traditional elders to de-escalate various flare-ups. The engagement of the *Digil and Mirifle* elders in the *'Iidaale conflict'*, and the engagement of traditional elders to mediate in conflicts in the central regions are other examples. The latest peace conference in Brava, where the Jubba Valley Alliance and Lower Shabelle administration convened, was sponsored by business figures.

While these examples illustrate the diversity of the peace-promoting activities the business sector undertakes, they are mainly *ad hoc* responses, and the Somali business community has no coordination or strategic vision for its engagement in the various dimensions of peacebuilding needed in the country. The case studies below may provide starting points for a more strategic approach.

Businesses and security dimensions of peacebuilding

Businesses often provide jobs and indirect rehabilitation for gunmen, who subsequently develop into small traders. Businesspeople try to sever links between marauding gunmen of their own clan and freelance militias, ostensibly to avoid the danger of becoming the targets of clan-wide, revenge killings. In Mogadishu many businesspeople 'rehabilitated' gunmen related to them by hiring them as drivers or store-keepers. These are important examples of the informal reintegration of ex-combatants into the workforce.

At the level of formal DDR processes, one indicator of success is the degree of integration of former militia fighters into the local communities. The placement of trainees is what makes DDR programmes work. Apart from the informal hiring of ex-gunmen, Somali entrepreneurs are actively involved in more institutional programmes; a good example is the partnership established between Elman Peace Centre, a local NGO, the telecoms company Nationlink and UNICEF to undertake a rehabilitation and reintegration programme for child soldiers in 2000-02.

Tripartite partnership for the rehabilitation of child soldiers in Mogadishu

One of the more worrying phenomena in today's civil wars is the recruitment of child soldiers. In Mogadishu, children as young as 11 control many of the city's checkpoints. They do not carry guns, but they undertake duties such as clearing the way after vehicles have paid fees, or flashing torches to alert vehicles approaching the checkpoint at night. Girls are often engaged in cooking food and making tea. Some are runaway teenagers. They frequently engage in prostitution or act as informers.

UNICEF, the Canadian International Development Agency (CIDA), the Elman Peace Centre, and the telecommunications company, Nationlink, established an agreement in August 2001 to undertake a programme on child soldiers' rehabilitation and reintegration. Nationlink provided equipment, expertise and training in a dedicated centre, agreeing to offer placements to graduates of the programme. Vocational training courses included non-formal education in numeracy and literacy, telecommunications technology, computing, driving and office administration. Children received four days per week of vocational training. The programme also included two days a week of counselling and training in conflict resolution.

The recruitment process involved community elders, warlord associates, women's groups and peace activists. As 'intermediate actors', members of the network worked to win the consent of the warlords controlling the militias from which children were to be rehabilitated. The network advocated the banning of child soldiers' recruitment. Sixty child soldiers under the age of 18 (10 of whom were girls) were recruited from Mogadishu checkpoints. The project was implemented in two phases of six months each.

At the end of phase two, Nationlink hired 12 of the 30 telecommunications trainees. Several others were employed at local power stations. A number of trainees failed to win placements and, in the absence of alternatives means of livelihood, returned to the checkpoints, highlighting the importance of a placement component in any DDR programme.[45]

The private sector has indicated its interest in more active participation in DDR and has made financial contributions towards the campaign for the stabilisation of Mogadishu, the removal of checkpoints and support for the militia who operate them, as indicated in the two case studies below.

Business participation in dialogue

On 22 April 2005, two armed leaders in Medina signed a peace accord to end conflict in this key Mogadishu district at the time when the TFG was beginning to relocate to Somalia and armed leaders had demonstrated their willingness to establish a security plan in partnership with civil society, particularly with women's groups.

More than 60 militiamen aged 18-27 participated with business representatives and UN observers. Two films were screened depicting Somaliland elders *(guurti)* sending peace messages to the south relating how the peace processes had succeeded with the active participation of armed militia; and past atrocities committed against unarmed civilians by militia members. Militiamen were provided with training in conflict resolution as an alternative to the culture of violence, which increased self-esteem.

