

European Commission/Somali Unit (Nairobi)

A Survey of Mogadishu's Economy

By

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August 2002

Contract N° 326-STA-SME05-07

This study was financed by the European Commission. The author accepts sole responsibility for this report, drawn up on behalf of the Commission. The report does not necessarily reflect the views of the Commission, nor those of the Somali team that assisted the author.

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ACKNOWLEDGEMENTS

The author would like to take this opportunity to thank all those, Somalis and non-Somalis, who individually or through their respective organizations, helped him with the collection of information and data presented in this report.

My Somali research team - Maryam Maxamuud Ga'al, Cabdulqaader Maxamed Xasan, Zakariya Maxamed Sheekh Yuusuf and Yaxya Amiir Ibraahim - who have been working for months in a difficult environment and helped resolve the many difficulties encountered throughout this task deserve a very special mention. Although the author is solely responsible for this Report, he enjoyed sharing with the team members, opinions and comments on data collected. He hopes, this work will help improve our understanding of Mogadishu as well as provide some tools to support the economy during any peace-building process.

This work would have been impossible without the constant support of the European Commission/Somali Unit and the absolute kindness of Roger de Backer and Paul Simkin. ECHO has also facilitated numerous trips to the field.

The author wishes also to convey its appreciation to the EC Technical Support Office in Mogadishu and to Cabdullaahi Ga'al, its manager, who provided advice to the whole research team at different times.

Some statements made in the Report might appear controversial and others could well be misunderstood. However, the author alone, not the European Commission or the Somali research team, is responsible for them.

FOREWORD

The following chapters try to address different economic sectors and provide a kind of snapshot of Mogadishu's economy. Most of the data were collected between August 2001 and April 2002 by a Somali team who was working under the supervision of the present author. This first chapter, containing the introduction, provides some historical and social background on Mogadishu. The first section - each contains several chapters - deals with the nascent financial sector based mainly on the remittance economy. The second section analyses the main economic infrastructures of the capital city, while the third focuses on the main markets. A last section is devoted to the conditions of livelihood for the ordinary people and includes a study of the education and health sectors as well as a tentative survey of household budgets/economy.

Although this report provides some information on the current situation, some difficulties in data collection and reliability should be mentioned from the very beginning since they are part of, as well as explaining, the behaviour of the private sector.

The first general, major difficulty is the mistrust of other people. For instance, during the household survey, many men were reluctant to list all their assets and revenues since part of them were either spent on *qaat*¹ or to support a second household, which might not have been openly acknowledged. Others were afraid to mention their assets or revenues because that could make them targets for thieves. After September 11, the paranoia became general and whatever question, even if about the frequency of consumption of *qaat* or pasta, was seen as intelligence gathering for a future US strike on Mogadishu.

The author and his team have taken care to supply information taking normal precautions given the constraints, so that the information presented in this Report is as correct as possible. The content of certain interviews was not reported since the answers were nonsensical to any reasonably well-informed observer (this is equivalent to the statistician deciding to exclude extreme observations from a sample). On the other hand, the team has chosen not to publish data that seem inconsistent, and to keep question marks on certain subjects so that further, better research at a less difficult time could provide real elements of analysis, rather than basing the analysis on guesses.

Another important difficulty is the determination of what is confidential information and what is not. In spite of the fact that the problems that happened to the money-transfer company *al-Barakaat*, were due in part to the complete lack of information on the way the company was managed and run, very few companies or businesses readily provide what, in Western and many African countries, would be considered basic information. In several companies, for instance, the CEO agreed during the interview to provide some statistics but his staff refused to supply them, openly disagreed with him, and forced him to reverse his decision. At the level of this study, this could raise some concerns as to how cooperation can be obtained. Certainly, a real anthropological analysis of secrecy is needed to understand this attitude in its complexity.

In order to avoid problems, no individuals – except public figures - are named in this Report. This is due to the situation described above and to the fear that misunderstandings might have unpleasant consequences for the Somali researchers.

¹ *Qaat* is a small tree whose young leaves are chewed for their stimulating effects. *Qaat* chewing has become the chief entertainment in the relationships between small urban centres at the outskirts of Mogadishu (Balcad, Afgooye) and the main markets in the capital city. It would be also worthwhile to conduct a survey of the skills of the work force, notably also among the educated people. This could help to draw a more realistic picture of the potentialities of the urban economy. This would also help to see what pool of expertise an administration could count on, assuming that qualifications matter more than clan or political affiliations.

This Report does not cover all aspects of Mogadishu's economy. Transportation, for instance, emerged as an important activity but is not addressed. There is also need for research to describe in a detailed manner the relationships between small urban centres at the outskirts of Mogadishu (Balcad, Afgooye) and the main markets in the capital city. It would also be worthwhile to conduct a survey of the skills of the work force, notably among the educated people. This could help to draw a more realistic picture of the potentialities of the urban economy. It would also help to see what pool of expertise an administration could count on, assuming that qualification matters more than clan or political affiliations.

As previously mentioned, the author is aware that the Report may well contain some mistakes, for which he does apologize, and hopes that constructive criticism can help correct some of them. Collaborative, constructive research and debate is crucial in achieving a better understanding of the pattern of economic growth in a violent context and, so, to help Somalis to find their solution to this crisis.

INTRODUCTION

CHAPTER ONE

Mogadishu between ruins and globalisation

Founded² around the Xth century, perhaps by Iranians from Shiraz, Mogadishu was then one of many East African coastal cities trading with the Arabian Peninsula, Persia, India, and China. At that time, the first buildings went up in the areas later known as Xamar Weyne and Shangani. Mogadishu went through a first phase of development under an Arab sultanate from the XIIIth to the XVIth century. The Arab traveller, Ibn Battuta visited the city in 1331 and provided us a first-hand description of its success³. This golden age ended with an invasion by Somali clans, mostly Darandoolle⁴, coming from the North. These settled eventually on the outskirts of the city after having looted and destroyed parts of it. Mogadishu suffered as well from Portuguese and British ambitions, and later came under the Zanzibar sultanate in the Indian Ocean⁵. From then until Italian colonial times, Mogadishu was no longer the leading commercial centre, though still a significant port, but similar to Baraawe and Merka. By 1889, Italy had declared all coastal areas from Cape Guardafui to the Jubba River as its dominions, thereby ushering in the period of colonial occupation.

When Italy took over Somalia, Mogadishu became its administrative capital in 1908, but not its economic one. This fact changed the urban fabric of the city. For instance, in 1929, the greatest cathedral in all of East Africa was built⁶ there, together with, and to complement neighbourhoods built to accommodate colonial personnel. Later, after the Second World War, the neighbourhoods of Wardhiigley and Boondheere were added. Until the very last years before independence, Somalis could not move freely to Mogadishu and, in fact, were generally not allowed in parts of the town after sunset. In 1960, this quintessentially colonial regulation --one of the main tools to control the work force and maintain public order-- was cancelled by the newborn State. This decision was kept in force by the military regime coming out of the 21 October 1969 coup.

Because of fairly rapid urban growth, the old part of the city and its colonial neighbourhoods now make-up only a small part of the city. Despite all the rules and regulations imposed to limit the influx of people into the city, Mogadishu grew noticeably throughout the AFIS (Amministrazione fiduciaria italiana della Somalia) period and after independence. The city had 40,000 inhabitants in 1935, 70,000 in 1950, 102,000 in 1960, 125,000 in 1970. From then until 1990, it grew at 10% per year. Most observers estimated Mogadishu's population at more than 1 million just before the civil war. After 1991, figures have become, at best, educated guesses but, even though its social fabric has been radically altered, the city's population is still, most probably, about the same.

The lack of any land-use policy, or urban master plan, whether under the new State or the local government, and the importance of spontaneous settlement over this entire period, should have been of concern. The urban area increased dramatically without any adequate planning for urban services. The town area grew from 1,500 hectares in 1970 to 8,000 hectares in 1984. The precarious living conditions of the newcomers were well known, and cause for alarm, yet neither the State nor the local government took any practical action. A foreign expert stated, in 1965, "More than 70% of the population live in sub-human conditions in squalid neighbourhoods deprived of the most elementary services... The newcomers overflow some already overcrowded areas and build

² Article "Makdishu", *Encyclopedia of Islam*, Leiden, Brill.

³ Ibn Battuta, *Travels in Asia and Africa*, New York, The Broadway Traveler, [edited by H. A. R. Gibb]

⁴ Darandoolle is an ancestor of Mudulood. The main sub-clan of Mudulood is the Abgaal.

⁵ Lee Cassanelli, *The Shaping of the Somali Society 1600-1800*, Philadelphia, University of Philadelphia Press, 1982.

⁶ William Puzo, *Mogadishu, Somalia: Geographic Aspects of its Evolution, Population Functions and Morphology*, Los Angeles, Ph. D., University of California, 1972. The cathedral was looted in 1991 and largely destroyed in 1993 during UNOSOM time.

makeshift shelters on any free land and establish chaotic, high-density settlements without any decent services and transform a healthy space into a source of infections, confusion, and misery”.

However, after the 1969 coup, the new regime tried to come to grips with this problem. Between 1969 and 1974, thanks to the World Bank and other donors, projects were carried-out to manage and improve the settlement of new dwellers. For instance, new accommodations for low-income families were built (area known today as Casa popolare), though they eventually were inhabited by better-off people. A green belt with farming villages around Mogadishu was also planned and partly established. In 1974, the regional structure was modified: the Benaadir region was limited to the capital city (congruent with the region), while two new regions, the Lower and Middle Shabeelle were established. Furthermore, Mogadishu was then divided into 13 districts (Degmoyin), themselves divided into departments (Xaafado), sections (Waaxyo), and neighbourhoods (Tabella).

Name of the district	Number of Departments	Number of sections	Number of neighbourhoods
Wadajir	5	21	127
Waaberi	4	16	71
Hodan	4	16	109
Xamar Jab-Jab	4	16	45
Xamar Weyne	3	9	27
Shangani	3	6	12
Boondheere	3	10	47
Xawl Wadaag	4	16	142
Wardhiigley	4	16	83
Shibis	3	10	39
Yaaqshiid	4	16	90
Kaaraan	5	14	71
Cabdiasis	3	8	21
TOTAL	49	174	884

Three others were created in 1989: Dayniile, Dharkinlay and Huruwaa.

But nothing could stop the deterioration of the situation after the defeat in the Ogaden war against Ethiopia in 1978 and the subsequent rise in political tensions. This political crisis and the attempted coup of 1979 had far-reaching implications in the countryside, in the Central Region, and in the areas now known as Puntland and Somaliland. From the mid-1980s, insecurity in those parts of the country was such that people were moving either to the capital city or to refugee camps in Ethiopia.

The Somali State was overreacting to its challengers in such a way that it contributed to enhance new urban tensions. Since newcomers were arriving from areas where skirmishes were considered normal, they were perceived as the dangerous classes. The army, the para-military forces, and the militias often intervened violently in their neighbourhoods, thereby radicalising opposition to the regime. Some opponents who returned to the fold, received positions, land, and villas, while others were ignored and remained in shantytowns at the outskirts of the city. International aid, mostly Italian and American, was crudely embezzled by a number of people (officials, traders, and their relatives) and often served to buy farms or new houses in Mogadishu (that could be rented to UN and international NGO staff before the civil war and in 1993-1995). The name given to an area of the city says it all: Booli Qaran, or the neighborhood “Stolen from the State”.

The 1980s, therefore, witnessed a multiplication of small urban conflicts, partly linked to the worsening situation in the countryside but also reflecting the dramatic changes in the urban fabric of the city. This was also more visible in the new outskirts of the city. In the 1960s and 1970s, urbanization and settlement followed clan lines only loosely, and many areas were inhabited by clan-differentiated populations. Certainly, the demographic predominance of the Hawiye (and among them, the Abgaal) could not be denied, but it left plenty of room to accommodate people of other backgrounds. Mogadishu was the capital of a Nation and all kinds of Somalis could be easily found in the most central districts. Newer settlements, especially those established in the 1980s, no longer followed this pattern.

Most new settlements exhibited minimal regional or clan diversity, if any. There are different explanations. The first one is that many of the newcomers had a nomadic background and therefore tended to stay with relatives at least initially, but then tried to find a place as close as possible to their kinsmen. This custom did not help avoid clan polarization... There is another likely explanation: since security drastically deteriorated and the regime's militias became increasingly violent, it was safer to stay with relatives for protection or self-defence.

This environment was violent not only because of the poverty and lack of resources of these popular classes. It was also because the regime tried to draft young people by force to fight in Somaliland after 1988⁷. The sons of the middle class were able to escape that fate since their parents were able to pay up to the 5000 So.Sh. required to get them off the hook. But the poorest could not afford such a sum (in excess of the monthly wages of a middle-rank civil servant) and their children were thus forced to hide to escape the militias or army patrols.

Urban services had been collapsing long before the civil war. They were mostly managed by parastatal organizations, whose main role (as in some other countries) was to appropriate international aid to either pay the security apparatus, or to line the pockets of some officials. Electricity was a luxury and generator noise was already part of city life well before 1990. The school system, even in an area so privileged as Mogadishu, was already in an appalling state by the mid-1980s. While in the early 1970s, the State spent 11% of its budget on education, in the late 1980s, the share was only 2%. In 1990, only 644 schools were still operating in all of Somalia. In 1987, the school enrolment rate was 18% for boys and 6% for girls, far behind impoverished Sudan and Ethiopia, and much worse than Somalia's own performance in the late seventies.

Economic activity in the capital was paradoxical. As underlined by an ILO economist, Vali Jamal⁸, some of the macroeconomic indicators were so bad that one would have concluded that parts of the urban population were starving on the streets of the capital city. Actually, while in rural areas the level of consumption was kept at a decent level thanks to the vigour of the subsistence economy, in town, the commercial economy had taken over with a level of efficiency far superior to whatever the command-and-control regime of Siyaad Barre had been able to impose. While the formal economy had basically collapsed and was unable to move ahead despite the structural adjustment measures and the foreign aid, a vibrant parallel economy, which had always existed, and was always significant, was now fully flourishing. It had become the real economy and no longer just an appendage of the formal economy, which could no longer exist. The increasingly strategic role played by Somali migrants and their remittances provides part of the explanation for this development.

From 1972 onward, Somalia started exporting some of its work force to the oil producing countries of the Arabian Peninsula and later, to Western countries. Official figures are not reliable but a number of experts placed the number of migrants between 150 000 and 200 000, in the late 1970s, with half of them hailing from Somaliland. These labourers sent money to their relatives not only in times of crisis, but also for them to maintain a normal, decent level of consumption (including of imported commodities). In the early 1980's, an economist estimated the global amount of these remittances at around US\$ 300 million, a figure then ten times the amount channelled through the official banking system, and more than four times the value of official exports. These remittances represented about 40% of GNP.

In the 1980s, under different forms (e.g. franco-valuta), the money transfer business (xawaalad) became a strategic ingredient for the smooth functioning of the Somali economy, with a special emphasis on Mogadishu that combined the roles of main export port, main economic centre, and main consumer market. Initially, big traders or their agents⁹ collected hard currency from migrants abroad to buy goods that were then sold in Mogadishu. Relatives of the migrants would then be paid in Somali Shillings (at the parallel, free exchange rate) the money remitted by their relatives abroad. When this system was prohibited by the regime in 1983, transfers took a different route and became a business in its own right. However, the franco-valuta system did not disappear overnight: cash in hard currency continued to be paid to migrants' families, and a commission was charged for the operation. This access to funds was key in the development of the informal economy and allowed the development of a group of traders who took rather important risks but were eventually able to connect Mogadishu's economy with those of Dubai, Jeddah, Naples, and Genoa. These people were those who, in 1991 and 1992, acted decisively to supply Mogadishu

⁷ This compulsory recruitment started actually in 1977, at the dawn of the war against Ethiopia.

⁸ Vali Jamal, "Somalia: an unconventional economy", *Development and Change*, 1988.

⁹ Since access to the migrants was a key feature of this system, one may believe that it favored Somali traders more than *Gibil Cad* ones.

with the necessary commodities while the former business class hunkered down. Because of their very specific background, and their need to accommodate greedy State officials, they share certain traits that make them eager to support a State in which they feel they have ownership...

Contrary to conventional wisdom, the civil war that started in Mogadishu in late December 1990 did not open a completely new era. To a large extent, Mogadishu had already been in a decidedly war-like situation: dramatic population inflow, increased violence and clan homogenisation, implosion of the "official" and triumph of the parallel economy. These economic and social dynamics are fundamental elements of the State collapse in Somalia but they also explain why Somali society and the population of Mogadishu were able to survive the civil war and create new patterns of what could be called development.

Struggle for space, struggle for residence, and struggle for recognition

The civil war started in December 1990 and went through different phases over the years. Although State power was clearly at stake, the various small wars that took place in Mogadishu had differences in form, intensity, and protagonists. Sometimes, they were connected to events elsewhere in the country; sometimes they were confined to the capital city, with neither causes nor impacts elsewhere.

Among these wars, one must mention at least two:

- the first Mogadishu uprising against Siyaad Barre which ended on 28 January 1991, together with the continuing pressure and/or political overhang due to the presence of the former dictator and the remnants of his troops in the southernmost part of the country until late Spring 1992,
- the second Mogadishu war, from November 1991 to March 1992, which opposed Cali Mahdi Maxamed and General Maxamed Faarax Caydiid.

More than a year after this latter war, blue helmets were present in good numbers in the capital but their presence did not discourage fighting in the summer of 1993 between Caydiid supporters and UN troops. Similarly, the less known, but yet significant, war between the Haber Gidir and Xawaadle took place throughout the spring of 1994, leading to the political elimination of the latter from Mogadishu politics. But absolute peace was not yet to prevail. The division among General Caydiid supporters, clearly shown by Cismaan Caato's split in late 1994, turned into a military confrontation in early 1996 and only concluded with the death of General Caydiid in early August 1996. The lull was then substantial but a fighting began again several months later in autumn 1997 in the northern part of the divided city. Mudulood unity had existed, paradoxically it would seem, only because of their common hatred for General Caydiid. When he died, the internal tensions among his Abgaal opponents broke out and turned into an ugly intra-clan, low-intensity conflict that is still simmering in 2002.

But other small wars must be mentioned as well:

- the fight for Beled Weyne, where eventually the Xawaadle took over and chased away other communities, especially Haber Gidir;
- the low intensity guerrilla in Bay and Bakool occupied by forces belonging to Xuseen Caydiid and fellow politico-military entrepreneurs up to the time Ethiopia intervened directly in June 1999; and, last but not least;
- the fight for Kismaayo, practically at that same time, that allowed a loose coalition of Mareexaan and Cayr (a sub-clan of Haber Gidir) - later known as the Jubba Valley Alliance - to take Lower Jubba from General Maxamed Saciid Xersi Morgan.

Although these small wars did not take place near Mogadishu, they had an impact on some of its parts and often provoked internal displacements of population within the capital city, arrivals of displaced people from the countryside and, thus, unavoidably, skirmishes...

This list is far from complete but it would be wrong to believe that all those confrontations were of the same kind with the same impacts on the social fabric of Mogadishu and its economy. Far from

it. There are three main dimensions that should be underlined here: changes in the urban population, the debate on citizenship, and the changing pattern of military mobilization.

a- the changing patterns of military mobilization

Against all odds, the situation did cool down to a large extent during UNOSOM times. Before that, social readiness to support or wage war was at a peak and it was difficult to distinguish between armed and non-armed people, even though not everybody was part of the war and some personalities (including a fair number of military officers) refused to take sides. After 1993 or 1995, this difference was socially drawn and had concrete meanings and implications: some people used their weapons in the employ of traders or business people, others were factional militias, and yet others were delinquents. There is, of course, substantial overlap between those groups but the differentiation was maintained over the years.

One could trace this phenomenon in Mogadishu in several ways. The easiest is to check the carrying of weapons on city streets. Despite the TNG, whose numerous ministers require escorts, there has been a trend towards a net decline in the carrying of weapons on city streets. Those who still keep them are mostly (self-) employed either at a roadblock or within a contingent of guards at a building or around a car. This was not the case ten years ago.

There are also other ways to understand this development: many of the negative labels that urban teenagers use are linked to the militias' life: calling someone a reer baadio means a rustic, uncivilized country bumpkin, like those who came from the bush and did not accept urban civilization. Similarly, those who ask about one's clan too openly are compared to the militias handling the heavy weapons on technicals, and called a gaandhari, again someone lacking in culture.

There now are new difficulties facing factions wanting to fight. In the early 1990s, everything was easy and a few elders could mobilize a group of young militias to go and fight for the alleged rights of the clan against other groups and civilians. Those elders and political figures still exist, but they are labelled bac madoobe¹⁰ and their influence is much less significant than some years ago. Since the kinsmen of some factions were not that keen to go to war, their relatives had to commit atrocities so that the former would be forced to join to defend themselves against the inevitable retaliation. Many bloody incidents that took place in early 1996 in South Mogadishu and later in North Mogadishu provide evidence of the use of indiscriminate violence for this purpose.

This change, namely, declining support for the use of force, has had major implications for urban life. Despite the difficulties of getting a reliable power supply, certain areas manage to maintain lively activities after sunset. Although security is still a concern, many cars now move without guards even at night time. Parts of Mogadishu are described by inhabitants as fairly secure, others as unsafe.

The experiment with Islamic Courts in South Mogadishu from 1998 up to the Carta Conference in the summer of 2000, to a large extent reflects these new patterns. The existence and the functioning of the Courts were possible only because the population (even when organized through clan-lines) would no longer accept extortion from its own militias and wanted normalization.