A significant part of the workshop involved a businessman who had invested savings in an area destroyed by the conflict. As he described the impact of this destruction, the militia responsible stood up to apologise. The apology was accepted and the site had its name changed from 'the unlucky one' to 'the peace centre'.

Subsequently, business groups made a presentation on potential resources that could be invested to generate jobs if the peace accord were sustained. The proceedings of the workshop were broadcast on Mogadishu media and militia groups initiated a joint action plan for implementing the peace accord, including a public rally to disseminate information. This was broadcast live by local media.

The business sector also has an interest in reducing the high overheads it pays for security. However, as indicated in the study below, political dynamics are critical for effective progress.

Business participation in the Mogadishu Security and Stabilisation Initiative

After the formation of the TFG in late 2004 and as part of local efforts to stabilise Mogadishu, the CRD convened a day-long meeting of opinion-makers in Mogadishu on 6 June 2005. The 72 participants included the former presidents Ali Mahdi and Abdiqassim and representatives of the *sharia* courts, the business sector, civic and women's groups and the media, chaired by the TFG Speaker. The aim was to advance a plan of action for the Mogadishu Security and Stabilisation Initiative (MSSI) and generate consensus and endorsement for the initiaitve by the broad-based group. Live broadcasts on radio ensured a high degree of public awareness.

The meeting agreed to clear all roadblocks with immediate effect. The following day, with the participation of the civic movement, all checkpoints were dismantled or circumvented. Funds were mobilised from the local community, the business sector and diaspora ($140,000 by late June) to support the encampment and training of 2,000 militia in two locations outside the city, together with the cantonment of 100 heavy weapons.

As of late 2005, the impasse at senior levels of the TFG has inhibited further progress with the MSSI. Some checkpoints have returned and there has been little international support for the initiative. But the Mogadishu civic movement continues to support the militia camps with basic essentials (mainly food, shelter and health care), as well as providing civic education.

In August 2005, CRD was asked to provide technical assistance at a follow-up meeting attended by 25 representatives of the business sector, the Islamic courts, civil society and the TFG. Discussions focused on continuing support for the militia in cantonment camps, the removal of the remaining checkpoints and the establishment of a regional administration through a broadly participative process.

The dilemma faced was summarised by a key figure from the Benadir business community who said: "Earlier it was easy to raise contributory funds for the MSSI. But it has become difficult to convince businessmen to make financial contributions without any clear roadmap to end the current political stalemate and establish a Banadir regional administration through which support can be channeled."[46]

There was no resolution to the stalemate, but the meeting recognised that consultations were key exercises to pave the way for genuine, future dialogue.

Supporting the political peace process

Businesses have also participated in political-level processes that have paved the way for the establishment of the TNG, as evidenced below.

High-level dialogue with the business community

The constructive role of the business community was evident in 2000 after it backed the TNG following the Arta peace conference,[47] despite warlord opposition. The new government's arrival was a wake-up call for all Mogadishu residents.

Against this background, CRD, WSP International, IGAD and the Djibouti government held a high-level dialogue in Djibouti on 21-22 July 2004. The purpose was to obtain a commitment from the business community to contribute to peace and reconciliation, and play a role in reconstructing the country. Some 36 businessmen and women attended, representing all Somalia's economic sectors and geographical regions.

Sponsored by the Djibouti government and IGAD, the forum was the third meeting of its kind for the business community. Its goals were to:

- Elicit support from and engage the business community in the proceedings of the IGAD-led Somali National Reconciliation Conference (SNRC)
- Demonstrate to business leaders that their involvement and active contribution is essential to the rebuilding of Somalia.

Members of the Somali business community, and delegates from IGAD and Djibouti discussed ways to foster the SNRC in Kenya from which the TFG emerged. The high level of political and diplomatic participation underscored the importance attached to the Somali business community's support to the peace process. In attendance were the President of Djibouti; the Minister of Foreign Affairs and International Cooperation of Djibouti; the Minister of Foreign Affairs of Ethiopia; the Minister of the Environment and Natural Resources of Kenya; the Assistant Minister of Foreign Affairs of Kenya; and the Special Envoy of the Kenyan government for Somalia. Also present were diplomats from the United States, Sudan and Eritrea; representatives of UNPOS, UNDP, the European Commission Delegation for Kenya-Somalia and international organisations accredited to Djibouti. The conference was covered by key media organisations, including the BBC Somali Service, Djibouti Television, STN Television and Benadir Radio and Radio Shabelle of Mogadishu.

The conference started by recognising that the role of the business community in the implementation of peace is critical not only because of the financial and political resources it can offer to the reconstituted government, but also because its input will be vital on such contentious issues as DDR. Central to discussions was the need to achieve a balance between the business community's national obligations and commitment, and the new government's respect for the private sector's role in the economy.

President Ismael Gelleh of Djibouti reiterated his country's resolve to back the outcome of the SNRC and IGAD's commitment to Somalia's reconciliation, rehabilitation and reconstruction. President Gelleh also highlighted the negative dimensions of the past role of the Somali business community and the consequences of its activities during the period of state collapse. "A Somali businessman is governed by self-interest to the core," he said, "without having much knowledge of what that means."

Conference participants expressed their willingness to take a lead role in the reconstruction of their country and to contribute to the implementation of peace in full cooperation with the new Somali government. Speaking for the business community, Sharif Ahmed Sharif reiterated 'the determination of the business community in backing the government with all we have'.

"We will make sure to contribute to the restoration of peace in Somalia by siding with the government," he said. "Prior to this meeting, we members of the business community held two meetings in April 2003 and November 2003 in which we asserted our determination to back the outcome of *Mbgathi* [the SNRC]."

After brainstorming on substantive questions presented in the conference proceedings, the business representatives highlighted some key points:

- The need to foster peace and participate in the creation of an environment conducive to peace
- The need for a contact group for the Somali business community to facilitate relations with transitional institutions, IGAD countries and the international community
- The meeting culminated in the formation of a contact group to liaise between transitional government institutions, the international community and the business community.

A follow-up conference was held in Nairobi attended by the contact group formed in Djibouti. While in Nairobi the contact group attended the inauguration of the parliament on 29 August 2004. The group pledged financial contributions to the government and met with IGAD and IGAD Partner Forum members. The chairman, Sharif Ahmed Sharif, on behalf of the Somali business community, requested assistance from international community on:

- Re-establishment of the Somali Chamber of Commerce and Industries, with the provision of technical expertise
- Allocation of membership within various commissions for the reconstruction of Somalia, and the DDR of armed militia
- Support of any future Somali government in the development and widening of the private sector
- Appointment of an anti-corruption committee
- Further progress with these initiatives will be primarily linked to the emergence of the transitional federal institutions, including parliament.

Providing essential services

The prolonged collapse of the state and the absence of state provision of essential services clearly imposes costs and insecurity to businesses. Interestingly, however, the Somali private sector has also played a role in rebuilding infrastructure – providing much-needed services to Somalis and profiting in the process. In addition to physical infrastructure such as ports, many of the areas of social infrastructure that were damaged during the conflict are also now being serviced by the private sector.

Services are more effective in populated areas (where profits are higher) than in smaller towns or the rural areas. Services are provided on a cost-recovery basis and fees are often covered by remittances. Somalis are learning to pay for essential services. In stateless Somalia, health care is a private good, rather than an inalienable right. Within the context of Somali culture and Islamic principles, there are some limited provisions for those who cannot afford to pay. In other cases, services are provided free, for example in the provision of free power and water supplies to households in the immediate vicinity of power generators as compensation for the disturbance. Several hospitals in Mogadishu (SOS, Keysaney, Banadir and Medina) offer subsidised or quasi-free services for those who cannot afford to pay.