All these indications should not be misunderstood, especially by foreign readers who may face considerable dangers staying in Mogadishu without adequate protection. In the absence of a decent political settlement in the capital city, there is no guarantee that peace will prevail and security improve as time goes on. An outbreak of fighting is still possible and since all groups have been re-arming at the beginning of 2002, this scenario has become more likely. Nevertheless, the likelihood

¹⁰ Literally "black plastic bag": the meaning is that these elders will benefit from clashes in which their sub-clans are involved, whatever their responsibility is. They will get a share of the blood money (*maq*) and the like. Allegorically, the black color means that nobody understands that they are making money from destabilization.

of a civil war is over: militias may be in a position to use heavy weapons, and to destroy more than ever the ruins of this city, but it wouldn't be a popular war, and it would not be accompanied by social mobilization, nor have support from all quarters.

b- a new population for a new town

Unsurprisingly, the war dramatically affected both the urban setting and the population. A sketchy description of the changes would be as follows. In 1991, most of the Daarood were either killed or expelled from the city, despite an initial convergence with the Hawiye on opposing Siyaad Barre¹¹. They were not the only ones. Many people from the Gibil Cad clan (either from Yemen or India or Reer Xamar people) faced the same fate. To be fair, the situation elsewhere followed the same pattern and Hawiye were also victims of killings. At the end of the day, a thug is a thug.

While those people were escaping Mogadishu, others were coming in. The emphasis has been put rightly on people from the Central Region, mostly Haber Gidir and Abgaal but also from other clans settled there, Murusade, Dir (Qubeys..), Xawaadle, Gaaljecel, Ujeejeen. Reasons for these inflows were certainly varied. After 1992, the one most often invoked was the warlords' need for militias and to build a constituency. This was largely based on an assumption framed under the former regime: whoever controls the capital city as Siyaad Barre did in 1989-1990, would be seen as the legitimate representative of the Somali State and would receive international support. The nickname given to Siyaad Barre in the last moments of his regime – the Mayor of Mogadishu - was sarcastic but an accurate description of the situation, and of the ambiguous attitude of the international community.

This explanation is plausible and was certainly a major magnet drawing people from the Central Region to the capital city. However, many people had lost their assets during fights in the countryside and had little hope but to go to town where traditionally aid and other resources were more accessible. One should also note that people, especially in the nomadic areas, saw Mogadishu as the place where life and access to resources was easy and free. Moreover, far beyond the political leaders, all segments of the population at that time thought that foreign aid would pour into the country as it did in the late 1980s, except that Hawiye clans would replace the Daarood as the recipients of that money...

After the second Mogadishu war, in March 1992, some of these trends slowly reversed. Mareexaan traders were again active in Mogadishu by the autumn and the presence of Daarood grew significantly over the following years, until now. There are many causes for these changes, but at least two deserve to be mentioned. As already mentioned above, clan mobilization decreased significantly after 1992 and made room again for old contacts and friendships, which were not specifically clan-based in the 1980s. This provided the minimum protection for some to come back. One should also consider that all "national" governments set up in Mogadishu over the last ten years, from Cali Mahdi's to the TNG have validated socially a "national" range of alliances and provided some legitimacy to the domicile or residence in Mogadishu of persons from clans which previously had been threatened or expelled. Since this study tries to address the economic life of the capital city, one should also mention that some kind of tolerance has been seen over the years as the best way to keep the national territory as a common market and monetary union. Trading with Kenya requires the maintenance of a reasonably trusting relationship with the people from Gedo, in spite of everything...just as enjoying a reasonable relationship with the Mareexaan of Galgaduud or Xawaadle of Hiiraan provided a likely assurance of access to parts of the Ethiopian Ogaden. The same applies to the Majeerteen: the tolerance of their residing in Mogadishu was also a way to secure the use of Boosaaso port to supply a significant part of Mudug and Galgaduud, to which access from Mogadishu had been complicated by internal strife among Abgaal sub-clans and the dramatically poor state of the roads linking Mogadishu to those regions.

¹¹ More than the consequence of an inter-clan hatred, this was the end-result of the counter-guerilla strategy of Siyaad Barre: his forces consistently created the basis for an antagonism between Daarood and Hawiye population in Mogadishu. Such kind of tactic was not uncommon in the following years, this time, among the Hawiye...

But the most significant influx originated from a different area and the fact that it has not emerged as a political issue tells us much about social labelling among the Somalis. From early 1992, there has been a significant increase in the Raxenweyn and Bantu presence in Mogadishu. These migrations are based again on various impacts of the civil war. Many came as a result of fighting in the countryside in 1991-1992 and this move was speeded up by the dramatic drought, which affected both Eastern and Southern Africa in 1992. Moreover, humanitarian aid was distributed in a way that forced people to leave their villages and go to Mogadishu, though many were too weak to survive the journey. The net result was a dramatic increase in the number of displaced persons' camps in Mogadishu. In those camps, destitute displaced persons were often controlled by individuals from powerful clans who used them to claim humanitarian aid (which they later sold on the markets of the capital city). People from Bay and Bakool continued to move to Mogadishu for different reasons. One was the understanding that, while UNOSOM was still there, that there were major economic opportunities. There was also the fact that they did not have access to humanitarian aid in their home area because of dominance by other hostile clans and poor governance. When General Caydiid's supporters took over Baydhabo in September 1995, initiating a low intensity war against what came to be known as the Raxenweyn Resistance Army, there were again new reasons for people affected by insecurity to move to Mogadishu where anonymity was an effective way of surviving.

This very short description should not give the impression that those migrations were radically new and fundamentally linked to the civil war situation. There was already an established history of population migrations back and forth from Bay and Bakool to Mogadishu from the early 1960s at least. These migrations were meant to provide additional income to the farmers: while they were waiting for the harvest, they worked as manual labourers or beggars in towns. The civil war made those flows more important for the survival of Bay and Bakool. The economic growth of Mogadishu could hardly go unnoticed by those people who were employed as carriers and cleaners in the markets of Mogadishu or in private houses. Those displaced – some still settled in refugee camps, others renting a small place – today represent a significant share of the population but their presence goes mostly unnoticed because few of them have acquired a significant position in the market or in politics. Because of their low economic and political profile, no one cares about them and this lack of interest – except from thieves - gives them real survival space. Every Friday afternoon, a few hundred of them meet near the Tribunal and entertain themselves with their regional dances and songs¹².

Although a regional profiling of the new comers makes sense in the Mogadishu situation, one should also take into account another dimension of the demographic changes in the capital city. Although it is essentially an educated guess, it can be surmised that most of the middle class left Mogadishu in 1991 and 1992. The course of the civil war was pushing members of non-Hawiye clans to escape the unfriendly capital city but many Hawiye people who had enough money tried to escape either to Kenya, or Ethiopia and thence, to Europe and North America. This happens in many other Somali cities (Hargeysa was also a confusing illustration of that trend). Those who stayed back used to say that they had become “prisoners of the bush people”, meaning not only the militias, but also of their way of life, very different from the urbane behavioural norm in coastal cities like Mogadishu. This exile was significant and only partially reversed by the arrival of UNITAF and UNOSOM, as long as people still had confidence that the outcome of the international intervention would be positive. When it became clear that failure (at a political level) was unavoidable, many returned to their refuge countries while others who had stayed in Mogadishu over the first years of the civil war decided that exile was the only reasonable course of action.

Strangely enough, the situation reversed itself at a time when expectations about Somali politics were very bleak. During the summer of 1998, while the Benaadir Administration – an outcome of the Cairo agreement then supported by all major figures in Mogadishu - was collapsing, the confidence of the population was growing. Some small plants started later that year; the exchange rate was actually appreciating despite the arrival of a minor (relative to later ones) shipment of

¹² Such a festival existed also before the civil war.

“fake” bank notes, and rehabilitation of some areas in town was clearly visible. To a certain extent, this improvement continued despite disturbances. Although it is difficult to get hard evidence or figures from the airline companies, it is worth noting that all of them organize their flights and take off from Dubai international airport so as to allow Somalis of the Diaspora to connect without having to enter the UAE (which requires an expensive visa). There are also other features that confirm this evolution. The first one is the success of the Internet in spite of the shortage of power and the high cost of a computer and connection to the service provider. A second one is the relative success of subscriptions to DSTV and the satellite dishes that give access to most of the channels from both ArabSat and South Africa’s MNet Networks. A third is the growing role played by returnees in civil society organizations. It would certainly be wrong to assume that these returns are massive but since they take place within a very limited social stratum, they cannot go unnoticed. These changes raise some interesting questions on how the often conservative Diaspora view the education of their children in Western fashion, or what impact these newcomers are having on Mogadishu politics.

As far as the economy of Mogadishu is concerned, this situation has two important consequences. First, it shows that there is no mechanical linkage between the state of Somali politics and the decision made by people to come back (and/or to start some new activity requiring investment). This is very important as this Report is written at a time when re-armament in Mogadishu has reached alarming levels. It indicates that many newcomers involved in the economic arena do not believe that a major confrontation will take place in the southern part of the city. Time will tell whether they are right or not. A second consequence is that many of these middle class newcomers start projects to sustain themselves. Many of them are only involved in trade and used their command of foreign languages (English or Arabic) to strike deals with people from their refugee countries. But significant numbers have invested in small plants, micro-industrial projects, and supply of services in Mogadishu. Some of the radio and TV networks are managed by Somalis who at some point in time had been together in Canada or Western Europe, or elsewhere.

All those changes have been taking place in an environment, which was dramatically reshaped by the civil war, the destruction of the old historical centre, and the emergence of new rules for settlement in a capital broadly divided in two. As explained in the first section of the introduction, settlement was not specifically clan-determined for decades in Mogadishu. The two major wars in Mogadishu considerably restructured the urban space and created a few new spatial divisions, whose importance might have declined because of recent events over the last few years but which still remain pertinent to some extent, to an understanding of Mogadishu’s politics and economy.

Perhaps the main change is that settlement is now predominantly determined by clan affiliation. Of course, this rule is not absolute and some areas are still mixed. Nevertheless, as far as security is concerned, most of the districts in Mogadishu would seem to be either dominated by a single clan or divided in various clusters, but still dominated by a single clan. This rule does not apply uniformly all over the capital because past patterns of urbanization were not eradicated everywhere. In fact, in a few areas that were not directly affected by the war, the patterns and characteristics of the pre-civil war population seem to have survived.

Roughly speaking, after March 1992, Mogadishu was divided into three unequal parts, reflecting a political stalemate that, as yet, neither time nor political developments has seriously altered... North-Mogadishu became the political name of the fraction of the city under the control¹³ of Cali Mahdi and includes Kaaraan, Yaaqshiid, Shangaani, Shibis, and parts of Boondheere. Although that part of the city is relatively small, population density was high and, thanks to a relatively good security situation during the UNOSOM and Islamic Courts periods, a number of new houses were built there. In terms of population, most of the new settlers belong to the Mudulood clan whose main sub-clan is Abgaal.

¹³ The term “control” is certainly not the best to describe the reality: in the Somali context, it means that no other military faction could undertake an action in that area; it does not imply that the faction is able in any way to administer the daily life of the city dwellers...

South Mogadishu was the name given to the rest of the city and was under the control of General Caydiid's supporters. Contrary to North Mogadishu, the southern part was very mixed in terms of the clannic origin of its population. This was due to various elements. First, the southern part of the city is adjacent to Lower Shabeelle, gateway to all (clan diverse) Southern regions of the country, while North Mogadishu fundamentally opens onto Middle Shabeelle, a predominantly Abgaal populated area. Second, in terms of the clannic diversity of South Mogadishu, links with the Central region were important due to the clan affiliation of the core supporters of General Caydiid. Third, the history of the city was such that many areas in South Mogadishu had escaped destruction. Clans either strongly or loosely associated with Caydiid were settled there and did not need to move. Fourth, the centres of economic activity, namely, Bakaaraha and the international port and airport are located in that section of the town. And finally, General Caydiid needed to promote a "national" or wide clan alliance to support his claim to national leadership, hence, the positive implications of having a diverse population living under his authority and (presumably), supporting him.

The third section of the city, of no great demographic or economic significance, came to be known as Medina (before the civil war its name had been Wadajir), an Abgaal controlled enclave in South Mogadishu. Its flamboyant leader was for years Muuse Suudi Yalahow. This area resisted various offensives during the second Mogadishu war. Its leader was able to rule there for years, and was the first to establish an Islamic Court in Mogadishu. He moved to North Mogadishu in late 1997 since he wanted to play a greater role in Abgaal politics and in the discussions leading to the creation of a Benaadir Administration, in the aftermath of the Cairo Agreement.

For years, the division between North and South was a painful reality: people could not move freely (or didn't dare to), and neither could cars or trucks. The protection economy was conditioning the relationships between both halves of the capital city, even though ordinary people often risked the crossing since prices were lower on the other side, and work easier to come by. Although this division has not yet vanished entirely (as shown by the behaviour of TNG officials over the last two years), its significance has greatly diminished over the years¹⁴. A first attempt to clear it was made in January 1994 and was relatively successful despite the opposition of the most prominent political leaders of both sides. This Hiraab peace agreement did not please everybody but its impact was positive on the ground since people, cars, and trucks started moving from one side to the other more frequently. The establishment of the Benaadir Administration in early 1998 was also a rather positive move despite its lack of effectiveness. At that time, all warlords were significantly involved, leading ordinary people to believe that the infamous green line was to disappear. Four years later, that view would seem to have been optimistic, though there has been impressive progress. To a certain extent, the green line is still there, mostly in the mind of people, for two reasons. One is the violent and ugly crisis among the Abgaal which is playing itself out mostly in North Mogadishu, and the other is the collective attitude of the Abgaal in relation to the factions of South Mogadishu, namely that their right to live in the city is contested. Even though Abgaal sub-clans are represented in the TNG, some of their members still consider themselves the owners of the area and hold that no non-Abgaal TNG force has the right to remain in North Mogadishu indefinitely....

c- the question of citizenship « U Dhashay/Ku Dhashay »¹⁵

As soon as Cali Mahdi Maxamed was elected President by his close associates in January 1991, most Abgaal elders told the Haber Gidir to return to their homeland in Galgaduud and Mudug. This was of course a political ploy, an attempt to deprive General Caydiid of his supporters in the capital city, and lumped together recent arrivals from the Central Region with people settled in Mogadishu for generations. This had a cultural dimension as well, and therefore appealed to deeper feelings: through this action, the Abgaal were asserting their ownership of Mogadishu, i.e. that it

¹⁴ After the fight late May 2002, some leaders opposing the TNG claimed that the so-called green line should be again established. The impact of this statement has yet to be assessed.

¹⁵ Literally "born for [the region]/born in [the region]": people could be, in the first case, from the clan claiming the "ownership" of the region or in the second be born there. This kind of debate has surfaced in other crises, in DRC and Ivory Coast, or in the Balkans among many places.

was their traditional homeland (goof) and that they had the right to ask “outsiders” to leave. Obviously, those people so blatantly downgraded to the status of “guests” disagreed since they were in effect being asked to relinquish all claims to the leadership of the whole country (through the control of Mogadishu), as well the rights they believed they had acquired (in Mogadishu..) for having fought the dictatorship for years

Later on, it was in these terms that people were discussing decentralization or regionalisation. Any clan could pretend to “own” some part of a region as its traditional territory and wanted to be the only one to administer it or benefit from the jobs provided by international agencies or local administrations. This kind of move was also often supported (partly inadvertently) by the international community. This quite curious vision of citizenship was accepted by most people, Somali and foreign, because it justified criticism of the land occupations effected by Haber Gidir led factions or people.

This debate never stopped and even found its way into the TNG Parliament (despite the high number of foreign passport holders among the MPs who benefited from their residence to acquire citizenship). This issue deserves a few more comments, as it is central to any definition of a supra-clannic state. The idea that a clan “owns” a territory and that this ownership implies that other Somalis cannot enjoy civic rights in that territory must be challenged. It is a political claim that is often based on fake historical records. It further reflects a confusion between some traditional rules and regulations (“recipes”, that were applied in certain limited ways for limited purposes), and the concept of citizenship, tied to a National State; and, finally, it also reflects a dubious understanding of the rule of law.

For instance, if people of clans (other than the Abgaal) have no right to live in Mogadishu, how could Mogadishu be considered the capital city of Somalia? This concept would also beg the question of who conceivably could be the “real” owners of Mogadishu? A clan? A sub-clan? A lineage? A cluster of individuals? At what point in time should ownership be examined, i.e. when does history begin? Should the owners be the Abgaal and not Reer Xamar people? Why not also the Bantus who were settled in Somalia long before the Somali invasion and the arrival Arab and Persian traders? Moreover, a careful look at Abgaal politics would show that there is strong disagreement among Abgaal sub-clans as to who precisely (among the Abgaal sub-clans or lineages) could be the owner of Mogadishu land. Should it be the Reer Mataan as the Italian colonizers first thought or the Daa’uud as Muuse Suudi claims? Moreover, there have been over the years a number of clan or factional agreements supported by most groups (such as the Hiraab peace agreement and the Benaadir Administration) that recognize the right of certain newcomers to live there. Should these agreements, which were endorsed for a period but then contested, no longer be considered legitimate? Should it be acceptable that somebody from a “wrong” clan settled in a given area be deprived of all civic rights while others from the “right” clan born and educated elsewhere could come at any time to claim them? What kind of Nation or State could be built on such assumptions?

This debate is, nonetheless, crucial in the sense that it completely pre-empts the question of the rule of law. Certainly, properties have been occupied by newcomers (but also by long-settled people) and those assets must be returned to their rightful owners, not given to individuals who belong to the so-called “right” clan, i.e. the one that “owns” the area. Certainly, the definition of people who represent in some way the local population (or “belong” in a certain area) should not be based on the power of the gun, but neither should a part of the polity be excluded on fanciful grounds ...

Conclusion: the quest of citizenship as a new social contract?

The persistence of this debate on citizenship over the years shows the fragility of all the progress achieved to date (in defining the basis for a State) and mentioned in the description provided here. It shows also that the establishment of a regional administration for Benaadir (or a national State) might still take time until the Somalis and their political class clear some of the confusions that prevent not only a full reconciliation, but also the establishment of a working State apparatus.

Paradoxically, this debate also shows how much the Somali civil war is a modern war, a war about the concept of the State, about the form of the new emerging polity, and about how far the identities reshaped throughout the war should frame a peace settlement. The fact that this debate has persisted over the years in Mogadishu and in other regions without reaching any clear conclusion implies that the discussion on representation has not matured yet.

SECTION ONE

THE FINANCIAL SECTOR

One of the dubious benefits of the Somali civil war is that the whole formal economic and financial framework was completely annihilated by the course of events. In a matter of few weeks, what was the financial sector basically disappeared and all economic exchanges since then were conducted through barter and cash payments. This was a particularly drastic development in the crisis of the State, a so radical change being unusual in most cases of armed conflicts in Africa and elsewhere.

For instance, in Lebanon, despite the recurrence of fighting incidents and the balkanisation of the capital, the Central Bank and private banking institutions were still able to function within the country and to keep their relationships with corresponding institutions worldwide. The battling militias eventually set up their own financial institutions as well as their TV networks, shipping companies, and the like. To a large extent that explains how the war situation was resolved: the armed protagonists were also major players in an economy, which was connected to the outside world. The Somali factions lacked this sophistication but one should not find them so guilty since the State they might have inherited was not that impressive...

This section on the financial sector is addressing two basic elements. The first one is the remittance economy; the second is money supply, a matter that went through many events over the last three years as is explained in the following pages. Another element that could have found a place in this section is the exchange market but since most operators are settled in Bakaaraha market, this activity is described in the section three dealing with that market.

Somalia's financial sector was in a severe crisis before the civil war. Despite IMF interventions, the regime was not inclined to reform radically the currency market and liberalize it. Moreover, the banking institutions were in a shaky situation since many of them were providing loans to the elite with little or no expectation that they would be ever repaid. Many significant business people in Mogadishu are known to have made their money this way: while loans were ostensibly granted for investment in farming, they actually were used either to build houses in the capital city, or to import commodities. These embezzlements were not the monopoly of any specific clan: many individuals from clans that in 1991 claimed to have been marginalized and oppressed by Siyaad Barre's regime throughout the 1980s, made a huge amount of money through this subterfuge. Such a behaviour had a clear impact on the banking system. In 1989, the Somali Commercial and Saving Bank went bankrupt and this event together with a few less important ones convinced many Somalis that banks, especially State-owned ones, were not safe places to keep their money in.

This distrust towards the official banking system was not only based on the predatory attitudes adopted by the regime and its cronies; it was also rooted in the efficiency of the parallel economy and its vibrancy. By the late 1980s, tens of thousands of Somali had migrated to the Gulf States and, increasingly, to Western Europe and America. While in the early 1960s and 1970s, most of those migrants were from Somaliland and Puntland, in the last years before the civil war, they hailed increasingly from Southern Somalia. Although most of them were not skilled workers (often from the bush), they were able to send money back home to their relatives. Remittances had a clear impact on urban society since they generated or financed a number of activities and developed consumption patterns that were surprising for a relatively poor country.

This system of remittances not only survived but also became much more sophisticated during the civil war. It is generally assumed that remittances for all Somalia could reach US\$ 500 million or more. To put this amount in perspective, the hard currency generated by livestock exports, barely exceeded US\$ 150 million. As mentioned in the introductory chapter, there is a crucial question mark on the amount of money remitted to Somalia. For years, this amount was estimated at a maximum of US\$ 350 million per year¹⁶. A study commissioned by DFID came out with an

¹⁶ Report USAID (1987), UNDOS (1997), UNDP CBF August 2000.

amount of US\$ 500 million yearly for Somaliland alone, and a guess that the total could approach one billion for Somalia as a whole¹⁷. No discussion took place though the methodology was not that different from that of previous studies. Then, things moved again when the US government decided to freeze the accounts of al-Barakaat. This time the amount was claimed to reach a minimum of 800 millions, though this has not been documented properly. These facts are meant to remind readers that there is real difficulty in estimating the amount of Somali remittances and that all reported findings (including this author's) are based on debatable estimates without a clear or rigorous methodology about the way they are aggregated or blown-up at the overall, society, or national levels.