Private sector essential service provision in the absence of state provisions include:

- Health care services
- Schools and universities
- Ports and airports
- Water and power supply.

The opening of Banadir Mother and Child Hospital

Banadir Mother and Child Hospital was built in 1977 with the assistance of the Chinese government and provided the best mother and child-care services in the country. In the early 1990s it provided emergency services to casualties of the conflict until it was forced to close as the war approached its neighbourhood. After that, Banadir hospital fell into the hands of the militias. Although it stayed closed for a time, it was saved from the fate of Mogadishu's largest general hospital, Digffer, which was heavily looted. Banadir is largely intact with most equipment still functioning. A group of 60 women, who run a local NGO called Hinna, took the initiative to open the hospital for the care of poor mothers and children.

"It was a sad story we heard from IDP mothers that motivated us," said the chairwoman for Hinna. "We heard of an IDP mother who, after giving birth at a midwife's home, left her child behind because she could not pay the fees. On other occasions, mothers were allowed to go with the child, but a deadline was given to pay the fees. If the deadline were not met, the midwife would take the child. Mothers who can relate to what that IDP mother went through run Hinna. Then Banadir hospital came to mind. It had been closed for over 10 years. That is where all mothers went to in the government era to experience the best care they could get. We decided to revive the hospital, this time for IDP women and poor mothers."

The women's group approached the gunmen at the hospital and talked to them about their experiences as mothers. Fortunately among the 60 women, there was one who was closely related to the head of the militia holding the place. The women made a deal with the gunmen. They could continue to guard the hospital and, if the hospital functioned again, they would be hired as security.

Hinna next launched a media campaign to generate funds for the hospital. "We went to the owners of Global Money Transfer, Dahabshiil and Hormuud. They gave us around $10,000, while Global Money Transfer pledged to cover the fuel needed for a year. The owner of Hormuud pledged a monthly contribution of $1,000. People all over the city brought sheets and beds. We refurbished the hospital, painted the walls, and cleaned and fixed the damage to the walls and roof."

"Then we convened civil society organisations, this time targeting the medical associations," continued the chairwoman. "We received a pledge that doctors would come to the hospital on a voluntary basis for a scheduled time. We also have a new ambulance, donated by a local businessman. The only missing link was the lack of medical supplies. We didn't get anything from international NGOs. They gave to other hospitals, like Medina and Keysanay. But none for the mothers' hospital. It's sad. We will overcome. We have our own plans for finding medicine for these poor mothers and children. We will get it for them."

The hospital is open and staff trying to make ends meet. "Very few doctors met their commitment," said a nurse at Banadir hospital. "There is only one who comes all the time. He is very generous young man. Allah will reward him for his altruism." The hospital pharmacy is empty except for anti-diarrhoeal, oral suspensions brought by the WHO. "We thank them for this donation," said the nurse.

Ports and airports

Control of critical commercial arteries, such as ports, airports, key roads, ensures a high income. Struggles to control them have led to recurring conflicts between different factional leaders and business groups since 1995.

Mogadishu's main port has been closed since the early years of the civil war, although peace agreements have come and gone. Imports now arrive through Elmaan, a makeshift port run by Banadir, a company formed by a group of Mogadishu-based businessmen who also provide security. Estimated annual revenue from the port activities is $17 million.[48] There are private airports in almost all towns in south-central Somalia, though only small aircraft can land. Mogadishu international airport has been closed since the civil war. Ballidogle airport, 60 km west of Mogadishu, is the only airport that can accommodate large airplanes. K50, another Mogadishu airport, is in private hands. At another of Mogadishu's airports, *qaat* flights alone generate an estimated $170,000 per month.[49]