This author strongly advocates a very cautious attitude for different and sometimes contradictory reasons. One thing is to argue with a debatable US decision, another is to provide very high figures without relevant evidence. There is also a need to analyse why companies decide to give figures or not. For years, the main money-transfer companies were not willing to provide any, but suddenly they started providing much higher figures than are considered plausible. According to published newspapers, al-Barakaat did generate a profit of US\$ 2.7 million in 2000¹⁸, its best year according to its CEO. Assuming that this profit was generated only by remittances going to Somalia, and assuming the rather low commission rate of 2% would imply that an amount of only US\$ 135 million was transferred. The total flow of money might be twice this amount, since al-Barakaat was also sending money from Somalia to other foreign trading centres. But then, it is hard to believe that other companies were handling more than four times the amount claimed by al-Barakaat, for reasons linked to the infrastructure of those companies compared to al-Barakaat's. There is also another aspect that researchers travelling to Somalia could easily observe: the poverty of a great proportion of the population and the fact that those external resources are not shared equally. On the first aspect, it is interesting to note that middle class consumption is not the main object in Mogadishu: restaurants and TV networks are not enjoying the success they were expecting because they are still considered expensive services. The only Internet company in Mogadishu had about 450 subscribers in August 2001 when the author visited it. This is not an impressive figure for a town of more than 1 million inhabitants and with many UN and INGO workers... On the second aspect, remittances are mostly distributed among the urban population all over Somalia and, if the findings of the household surveys are taken seriously, they overwhelmingly go to middle and upper middle income families, rarely to the poorest ones. Now, these remarks add little value but they are meant to show that further extended research is badly needed before valid, operational conclusions can be reached.

Of course, the financial sector is not restricted to remittances, though they are really its backbone. In this section, another chapter is dedicated to analysing the exchange market and the supply of money. Concerning the latter, contrary to many countries at war (cf. the war in Lebanon or in Sierra Leone), the Central Bank was looted and ceased operating in January 1991. Despite the emergence of three different governments (Cali Mahdi, General Caydiid, TNG), the reestablishment of the Central Bank, each time, was a meaningless decision, since it was unable to carry out its most basic functions. The TNG has actually done worse than the others, since it has been unable (or unwilling, according to some analysts) to stop the import of huge quantities of "fake" banknotes. The result is unsurprising: inflation has affected the local economy and all those entrepreneurs who started small plants. But this deserves more careful analysis.

¹⁷ Ismail I. Ahmed, "Remittances and their economic impact in post-war Somaliland", *Disasters*, vol. 24, n° 4, 2000.

¹⁸ "5 months after sanctions against Somali company, scant proof of Qaeda tie", *The New York Times*, 3 April 2002.

CHAPTER TWO

The Money-Transfer Companies (xawaalad) and the Remittance Economy

1. Introduction

Remittances are not a new phenomenon in Somali history. Already those who were employed by the British colonial administration in its possessions on the other side of the Red Sea were remitting money to their relatives back home at the beginning of this century. Neither should this be seen as a characteristic of a clan-based society since it thrives in other countries of the Horn of Africa. Sudan, Eritrea, and Ethiopia depend, to some extent, on the remittances sent by migrants. The existence of this remittances economy in Somalia was boosted by two factors: the rapid growth of a migrant workforce from the early 1970s and a completely unrealistic fiscal and monetary policy (especially the maintenance of a totally artificial exchange rate) that quickly led to the emergence of a vibrant black or parallel market, often managed by State officials and their associated middlemen... The clan structure, nevertheless, had an impact on the way this economy was structured and on how it worked.

From the very beginning, the big importers were the people through whom money was channelled to Somalia and specifically Mogadishu. Those traders/importers were collecting cash in hard currency from migrants in order to buy their commodities and were paying the relatives of the migrants quickly in Somali shillings at the black/parallel market rate. Later, it became a separate business and specific companies specialized in it. Nonetheless, up to now, big traders or even frequent travellers often carry money for relatives or relatives of close friends and should be considered participants in this activity.

The background of the CEO of al-Barakaat money-transfer company is typical of that trend¹⁹. After his education in Somalia, he went to work in Saudi Arabia and was employed for several years in a bank (Citibank) in the mid-1970s. At the beginning of the 1980s, one of the richest traders of Mogadishu, the late Xashi Wehiliye, asked him to be his representative in Jeddah for this specific activity²⁰. This was a flourishing business to the extent that, after a few years, in 1987/1988, Xashi Wehiliye decided to focus his business only on larger remittances but encouraged his employee to start his own company to transfer the smaller amounts (US\$ 50 to 300). This is how Al-Barakaat started it and had already acquired significant experience and network when the civil war broke out in Mogadishu. The fact that the company operated initially from Jeddah was also an asset since potential customers were not only the Hawiye, but also the other big clan families....

This business developed also a way to cope with hardships. The history of Dahab Shiil, currently (i.e. after November 7), the most important money-transfer company in Somalia is also a good illustration of this aspect. After the Somali army shelled Hargeysa and Burco in May 1988, many inhabitants of Somaliland went into exile in Ethiopia and settled in refugee camps. International aid was provided but was not enough. Dahab Shiil was founded in those camps and was smart enough to take the lead in remitting money to the refugees. At first, money was basically sent to finance the subsistence of the refugees but soon, remittances were being effected for business purposes. How and where Dahab Shiil started operating helped it gain vigour and be successful, but it was also a handicap: for a long time, the only potential customers were Isaaq and it took years after 1991 for the company to extend its operations to other parts of the country. Only in the last two years and, of course, more so after November 7, it has become important in Mogadishu.

2. The service provided by the Xawaalad companies

¹⁹ Interview Axmed Nuur Cali Jimcaale, Dubai, March 2002.

²⁰ This is also a good example of how flexible the clan system can be. Axmed and Xashi were not from the same clan but Axmed was grown in the same environment as relatives of Xashi...

What exactly do these companies do? They actually provide a range of services that make them the only concerns close to banking institutions in Somalia, though they do not yet have the expertise or the institutional capabilities to provide all banking services. As of now, they conduct four kinds of operations.

The first one is the traditional remittance business. Migrants send small amounts of money to their families to help them cope with either normal expenses, or to organize specific events (weddings, funerals, etc.). The remittances could be sent regularly or not, depending on the economic possibilities on both sides. The amount of money sent is often between US\$ 50 and US\$ 200. If more money were sent, then it could be to fund a specific project, such as buying a piece of land or building a house. It might also be to support a relative who wants to start a specific business, or to become shareholder in a company since many medium-sized business people tried to get friends or relatives overseas to invest in a good venture (a kind of virtual portfolio)...

A second service offered by the most important companies is the ability to open a savings account. Before November 7, for instance, al-Barakaat had been playing a much more sophisticated role than a traditional money-transfer company. Business people or even private parties could deposit cash for safe-keeping and use it as necessary, or even sometimes, draw a check. Besides traders (big or small), there were also many people who had a fair amount of cash because they were either building a house or looking to buy land. Without doubt, this was a very positive development after years of distrust from the business people. Al-Barakaat was managing several hundred savings accounts in Mogadishu before its closure. The US decision badly affected those people since al-Barakaat was using a fraction of the deposits as its cash flow²¹. A substantial part of the money was therefore frozen and was no longer accessible to those people, forcing many of them out of the market.

Another important function of al-Barakaat, also provided by many other money-transfer companies, was to transfer money from Mogadishu to Dubai, Jeddah, or Asia. Structurally, the money-transfer companies need cash (actually US dollars) in Mogadishu to pay their customers. So, from time to time close relatives of senior management used to travel from Dubai only to transport large quantities of US dollars (ranging from a few hundred thousand to one or two million). It is therefore not surprising that when traders bring fresh cash in Mogadishu for transfer to Dubai, the commission is very low: this cash would stay in Mogadishu and payments due in Dubai would be made from the money that reached the Dubai HQ. There are also other situations in which money needs to be sent abroad. Two cases are worth mentioning. Many families have children studying abroad, sometimes in Western countries but often in India, Pakistan, or Khartoum and send money to meet their expenses at the university. Also, it is not uncommon that a person trying to leave Somalia to get to Europe without a proper visa gets stuck somewhere in South Asia or Eastern Europe and money has to be sent to allow the underground migrant to meet additional expenses or move to a more hospitable country.

A last aspect needs to be mentioned here. Especially in recent years, with the notable exception of telecommunications, the most innovative of the money-transfer companies started to invest in projects as the leading shareholder. As far as Mogadishu is concerned, Al-Barakaat founded Betelco (Barakaat Telecom Company) in 1994, a bottling plant, in 2000, invested in an Internet Service provider (which had also problems surviving the US decision following 9/11), and in a construction company. Other companies adopted a more cautious approach, maybe because of their smaller size, but the major players in that sector are going to be also the leading investors in activities beyond trade.

What makes the difference between the various companies is the network abroad and inside the country that they have been able to establish since both networks channel money and potential customers. Outside Somalia, the network should follow the evolving patterns of settlement by the

²¹ Only 24% of the deposits and money in the process to be paid were reimbursed to the customers. This raised some concerns among business people in Mogadishu since they were not aware that their deposits were used by al-Barakaat and could hardly accept that they had to suffer from a US decision, which was targeting money outside their country...

Somalis. For instance at the beginning of the 1990s, Italy was a stronghold of the Somali Diaspora, it is no longer because State assistance is minimal and obtaining a visa has become much more difficult, especially when applied for in one of the IGAD countries. England, Canada, and Australia have become favourites since the late 1990s since welfare benefits are more generous and Somali communities are better settled with a clearer understanding of their rights and duties as compared to Italy. Xawaalad agents have to be selected accordingly, which means that selection will be made on a number of parameters: “clan” of the company, “clan” of the applicant (besides his honesty and business record), clan structure of the Somali settlers, and competitive situation in regard to the other Xawaalad companies.

Inside the country, things have not been that easy either. As explained elsewhere, most companies began operating at clan level, since everything in their functioning is based on trust. In order to enlarge the range of customers, there were basically only two options left. The first one was to have the best record, so that it could help cross clan boundaries and convince people from other clans to use the company. This argument was/is valid especially for the Diaspora where agents mostly do not belong to the same “clan” as the company that employs them. The second one is easier to achieve: it consists of playing on religion. Employees must be very religious, or at least appear very religious. This would reassure people about the honesty of the company and reduce the possible distrust customers might have against their clans. After November 7, one may assume that some companies will review their human resources strategy and make sure that women have a chance alongside “normal” Muslims.

3. Constraints

At this point, some of the main difficulties faced by this activity need to be discussed. The first one is the fact that it still takes place basically outside the legal world. The low commissions are possible because no license fees or taxes are paid overseas. But the other face of the coin is that a dishonest agent overseas could escape with the money and nothing could be done against him. There have been a number of cases where agents of prestigious Somali money-transfer companies have gotten into trouble, because they lent the money they had collected (that was supposed to be transferred to their headquarters) and that money was not paid back. Otherwise, the agent may just have spent it hoping to be able to refund it after some profitable commercial operation, which did not materialize. Sometimes even, since the agents are often quite trusted in the community they serve, they may have gotten involved in the trafficking of fake visas²² and might have been arrested for that. Inside the country, and in Mogadishu especially, other basic problems surface from time to time. One money-transfer company had to close years ago because of agents who disappeared with large amounts of money. Al-Barakaat once faced a very disturbing problem because the manager of one branch (in Xamar Weyne) was getting the remittances from HQ but not conveying them to the payees. A way to overcome those difficulties has been to demand that branches keep a deposit at the HQ of the company and/or hold shares in it. The bottom line is that the company must pay the customer to maintain its reputation in the market. As in other businesses, profits can be high, but so can risks...

Another problem faced by this sector is the management of trust. For instance, it transpired in Mogadishu that migrants from one clan family in Saudi Arabia still appear not to trust the major money-transfer companies and are using some kinsmen who are big traders to remit money to their relatives in Mogadishu and in their traditional home area. This behaviour is certainly less common today than it was in the early 1990s, but has not disappeared. It is linked to the experience of the migrants and their connection with other sections of the Somali Diaspora. The US decision created a new situation since migrants suddenly feared to become associated with disreputable operations or companies. Although such an impact is difficult to measure, its reality is beyond discussion: both Xawaalad companies and people in Mogadishu have been very vocal about it.

²² For a few hundreds or thousands USD, according to the location you are, it is possible to use the service of network that take you from your location to England or the Netherlands. Parts of the money is paid in advance, the rest is given to a third party and paid only if the trip has been successful.

An interesting third aspect also deserves a mention: the main qualities of a company are first of all, its honesty and, second, the speed with which it delivers the money. At the beginning of the 1990s, the strategic tools were the HF radios looted from the military camps since such radios were operating in all areas of Mogadishu and in many villages of the countryside. That was one way to contact people and then connecting with a phone to get some kind of contact with the outside world. These radio networks are still extensively used in the countryside. After 1994, things improved dramatically when Olympic (AST/TELCOM) and Betelco started operating. In 1997 Nationlink joined them and two other companies, NetXchange and Amana entered the activity²³. One can understand that the telecommunication business actually very much depends on these activities. Many customers in Somalia (and again especially in Mogadishu) rent a telephone line, less to call than to be called. The Somali operators, therefore obtain a significant part of their revenues and profits from incoming calls, rather than from outgoing ones... But one should also mention an alternative, which was widely used in the 1970s and 1980s: the payee records on a K7 the amount of money which was received and the K7 is sent to the relative abroad...

The US decision on al-Barakaat on 7 November 2001 affected this sector dramatically. The de facto disappearance of the main xawaalad company in Somalia had tremendous impacts on the others. To keep discussing only the economic dimensions, it seemed that al-Barakaat was able to impose a rather low rate of commission and most of its competitors had to align their rates on it. Since al-Barakaat's exit from the market, the level of commissions has risen by 20 to 30 %. At first, commissions - they vary with the size of the sum remitted - were basically about 5%, al-Barakaat later dragged them down to 3%. Since December 2001 they have risen to 7%. The justification provided by the other companies is that their service has become more formalized and their costs have increased. They argue that their operations are now documented (the sender must show an official identification that is now recorded) and in some places, licenses fees have been paid. At the same time, there is a concern that any significant operation might attract the attention of US authorities and cause unnecessary suspicions. The vacuum left since the exit of al-Barakaat is significant, especially in Mogadishu and Southern Somalia. But these considerations show that it will take time to either expand existing companies, or create new ones able manage a network similar to the one Barakaat had.

This situation also raises a new problem for international aid organizations. After years of indifference, there now appears to be a desire to help these Xawaalad to evolve in the direction of banking institutions. Without discussing what could be possible at this stage, close observers notice that many Xawaalad have been created in recent months. It would appear that there is the assumption that the US government will be involved in some way, directly or through a commercial bank, in controlling this sector which implies that quick money could be made. Practically overnight, the label "bank" has become fashionable and many advertisements in Mogadishu newspapers attest to the success of this transformation. The incident (kidnapping of one of the main Universal Bank shareholders based in Kuwait but visiting the facilities of the bank in Mogadishu) which occurred a few months ago demonstrates that it won't be easy to select partners without giving a chance to these new companies...

4. A survey of the Xawaalad companies in Mogadishu

The rest of this section is a quick assessment of the main companies operating in Mogadishu.

a- Dahab Shiil

This company, as mentioned above is the main one operating in Somaliland and has its HQ in Hargeysa. Operations in Mogadishu started in 1995 and currently, besides the main branch established in a new building in Bakaaraha market, there are 22 sub-branches in the capital city, but fewer in other major urban centres of Middle and Lower Shabeelle. Those sub-branches are agents and are paid a share of the commission paid on every sum remitted to them. Although they are independent, they need to keep a deposit with Dahab Shiil to avoid certain problems mentioned above.

²³ The last two have only a reduced network but operate in the middle of Bakaaraha market...

The record of the company is excellent in Mogadishu and elsewhere. Dahab Shiil started operating in Mogadishu because of an influx of people from Somaliland who were either involved in politics in Mogadishu and/or trying again to get some of their assets back (houses, buildings in the capital city, and farms in Middle and Lower Shabeelle). The growing business contacts with Somaliland during recent years, quite independently of political events, were also another reason for Dahab Shiil to enter the Mogadishu market. Last but not least, the establishment of the TNG created new opportunities for xawaalad companies, among them the possibility of transferring money from the TNG, its officials, and allies.

Dahab Shiil has been keen to comply with the new rules that emerged after November 7 and has invested energy and funds to achieve a fair degree of transparency enabling it to ease the concerns of some Western States²⁴.

Dahab Shiil wants to move towards banking and offers the opportunity to open saving accounts in its Mogadishu branches. No interest is paid on deposits. If the deposits are in So.Sh, a small charge of 0.25 % is collected for the service... But, the HQ in Hargeysa are drawing-up a more comprehensive strategy to deliver banking services. As part of this decision, transfers are now much better documented than ever: full names and addresses are recorded, as well as those of a guarantor, and a photocopy of an official identification document.

Before November 7, the author was told that US\$ 2 to 3 million were channelled monthly through Dahab Shiil, 25% of this amount being transfers out of Somalia, mostly for business purposes or to pay the fees of students. After the freezing of al-Barakaat assets, the monthly turnover reached about US\$ 5 million, while new customers (mostly traders) grew 30%.

The main branch employs 60 people, of which half are guards. They work 8 hours a day and six days a week. Salaries are between US\$ 70 and US\$ 600.

b- Al-Mustaqbal-Express

This company started operating in April 1999 in the capital, has branches in the other main market centres, but focuses on Eastern Somaliland and Puntland. The HQ of the company is in Ras al-Qaïma (UAE). It has three branches in Mogadishu, including the HQ. Seventeen people are employed at its HQ and salaries vary between US\$ 10 and US\$ 300. Managers claim that they channel about US\$ 300 000 to 400 000 in an average month. The amount of money transferred outside Somalia was not reported.

c- Dalsan

This company started in August 2001 and is a splinter of Amal-Express. The staff in Mogadishu comes mostly from a former xawaalad company, SUNDUS, that no longer functions and from a group of people that Olympic had assembled to start a money-transfer business. The main branch within Somalia is in Puntland. Although very recently established, they have 16 branches in Mogadishu, which function as agents. Sixteen people work in its HQ. The staff explained that

²⁴ Here are extracts from a press release by the CEO after an baseless report issued by IRIN: "We are surprised to learn that on 8 April 2002 IRIN published a news item stating that the closure of Dahab Shiil company was averted by interventions from UNDP. IRIN compared this with the closure of Barakaat and analysed the impact it could have on the Somali economy... Dahab Shiil has never faced a threat of closure from any of the 50 countries where it operates as a remittance company... The news created panic at a sensitive time following the events of September 11 and closure of Barakaat. As the oldest Somali remittance company in the Horn of Africa with the largest network, Dahab Shiil provides unparalleled money-transfer services throughout the Somali regions. Dahab Shiil is the largest company and biggest private sector employer not just in Somaliland as IRIN claims but also in Somalia. Dahab Shiil was one the first companies to meet the new stringent regulations imposed on money transfer companies in Europe and North America. In the USA, Dahab Shiil was the first Somali company that received the new license in January 2002. In the UK, it fully complied the new regulations well before they came into force. This is one of the reasons why Dahabshiil has earned the reputation as the most trusted company by the 3.5 million Somali customers who rely on remittances for their livelihoods".

service charges vary from US\$ 1 to US\$ 4 for any operation. Their monthly turnover is between US\$ 400 000 and US\$ 500 000.

d- Amal Express

Amal-Express was founded sometimes in late 1997 and started operating in Boosaaso, a major port in the post-1991 Somali economy, a year later. Fourteen small xawaalad companies merged to create this larger company that was now in position to demand a larger share of the transactions in Puntland and elsewhere in Somalia. The company did not rely only on the resources of the founding companies but offered shares to the public. Its success became quickly apparent and was linked to different factors. One could be regional pride that pushed many Puntlanders to invest in a company serving their region in priority and could channel money for other projects (especially construction of houses). The company suffered from the political crisis in Puntland and from the bad business climate due to the stalemate. Although, at the time of this writing, the situation is clearer, but it is feared that skirmishes are still possible with devastating effects both on the confidence of potential investors and on Amal's business.

Since the HQ is located in Boosaaso, there are only branches in Mogadishu. Of the six branches, 2 are quite significant and are based in South and North Mogadishu at the core of the main markets. The main branch is located in Bakaaraha market and has 27 staff, including 7 guards, 4 cleaners, 6 messengers (monthly salaries varied between US\$ 30 and US\$ 100) and 10 clerks who are paid a percentage of the profits. They have about 6000 customers, mostly people related directly or indirectly with Puntland²⁵.

e- Tawfiq Nationlink

This company is one of the oldest in Mogadishu but has become significant only since 1997. Today, the company manages 6 branches and has about 25 staff. Salaries vary between US\$ 40 and US\$ 500. Although remittances come from the usual countries, Tawfiq claims to have a very efficient network to transfer money to/from Northern Africa, Southeast Asia (Bangkok, Jakarta, and Kuala Lumpur), in addition the traditional destinations in the Gulf States, especially Saudi Arabia, and Ethiopia. Because of November 7, commissions as in other companies have substantially increased in steps, from 3 % to 3,5% to 5% to 7%. This has not slowed the dramatic increase in the volume of business because of the exit of al-Barakaat. Tawfiq claims to handle about US\$ 2 million/month.

Tawfiq is also associated to the Telecom company, Nationlink, not only because they have common shareholders but also because both managements are seeking ways to extend the scope of the xawaalad business. One should remember that the three largest telecom companies operating in Mogadishu have all at some point of their growth tried to get involved in the remittance sector, with variable success...

f- Kalsan

It is a small money transfer company that started operating in April 2002. It is very much focused on one country, the Sudan, where it has its HQ. The profitability of the company is largely based on the presence in Khartoum of a growing community of Somali students who receive money from Somalia. It does not seem to operate from other Somali cities. No figures could be given, since the interview took place as they were starting to operate.

g- Salaama Express

This company has its HQ in London with offices in the Netherlands and Scandinavia as well as North America, Kenya, and the UAE. To some extent, its existence attests to the changing patterns of migration of Southern Somalis, since years ago emphasis would have been on Italy while today it is clearly elsewhere. The staff in the main Mogadishu office refused to answer questions and indicated that information should be asked through the website of the company. An e-mail was sent but remained unanswered.

²⁵ Interview CEO Amal Express Nairobi May 2002.

h- Barwaaqo

This company started operating in April 2002. It has two branches in Mogadishu, one in Bakaaraha market and the other in Suuq Bacad. It employs 4 clerks and 7 guards. Salaries vary between US\$ 50 and US\$ 200. The company does not charge if people want to send money to Dubai, Saudi Arabia, or Pakistan (which may mean that most of its customers outside Somalia are in those countries). The basic commission rate to send money to/within Somalia is 3% but bargaining is always necessary... The company is trying to get customers from Bay and Bakool, and, as a prominent shareholder told the author, initial results appear encouraging.

i- Kaah-Express

The management refused to be interviewed and kindly referred the research team to the CEO of the company based in Dubai.

j- Al-Kheyrat

Despite some advertisements still visible in Bakaaraha, this company was closed at the time of the research. It is possible that some agents, especially in Dubai, got into trouble after September 11 and that its accounts were frozen. The main office within Somalia was said to be in Boosaaso. The staff of the Mogadishu branch seems to have shifted its interest from money-transfer to the export of lobsters...

k- Others: Global Bank and Universal Bank

Two other banks claimed at some point that they were about to open. The first one is Global Bank, a company that has a number of big traders among its shareholders. This bank is not operating but has already rented a splendid building in the centre of Bakaaraha market. At the time of the visit, no one was available to answer questions.

Another bank was also set up in December 2001 but never became operational: Universal Bank. It was promoted by people based in Kuwait. Local investors were made to rent a very nice building in Bakaaraha, buy the furniture and the computers, apparently spending more than US\$ 130,000. A disagreement then broke out at the time a representative of the investors visited Mogadishu, which led to his kidnapping: he was held for about three months before being released at the beginning of May 2002.

Conclusion

The multiplication of money transfer companies after the collapse of al-Barakaat in November 2001 is far from surprising. The US decision created a real vacuum in this sector that needed to be filled as quickly as possible. But, one should also consider the fact that some companies were established just to get a share of whatever aid was supposed to flow to this sector from the US or international aid agencies. The TNG ambassador at the United Nations made several statements asking the US government to take over the remittances business through some US bank. The very naïveté of this statement did not prevent large numbers of Somalis from believing it.

The assessment made here may show an ephemeral situation for this sector. Nevertheless, it allows us to point out a few interesting features. If the figures claimed by the various companies were to be believed, remittances might not exceed US\$ 10 million/month, much less than what is commonly reported by many international organizations, yet certainly much more consistent with the poverty of the average population. The discussion is not over since this survey has been undertaken only a few months after November 7. And also, remittances can be channelled through other vehicles, as described previously. Nevertheless, one should again underline that the closure of al-Barakaat made remittances to small urban centres more difficult. However, Mogadishu has always offered a number of alternatives (see Annex 2 for details).

MONEY TRANSFER AGENCIES IN MOGADISHU

No	Name	Establishment date	Employees	Branches	Salary	Service fee %	Monthly transfer
1	Dahabshiil	1995	60	22	78 - 600\$	2 - 3%	\$5,000,000
2	Amal express	1995	27	6	Percentage commission	2 - 4 %	
3	Al-Mustaqbal express	1999	17x3	3	10 - 300 \$	1- 2.5%	\$100,000- \$200,000x3
4	Tawfiq-Nation link	1977	25	6	40 - 500 \$	5 - 7%	\$800,000- \$1,500,000
5	Dalsan	Aug. 2001	16	6	50 - 400 \$	1- 4%	\$400,000- \$500,000
6	Barwaaqo	1/4/2002	11	2	50 - 200 \$	3%	-

N.B:* Kalsan - established in 06/05/2002, and still in preparation phase.

* Al-Khayrat is closed now

CHAPTER THREE

Money Supply During the Civil War

This chapter intends to summarize a number of events that have dramatically affected the money supply in Somalia and Mogadishu over the last few years. These events, at least those described here, have little to do with the normal causes of inflation and economic cycles that happen in all countries. In fact, to the Somali traders who imported them, banknotes were a commodity, not very different from sugar or rice. For this reason, this paper will not present a conventional economic/monetary analysis of the phenomenon.

Although Somalia seems to be quite original by any standard, Somalia's fate is not unique and other countries have faced similar problems. For instance, in Zaire, after the failure of the democratic transition and before the Kivu war of 1996, the President and the Director of the Central Bank were the most notorious counterfeiterers, but definitively not the only ones. The issuing of a new currency under IMF supervision was of little relief. The story went so far that the face value of the notes was lower than the cost of printing them. At the same time, parts of the country – the two Kasai regions - were refusing to use the new currency, since people believed that the cabinet was not legitimate enough to issue these new banknotes. In fairness, this has not yet happened in Somalia, as the core importers of currency are trying to keep its value above the cost of printing it.

1. The pre-civil war situation

Since Siyaad Barre imposed an artificial exchange rate on his country, the black market was an essential feature of economic life as discussed earlier. Devaluing the So.Sh. was first an instrument to pay for the consequences of the 1977/78 Ogaden war....But the resources appropriated through this inflation and depreciation were insufficient to stop the deterioration of the overall situation. By the mid-1970s manufactured goods constituted 20% of total exports. By 1978, as a consequence of the war against Ethiopia, such exports had vanished. Internal production likewise suffered. In 1969, Somalia refined 47,000 MT of sugar; by 1980, the figure was down to 29,100 MT. In 1975, the country produced 14,4 million cans of meat and 2,200 MT of canned fish. In 1979, it produced 1,5 million cans of meat and a negligible amount of canned fish. Real GDP fell 3% from 1977 to 1980. In 1981, with advice from the IMF a dual exchange rate regime was established. The recurrent devaluation of the Somali shilling in the 1980s was another attempt to cope with the worsening of the economic situation (collapse for instance of the industrial output from the late 1970s), the growth of the external debt, and the increase in political tensions.

Average Official exchange Rate in Somalia (So.Sh./US\$)
(1973-1990)

Year	Rate
1973-1981	6.3
1982	10.75
1983	15.79
1984	20.02
1985	39.49
1986	72.00
1987	105.20
1988	170.50
1989	490.90
1990	1055.90*

*: estimate

In the late 1980s, the situation was getting out of control. The maximum civil service salary was about Sosh. 14,500 (a University lecturer could earned no more than So.Sh. 7,000) while feeding a normal household required about 3,000 shillings/day. If the salary had been adjusted to its real level of 1977, by taking into account the official rate of inflation, it would have reached So.Sh.

287,700.²⁶... This was a clear incentive to corruption and absenteeism. Somalis were using an expression to name this new corruption: hawl fududayn (“what helps to work”), a practice that still exists in many big private companies after the civil war.

In 1990, the official exchange rate reached 1,400 So.Sh/US\$ but the black market rate hovered around 3,000 So.Sh/US\$. To ease payments, new banknotes of So.Sh 500 and 1,000 were issued while the smallest notes dropped out of circulation (So.Sh. 10 and 5). Other notes remained in use in small urban centres and in the countryside. Inflation was therefore a critical issue and explained also why the urban population was not so eager to support a regime that had so comprehensively failed to address the economic crisis. This is a point that outsiders should consider, since most of the explanations are focused on clan competition underestimating the hardships of daily life for normal people in the upheaval of the capital city.

Somali Consumer Price Index
1985=100

	1984	1985	1986	1987	1988	1989	1990
Index	72.6	100.0	135.8	174.0	316.6	707.1	
% Change	91.0	37.8	35.8	28.1	81.9	101.6	200

Source: Economic Intelligence Unit 1991/1992, p. 42. The 1990 figure of 200% inflation is an EIU estimate.

Without entering into details, it is useful to look at the legacy of the Siyaad Barre regime in terms of money supply, since those data help to understand how the Somali economy behaved during the civil war.

Money Supply (1985-1989)
(in Million Sosh)

Year	Currency Circulation	Currency Accounts	Circular Cheques	M 1	M 2	Money Supply	Change over previous year
1985	3787.4	5299.7	687.0	9774	2785.2	12559.3	81%
1986	5,208.5	5891.0	1044.1	12143	4690.8	16834.4	34.0 %
1987	12,326.9	14839.0	2879.0	30045	8187.5	38233.3	121.5 %
1988	21,033.3	20555.2	3846.8	45435	14879.7	60115.0	57.2 %
1989	56,4441.1	40587.6	28374.2	125402	18159.4	143562.2	138.8 %
1990	70,840.0	72160		143000	18630	161630.0	112.6%

In January 1991, the exchange rate depreciated to 4,000 So.Sh/US\$ and deteriorated further to 7600 So.Sh/US\$ by September 1992. This situation was hardly surprising. Most economic activities were at a standstill due to the civil war and many people were trying to sell their assets to escape the country. The supply of US dollars was therefore minimal while the demand was obviously, excessive, with economic activity almost nonexistent, the exchange rate in consequence dropped through the floor.

The first months of the international intervention were also quite amazing. The exchange rate appreciated to 3,000 So.Sh/US\$ in January 1993 and then stabilized in February around 4,850 So.Sh/US\$. From that time on, it kept basically stable between 4,500 So.Sh/US\$ and 5,000 So.Sh/US\$, until a few months before the end of the UN operation. In December 1994, it reached 5,500 So.Sh, then 6,250 So.Sh/US\$ in March 1995.

To a large extent, despite the belief among UNITAF leadership that the exchange rate was manipulated by a Somali mafia, this exchange rate behaviour pattern was logical. In the first weeks of the international intervention, huge amounts of US dollars poured into Mogadishu and no one

²⁶ “Framework for planning of long-term reconstruction and recovery”, Report of a multi-donor task force, 15 December 1993, p. 25-27.

knew how long such a situation would last. Moreover, at the beginning, no one could easily supply shillings in those amounts. Furthermore, the exchange market was not yet national in the sense that communications were difficult in a country politically divided and that security in many areas was tenuous. This apparent weakness was not misunderstood and the opportunity it represented was not lost on everybody. Many traders, for a couple of weeks in December 1992 and January 1993, travelled to Djibouti and Hargeysa to exchange their US dollars for So.Sh. and exchange them for dollars in Mogadishu since the exchange rate was well above 5,000 So.Sh./US\$ in those regions. This was a good arbitrage opportunity and profits were accordingly good. Then, the market stabilized as communications improved dramatically thanks to UNITAF and the exchange rate went to around 5,000 So.Sh.²⁷ up to November 1994. By then, the market was reacting to the departure of the international intervention and of many international NGOs.

After the closure of UNOSOM, the exchange rate in Somalia seemed to depreciate by about 1,000 So.Sh./year. The exchange rate was nearly 6,000 So.Sh./US\$ in April 1995, 7,000 So.Sh./US\$ in April 1996, 8,000 So.Sh. in April 1997 and 1998, 9,000 So.Sh./US\$ in April 1999, slightly more than 10,000 So.Sh./US\$ in April 2000 but nearly 20,000 in April 2001 and 22,000 in April 2002. The following chart describes the situation up to 2002.

Somalia : Exchange Rate Against US\$ in Bakaaraha Market (So.Sh./US \$)								
	1995	1996	1997	1998	1999	2000	2001	2002
January	5 375	7 629	8 010	6 525	8 373	10 143	14 000	18 500
February	5 533	7 125	7 725	7 458	8 417	9 765	14 300	21 000
March	5 580	6 713	7 398	7 517	8 580	10 170	14 700	21 000
April	5 037	6 907	7 708	7 943	8 900	10 275	20 000	22 500
May	5 980	7 480	7 950	8 214	9 500	10 400	19 000	22 000
June	5 935	7 520	8 154	8 533	10 000	10 220	18 400	22 200
July	5 980	7 600	8 633	7 950	10 800	9 758	19 200	27 200
August	6 030	7 616	8 650	7 920	10 475	9 500	15 200	
September	6 030	7 496	8 600	8 050	10 000	9 900	21 225	
October	5 972	7 677	8 198	8 242	10 175	11 300	23 500	
November	6 000	7 842	7 868	8 403	10 600	12 425	24 200	
December	6 500	8 096	6 870	8 373	10 163	13 000	19 240	
Average	5 913	7475	7980	7927	9665	10571	18580	21 200

Source: FEWS

The next sections try to explain what happened after 1991.

2. Money supply in the first period of the civil war (1991-1993)

In January 1991, the Central Bank and other banks were looted, mostly, in fact, by Siyaad Barre forces. From that time on, all non-cash components of the money supply disappeared, and money was reduced to currency in circulation, with the disappearance of checks and credit²⁸. Everything related to the government was annihilated and disappeared.

When Cali Mahdi Maxamed was elected President on 28 January 1991, he enjoyed but weak legitimacy around the country outside Mogadishu. This is so since the Somali National Movement led by Cabdiraxmaan Tuur, the United Somali Congress²⁹ chaired by General Caydiid, and the

²⁷ The best analysis on this period is certainly: Satish C. Mishra, "Finance, Banking and Economic Regeneration in Somalia", REDSO/ESA/APD, 22 February 1993.

²⁸ Actually, there were some attempts to reintroduce cheques in the late 1990s. Amal Express did so for the hajj and al-Barakaat was also moving to that practice.

²⁹ There were three organizations claiming the same name: USC Rome chaired by Xuseen Cali Shiddo, USC Mogadishu led by Cali Mahdi and Xuseen Xaaji Bood and USC Mustahil chaired by Maxamed Faarax Caydiid.

Somali Patriotic Movement³⁰ of Axmed Cumar Jess were opposed to his election. However, he was confirmed in this position by the Djibouti Conference in July 1991 and sworn in on 19 August 1991. Cali Mahdi was certainly bound by many agreements with General Caydiid and other faction leaders. He respected these agreements in rather lackadaisical ways and that behaviour goes a long way towards explaining the causes of the war that started in November 1991 in the capital city. But he did try his best to use his presidential status to recover funds from several foreign bank accounts as well as the banknotes printed under agreements with the IMF in 1989/1990.

In May 1991, Cali Mahdi received around 15 billion of Baalwayn (1,000 So.Sh and 500 So.Sh notes) from Djibouti but refused to give a share to General Caydiid who was then organizing a counter-offensive against Siyaad Barre's forces still present in Jubbaland and parts of Bay. In June 1992, Cali Mahdi received 200 billion "Na" (the "New" So.Sh printed under a deal with the IMF: N-20 was supposed to be worth 2,000 So.Sh; N-50, 5,000 So.Sh; and N-100, 10,000 So.Sh (the latter never reached Somalia). The deal was actually for 800 billion but the Somali Central Bank on Cali Mahdi's side could not pay the full cost of the print to the Stockholm branch of Thomas Delarue. Nevertheless, US\$ 11 million were spent for the printing (100 billion So.Sh had been printed previously for US\$ 1,839,457.14 and the other 100 billion cost US\$ 3 million), including transportation and, last but not least, the commissions paid to the Somalis involved in the transaction and its facilitation.

Throughout the two years of his shaky presidency, Cali Mahdi was also able to collect US\$ 14 million from the Geneva branch of Citibank, and, allegedly, US\$ 11 million from other accounts in foreign banks, and also US\$ 3 million from Arab countries (notably, Syria, Qatar, UAE and Oman). Other financial assistance may have been provided by Italy up to November 1991. Some countries – such as Libya - also provided to Cali Mahdi aid in kind that he sold on the market.

An interesting issue that could be compared with the Zairian situation was the status of the N-20 and N-50 that were imported by Cali Mahdi's cabinet. Since the rivalry between the two Hawiye leaders had reached a peak, General Caydiid was adamantly opposed to the use of those banknotes in the part of the country his faction was controlling. This provoked a clear gap and the value of those banknotes dropped to about one third or one fourth of its face value in the following years since they could be used only in Cali Mahdi's "territory", i.e. in North Mogadishu, Middle Shabeelle and Ceel Dheere area in Galgaduud. Even factions allied with Cali Mahdi as the SSDF in the North East were not keen to use those new notes: business is business... The Na has recently (late 2001) disappeared from circulation as its face value has dropped below the cost of printing it³¹.

3. UNOSOM and afterwards

The question of whether the exchange rate was controlled under the UNOSOM period was a debate with many different aspects. It illustrated the profound distrust and also to a certain extent the ignorance of many international actors in respect to the Somali economy and economic agents. Though this question was not entirely without merit, the existence and the efficiency of a potential cartel, given the time and circumstances, could be questioned.

At that time, few people noticed the introduction of the Somaliland Shilling (SlSh) and the selling in Somalia (mostly Mogadishu) of the So.Sh that were exchanged for the new currency. Actually, one may understand this indifference, since the amount of money was not significant, maybe of the order of So.Sh 25 to 30 billion (about US\$ 4 million at the exchange rate of the time).

³⁰ Very quickly after Siyaad Barre and his forces took refuge in the Jubba region, another SPM led by General Gabyow was created, adding to the overall confusion and the clan identification of all groups. Axmed Jess, General Caydiid and Cabdiraxmaan Tuur had built a coalition by November 1990 as an alternative to the Manifesto and the USC-Mogadishu.

³¹ A group of businessmen printed 70 billion So.Sh in "Na" notes and expected the TNG to buy them. It was not the case. Then, they tried to issue them through wage payments to their employees who refused. Its rate of exchange with the other currencies then collapsed...

Since this study is focused on Mogadishu's economy, there will be no further discussion of the Somaliland Shilling and the monetary policies (such as they were) of the Somaliland Authorities. Nevertheless, it is worth remembering that Somaliland's economy is intimately bound to Somalia's, as attested all over the years by the impact of, say, the livestock export bans or lately by the consequences on Somaliland's economy of the flooding of So.Sh in the former Italian colony³².

An interesting discussion, which is beyond the scope of this study, would be to compare what the still fragile government of Somaliland did in 1994 with the way the TNG dealt with currency matters after its establishment. Although in both cases, the public was very upset because of the inflation and the collapse of the exchange rate, in the Somaliland case, the resources so appropriated may have helped build a State apparatus (as well as enrich some key figures in Somaliland politics and business). In Mogadishu, however, it might simply have deprived the TNG of a significant part of its popular support, with no impact on its institutionalisation and administrative capacity. Other commentators called it a smoke screen for a "daylight highway robbery".

Issue of Somaliland Shilling (SISh)
(as indicated by Law 107, Somaliland Republic, 3 September 1994)

Denomination	Quantity	Face value
SISh	million	Million
1	5.0	5
5	5.0	25
10	4.0	40
20	3.0	60
50	4.0	200
100	2.0	200
500	4.0	2000

Years after UNOSOM, some Somalis pointed out two facts that are mentioned below but that should not be taken as gospel truth, since the author gathered second hand testimonies but not hard evidence sufficient to make a definite statement. The first one, maybe overstated by some UN officials, is that the number of key operators in Mogadishu was at one time very limited and that there were some not very successful attempts to control the exchange rate. This is not entirely unlikely, but interviews with the then cash facilitators might allow a more scientific review, rather than the collection of rumours.

The second fact was that new banknotes were issued at that time and no one could explain how this was possible, more than three years after the last new banknotes were issued by the Somali Central Bank. Many people already at that time claimed that fake money was printed and then washed with stone before being issued. The author met, in early 1996, some Somali business people who claimed to have been involved in that activity in a joint venture with Sierra Leone experts and at another time, with Zairians. Again, this does not constitute hard evidence.

These allegations actually raise another important problem, since in the following years huge amounts of money (about twice the money supply in 1990) were emitted on the Somali market either by would-be governments or simply by individual traders. Since there is no recognized government in Somalia and no legal system, it is difficult to call these newly printed notes "fake", or "counterfeit".

The fact that they are accepted by the public at large means that they are money since they are used as money. One may raise analogies with previous situations in many countries of the world, including the USA where the Federal Reserve was actually only established in 1923. For decades, private banks were entitled to produce their own banknotes and their values was eventually

³² See for instance FSAU Monthly bulletin, January 2002.

determined by the market: some bankers acted like crooks, over-issued banknotes and escaped with benefits; others behaved in a more appropriate manner. In this vision, the market is the only regulator and there is no need to raise any other issue than the behaviour of the economic agents³³.

Although, this first understanding might make sense, it ignores a number of questions that no one – especially a government or an international aid agency - can avoid. First of all, Somalia in the 1990s was not the neo-classical market but a country in crisis, which was part of the society of States and adopted (at least formally) some of the functions that had become the international norms. Issuing money in this context was a clear and not especially undue privilege of the State. Linked to that, there is another point that has to be taken seriously: the comparison with countries where at a certain time the issue of money was a private enterprise is arguable since a central argument is missing. Money must be issued by the legitimate authority, legitimacy being here both a legal and social concept: in some societies, that can be privately done, in others it is an absolute monopoly of the State. The story of the “Na” banknotes illustrates this point very well. Certainly Caydiid was adamant to keep this currency out of the market and his supporters were ready to enforce that decision by any means. Nevertheless the fact that the prohibition was widely respected is not only due to that threat of retribution. Although Cali Mahdi had support in other parts of the country where Abgaal traders were also operating, these banknotes were not used. Even under UNOSOM, for instance when Hiiraan Region shifted its support from Caydiid to his archenemy, they were not used, nor even after the death of general Caydiid at a time his faction/government was basically unable to enforce any kind of decision

In the following sections, these new banknotes will be called counterfeits, though this wording does not reflect the situation precisely. Whatever qualifications, at the end of the day, the core group of people who did pay the printing of those notes did so for the crude benefit, without the slightest consideration for the economy of the country and any regards for the government they were either parts of, or apparently supporting on the closest way.