Water and power supply in south-central Somalia

Investments in water infrastructure in conflict-affected states are constrained by several factors – exacerbated in Somali by the fact that water is traditionally the most resilient source of contention among pastoral societies. In traditional interactions, the customary law, *Xeer*, makes water sharing one of the cornerstones of clan relations.[50]

Most towns enjoyed water distribution systems under the last government, making traditional wells obsolete. The civil war destroyed much of this infrastructure. Pipes, generators and pumps were looted or exported. Since 1991, old wells have reopened, new ones have been dug and the sector has become commercial. With support from UNICEF and UNHCR, hand pumps have been introduced for some private wells and they are also common in IDP camps. UNICEF also installed solar-powered pumps in some areas, but weakness in implementation and the high value of solar panels resulted in them either falling into disrepair or being stolen.

Telecommunications companies have also invested in water and power. "Small towns like Guriceel and Dobley are exclusively provided with water and power by us," said the Nationlink logistics officer. "In bigger towns we supply major businesses and town centres. It is part of what we give back to our community. But in Mogadishu, it is difficult. Power sellers confront us with complaints. We do not want to compete with them. They think it is their business. But we have the right to give the neighbours of the generator free power. This compensates for the disturbance and the noise of the power station."

Rehabilitation of Lower Shabelle irrigation canals

The Lower Shabelle region is home to some of Somalia's finest agricultural land, particularly its cash crop plantations. The Shabelle River originates in the Ethiopian highlands and flows into the low lands of Lower Shabelle. Unlike many regions the river passes through, the region enjoys gravitational irrigation that enables water to reach a wider area.

The region was one of the most contested areas in the civil war. Invading forces displaced the farming communities and confiscated their farms and plantations. Lack of use rendered most of its canals dysfunctional. Lack of security and damaged infrastructure forced farmers to revert to subsistence farming. In November 2003, one militia leader took control of the region, removing road-blocks and driving out the militias that had brought anarchy to the region. The new leadership restored peace and local people began to resume their previous livelihoods. "When we established security we made sure to engage local people in running their own affairs," said the militia leader. "We established community-based administrations. Our armies protect these administrations from the freelance gangs marauding the country. Once security was established, people started thinking about development and making money again. This region is known for its agricultural production. It provided Somalia with all kinds of products. Most plantations that grow cash crops are located in this region."

To overcome the hurdles stunting agricultural production, farmers initiated a self-help scheme to rehabilitate the irrigation network. The administration boosted the initiative by involving other businessmen, the remittance and telecommunication companies, international NGOs and local people. The work involved the rehabilitation of a 37 km canal. The farming communities and administration collected around $160,000 locally and the digging is underway.

"The project s a win-win situation for all contributors," said the manager of the Somali Institute for Management, Administration and Development "Let's take the remittance and telecommunication companies. If the canals are rehabilitated, the farmers will grow cash crops for export. That brings hard currency. Remittance companies benefit by transferring money from outside markets to farmers and charging fees. Jobs are created and local purchasing power increases. More people will use mobile telephones by engaging the overseas markets for their sales."

Power supply

Since the war much of the government infrastructure for power distribution has been looted and exported as scrap. Makeshift power stations appeared in different quarters of the city. Billing was hazy at first – causing several conflicts – with businesspeople uncertain whether to charge for kilowatt hours (KWH) or the number of light bulbs. Since they could not put meters on every house, they opted to charge by the number of bulbs it had. However, some households also use fans and refrigerators that have inductance and create poor quality in the distribution system. Until recently, there was no way to calculate the power-factor correction demanded of such customers. Prices are fairly standard and are now charged according to each electrical, end-use device. For example the rate of one light bulb is 2,000 Somali shillings (approximately $1.2) per night, while an outlet costs 3,000 shillings per night. Supply runs from 0800-1500h, and 1800 to 2400h. Meters were recently installed and a unit of KWH is now priced at $0.4.