4. The Malaysian connection

When General Caydiid set up his government in June 1995, he had plans to rule the country for a long while but was short of cash. For a few months, he thought that some countries (Libya, Uganda...) would recognize his regime and that international aid would then pay for his State apparatus. It simply did not happen.

Malaysia at the very end of UNOSOM tried to mediate once more between Caydiid and Cali Mahdi promising that, if the mediation were successful, Kuala Lumpur would invest in the management of the international port and start different businesses, including a Bank, a Telecommunications Company, and a resort. While the political part of the deal failed, the discussions went ahead on the business side and eventually an agreement was signed between Sal Ballaar (nickname of Caydiid's government meaning roughly “broad-based”) and a Malaysian company based in Penang, Adorna, who issued a circular Letter of Credit (LC) to pay for the printing.

Under this deal, 165 billion So.Sh would be printed and delivered in three consignments to Mogadishu. Adorna contracted a Canadian company, the British American Bank Note Co. Ltd to print 135 billion of the one thousand shilling note and 30 billion of the 500 shilling note. The cost of printing was US\$ 3,672,000 Fob Ottawa³⁴. These notes should have travelled through Uganda and Adorna would have received around 10% of the face value for the Somali-Malaysian Bank it wanted to operate.

The shipments were as follows:

35 billions were delivered on 4 June 1997 but Sal Ballaar was in difficulty to meet the conditions of the deal. Moreover there was already a fight on the airport between Xuseen Caydiid's militias and

³³ This point was raised in a discussion with Michel del Buono.

³⁴ See Michel del Buono, “Printing and Shipping of Somali shilling notes”, note UNDOS, 10 August 1999.

the airport guards who wanted a share³⁵. It should be noted that exchange rate fluctuated and reached 8,800 So.Sh/US\$ in the following weeks before getting back to normal. Xuseen Caydiid paid So.Sh 5 billion to Adorna and the rest in hard currency after lengthy negotiations. After those difficulties, Adorna trusted only the initial middleman so that there would be no problem with payment, while Xuseen Caydiid tried to put his brother Xasan in charge, writing to the Canadian company to recognize him as the sole possible broker.

A second shipment should have reached Ballidoogle early June 1998 but the situation was very tense in Baydhabo and the airport was closed. The Malaysian company whose expectations failed to materialize decided to cancel the LC, alleging non performance by the supplier. Moreover, their representative in Mogadishu was killed in that same period for unrelated reasons and this event, plus the economic crisis, which was affecting Asia, motivated the Malaysian exit. According to the printing company, the shipment was of 30 billion So.Sh but was lost.

A third shipment took place in March 1999: 15 billion So.Sh were bought by two traders who spent US\$ 500 000 for the notes and US\$ 100 000 for other expenses; 15 billion So.Sh were bought by two other prominent traders, paying US\$ 1 million, while 5 billion So.Sh was paid as a commission to the broker (about US\$ 550,000). Another consignment was delivered in June 1999, allegedly of about 45 billion So.Sh. The circle of business people involved was larger, though a core group could be identified.

This was the end of the Canadian money though there were still 15 billion in the B-A Bank Note warehouse in Ottawa. The publicity about that currency problem was so negative for Quebecor, (then becoming the world's largest commercial printing company) which had acquired BA Bank Note a few years earlier (in a package with other properties...) that it sold it immediately during the summer 1999 to a German company.

5. The Indonesian connection

Contrary to expectations, things did not go back to normal after these "Canadian" banknotes were exhausted. This business was really too profitable to be left to the politicians and the traders decided to continue with this activity. But things were not that easy. The newly-created Puntland State also needed money and its President, Cabdullaahi Yuusuf, wanted to do as Caydiid: print the money he needed.

The situation became increasingly complex and difficult to describe for an outsider, such as the present author, no-matter how well informed. Although a core group of big traders was formed and took the lead in the subsequent deals, the people involved in this business grew in number and therefore, rumours multiplied as well. Mogadishu's newspapers are not the most professional and many baseless articles on this issue were published even in the best ones. IRIN, having no independent capability to verify anything, essentially followed their lead. So what follows should be considered tentative, though based on some evidence.

There were rumours that fake money was introduced in January, March, and June 2000³⁶ in Mogadishu though not supported by evidence. In January and March, shipments reached Puntland, not Mogadishu: the alleged amounts were of Sosh. 13 and 22 billion, respectively. The new administration in Puntland had also invested with some business people from Dubai in the printing of fake banknotes. This time, the printing took place in Indonesia: a Mogadishu newspaper Xog-Ogaal in its 10 June 2000 edition mentioned that the shipment was of So.Sh. 6 billion as had been reported in January and March but the price indicated seems highly unrealistic: 4 million USD³⁷...

³⁵ AC, 38 (13), 20 June 1997.

³⁶ IRIN, 12 June 2000

³⁷ see Xinhua 9 June 2000: "Somali businessmen are struggling hard to take the profit of the last chance of printing Somali notes before it is too late as the possibility for the establishment of a government and a lasting peace for Somalia increases with the ongoing conference for the Somalis in Djibouti. According to sources, some Somali businessmen are printing new Somali bank notes in Java of Indonesia as their last chance to do so. It is said that more than US \$ 4 million worth of Somali bank notes is being printed under fake license and authority from non-existing Somali government. Reports over the fake money printing

Thanks to a member of the core Mogadishu group who was also in business with the main Puntland broker in that printing business, the Mogadishu group had access to the new printing company. On 16 August 2000, during the famous conference of Carta, some of its main financial backers in a joint operation with others people brought a shipment of So.Sh 20 to 25 billion. Xuseen Caydiid who was not part of the deal stated then that this consignment was only a fraction of the 170 billion recently printed in Indonesia.

On 28 November 2000, a new shipment was brought to Mogadishu and again wreaked havoc on the markets. In early February 2001, once more, traders with connections overseas imported newly printed Somali shillings into Mogadishu, this time an estimated \$4 millions worth (around So.Sh. 30 billion³⁸). As FEWS stated, “regrettably, these traders see bank notes as any other commodities to sell just like, rice and pasta”. In mid-February, all transactions stopped for four days in Mogadishu’s Bakaaraha Market, an unprecedented event. Major food items such as sugar and rice were sold wholesale only in US dollars. The impact was indeed devastating since the prices of all commodities and transport fares doubled or tripled overnight. Demonstrations and riots took place in Mogadishu, especially near the house of the TNG President since the media were quoting the names of some of his closest relatives and friends. Even in Boosaaso and Burco demonstrations took place, a proof that the Somali market is still unified despite the various would-be governments. The Somali Shilling had already been ailing steadily since the imposition of embargo on Somali livestock by Persian Gulf countries. The devaluation stopped only when the TNG in Mogadishu bought the money from the traders in order to limit its supply and circulation. It should be pointed out that the banknotes were bought at a small discount from face value, not at the cost of printing plus a small commission, which would have been the logical option. Even though the importers were ostensibly supporters of the TNG, they made the huge profits, with almost nothing accruing to the would-be government. This became the basis for a bitter argument among key TNG officials, some accusing the others of being part of the deal and of wanting to destroy the economy for personal gain. A later trip by the then Prime Minister, Cali Khaliif Galeyr, to Indonesia made the contradictions even more public since rumours that banknotes were not burned but bought by members of the official delegation were rife in Mogadishu.

On 7 April 2001, two airplanes carrying currency landed in Cisalley airport; all traders, big or small, again stopped selling their goods. No figures are available to the author but the shipment is thought to have involved between So.Sh 30 billion and So.Sh 80 billion. The TNG could not afford to buy such a huge amount of banknotes. Nevertheless, the TNG Central Bank tried to prop up the exchange rate (to prevent it from dropping too far, too fast). Since what little credibility the TNG had was at stake, it spent about US\$ 300 000 in the following weeks doing so. The intervention was a modest success, given that the Shilling did appreciate somewhat, perhaps with the element of surprise, this being the first time since the 1980s that the State was intervening in the exchange market. This policy would have been unnecessary, had the TNG been able or willing to control the import of currency. Some economic operators supported the move, the first decent one made by the TNG in this field, but ridiculed the small amount of US dollars used in the intervention. It may have been too little, too late.

scandal had earlier been published by the Thae Daily Kompas with Yohanes Mulyano, the manager of the Pt. Pura Baru Kudus company, being in the centre of the disrepute. According to sources close to the Somali businessmen in Jakarta, they are looking for US \$ 220,000 pending to be paid before they can withdraw the last shipment from Pt. Pura Baru Kudus factory. The sources said it has been part of the agreement between the Somali businessmen and the factory administration that the Somalis should pay half way the agreed money for the printing before the first shipment and the other half just before the last shipment. The factory is printing a total amount of Somali bank notes worth of US \$ 10 million to be delivered on three shipments. The first two shipments of this Indonesian printed fake money had reached the Northeastern regions known as Puntland sky rocketing all prices of commodities and even the basic and locally produced food items. Nearly half million-dollar worth of this fake money had reached Baidoa town hitting its markets and even propagating to the capital Mogadishu. It is said that the fake shillings are all in 1000 notes wearing the red color more than the real ones and even far darker than the earlier printed notes by Hussein Aidid and his ally businessmen in Canada in 1996 and 1997.”

³⁸ Late January 2001, the exchange rate was around 13,000 Sosh/USD.

After this date, there is no record of any shipment reaching Mogadishu's main airports. But rumours to that effect persist. Two are mentioned here only to show the extent of the research that needs to be undertaken to understand better this dubious trade. The first one started in about the year 2000 by managers of important money transfer companies, asserts that this business is now decentralized, i.e. that many people - and no longer just big business people previously involved - are investing money in that activity. If true, this would, to a certain extent, reflect a pattern we can observe in other sectors of economic activity. The second rumour is that Kismaayo has become the place where bank note shipments arrive, either by plane or by ship. There is no evidence of any truth in those statements, especially at a time the exchange rate is stable as it was throughout some months in 2001. Hypotheses are numerous: this a political argument against the TNG or the Jubba Valley Alliance, or the notes may be too few to affect the exchange rate.

6. A few additional comments: How to kill an economy?

The flooding of Somalia with new banknotes did not produce the same problems as when the Na banknotes were issued: it would be interesting to understand why. There are basically three main reasons. The first one is that many people could not exactly differentiate the old and the new banknotes because they were almost identical, with the exception of the signature of the Central Bank governor and the date, neither of which was very legible, even for those who could read. The second reason is that the people who did it were not exactly ordinary crooks: they were leaders with a constituency - though not that important - or leading business men in the market able to count on some social prestige attached to their names. This was an important argument at certain stages since the issuing of new banknotes could be legitimised as an action against a certain leader or in support of a certain clan as happened in 1999. Later on, since clan appeal was no longer so strong, there was another attempt to build some kind of legitimacy by gathering a significant number of people to jointly pay for the printing of the bank notes. The concept was that all clans were benefiting since investors from all major clans participated. There have even been allegations that some wanted to assign shares in that business in the same clan proportions as in the Carta conference, while others were considering only the absolute amount of money to be invested...

Even though these stories are not very relevant at the economic level, they tell a lot on the current business ethos, and could help draw a few conclusions from the events. There are also some political implications, which are not fully addressed here since they exceed the scope of this study.

One may first wonder whether the issuing of new banknotes was so detrimental to the economy of Somalia or Mogadishu. There is no absolute answer. The 1999 consignments may not have been negative for the Somali economy. Over the years, some quantity of bank notes were destroyed (around 5% of the monetary mass by year seems to be a fair estimate³⁹) by their normal use. In December 1996, a fire in the exchange market in Bakaaraha destroyed more than 7 billion So.Sh, and one may suspect that similar incidents occurred several times as well in other parts of the country. Moreover, one may also notice that the So.Sh monetary area increased after 1995 and includes parts of Ethiopia, Northern Kenya, and Eastleigh market in Nairobi. So, in 1999, it became clear that there actually was a shortage of money and that had an impact on economic activity in Southern Somalia. Deflationary pressures seemed to be present in early 1999 as evidenced by price data collected by UNDOS in various cities of Somalia/Somaliland. So, without any doubt for the author, although the legality of the move was most questionable, the issuing of banknotes was supportive of economic activity in general. Moreover, contrarily to Somaliland when the SSh. was introduced, the notes were issued slowly and the market was not radically disturbed. But this conclusion does not hold for the consignments of 2000 and 2001. Certainly, one could expect a new government in Somalia to use inflation as a way to finance some of its operations. Whatever one might think of the TNG, this way of funding its operations was certainly not unfair or illegitimate. The point is that the TNG - as an institution-- did not use inflation ("seignuriage" would be the more precise term...) to appropriate real resources for public purposes, big business people benefited from the "seignuriage". Since many among the

³⁹ As expressed by Jamil Mubarak and Michel del Buono, *The macroeconomy of Somalia. A conceptual View*, UNDOS, March 1999.

latter were paying the TNG's bills in the hotels of the capital city, and the TNG had no institutional capacity to handle properly this challenge to its mandate, it just relied on rhetorical statements and made dubious deals. At the end of the day, some people in Somalia and abroad believe, rightly or wrongly, that high-ranking TNG officials profited from an operation that hurt the Somali economy.

A second point would be to try to assess the impact of that inflation on the population. Again, the situation is not that clear cut. People who received remittances or managed their business in foreign currency (as the money-transfer companies, telecom, and importers did and do) could certainly manage the situation without great difficulties. This certainly would not have a major impact on their level of consumption and might have actually reduced some of the costs (for instance, local foodstuff). People who make their living entirely from the local economy could be in a very difficult situation if their salary or the price of their output change significantly more slowly than does the price level, which may rise more or less than the exchange rate. For people whose incomes cannot adjust fast enough, the events of the last two years must have led to additional impoverishment. The UN and other international agencies did not appear to be concerned by this state of affairs as they have been reluctant to address publicly this issue in their discussions with the TNG. Again, it may well be the poorest people who will pay the price, as inflation generally hurts the poorest most. Since there are poor people both in urban and rural areas, this is bad news given the level of poverty prevailing there...

A third point that should be raised is whether this can be stopped. The answer is double. On the one hand, the issue of new banknotes will stop when the cost of printing exceeds the face value of a note. Since some of the notes printed recently cost a bit more than 2 US cents each, this could start happening at about the time the exchange rate exceeds 30 000 So.Sh per US dollar. It still gives some room to would-be Central bankers (!) to issue money, though the market is responding very quickly to any significant influx: at the time of writing, the exchange rate is about 22,500 Sosh/US\$... On the other hand, the alternative would be a currency reform enabling the printing of higher denomination notes. At this time, however, no political faction in Somalia has enough legitimacy and a new currency would create more chaos than clarity. Yet this is the only solution, but it unfortunately requires a level of reconciliation, which has not yet been reached. Furthermore, the instruments (institutions, etc.) required for the conduct of a decent monetary policy do not exist yet. Also, since the So.Sh. rules in most of Somalia (up to Burco in Somaliland...) any currency reform would need to safeguard the present monetary union and there is little hope that Puntland and Southern authorities will cooperate, let alone other less official actors.

There could be another outcome: complete dollarization of the economy. To some extent, this is already happening. Many bills are paid in US dollars and many transactions are also effected in US dollars. Salaries are paid in So.Sh in some cases but at the exchange rate of the day or week. Price instability has promoted the use of the dollar but this could create problems in an economy as poor as Somalia's. One obvious problem is the indivisibility of the currency. This is a problem even for the Somali Shilling as proved by the uproar created when traders refused to accept 500 So.Sh notes. One US dollar is still a lot of money in Somalia, at times in excess of the daily wage. Mogadishu will need plenty of coins very quickly and these are much more costly than notes! There is actually no easy option left except a comprehensive political solution that would permit a good currency reform. Social mobilization against those involved in the currency business is as difficult as reaching an overall political settlement, and is less effective in curing the country's monetary ills. So, there is no obvious, plausible option at this stage.

SECTION TWO

THE ECONOMIC INFRASTRUCTURE OF MOGADISHU

This section addresses the situation of strategic infrastructures in Mogadishu. The first chapter is dedicated to the history of the various ports that supplied Mogadishu throughout the civil war. The second discusses the airports and provides basic data on the airlines currently operating in Mogadishu. Those data should be read keeping in mind the context of Somalia. For instance, Somali Airlines Company started in January 2001 after the Carta conference but was not operating in May 2002 during this author's visit to Mogadishu: it is unclear whether this company will operate again. Also, a new company started in spring 2002 but its operations are not yet fully normal. The last chapter seems less strategic, though the cornerstones of any urban development must be water and power supply. Again a survey is tentatively proposed, and though some data may not be the most reliable, the right people have been interviewed. But at best business is business...

Ports and airports are not purely economic infrastructures: one can reasonably argue that to a large extent the civil war in Mogadishu has also been a war for the control of the existing interfaces between the outside world and the capital city. The international port and airport became the foci of an acute competition not only between the groups claiming to be (or to become) the elite of a new State but also among the factions themselves, between various groups that pretended to be close allies.

The chronicle of all events affecting these assets would support the view that any notion or concept of the "public good" had disappeared by 1991 in the capital city. Throughout the civil war, all those infrastructures suffered from an irremediable defect: they were previously managed by the State and, therefore, crystallized a kind of pre-existing balance of power between clans (in terms of employment, command, and control) that was challenged by the protagonists of the civil war. The history of that competition for access and control or, more significantly, to prevent access and control by others, is a major part of the legacy of the violent periods of the Somali crisis. It represents one important set of events that marked radical changes in the dynamic of the civil war in the capital city.

To a large extent, the achievement of some normality in Mogadishu was predicated on, or defined as, the reopening of those facilities. Attempts to do so have been numerous but all failed. In 2002, there is a new attempt to again gain control those infrastructures by a group of business people, but the most likely outcome still appears negative.

The following pages intend to provide some details on the way those infrastructures have been both taken and neutralized to the extent that new ports (beaches) and airports (airstrips) have been established as alternatives. Two conclusions may be drawn from these descriptions. Firstly, the opening and reasonable functioning of these former facilities should be seen as the end result of a pacification process within the capital city, not as its beginning, as many representatives of the international community seem to think. Secondly, consideration should be given to the groups, which are currently managing the alternative ports and airports. One needs to know how they would react, and whether they would or would not be happy to just give up their very profitable activities.

Wartime is not only for destruction and looting: it creates also a number of opportunities and jobs. Many would think this applies to the protection economy as the best example but the survey of the water and energy supply sectors shows that there is also plenty of room left for less sinister activities... Those sectors provide stable jobs to many people in the capital city and offer services, which have been crucial in the improvement of the life of ordinary people. But they face considerable challenges due to the poor quality of the services they supply, and the weakness of their management. In both cases, despite important differences, the need for regulation is there but there is little hope that the main political/economic actors (such as they are today...) will modify the current rules.

CHAPTER FOUR

The Contentious Use of the Mogadishu Port

The Mogadishu port, as many ports of the Horn of Africa, has a very interesting history rooted both in urban development and in politics. Up to independence, its management was private, though the local government was getting part of operating revenue. Modernization of its infrastructure took place in the 1970s, though the project was actively sought by the last Prime minister of the First Somali Republic, the late Maxamed Ibraahim Cegaal. After the October 1969 coup, the Mogadishu port became one of the very profitable parastatals whose manager was appointed by the President of the Republic. Many ministries, such as those of Finance, Health, Interior, and other States agencies had offices within it.

The modern port was inaugurated in 1975, after a three-year construction period, having been financed through a US\$ 30 million credit from IDA (the soft-loan window of the World Bank) following Robert McNamara's visit to Mogadishu in 1972 when he was impressed by the apparent seriousness of the early Siyaad Barre junta. The port was built by Impregilo of Italy, with SOGREAH acting as the supervising engineer.

Throughout the last years of the regime, the port was mostly used for imports since exports were mostly already integrated into the parallel economy of the country. Boosaaso, Berbera, Seylac, and other natural ports, such as Hobyo, provided export outlets, imported food and other commodities that the Somali population required, but also (already then) for the needs of Kenya and Ethiopia.

The civil war constituted a fracture in many ways. The port was closed on 28 December 1990 at the onset of the upheaval in the capital city and remained closed until February 1991. The first shipment after its reopening came from Saudi Arabia and, significantly enough, was made up of food aid and expelled illegal migrants (around 220). Despite several incidents in its proximity and a chaotic management, the port functioned up to the second Mogadishu war, which started on 16 November 1991. In March 1992, when a cease-fire was agreed upon thanks to UN involvement, the port was reopened. When the first aid shipment from WFP was close to the port, some mortar shells were fired in the sea and the message was clearly understood: certain traders still had some food to sell at a good price and food aid was, therefore, not welcome. From that time up to the international intervention in December 1992, the situation was very tense. The division of the city and its control by a group of ill-organized militias explained this. Since the port was the crucial outlet while the drought and the famine were devastating large portions of southern Somalia in 1992, international attention focused on its use and (mis)management. Tension reached a peak in October 1992 and certainly contributed to the support many aid organizations expressed in favour of a robust international intervention. This period, at least, illustrates a quandary that still prevails today. One thing is to control port installations and secure the location itself, but it is another matter to make it safe to use since mortars could be fired from inside the city, putting ships at risk... This is still considered the main reason why the port remains closed in 2002.

Despite many allegations of mismanagement and embezzlement throughout the UNOSOM II period, the port functioned relatively smoothly. The problem came when UNOSOM was about to leave Mogadishu and wanted to organize the transfer of the management to a Joint Committee made up of people close to Cali Mahdi, General Caydiid, and Maxamed Qanyere Afrah (then still allied with Cali Mahdi). The Committee members were to receive a commission on fees paid by the ships and the importers and a large militia (about 2400 in total, 960 linked to Cali Mahdi's side and 1,360 to General Caydiid's side) were supposed to secure the functioning of the facility in exchange for food and small cash payments.

The workability of that agreement was debatable. Very few ships called at the port since the situation became quickly tense and threatened to degenerate into skirmishes. Over the following few months, things did improve, and sometimes the port operated smoothly, sometimes not at all. On 5 October 1995, the port was closed and remains so to this day... Two main reasons explain

this stalemate. The first one was the security between the Mogadishu port and North Mogadishu: many workers and lorries were looted and that was perceived as a breach of the agreement by North Mogadishu leaders. The second reason was more political and the dynamic, which led to that standstill, was not uncommon in Somali politics. Some of Cali Mahdi's allies were concerned by the fact that General Caydiid was getting significant profits from banana exports, while the North Mogadishu faction was shut out. In the end, those allies asked their militias to shell the sea near the port and Cali Mahdi had to (reluctantly) endorse this action. That brought the end of the agreement.

The new ports: when informality meets the beach

The situation could not last as it was for at least two reasons. First of all, the business people could not afford to stay inactive for months, especially at times of peak economic activity. There was an absolute need for an alternative. Secondly, General Caydiid had established his government in June 1995 and was keen to prove that it could function in order to convince his international supporters. The fact that the banana business, after months of arguments and even skirmishes among its participants, was moving ahead provided a strong incentive to find a new outlet. Merka was therefore seen as the right alternative since Lower Shabeelle was "controlled" by Caydiid's government.

Although Merka was a significant port before the colonial time and even up to the mid-1960s, the equipment was either gone or useless. Merka was used as a port by ICRC in 1991 and 1992 but it was a nightmare from the technical point of view, as small fishing boats had to be used for the laborious unloading process. The only positive aspect about this was it provided jobs for hundreds of people, boat owners and porters.

So, Merka was opened in October 1995 but the real influx of dhows and ships started some months later. However, this situation could not be easily accepted by North Mogadishu traders, who knew that they would have to pay taxes to a government they actively disliked. In a matter of a few weeks, the traders in the northern part of the capital city arranged to use Ceel Macaan, a beach whose facilities (if any) were not much better than Merka's.

This process led to several interesting developments. For a short period, political polarization became visible in the way traders on both sides determined the destination of their shipments. Although they used to collaborate in Mogadishu, Merka was used mostly by South Mogadishu traders and Ceel Macaan by those from North Mogadishu. Nevertheless, this situation changed over the following months and the collaboration between the two business groups resumed. Dhows in Dubai were scarce at that time (smuggling goods to Iraq despite the international embargo was a more profitable business for them) and even business people committed to the factions had to resolve this difficulty or reduce their activity. This realism was enhanced by the fact that a larger share of the business class enjoyed greater autonomy from the factions than had been the case the year before. Taxes levied on imports by both Mogadishu leaders, on both ports, also reduced any advantage there might have been, of choosing one port over the other.

Manpower was also an important issue. Workers from the port at Mogadishu rushed to Lower Shabeelle when Merka port opened but they were not the most welcome. Another group of port workers had been there from the time ICRC had used Merka. Regional sympathies did not go to those from Mogadishu. After several meetings, an agreement was reached whereby more than 70% of the port workers would come from the immediate region. Only the technical staff came from Mogadishu. A certain division of labour was also put in place for the loading and unloading of ships. Banana and sugar were put on barges, while all other items were unloaded by small boats. The reason was primarily a technical and financial one based on the size and tonnage of the items and the need to speed up unloading.

This situation did not last for very long due to El Niño. In summer 1997, heavy rains destroyed most of the banana plantations and, perhaps as importantly, the road between Merka and Afgooye. Using Merka was becoming difficult and expensive, compared to Ceel Macaan, located much closer to Mogadishu. The banana trade was also stopped because of a new case raised by the US

government against the European Union claiming that preferences for Somali bananas contravened an agreement with the WTO. Large scale banana export to Europe can be considered finished since 1998, even though smaller markets were found in the Gulf countries, Egypt and most recently, Libya. There was also a reassessment of the political situation. In late 1997, all Hawiye leaders met in Cairo and agreed to establish a new Benaadir Administration as a test before setting up a new government for the country. Xuseen Caydiid had lost most of his constituency and business people were more confident that Ceel Macaan would or should be used as the Mogadishu port. Merka was, from that time on, used only by WFP and ICRC at times of emergency in the southern parts of the country. It had also the dubious privilege of receiving a ship, allegedly chartered by the Eritrean government, which brought weapons and ammunition to Xuseen Caydiid and his then allies in Ethiopia, notably the Oromo Liberation Front.

Ceel Macaan was not selected arbitrarily. Some people mentioned that the government of Siyaad Barre used this place to unload Soviet weapons but this does not appear likely to this author. ICRC also used the port during the first years of the civil war since they were supplying huge quantities of food in Middle Shabeelle and North Mogadishu and were managing one of the best medical facilities in the capital city⁴⁰. Ceel Macaan benefited also from the expertise of many long-time employees of Mogadishu port and from some of its equipment. But the main problem, as always in Mogadishu, was not the shaky technology used but the management of the operations. This became an issue because of the revenues this business raised, and because of the internal situation of the Abgaal clan. The death of General Caydiid in August 1996 was a turning point in the internal debate of this clan. Although this report does not deal with Mogadishu politics, it should be noted that the committee, Benaadir Maritime Port Operations, which managed the port and provided the security, could not escape from those rivalries and tensions. The collapse of the Islamic Courts in North Mogadishu from late 1997 to the beginning of 1998 led to a process by which leading Reer Mataan and Warsangeli figures came into conflict and the former had to give up parts of their positions and/or influence.

Over the years, there have been many improvements in port operations. A Somali Coastal Committee was established initially. Its members were companies and individuals owning fishing boats, mostly in the Lido area. But their number was hardly commensurate to the needs of the port. Currently, there are six barges (with 5 staff each) and 7 barges (with 15 people each), and up to 380 boats can be mustered if and when needed. An average of 13 people work on each boat. So, Ceel Macaan provides employment and incomes to about 5075 people when it is in full operation.

As always, employment is a crucial issue. There seems to be four different categories of workers in the port. The first one is called majakuus (big calf) and they are probably mostly Abgaal; the second one is called majadhuub (small calf) and are mostly of pastoral origin (among them, a fair number of Haber Gidir); the third one is called deegan: they are the people inhabiting the immediate area; and the last one is called durdur, being the temporary or occasional workers.

The table below gives an idea about tariffs at Ceel Macaan (those prices were collected in spring 2002). Ships exceeding 2,000 MT pay a fee of US\$ 1333 for the use of the port; smaller ships pay US\$ 333. There are also differences linked to the type of craft used for unloading: a barge is safer than a fishing boat. In most cases, the owner of the boat receives half of the charge, while the labourers share the second half. The Port Authority charges also a fee of US\$ 0.05 per sack and all commodities are converted to that unit to calculate the fees. There may be also other minor charges.

⁴⁰ See chapter on the health sector.

Tariffs in Ceel Macaan (in US\$)

Commodities	Sea to beach	Beach to truck	Ceel Macaan to Mog.
Sack/barge	0.42	0.17	0.43
Sack/boat	0.40	0.17	0.43
Minibus or car/barge	350		
Big truck/barge	100		
Barrel/boat	1.82	2.0	2.0
Barrel/barge	2.0	2.0	2.0
Big pack of bagaash/boat	0.49		
Medium size pack of bagaash/boat	0.27		
Small size pack of bagaash/boat	0.09		
Big size bundle of cloth	2.0		
Medium size bundle of cloth	1.66		
Small size bundle of cloth	1.11		

In early 1998, one of the Abgaal leaders made an attempt to open a new port in Jaziira on the outskirts of Mogadishu. Muuse Suudi wanted to capitalize on the situation in North Mogadishu and offer an alternative to the use of Ceel Macaan because, at the time, its management was too close to a rival Abgaal sub-clan. The opening was impressive, to believe what the AFP reported on 6 January: “Two vessels carrying food docked at the new port, marking the start of operations. Large vessels were to be charged \$6,000 for entry while smaller ones would pay \$3,000, the port's new authority said. The two warlords [Muuse Suudi and Cismaan Caato] were to take 50 percent of the port's income for providing security to its users while the balance would go to the businessmen who financed its construction”. Nevertheless, it did not proceed as smoothly as expected. Although there have been complaints over the years against the way Ceel Macaan was managed and its costs, the business class was not keen to take a leap into the unknown. Most of the importers were not from Muuse Suudi's sub-clan and, whether from North or South Mogadishu, they were not eager to strengthen a leader who blocked all their attempts to normalize the situation in the capital city. Sizable investments would have been required for a reasonable operation at Jaziira, including barges, and this was unlikely to happen.

Moreover, the overall situation was changing. Kismaayo was taken over by an alliance of Mareexaan and Haber Gidir militias in June 1999 and there was suddenly a new opportunity to use an international port with some usable facilities, despite its looting after UNOSOM left in late 1994. In 2002, it is still difficult to assess the importance of Kismaayo port for the Mogadishu economy. A number of rumours circulate in the capital but no independent verification has been made. For instance, charcoal exports are reputed to be shipped mostly from Kismaayo, since the wood comes from the Jubba Valley and because this business has become unpopular in Mogadishu. This author is inclined to believe that this is quite possible. But Kismaayo is also used for imports and some major economic players in food and construction material import have been using the port for at least 18 months, though no figures are available.

The conclusion on the subject of ports is that it will be difficult for them to return to normalcy. In April 2002, a Committee made up of prominent business people was set up to plan the reopening of the international port. TNG militias have even taken over the place and cleaned the location. Two main difficulties still remain. The first one, as expressed by many observers in the capital city, is that many business people may have a vested interest in keeping the situation as it is. Some are prominent members of this Committee and might be there just to make sure that no decisive move is made without their consent. There is also another problem, a recurrent one from the beginning of the civil war: there is an absolute need of a political settlement for otherwise, it won't be difficult for business people or factions opposed to the reopening of the port to disrupt its activities. The political equation must be reformulated to avoid the emergence of winners and losers, a difficult condition to meet these days in Mogadishu.

CHAPTER FIVE

The International Airport and its Substitutes

On Independence Day, Mogadishu was served by only one airport, and a military one at that. As a result of the colonial and AFIS administrations, Alitalia was then in charge of the management of all operations related to the civil aviation. After a few years, in 1965, a civilian airport was designed and built by a well-known Italian entrepreneur in Mogadishu, Murri: it was inaugurated on 1 July 1967. In 1970, the airstrip was enlarged. More importantly, after the 21 October 1969 coup, its management was shifted to the State. Somali Airlines, then already the flag carrier, was nationalized and given responsibility for all civil aviation matters.

Mogadishu airport, because of its location inside the town, could not escape the consequences of the civil war. It stopped operating on 28 December 1990 at the onset of the upheaval in the capital but then was used only intermittently by commercial, humanitarian, and *qaat* flights (as well as very few commercial flights) during the following months. General Caydiid and Cali Mahdi agreed in early November 1991 to let it operate again. On the 16th of the same month, the second war of Mogadishu broke out and again all operations came to a standstill. In April 1992, things appeared to improve slightly and both Hawiye leaders agreed to let the Xawaadle militias manage it with the technical support of former employees. Results were not impressive since the management was very poor and incidents the norm, rather than the exception. Alternative airports or airstrips became increasingly popular and used by all sorts of flights, as described in the following pages.

The international airport was unsurprisingly taken over by the UNTAF in December 1992. The area was secured, buildings were rehabilitated and new radio equipment was brought in. At the end of UNOSOM in March 1995, this airport was a significant asset for any would-be successor government. Despite all commitments made by several political figures (including the late Maxamed Caydiid), the airport area was very quickly taken over by various militias and looted as were the UNOSOM compound and other assets of various kinds that had been left for any future Somali State.

The airport had always been considered by the militias as a terrific interface with the humanitarian world and many of those who occupied the airstrip and took away equipment, doors, and windows assumed that they would get a share of any new international operation in Somalia... Militias still pretending to have interests in the airport are mostly from the Cayr and Sacad sub-clans of Haber Gidir as well as from the Daa'uud of the Abgaal. They staked these claims both on behalf of their political leaders as well as for themselves.

For reasons similar to those concerning the international port, described earlier, there is but minimal hope that the airport can be reopened in the absence of substantial normalization in the Benaadir area. It would be nearly impossible to make sure no-one lob a mortar shell, or fire at a plane on the airstrip, without a pretty comprehensive settlement in Mogadishu. Hence our contention that, just like the port, the reopening of the international airport is the conclusion rather than the beginning of a successful process.

As soon as the capital city embarked into its major confrontation with the regime in December 1990, there was an absolute need for safe airstrips where the armed opposition could receive ammunition, food, medicines and *qaat*... Over the following years several airstrips came on stream and some are still used today for all kinds of commercial flights.

The first airstrip to be described is the one at Cisalley: it was built by Cismaan Caato (who provided the equipment) and the late Axmed Caadle (who secured the land) sometimes in December 1990 to serve as an outlet for the USC. This was an intriguing cooperation as the two clans were at that moment engaged in intense rivalry... This airstrip was used by Cali Mahdi's forces throughout the second war of Mogadishu (November 1991 – March 1992) and it was even attacked by Caydiid's

forces during the winter. It continued in use later too, since many clan or political figures from North Mogadishu feared getting killed or kidnapped on their way to the international airport, despite the neutrality of the Xawaadle militias who were managing it. During that period, only a small number of commercial aircraft used Cisalley sporadically⁴¹.

The status of Cisalley changed after the end of UNOSOM and then mostly after the establishment of the Benaadir administration. Some Somali airlines started to land once a week at Cisalley, to serve customers from North Mogadishu, who were not always pleased to land very far from it and to have to cross South-Mogadishu to get home. This improvement was encouraged by some investments made by the manager, Bashir Ragge, and by the simultaneous deterioration of the facilities in Ballidoogle military airport. When the latter was taken over by the TNG in early 2001, most existing companies decided to shift to Cisalley and K-50 airports.

Landing fees are about US\$ 500 for an IL 18, and the international flight tax is US\$ 20 per passenger, a uniform tariff in all airports serving Mogadishu today.

While no incidents have been reported over the last two years at the airport itself, the road leading to it from downtown crosses the territories of various contending Abgaal leaders and incidents are always possible due the current political and military instability within this clan.

Ballidoogle military airport, located about 100 km south-west of Mogadishu on the road to Baydhabo, was used for military purposes by General Caydiid from November 1991. Nevertheless, the airport was controlled by a group of private business people whose militias collected landing fees and passenger airport taxes. From that period until early 2001, the airport was used by commercial flights, qaat planes, and humanitarian aid agencies although some of these activities shifted to other airstrips at different times. The tarmac airstrip was good enough for a while to accommodate big planes such as the Boeing 707 of African Air or Daallo in 1992 and later, the numerous ILU 18 of other airlines.

In early 1996, General Caydiid tried to take it over and make it part of his government' assets. The attempt failed and that failure had repercussions even in Mogadishu on the balance of forces between those Haber Gidir who supported him and his government and those who opposed him.

Nevertheless, over the years, different problems arose. Two were significant. The tarmac was deteriorating and the airlines were reluctant to pay for its rehabilitation, while the group managing the airport collected money without putting one penny to improve the quality of services or even to maintain the services or the infrastructure at the decent level they had been once. But another factor was a more effective deterrent to continued use of this airstrip: the unpredictable behaviour of the militias and their inability to deliver on promises and stick to agreements.

In early 2001, the TNG decided to take over the airport and restore it to military use. This decision was based on several factors. One is that since reconciliation did not have the highest priority among Somali political groupings, there was a risk that the RRA would attack Ballidoogle and the Lower Shabeelle. For the TNG, the best option therefore was to consolidate its base near Wanleweyn, located nearby. This airport was also used consistently by the TNG or the big traders closest to it to import weapons, ammunition, and "fake" banknotes.

Nevertheless, controlling this airport is not so simple: the TNG's control was challenged several times throughout late 2001. Some militia tried to shoot the then Prime Minister, Cali Khaliif Galeyr, and wounded a leading staff member of al-Barakaat. In the final analysis, this airport is basically controlled only by the militias that have occupied for years, and lived off it...

Two other airports south of Mogadishu deserve some attention. The first one had a short life and was located at K-60. Abuuker Cabdisalaan, a businessman from Mogadishu, and Cismaan Caato set

⁴¹ See the study on the Somali business class commissioned by the EC/Somali Unit, September 1996.

it up and its function was to provide an airstrip for the qaat planes coming from Nairobi and a way to send cargo and people to Nairobi at a time when commercial flights between Kenya and Somalia were quite irregular. The utilization of this airstrip was short since in July 1993, as retribution over the allegation that weapons and ammunition were landed there, the Pakistani contingent destroyed it.

Quite different is the history of the other airport/airstrip located nearby at K-50. The airstrip was actually built before the civil war at a time the Murri Company was building the road between Afgooye and Shalambood. As early as 1991, a businessman, Axmed Ducaale Xaaf, took it over and extended the airstrip. It seems that he was expecting Daallo to use it, which did not happen for years. From 1992 onwards, K-50 as it became known, was the main place qaat planes landed and cargo was sent to Nairobi. ICRC, UNCAS, and ECHO have also used it over long periods. Daallo eventually accepted to use K-50 in 2000. Nevertheless, it is currently (i.e. in May 2002) the only commercial company flying to this airport besides qaat and humanitarian planes, although some big chartered aircraft (Antonov 12 and 24) land there from time to time.

A factor deterring the use of the K-50 airstrip for years was the rough road connecting it to Afgooye and Mogadishu. In early 2002, the manager of the airport rehabilitated the roughest section of the road. Following this, it is now possible to travel from K-4 in Mogadishu's centre (Sahafi Hotel) to K-50 in less than 45 minutes, only slightly longer than is needed to reach Cisalloy from the same location.

As at early 2002, K-50 provides jobs for about 100 militias and 30 staff including porters, radio operators, and administrators. Porters are paid by the piece (based on the number of bags loaded or unloaded). Other employees draw salaries ranging from So.Sh. 900,000 to So.Sh. 1,2 million.

No tariff has been provided to the author. One may expect, as for other airports, that international passengers pay US\$ 20 as airport tax and landing fees might not be too far from US\$ 50 for UNCAS aircraft and US\$ 700 for big aircraft (the latter figure often turning up during informal discussions).

Two last airstrips deserve a mention here. The first one is Jaziira airport, near Medina. Muuse Suudi and Cismaan Caato built this airport in late 1997, mostly to allow the landing of qaat planes. Nevertheless the success of the airport was debatable since it was used only by a few qaat planes coming from Nairobi. A split in Muse Suudi's group with the emergence of Cumar Finish in late 2001 radically changed the situation since the latter was able to control the airstrip but not to secure the neighbouring area. In one sense, this example may indicate that factional airstrips are doomed to fail.

The case of the Dayniile airstrip may also confirm this view. The work to establish it started in May 2000 (at the time Carta conference was convened) it was completed in December 2001 and started operating in January 2002. The initial airstrip was 22 meters X 1,6 km and an extension to reach 2,4 km is in progress. These dimensions allow 10 to 15 small aircraft to land and park as well as one IL 18 or IL 72. However, for few months, only qaat planes and UNCAS aircraft landed there, the latter under a special agreement that security would be provided to foreign guests to reach Hotel Sahafi. This airstrip is closer to downtown since there are only 12 km from the airstrip to Tribuna.

This could be put in perspective with the political life of the owner of the airstrip: Maxamed Qanyere Afrah. It is worth mentioning that the community gave the land for free in anticipation of whatever services it expected in exchange.

There may be as many as 200 militias guarding the airport as well as 10 staff, including the manager. The militias are paid US\$ 100 /month, the manager gets US\$ 200, and the nine other staff, US\$ 150. These figures seem quite debatable.

Although prices are fluctuating, landing fees for a qaat planes should not be too far from US\$ 120, while UNCAS may pay US\$ 50.

In May 2002, a letter signed by dubious “peace seekers” (sic) was sent to the UN, warning that any UNCAS flight landing could provoke an incident. The UN had no choice but to stop using the airstrip, at least for a while.

Airlines currently operating in Mogadishu

Since civil aviation was still in a nascent state at independence, it is no surprise that Alitalia was then the real caretaker of this sector in Somalia. From the early 1960, some international airlines were already flying to Somalia: Aden Airways, Egypt Air, and Air France. Eventually, a Somali National Aviation company was established in 1964. In 1965 its name was changed to Somali Airlines when four aircraft were bought from the USA at a price of US\$ 200,000, paid half by Alitalia and half by the newly established company.

In 1974, the government decided to take over the shares of Alitalia that had then to reduce its operations in the country. The government then invited private persons to buy those shares, very few did and Somali Airlines became a de facto more than de jure, a parastatal.

This company could not avoid the looting of its assets inside and outside the country in 1990/1991. There may be some interesting legal cases if any Somali government ever addresses this question decently.

On a more positive aspect, the existence of Somali Airlines and paradoxically its connection for nearly three decades with Aeroflot helped to get enough trained people and skills to start new airlines companies after the civil war broke out. The fact that Aeroflot was disbanded and that Dubai/Sharjah became a hub for charter of aircraft belonging to ex-Central Asian Soviet Republics was also helpful to starting-up new airlines.

The companies mentioned below served Mogadishu at the time of this writing. Nevertheless, the reader should recall that many other companies were once operating in Southern Somalia and either disappeared (Air Somalia, for instance) or confined their operations to a fraction of Somalia (Damal, for instance). Since this report is focused on the current situation in Mogadishu, they won't be mentioned here.