The distribution system is not planned for a given customer volume, in other words, the load. Thus, as customers increase, the quality of power degrades. Also the transportation of power for minimum loss demands high-voltage distribution systems and step-down transformers without which there is considerable loss in distribution. There are 60 power stations in Mogadishu, with machines of varying sizes, makes and states of repair. Some providers recently started buying out the less competitive ones.

Conclusions

As this report shows, while many business actors and transactions have fed and sustained conflict in various ways, some have also played a key role in de-escalating conflicts.

There are high security costs involved in running a business in Somalia. These transactions require cooperation between business actors, rather than competition. The lack of security has compelled businesspeople to become a force of deterrence against the warlords who dominated the country in the early stages of the civil war. In those days, entrepreneurs could not engage in business unless they were in partnership with the warlords. As the conflict subsided, its dynamics changed. Business actors established crosscutting networks that were more suited to their ventures. Such clan-transcending networks shrank the warlords' areas of control. Resource-driven alliances proved more solid and enduring than political alliances. At the same time, they dampened polarisation between clans. These networks usually link business partners who act as abeam to ensure the security of business in their area.

Different business sectors perform differently in a conflict setting:

- The manufacturing sector performs poorly in Somalia's unregulated economy. It cannot compete with imported goods. Lack of spare parts and low, local purchasing power do not offset the cost of production.
- Agriculture suffered heavily from the conflict, which displaced many farming communities to the urban areas. Agricultural infrastructure, such as irrigation canals, tractors and processing facilities, was destroyed or looted in the early 1990s, or fell into disrepair through lack of maintenance. This has all but paralysed agricultural production.
- Businesses with short time-frames in terms of return on investment, and those with few infrastructure requirements, do well in the conflict setting (*hawala* and mobile telephony)
- The unregulated economy is a magnet to illicit businesses (drug and gun trafficking). Arms are sold openly in Bakaara market and, as with any other commodity, traders weigh the requirements of supply and demand.
- Where regulation is indispensable for business activity, as in the case of interconnectivity in telecommunications, agreements are based on those with the biggest market share achieving consensus. New entrants must abide by their decisions.

Somali entrepreneurs manage the 'business of doing business' in the most adverse circumstances. In some instances, of necessity, self-interest, but also out of concern for their communities, they have gone beyond pure business operations and become involved in activities that can be categorised as peacebuilding. These have been *ad hoc* so far. The following initiatives and activities may help to further a peacebuilding role for the Somali business community:

- Support for the formation of a business-coordinating body, such as a Chamber of Commerce. One of the most urgent reasons for the establishment of this institution is the regulation and coordination of various business sectors. At the High-Level Dialogue in Djibouti in July 2004, participants appointed a chairman of the Somali business community and a majority of business members believed that he should also head the new Chamber of Commerce.
- The creation of partnerships between civil society organisations, the private sector and international NGOs to develop and support an agenda for peacebuilding. Such partnerships are an integral part in the self-help schemes that have sprung up in the absence of state-provided services. Civil society and the private sector have already partnered to revive south-central Somalia through DDR programmes and the provision of basic social services.
- Capacity building for the private sector in how and what they can do to help establish peace. The social responsibility of the private sector in stateless Somalia has not yet reached its full potential. While several companies have shown a sense of social responsibility in contributing to various community activities, many confine themselves to their close-kin

networks. Apart from creating employment opportunities, they are expected to return part of the benefits back to society. Raising the awareness of entrepreneurs on how to make creative investments in education, health and public infrastructure will greatly contribute to Somalia's conflict resolution.