By any standards, in all of Somalia, the oldest and most successful company is Daallo Airlines. Maxamed Yaasiin Colaad and Maxamed Xaaji Cabdallah Abu Sita, established this company in 1992 in Dubai. Daallo started operating in Mogadishu from the very beginning. It has four offices in the Somali capital city and 200 staff, some paid a monthly salary, others, a commission. Salaries vary from US\$ 70 to US\$ 1,000.

Prices for international flights are relatively cheap: a return ticket to Dubai costs US\$ 220, while a return trip to Nairobi costs US\$ 300. Internal flights, are comparatively expensive, though not in absolute terms: one way to Galkacayo or Dhuusa Mareeb costs US\$ 100...

Jubba Airlines started about 4 years ago, in 1998, and has a cluster of shareholders including big traders based in Dubai and Mogadishu. The company flies an IL 18 from Cisalley to Dubai twice a week and charters special flights at the time of Xaaj and Cumra to Sana'a whence Yemeni Airways takes the pilgrims to Jeddah.

One should not consider only passengers since this company, just like the others, also handles cargo to the extent that they sometime give priority to cargo over passengers, asking them to delay their trip, so that more cargo can be loaded. Normal price for cargo is US\$ 0.50/kg for Mogadishu/Dubai.

As an example, the two first flights of May, carried respectively 102 and 65 passengers, and 8 MT and 12 MT of cargo. This illustrates well the flexibility with which airlines can change the configuration of their flights to take advantage of market opportunities.

The Mogadishu offices of the company employ 36 persons including 12 guards and 4 cleaners whose salaries vary between US\$ 70 and US\$ 2 000. The day of the flights (Thursday and Sunday) there are 5 more guards and 40 other people who mostly load and unload the luggage. These temporary personnel are paid by the day.

Soyem Airlines or Somali Yemeni Airlines is a very recent company that started operating on 10 February 2002. It has five shareholders: 3 Somalis and 2 Yemenis. It is operating an IL 18 once a week from Cissale to Dubai and Sharjah. Like the other companies, passengers are taken in Dubai because of the connection with other international flights from Europe and USA, while the cargo is loaded or unloaded in Sharjah. Since they started recently, the number of passengers is still limited (about 50/flight) but expectations are high. As the other companies, cargo (US\$ 0.45/kg) is not a problem and they often have a higher demand than they can satisfy.

They expect to start flying to Aden or Sana'a and get good connections flights with Yemeni Airlines. They would like also to enter the Saudi market but understand that, especially after September 11, controls are not going to be relaxed.

The permanent staff consists of 4 guards and 12 employees (including two of the shareholders). The day of the flight, an additional 40 people and 8 guards are employed. At least for the time being, all 12 permanent staff are paid on a commission basis (12% of sales distributed unequally between the 2 shareholders and the 10 others). The others, especially the guards, get salaries ranging from So.Sh. 600,000 to So.Sh. 1 Million.

This short overview of air transport shows that the civil war has enabled the Somalis to enter into a new era and a new economy. While before, trips abroad were restricted and expensive, today a flight ticket is rather cheap and there are no more constraints, as passports can be bought in Bakaaraha market. Moreover, the airlines can help get a visa for just a little additional charge. This lack of difficulties has had a major impact on the way trade relationships have been reshaped throughout the civil war.

While, for many years, Dubai was the main supply centre and must still be considered such, Somali traders have been looking for other places. Asian countries, especially Thailand (Bangkok), and Indonesia (Djakarta), and Hong Kong without forgetting Mumbai and Karachi, have become places where a small Diaspora is more or less permanently settled. This small group functions as brokers for the newcomers who are taken to the right places and do not need to spend time looking for the commodities they want to buy. Certainly, that is not the most common meaning of globalisation, but it is one of its important dimensions.

CHAPTER SIX

Water and Power Supply in Mogadishu

1. Water supply in Mogadishu

Water is essential to human life. This basic statement indicates that the water supply has been one of the major constraints to human settlement in Mogadishu. To a large extent also, the way this need has been met by the inhabitants of the capital city is not so different from the situation prevailing until the late 1960s. As already stated at various points in this report, the ability to survive the civil war in urban environment was enhanced by the many practices, which existed in the past.

Traditionally, water supply was a commercial activity in Mogadishu. Before independence in 1960, many wells were dug and provided water to both animals and humans. People with donkeys were loading small containers of 10 litres and selling them in the vicinity. Reer Mataan and Celi, two significant sub-clans of the Abgaal, were known to be very numerous working in this activity, though all communities were eventually involved. For instance, there was in Hawl Wadaag a well managed by Indians while a Majeerteen managed one at Ceel Garweyne, both wells were well known for the sweetness of their water. These two wells are still in use today. Some wells were specifically assigned to supply foreigners (at that time, mostly Italians) and the officials of the State and local government. Many houses already had their private wells. With time, the wells were dug more professionally and the quality of the water was checked before it was sold. But the local government had minimal control on that aspect. It levied taxes on this activity and, from time to time, assessed the quality of the water.

Everything changed with the government that came out from the coup in October 1969. The new regime wanted to modernize the country and therefore was keen to get full control of that crucial sector. On 18 November 1972, a Water Agency was established and all commercial wells fell under its purview. Many of those wells were then given up and sometimes destroyed, though their owners were compensated with a small piece of land. The water sellers had to work under the umbrella of the Water Agency. This situation prevailed until there were no significant shortages and until the government was able to enforce its own regulations. It should be noted that Medina had no public wells and the old system (pre-1969) prevailed in that section of the city.

The first major achievement of the Water Agency was to put into operation 21 wells at Km 13 on the road to Balcad, at Ceel Cirfiid, in 1974. Their capacity was 240 cubic meters/hour. The water tower was built on a plot provided by a great religious figure of the city, Sheekh Muxidiin Celi. These wells basically supplied the historical centre of Mogadishu. This was not enough to cope with urban growth and, in 1982, 32 new wells started functioning providing 1375 cubic meters/hour. This well field was located on the Afgooye road, about 15 km of Mogadishu. Two water towers were also built and are known as 7 A (around 12 000 cubic meters) near the Military Academy and 7 B (around 10500 cubic meters) near the milk factory.

In 1990, at best, the capacity of those two sets of wells was about 30,000 cubic meters/day. Problems were well known: no further investment in digging new wells, lack of spare parts for the pumps, and mismanagement of the company. Water was again supplied commercially and through the informal economy.

The civil war basically destroyed parts of the infrastructure. In some areas, pipes were looted, in others they were severely damaged, either intentionally or not. Pumps or generators were also parts of the booty. This, however, was not universal. Near Afgooye, the well field was controlled by a group of militias who were trying to get revenues from it, as others did with other State facilities. Thanks to their commercial ethos (if one may say), the equipment was not completely looted and in 1994 it was possible to start operating 14 wells again, able to supply the modest quantity of 2069 cubic meters/day. This was a positive move but was far from enough to respond to the public demand. Moreover, the costs were high since the number of militias to accommodate was quite

significant and the bargaining process with them often painfully slow. In 1995, the operations stopped and there is little hope that they can start again in the near future.

After 1991, this sector has been mostly commercially driven. Old wells were reopened and new ones were dug. Where some investments have been made, generators and electric pumps are functioning. Where they have not, manual pumps continue in use. UNICEF, ICRC and ACF did provide a lot of this equipment for many IDP camps in the capital city and even dug wells for community use. It should be noted, however, that most of those wells are operated on a very private/commercial basis, which is blessing in disguise, because it permits financing the purchase of spare parts and maintenance, and allows the keeping of very basic standards of hygiene.

Commercial wells are spread all over the city: only three areas are poorly served because of the very bad quality of the water: Cabdulcasiis, Shangaani, and Xamar Weyne. Some areas such as Medina/Wadajir, Hodan, and Dayniile are in a more enviable situation, with respectively 45, 13, and 7 wells.

A survey of 20 wells was undertaken in October 2001. The following charts provide the main findings. As for all other surveys quoted in this report, the sample selection criterion was really the ability of the Somali team that assisted the author to obtain the information. In spite of this rather permissive methodology, many questions remained unanswered. So, the reader should be aware of the limitations of the sample data.

Basically, trading water is a profitable business. On a daily basis, the only expenses are the fuel and the salary of the labourers. Many businessmen do not include depreciation among the costs as many of the wells were public property before the civil war and others were built or operated at different times by international NGOs. For instance, the well of the Sheekh Cali Suufi mosque has been dug by an Islamic NGO but is privately managed today (though monthly repayments are made). The main limitations seem linked to the often poor management. Money is collected and spent on a daily basis, the expenses are rarely accounted for systematically and, often, no money is left for maintenance and spare parts. When a problem occurs, the manager/owner must raise funds or stop the activity. This could be partially explained by the social background of many managers. If some have an urban background, many are newcomers, "Sunday people" (i.e. those who came when the upheaval of Mogadishu started on 30 December 1990) and have occupied properties and use facilities that don't belong to them and in the sustainability of which, consequently, they have little interest.

Water prices vary according to several parameters such as the proximity of other wells in the vicinity, the distance of delivery, and the quality of the water. A drum of 200 litres may cost So.Sh. 2,000 but it could reach Sosh 3,000 if it came from Villa Somalia (ironically, the best quality in town). Inflation hit also this sector. The average price used to be Sosh 1,500 in summer 2000 but rose to Sosh 2,000, when traders decided to no longer accept the 500 Sosh banknotes...

What conclusions can be drawn from this survey? This sector is mostly private and many people believe that it should stay so for at least two reasons. Firstly, the supply is adequate (there are no shortages), and this is perceived as an improvement over the pre civil war situation. Secondly, this sector provides an impressive number of jobs (though at low salaries), including those managing the wells (guards, mechanics, and accountant) and those delivering the water with their donkeys, or more rarely with a truck. One should also notice that women are entering that activity, which was not the case before the civil war. The quality of the water is a recurrent problem and the international aid agencies (UNICEF and international NGOs) have tried their best to diminish the likelihood of cholera with limited success. The main difficulty is that there is no incentive for the owners to set up standards and enforce them. The only alternative would be to use mineral water for certain purposes and some companies are manufacturing it but it is much more expensive and not accessible to the average household.

The TNG tried to address some of these problems. A new Water Agency was set up but did not do anything. The new government was waiting for a Malaysian company to start working but it

never showed up. Moreover, it is difficult to know whether it could have been possible to modify the rules of this sector within a very contentious environment where the TNG is only tenuously recognized by major players. Last, but not least, many operators opposed the creation of a parastatal, favouring rather the creation of a public/private joint venture. All those debates are important but had not been settled by May 2002.

Water Supply in Mogadishu

No	A- Name of the well or owner's name B- Location	A- Time operation started B- Type of well and its depth C- Kind of pump D- Quality of the water.	A- Number of employees B- wages per day. C-Working hours.	A-Number of Donkeys delivering water from the well. B- Number of barrels taken by each donkey per day. C- Price per barrel. D- Price of delivery to consumers by donkeys.	A- Type of Generator B- Daily fuel consumption C- C- Oil D- Hrs in use per day.	Daily expenses So. Sh.	Daily revenue So. Sh	Balance So.Sh
1	A- Xasan Wadani B- Shibis	A- 1996 B- Hand dug - 30 meters C- Electrical pump D- Fresh water	A- 4 Staff B- 100,000 Sosh C- 12 hrs	A- 25 donkeys B- 25 barrels each C- 2000 Sosh D- 4000 Sosh	A- DUTEZ B- 20 lit. C- not every day D- 8 hrs	260,000	485,000	225,000
2	B- Maxkamada T- Wardhügley	A- 1994 B- Hand dug - 90 meters C- Electrical pump D- fresh water	A- 4 Staff B- 140,000 Sosh C- 14 hrs	A- 26 Donkeys B- 12 barrels each C- 2000 Sosh D- 4000 - 5500 Sosh	A- DUTEZ B- 30 lit. C- D- 10 hrs	380,000	1,510,000	1,130,000
3	A- Moblen B- Waabari	A- 1996 B- Hand dug - 35 meters C- Electrical pump D- Sated water	A- 3 Staff B- 60,000 Sosh C- 12 hrs	A- 19 Donkeys B- 20 barrels each C- 2000 Sosh D- 4000 - 5000 Sosh	A- Lombardin B- 20 lit. C- D- 4 hrs	300,000	550,000	250,000
4	A- Al-Cayn 2 B- Yaaqshiid	A- 1994 B- Hand dug - 40 meters C- Electrical pump D brackish water	A- 6 Staff B- 180,000 Sosh C- 16 hrs	A- 20 Donkeys B- 25 barrel s each C- 2000 Sosh D- 4000 Sosh	A- 4 Piston B- 100 lit. C- D- 16 hrs	940,000	4,000,000	3,060,000
5	A- Qandac B- Shibis	A- 1936 B- Hand dug - 32 meters C- by electrical pump D- Seems fresh water	A- 6 Staff B- 135,000 Sosh. C- 12 hrs	A- 40 Donkeys B- 15 barrels each average C- 1000 Sosh. D- 3000 - 5000 Sosh.	A- SAMA B- 40 lit. C- D- 12 hrs	600,000	750,000	150,000

No	A- Name of the well or owner's name B- Location	A- Time operation started B- Type of well and its depth C- Kind of pump D- Quality of the water.	A- Number of employee B- amount of the daily wage C-Working hours.	A-Number of Donkeys delivering water from the well. B- Number of barrels taken daily by each donkey. C- Price per barrel. D- Price of delivery to Consumers by donkeys.	A- Type of Generator B- Daily fuel consumption C- Oil D- Time in use per day.	Daily expenses So. Sh.	Daily revenue So.Sh.	Balance So.Sh
6	A- shs. Cali Suufi B- Hodan	A- 1981 B-Hand dug, 60 meters C- Electrical pump D- brackish	A- 4 Staff B- 20,000 C- 12:00 -2:30 hrs	A- 320 B- 3,800 - 4,200 C- 1000 D- 3,000 - 4,000 - 5,000	A- Does 25 KV B- 35 litres C- 11 litres per month D- 12:00 hrs	325,000	3,800,000	3,475,000
7	A- Bari geeyei B- H/Wadaag	A- 1992 B- Hand dug, 88 meters C- Electrical pump D- Fresh	A- 10 Staff B- 30,000-10,000 C- 12:00 -6:00 hrs	A- 55, / by pipe 30 HH B- 640 - 670 C- 1,500 D- 3,000 - 4,000 - 5,000	A- Does 26 K.V litres 15 KV Hanon 30 KV B- 40 litres C- 15 litres weekly D- 16:00 hrs	435,000	960,000	525,000
8	A- Bangaariyo B- Hodan	A- April 1996 B- Hand dug, 70 meters C- Electrical pump D- Salted	A- 12 Staff B- 30,000 - 15,000 C- 12:00 - 6:00 hrs	A- 20, / by pipe 307 family B- 350 - 400 C- 1,500 D- 3,000 - 4,000 - 5,000	A-Lester 27 KV Canon 37 KV B- 110 litres C- 10 litres weekly D- 24:00 hrs	956,000	525,000	-431,000
9	A- Shiirkole B- Hodan	A- 1992 B-Drilled, 120 meters C- Electrical pump D- Fresh	A- 16 Staff B- 30,000 C- 12:00 -6:00 hrs	A- 500, / by pipe 300 families B- 8,700 - 9,000 C- 2,000 D- 4,000 - 5,000	A- Does 80 KV Lester 65 KV B-100 litres C- 15 litres D- 14:00 hrs	1,360,000	17,400,000	16,220,000
10	A- Imaamu Nawawi B- Hodan	A- Nov,1993 B- Hand dug, 85 meters C- Electrical pump D- brackish	A- 6 Staff B- 30,000-15,000 C- 8:00-6:00 hrs	A- 30, / by pipe 72 family B- 372 - 386 C- 1,500 D- 3,000 - 4,000 - 5,000	A- Does 15 KV Lester 15 KV B-50 litre C- 10 litre each 10 days D- 16:00 hrs	433,900	558,000	124,1000

No	A- Name of the Well or owner's name B- Location	A- Time operation started B- Type of well and its depth C- Kind of pump D- Quality of the water.	A- Number of employees B- Amount of their wages per day. C-Working hours.	A-Number of Donkeys delivering water from the well. B- Number of barrels taken daily by each donkey. C- Price per barrel. D-Price of delivery to consumers by donkey.	A- Generator type. B- Daily fuel consumption C- Oil D- Hrs in use per day.	Daily expenses So.Sh	Daily Revenue So.Sh.	Balance So.Sh
11	A- Xaaji Abuukar B-Yaaqshiid	A-1994 B- Borehole (drilled), 110m C- Electrical pump D- Fresh water	A- 7 Staff B- 17,500 C- 12 hrs	A-10 Donkeys B- 410 C-1,500 -2,000 D- 3,500	A- DUTEZ (4 piston) B- 25 lit. C-1 lit. D- 8 hrs	267,500	757,500	490,000
12	B- Al-Cayn (3) T-Yaaqshiid	A-1994 B- Hand dug, 70m C- Electrical pump D- Fresh water	A- 4 Staff B- 18,000 C- 12hrs	A- 15 Donkeys B- 780 C- 1,500 -2,000 D- 3,500	A- 3 piston B- 50 lit. C-1 lit. D- 18 hrs	136,500	392,000	255,500
13	B- Bilkhayr T-Yaaqshiid	A-1998 B- Hand dug well, 48 m C- Electrical pump D- Fresh water	A- 4 Staff B- 33,000 C- 12 hrs	A- 5 Donkeys B- 225 C- 1,500 -2,000 D- 3,500	A- 6 piston B- 40 lit. C-1 lit. D- 16 hrs	352,000	393,750	41,750
14	B- Cariif T-Yaaqshiid	A- 1994 B- Borehole (drilled), C- Electrical pump D- Seems fresh water	A- 4 Staff B- 20,000 C- 12 hrs	A- 10 Donkeys B- 1,000 C- 1,500 -2,000 D- 3,500	A- IZUZU B- 22.5 litres C-1 lit. D- 16 hrs	235,000	1,750,000	1,515,000
15	B- Al-Taqwa T-Yaaqshiid	A- 1994 B- Hand dug well, 57 m C- Electrical pump D- very brackish water	A- 3 Staff B- 30,000 C- 12 hrs	A-Kama shaqeeyo B- 125 C- 1,600 D- 3,500	A- 3 piston B- 33 lit. C-1 lit. D- 9 hrs	308,000	200,000	- 108,000

No	A- Name of the well or owner's name B- Location	A- Time started to operate B- Type of Well and its depth C- How water is drawn from the Well. D- Quality of the water.	A- Number of the employees B- amount of their wages per day C-Working hours.	A-Number of Donkeys delivering water from the well. B- Number of barrels taken daily by each donkey. C- Price per barrel. D- Price of delivery to consumers by donkeys.	A- Generator type. B-Daily fuel consumption C- Oil D- Hrs in use per day.	Daily expenses Sosh.	Daily revenue Sosh.	Balance Sosh
16	B- Boqol Jirow T- Buulo Xuubey -Wadajir	A- 2000 B- Hand dug, 58 meters C- Electrical pump D- Seems fresh water	A- 12 Staff B- 15,000 - 30,000 C- 24 hrs (shift)	A- 100 Donkeys B- 10 - 18 C- 1,500 D- 3000 - 4000	A- 30 & 48 KV DEUTZ B- One barrel + 20 lit. C- 2 lit. average D- 13 hrs	2,140,000	3,740,000	1,600,000
17	B- Tiitinley T- Buulo Xuubey -Wadajir	A- 1998 B- Hand dug, 60 meters C- Electrical pump D- Seem fresh water	A- 1 Staff B- 30,000 C- 12 hrs	A- 10 Donkeys B- 7 - 15 C- 1,000 - 1,500 D- 3000	A- Lister (40 KV) B- 20 lit. C- D- 12 hrs	170,000	255,000	85,000
18	A- Birjibo B- J/Daa'uud C- Wadajir	A- 1971 B- Hand dug, 60 meters C- Electrical pump D- Seems fresh water	A- 3 Staff B- 20,000 & meal C- 12:30 hrs	A- 60 Donkeys B- 10 - 15 average C-1,500 D- 3,000 - 5,000	A- Lister (30 KV) B- 40 lit. C- D- 12 hrs	360,000	900,000	540,000
19	A- Tusbaxle B- Buulo Mugdi C- Dayniile	A- 1995 B- Hand dug, 100 meter C- Electrical pump D- Fresh	A- 5 Staff B- 20,000 C- 12:30 hrs	A- 70 Donkeys B- 10 - 28 C- 1,000 D - 2000	A- DEUTZ (3B) B- 40 lit. C- D 12 hrs	280,000	2,000,000	1,720,000
20-	A- Ciise Nuur B- Kor damac C - Dayniile	A- 2001 B- Hand dug, 97 meters C- Electrical pump D- Fresh	A - 5 Staff B- 20,000 C- 12:30 hrs	A- 60 Donkeys B- 4 (10) C- 1,500 D- 3000 - 5000	A- DEUTZ (B) B- 30 lit. C- D- 11 hrs	110,000	260,000	150,000

2. Power supply in Mogadishu

Power supply started in the 1920s in Mogadishu: the first power plant was built by De Vincenzo and supplied power mostly to colonial neighbourhoods and offices. The AFIS established a company known as SEIS (*Societa elettrica italo-somala*), which started operating during the 50's until 1970.

The military regime set up a parastatal, ENEE (*Ente Nazionale Energia Elettrica*), which was supposed to manage the two existing power plants, one in Jaziira, and the other in Balcad. At that time, the total capacity was 35 MW with the grid operated at 33 kV, and the low voltage grid operating at 0.4 kV. This was insufficient in view of increasing demand and a plan was hatched in the 1980s to build a dam at Baardheere. That plant could have added 40 MW of capacity but, in view of the distance from the consumption centres, it would have required the setting up of long transmission lines to be operated at 220 kV (with sub-transmission at 33 kV, and low voltage grid at 0.4 kV). This never happened and power cuts became a fact of life in Mogadishu. That is why generators were functioning in many hotels and businesses. But no one was selling power as happened after the civil war broke out.