- Encourage the active involvement of the business sector in DDR programmes, including co-funding and the creation of apprenticeship and placement schemes for demobilised combatants. The private sector's role can be coordinated to channel resources to local DDR programmes. The current campaign of removing checkpoints, spearheaded by civil society, showed the strength of partnerships between the private sector and CSOs. The CRD played a monumental role in bringing the two together. The money donated by the private sector for the cantonment of around 2,000 militiamen in two camps outside Mogadishu currently totals over $200,000.[51]

Acronyms

CSO	Civil Society Organisation
CIDA	Canadian International Development Agency
CRD	Centre for Research and Dialogue
DDR	Disarmament, Demobilisation and Reintegration
FATF	Financial Action Task Force
ICRC	International Committee of the Red Cross
IGAD	Inter-Governmental Authority on Development
KWH	Kilowatt Hours
MSF	Médecins Sans Frontières
MSSI	Mogadishu Security and Stabilisation Initiative
SNM	Somali National Movement
SNRC	Somali National Reconciliation Conference
SSDF	Somali Salvation Democratic Front
TCRM	Traditional Conflict Resolution Mechanism
TFG	Transitional Federal Government
TNG	Transitional National Government
UNITAF	Unified Task Force
UNOSOM	UN Operation in Somalia
UAE	United Arab Emirates
UNHCR	UN High Commissioner for Refugees
UNICEF	UN Children's Fund
USC	United Somali Congress

Endnotes

1 Somaliland parliamentary elections on 29 September 2005 followed local council elections in December 2002 and presidential elections in April 2003.
2 World Bank (2005) *Conflict in Somalia: Drivers and Dynamics* (Washington DC, US: World Bank).
3 UNDP (1997) *Human Development Report*. Available at hdr.undp.org/
4 European Commission (2004) *Mid-term Review of the European Commission Strategy for the Implementation of Special Aid for Somalia* (Nairobi, Kenya: Delegation of the European Commission).
5 This text comes from the Country Studies Program, formerly the Army Area Handbook Program, which presents a description and analysis of the historical setting and the social, economic, political, and national security systems, and institutions of countries throughout the world.
6 Interview in Buulo Mareer, Lower Shabeelle .
7 The Ogaden war between Ethiopia and Somalia in 1977 over control of the Somali-inhabited region of Ogaden in Ethiopia. Formerly part of British Somaliland, Ogaden became part of Ethiopia in 1956 with the consent of Britain. Similarly, Northern Frontier District, a Somali-inhabited region, was designated part of post-colonial Kenya.
8 Menkhaus, K. (1997) 'Phoenix from the Ashes?' *Middle East Policy* Vol. 5, No.1 (Oxford, UK: Blackwell).
9 Food Security Analysis Unit Somalia (FSAU), various monitoring reports (Nairobi, Kenya: FSAU).
10 Centre for Research and Dialogue (CRD) and WSP International (2004) *Somalia: Path to Recovery* (Mogadishu, Somalia: CRD).
11 World Bank op. cit.
12 CRD and WSP International op. cit.
13 Webersik, C. (2003) *Fighting for the Plenty: The Banana Trade in Southern Somalia* paper presented to the 'Conference on Multinational Corporations, Development and Conflict' Queen Elizabeth House, Oxford, 6 December 2003.
14 Famine Early Warning System (FEWS) (2005) *The Impact of Piracy on Livelihoods and Food Security in Somalia* (Mogadishu, Somalia: FEWS Net).
15 Menkhaus, K. and Prendergast, J. (1995) 'Political Economy of Post-intervention Somalia' *Somalia Task Force Issue Paper* No.3. Available at www.netnomad.com/menkhaus.html
16 World Bank op. cit.
17 World Bank op. cit.
18 International Peace Academy (IPA) (2001) *Private Sector Actors in Zones of Conflict: Research Challenges and Policy Responses* workshop report April 2001 (New York, US: IPA).
19 Nenova, T. and Harford, T. (2004) 'Anarchy and Invention: How does Somalia's Private Sector Cope without Government?' *Public Policy for the Private Sector Note* No.280 (Washington DC, US: World Bank).
20 Ibid.
21 Worldwatch Institute (2004) *State of the World 2004* (Washington DC, US: Worldwatch Institute).
22 *Ha I wareerin* is a phrase commonly used to describe transactions that allow customers to make monthly or weekly payments instead of a one-off payment. It can continue for months depending on the amount owed.
23 Elkins, P. (2003) *Trade and Environment* (US: International Society for Ecological Economics).
24 *Ayaamaha*, 18 December 2005.
25 *Diyo* refers to Islamic blood compensation paid by a person who has committed homicide or wounded another individual. *Xeer* is Somali customary law.
26 Since these security institutions were an urban phenomenon, they were not effective in intervening in the nomadic lifestyle. Coyne, C.J. (2005) 'Reconstructing Weak and Failed States: Foreign Intervention and Nirvana Fallacy' *Global Prosperity Initiative Working Paper* No. 3, Social Change Project, Mercatus Center (Washington DC, US: George Mason University).

27 European Commission op. cit. Somaliland imposes a small tax on *qaat* imports which yields revenue estimated at $50,000 per day.

28 Gross-Kettler, S. (2004) *External Actors in Stateless Somalia: A War Economy and its Promoters* (Bonn, Germany: Bonn International Center for Conversion).

29 Report of the Panel of Experts in Somalia pursuant to Security Council Resolution 1474 (2003).

30 Menkhaus and Prendergast op. cit.

31 In the absence of a recognised legal framework following the collapse of the state, 'illicit' is used to refer to activities against the traditional cultural and/or social norms, such as profiting from the sale and export of what had been public or state property.

32 Reuters, 11 May 2001.

33 Reuters, 28 May 2001.

34 According to analyses of sectoral trends for investment in conflict-affected countries, mobile telephony tends to be one of the first to receive investment. In this context, the emergence of telecommunications businesses is perceived as a good indicator for the emergence of a 'post-conflict' phase. See Bannon, I., Hahn, S. and Schwartz, J. (2004) 'The Private Sector's Role in the Provision of Infrastructure in Post-conflict Countries: Patterns and Policy Options' *Conflict Prevention and Reconstruction* No. 16 (Washington DC, US: World Bank).

35 National Bank of Somalia statement, 1975.

36 International Crisis Group (2005) 'Somalia's Islamists' *Africa Report* No. 100 (Brussels, Belgium: ICG)

37 Marchal, R. (2004) 'Islamic Political Dynamics in the Somali Civil War' in de Waal, A. (ed.) *Islamism and its Enemies in the Horn of Africa* (Indiana, US: Indiana University Press).

38 According to one interviewee, two other companies are in the process of joining the association.

39 Polachek, S. W. (1980) 'Conflict and Trade' *Journal of Conflict Resolution* Vol. 24, No.1 (Thousand Oaks, Canada: Sage Publications).

40 See for instance International Alert and Economy and Conflict Research Group of the South Caucasus (2005) *From War Economies to Peace Economies in the South Caucasus* (London, UK: International Alert).

41 United Nations Security Council (2003) *Report of the Panel of Experts in Somalia pursuant to Security Council resolution 1474 (2003)* S/2003/1035 (New York, US: United Nations)..

42 *Irtoogte* means 'sky shooter' in Somali.

43 Report of the Panel of Experts op. cit.

44 *Zakkah*, one of the five pillars of Islam, is the portion of one's income that a Muslim is expected to pay yearly as a charitable contribution.

45 Elman Peace Center (EPC) (2003) *Assessment of the Child Soldiers Rehabilitation and Reintegration Program* (Mogadishu, Somalia: EPC).

46 Statement by a leading business figure at the Mogadishu forum on continuing support for the stabilisation of Mogadishu, 2 August 2005.

47 The Transitional National Government (TNG) was formed at the Djibouti-sponsored Arta peace conference in Djibouti in 2000 for a period of four years; the Transitional Federal Government was formed in late 2004 following the IGAD-led Somali National Reconciliation Conference held for over two years in Kenya with a transitional period of five years.

48 World Bank op. cit.

49 Report of the Panel of Experts in Somalia op. cit.

50 Bannon et al. op. cit.

51 CRD and WSP International op. cit.

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