No one mentioned gas (LPG), though it was in use before the civil war in Mogadishu, mostly by Somalilanders, while people from the South were used to charcoal and electricity and saw gas as dangerous. But this could be the crude expression of stereotypes each community had about the other... In fact, gas was mainly used by expatriates and the Somali elites because, though it is a good and efficient fuel, people living in an economy with a US\$ 150 per capita GDP cannot really afford LPG.

The looting that took place in 1991 was well organized. Some equipment was taken by individuals but the heaviest ones were often taken by traders under the instructions of some local staff: in 1991 and 1992, huge quantities of "scrap metal" were sold to Dubai. This was also the fate of the grid since copper is always valuable.

A more positive mood took hold in 1993 when UNITAF and UNOSOM started operating. Some limited investments were made and small plants started operating. Power supply was therefore a key issue. It was the period the late Elman, a Mogadishu figure campaigning for peace, started operating his workshop and provided power to some parts of South Mogadishu. Others, with less philanthropic ideals, did the same in other parts of the city. From that time on, this sector has been growing and now received electricity. It is worth noting that despite the political divisions inside the town, electricity supply was not hampered by them. For instance, Hodan and Medina, or Hawl Wadaag and Bermuuda had common suppliers in spite of the recurrent tensions existing at the factional level. Street lighting gave an incentive to the resumption of an urban lifestyle, and this should be appreciated, especially in Xamar Jab-Jab and Bermuuda, or Wardhigley and Xamar Jedid.

The establishment of telecommunication companies was also a real boost for this sector: the latter were operating 24 hours a day and contributed to improve security in strategic areas for economic activities, such as Bakaaraha market. Today, this sector is split into two main components. A first one is made up of industrial and services companies (small plants, telecommunication companies, etc.) who supply power to others incidentally. They may supply power to others when it suits them, free or against payment, and they generally have good equipment and reliable service. The main group of power suppliers, however, consists of small, private generating companies (see the following charts) whose main activity is power supply. There are approximately 60 power stations in Mogadishu, with machines of varying size, makes, and state of repair.

There are basic problems that need to be addressed. The first one is the low level of investment, due to the fact that most power firms use old, second-hand equipment. First of all there is no medium-tension grid, which implies very serious power losses (low voltage cables over long distances can suffer losses of up to 50%). Moreover, the grid now uses aluminium cables rather than copper, since this is cheaper and would also reduce the incentive to steal cables. Since companies are engaged in cut-throat rivalry, each company has its own grid, resulting in losses (ditto above) and redundant investments... as only one medium-voltage grid would be enough for all plants (there are also other technical problems). A second problem is linked to the patterns of competition in Mogadishu. This

sector appears to be closest to a cartel, because when a new company wants to start, it must first make sure it is not taking customers from others, a rather peculiar kind of competition indeed. If customers are “stolen”, then the cables of the new entrant may get cut and small incidents or even skirmishes may take place with some frequency. Security is therefore a problem, not only because of normal thieves but also because of competitors. Most of the companies resolve this issue by paying some elders of the area they intend to supply and/or by employing their relatives as guards. Customers are not always smart either: some try to develop their own grid and charge their neighbours, so they would not have to pay for their own consumption of electricity. Nor is it easy to collect payment. So, after two months without payment, supply is cut.

Sometimes in May 2000, an association of independent power producers was established in Mogadishu (*Shirkada Xoogga Korontada Muqdishu*) claiming to have 43 members. This positive move might have taken place for wrong reasons. There were rumours in Mogadishu that the UN could be interested in setting up a power plant and those companies did want to have some leverage on the project. Later, there was also the expectation that the TNG might try to act in this sector, though nothing came of it. No significant result - except price fixing, of course - seems to have been achieved. The membership also provides some valuable information on the sector. The association claims to have invested US\$ 2,763,000 in equipment and cables, the largest investor US\$ 350,000 and the smallest one, US\$ 2,500. Three companies are actually significant actors in the Mogadishu market: KASKO, ELMAN, and BAKKO. It should be noted, however, that major players, such as the telecommunication companies, radio and TV networks, big hotels, and small plants, do not belong to this association. Nevertheless, the association claims to provide 6 MW/day and to serve about 75% of the population of Mogadishu. No independent data have been collected to support these figures. A quick journey through Mogadishu at night demonstrates that this claim is not credible.

Prices are fairly standard and are charged according to each electrical end-use device. For example, the rate for one light bulb is 2,000 So.Sh/night; an electric outlet, 3000 So.Sh/day time and 3,000 So.Sh/nighttime. Daytime means ordinarily from 08h to 15h. Night time may vary according to the company and the competition: it could be from 18h to 23 h or 18h to 23h 30 or even 18h to 24h. Recently, meters have been installed, essentially in Bakaaraha market and in some big companies (Sahafi Hotel for instance). In this case, the tariff is about US\$ 0.40/kWh.

The following charts should be carefully read. Information is not easy come by and none of those collecting it had any idea how right or wrong the answers were. Moreover, although this paper gives broad estimate of daily revenues, some basic expenses have not been accounted for. Among them, is rent, though some companies are using occupied locations or public spaces and do not incur any rental expenses. More important expenses such as cables, spare parts, and depreciation are also not taken into account. It was difficult for some people to answer questions about these matters since the accounting system is poor and money is spent as needed.

A few concluding remarks on this sector follow. Electricity supply is an important, strategic issue for the future of the capital city. Energy consumption is an important element of costs in plants and service companies. To a large extent, this sector developed in a vacuum and grew because it was meeting a basic demand from the population. Nevertheless, there are problems that cannot be avoided if Mogadishu is to develop further.

The quality of the supply is poor and any industrial activity would need to solve this problem, hence the attractiveness of large-scale, public supply with its much greater efficiency than small-scale generation. At the same time, for various reasons including the commercial ethos of many economic agents in this sector, neither reform nor the establishment of self-regulation seems likely.

If those conclusions are correct, there are only two ways to improve this sector. The first one would be to wait for some kind of intervention from outside, like a government or a local administration that would be in position to set up some basic regulations and offer the possibility of a joint initiative to improve the sector. Though not impossible, this is unlikely in the near future.

The second option is to start in a decent manner in a section of the town where competition is low, through a joint project with factories and hope that the market will work, with the more efficient option gathering demand and support. At the end of the day, a normal grid is less expensive to develop and maintain and profits may be higher than in the current situation. This could be a win-win situation but supposes that investors are ready to pour money into a somewhat ambitious project.

Power Supply in Mogadishu (unit: So.Sh)

NO	A-Name of the company or the owner B- Number of power stations C- Locations	Ownership	A- Number of generators owned by the Company B- KVA C- Daily Fuel consumption D- Oil	A- Number of employees B- Daly Salary (in So.Sh) C- Minimum and maximum amount in So.Sh	A- Working time B- Hours,	Daily Expenses in So.Sh (average)	Daily Gross Revenue in So.Sh (average)	Gross margin in So.Sh and Remarks
1-	A- Anza B- One (1) C- Waabari	3 shareholders	A- One generator B- 15 KV C -a) 15 L b) 1 L	A- 8 Staff B- 45,000 C- 5000 . -10,000 .	A- Evening B- 6 hrs	- Fuel 129,000 - Salary 45,000 - Meal 70,000 - (Total 244,000)	740,000 .	Profit :496,000
2-	A-L - Nimca “3” B- One (1) C- Yaaqshiid	Sole Proprietor	A- 4 generators B- 220, 220, 220, 220, K / V C- a) 200 Lit. b) 4 Lit. (not always)	A- 13 Staff B- 195,000 C- 15000 .	B- Evening T- 12 hrs	- Fuel 1,600,000 - Oil 68,000 - Salary 195,000 - (Total 1,863,000)	5,640,000	Profit : 3,777,000 Some amount of the profit should go for repairs, etc.
3-	A- Faadumo Cabdule B- One (1) C- Shibis	Sole Proprietor	A- One generator B- 100 K/V C- a) 30 L b) 2 L	A- 4 Staff B- 40,000 C- 10,000 .	A- Evening B- 8 hrs	- Fuel 240,000 - Oil 21,000 - Salary 40,000 - (Total 301,000)	1,130,000 .	Profit : 829,000
4-	A- Kasco “1” B- One (1) C- Kaaraan	10 shareholders	A- 3 generators B- 450, 450, 450 KV C-a) 300 L. b) 2 L	A- 22 Staff B- 484,000 C- 13,000. -23,000 .	A- Evening B- 7 hrs	- Fuel 2,400,000 - Oil 21,000 - Salary 484,000 - (Total 2,905,000)	23,200,000	Profit : 20,295,000
5-	A- Kasco “2” B- One (1) C- Shibis	4 shareholders	A- 2 generators B- 450, 230 K/V C -a) 300 L. b) 2 L.	A-12 Staff B- 210,000 C- 13,000. -23,000 .	A- Evening B- 6 hrs	- Fuel 2,400,000 - Oil 21,000 - Salary 210,000 - (Total 2,631,000)	16,000,000	Profit : 13,369,000

NO	A-Name of the company or the owner B- Number of Power stations C- Locations	Ownership	A- Number of generators owned by the Company B- KVA C- Daily fuel consumption D- Oil	A- Number of employees B-Salary per day (in So.Sh) C- Minimum and maximum amount	A- Working time B- Hours	Daily Expenses (average)	Daily Gross Revenue (average)	Gross margin and Remarks
6	A- Tawakal B- One station C- Hodan	3 Shareholders	A- 3 generators B- 130, 80, 230 KV C- 230 Lit. 1 x 130 Lit. D- One carton a month	A- 13 Staff B- 25,000 average C- 20,000 - 30,000	A- Evening B- 6 hrs	1,840,000 .	4,720,000 .	2,880,000 .
7	A- Shabeelle B- One station C- Wardhiigley	Sole Proprietor	A- 2 generators B- 120,100 KV C- 90 Lit. D- 20 Lit. each 10 days	A- 10 Staff B- 17,500 average C- 15000 - 20,000	A- Evening B- 6 hrs	825,000 .	1,150,000 .	325,000 .
8	A- Ducaale B- One station C- Howl-Wadaag	Sole Proprietor	A- 6 generators B- 215,100, 110, 80, 40, 30, KV C- 300 Lit. per day D- 15 L it. per week	A- 30 Staff B- 30,000 average C- 10,000 - 50,000	A- Day & Night B- 7 hrs 6 hrs	3,020,000 .	3,229,858 .	209,858 .
9	A- B.A.K..O. B- One station C- Howl-Wadaag	4 Shareholders	A- 7 generators B- 250,266, 500 KV the rest are broken C- 300 L it. per day D- 15 L it. per week	A- 28 Staff B- 30,000 average C- 10,000 - 50,000	A- Day & night B- 9 hrs 6 hrs	3,090,000 .	2,945,000.	- 145,000
10	A- Bin Xasan B- Four station C- Howl-Wadaag	3 Shareholders	A- 12 generators B- 400, 300, 100, 85, 80, 60, 50, 45, KV. Others are not in use. C- 600 Lit. D- 3 carton per week	A- 29 Staff B- 32,500 C- 30,000 - 35,000	A- Day & night B- 7 hrs 6 hrs	5,416,214.	8,125,000s.	2,708,786 .

NO	A-Name of the company or the owner B- Number of Power Supply Stations C- Locations	Ownership	A- Number of generators owned by the Company B- KVA C- Daily fuel consumption D- Oil	A- Number of employees B- Daily Salary (in SoSh) C- Minimum and maximum amount	A- Working time B- Hours,	Daily Expenses in SoSh (average)	Daily Gross Revenue in SoSh (average)	Gross margin in SoSh and Remarks
11-	A- Ifis Electric company B- 3 C- Hodan, Kaaraan, Yaaqshiid	3 Shareholders	A- 5 generators B- 15, 20,25, 30, 30, KV C- 2 Barrel D- 20 lit per week (average)	A- 10 Staff B- 25000 C- 5000- 20,000	A- Day and Night B- 18 hrs (6 +12)	2,989,000	3,256,000	Profit 267,000.
12-	A- Cariif B- 1 C- Yaaqshiid	Sole proprietor	A- 2 generators B- 44, 37 KV C- 47 lit. D- 1/3 lit.	A- 4 Staff B- 20,000 C- 15,000- 25,000	A- Evening B- 7 hrs	366,800	736,000	Profit 369,200 .
13-	A- Al-Nimca B- 1 C- Yaaqshiid	Sole proprietor	A- 4 generators B- 200,170,120,100 KV C- 200 lit. D- 1 lit. (average)	A- 14 Staff B- 20,000 C- 15,000- 25,000	A- Day and Night B- 20 hrs (8 + 12 hrs)	1,510,000	1,900,000	Profit 390,000 .
14-	A- Al-Raxma B- 1 C- Yaaqshiid	Sole proprietor	A- 1 generator B- 75 C- 80 lit. D- 1 lit. (average)	A- 2 Staff B- 30,000	A- Evening B- 6 hrs	576,000	1,600,000	Profit 1,024,000 .
15-	A- Al-Aqsa B- 1 C- Yaaqshiid	Sole proprietor	A- 1 generator B- 150 C- 134 lit. D- 1 lit.	A- 7 Staff B- 33,000	A- Evening B- 6 hrs	1,127,000	1,300,000	Profit 173,000 .

NO	A-Name of the company or of the owner B- Number of Power Stations C- Locations	Ownership	A- Number of generators owned by the company B- KVA C- Daily fuel consumption D- Oil	A- Number of employees B- Salary per day (in So.Sh) C- Minimum and maximum amount	A- Working time B- Hours,	Daily Expenses in So.Sh (average)	Daily Gross Revenue in So.Sh (average)	Gross margin in So.Sh and Remarks
16-	A- Elman B- Five C- Wadajir - B/Xuubey -Boosniya - Hodan - Taleex - Bermuuda - Waabari	LNGO (One man founder)	A- 9 generators B- 275, 250, 250, 70, 70, 65, 60, 50, 30 KV C- 3 Barrels and 60 lit. per day D- 5 lit. (average)	A- 60 Staff B- 1,000,000 C- 14,000 - 20,000	A- Office 8:00 - 2:00 Stations 4 hrs Guards 12 hrs B- 6 hrs	4,235,000+ 100,000+ 1,000,000= 5,335,000	5,000,000	-335,000 It is non profit Org. This sector receives subsidy form the other projects run by the Organization.
17-	A- Bishaaro B- One C- Wadajir (Buulo Xuubey)	3 Shareholders	A- 3 generators B- 225, 150, 90 KV C- 100 lit. D- 1 lit.	A- 5 Staff B- 160,000 C- 20,000 - 50,000	A- 24 hrs shift B- 6 hrs	880,000	1,524,000	Total profit 644,000
18-	A- Xararyaale B- One C- Wardhiigley	1 (Sole proprietor)	A- 3 generators B- 60, 70, 80 KV C- 70 lit. D- 1 lit.	A- 8 Staff B- 240,000 C- 20,000 - 40,000	A- 24 hrs shift B- 12 hrs	810,000	1,800,000	Total profit: 990,000
19-	A- Daryeel B- One C-Howl-Wadaag (Suuqa Bakaaro)	1 (Sole proprietor)	A- 4 generators B- 60, 60, 60, 35 KV C- 160 lit. D- 1 lit.	A- 10 Staff B- 200,000 C- 10,000 - 30,000	A- 16 or 24 shift B- 12 hrs	1,359,000	2,140,000	Total profit: 781,000.
20-	A- Axmed Jaran B- One C- Gubta labaad (Yaaqshiid)	1 (Sole proprietor)	A- 3 generators B- 120,120,80, KV C- 60 lit. D- 1 lit.	A- 6 Staff B- 150,000 C- 20,000 - 30,000	A- 10 to 24 hrs shift B- 8 -10 hrs	570,000	1,200,000	Total profit: 630,000 .

SECTION THREE

WORKING IN MOGADISHU

Mogadishu at war, of course, Mogadishu indeed unsettled, but Mogadishu vibrant with all kinds of activities and all kinds of rumours. Mogadishu full of distrust and boundless ambitions; there is no doubt, but also Mogadishu full of deals and agreements.

Foreigners, for good reasons, can make very definite statements about the chaos and the insecurity in Mogadishu. And they would all be true, because they are the privileged targets for all kinds of extortion. Shootings take place every day, incidents may degenerate into skirmishes, or heavy fighting. All that is basically true, but does not explain why so many Somalis are leaving the countryside to settle in the capital city and look for any kind of (possibly heavy, dirty, dangerous, even illusory) job. The following chapters try to provide some insights into these paradoxes.

Security is ordinarily manageable: there are risks but many Somalis living in Mogadishu take minibuses, drive cars, visit friends, and go to work. When staying in Mogadishu for a long period, one starts understanding how large is the town, how people also move from one place to the other to minimize risks, how life is hard, but possible. Mogadishu, to many of its inhabitants, represents a kind of “new frontier” where there are opportunities that can make one rich, powerful or provide a chance to move to a foreign country. Mogadishu is both a dream and a cruel reality.

This section explores some of the main economic activities in Mogadishu. The capital city offers a number of very contrasting views. It is difficult to imagine, for instance, that in an urban context where unemployment is rife, there are people working ten or twelve hours a day. It is difficult to believe also that in a universe characterized by abysmal poverty, one may find the latest computers, buy perfumes, and order anything that strikes one’s fancy, and it can be delivered in a matter of two or three days.

Maybe the heart of the capital city is for the time being Bakaaraha market. This market is by far the most important in Mogadishu and in Somalia. It drains the whole city, its hinterland, and even parts of neighbouring countries. Whatever significant event happens in Somalia or anywhere else in the world, of interest to Somalia, is known in a matter of minutes or hours. All telecommunication companies operate from there, more than 1,000 HF radios are active... Newspapers are based inside the market and disseminate all kinds of information, from the exchange rate quotes, to statements made by American officials. Bakaaraha market could be a case of what a French sociologist, Marcel Mauss, calls a “total institution” in the sense that understanding its functions, structures, and behaviour, would explain a large part of Somalia... and of the Somali crisis.

This survey is considerably more modest and provides only a review of some of the main sectors but this author feels that this report, mere words, cannot possibly convey all of the reality, dynamism, and chaos of this market that defies description.

A second chapter is dedicated to the *qaat* market. This is one of the activities, which employs the most people in Mogadishu. Bakaaraha may employ about 15,000 people, while the *qaat* market occupies about 2,500 workers. At the same time, far from the exoticism that often colours the attitude of foreigners, *qaat* use or abuse, is one of the toughest social problems that Somalia will have to face, sooner or later. The best comparison could be alcoholism in Europe: alcohol production and sales employ a considerable amount of labour but alcohol destroys also the life of people, weakens the family, and helps other diseases to spread in the society. This comparison is only indicative, but the gravity of the phenomena is certainly comparable.

A third chapter addresses another paradox of Mogadishu: despite a persistent gloomy political situation, people have invested significant amounts of money in plants and are resuscitating an industrial sector. Of course, this is not so impressive in absolute terms, but it is impressive, if one keeps in mind the difficult situation that has prevailed in the city for so long. Most skilled people left

after 1991 for different reasons and few are back. There is no functioning financial intermediation system to help mobilize resources; foreigners are staying out, since they have no assurance at all on what may happen tomorrow. Nevertheless, against all odds, plants have been and continue to be set-up. And the business community seems more inclined than ever to move ahead with further investments.

The last chapter shows that Somalia is very much in step with evolution elsewhere in Africa and the world. Despite the civil war and the risks, fledgling journalists have been trying their best to provide news. Newspapers, radios, and TV are more numerous today than before the civil war. The information revolution has reached Somalia and, thanks to the various radio and TV networks, people again debate hot issues verbally, without using threats or guns.

It would have been interesting to add some comments on the telecommunication companies and the Internet. It was not possible. After November 7, the situation dramatically changed and not for the best. The main telecommunication company, al-Barakaat, was put out of business, others came in but the situation was still unclear during this author's visit to Mogadishu. The Internet was also stopped for a very long while and it would have been interesting to describe the characteristics of customers in the cyber cafes in Bakaaraha market and to analyse the use of the Internet by the Diaspora and the people in Somalia. In May 2002, the heir of al-Barakaat, Hormuud, started operating. Meanwhile thanks to other companies, the Internet is again working properly in Mogadishu, but it was too late to assess those changes and elaborate on them in this report.

CHAPTER SEVEN

The “Mother” of all Somali Markets: Bakaaraha Market

Bakaaraha market might be the place in Mogadishu that could symbolize all challenges to the conventional understanding of the civil war. Despite all odds, this place has grown throughout the civil war and represents today the main Somali market. Commodities sold there come from everywhere in the world and reach all parts of Somalia but also Kenya, Ethiopia, Uganda and, possibly also, parts of the Arabian Peninsula. The way this market is reacting to events gives the best indication of what may happen next, if the event meant anything for the Somali economy. It is both a microcosm, a very limited area of town (see the map at the end of this chapter), and a real macrocosm where the prices of commodities and exchange rates will be fixed according to the perception of important events in the capital city, in the country, or in the Horn. It is a blend resulting from the greatest parochialism mixed with globalisation. People will behave and talk (*fadhi kudirir*⁴²) about their petty conflicts at lineage level and, in the same breath, discuss the latest opportunities offered by Bangkok or Hong Kong. This market offers also a good summary of the situation in Somalia: a chaotic space where some basic, if informal, rules are socially enforced, allowing life and business to go on. Bakaaraha is also a place where all Somalis can live and work, no matter what clan they belong to; it is a place which hosts also Ethiopians and Kenyans, Pakistanis and Yemenis, all there to engage in mutually profitable trade.

This chapter tries to provide a modest description of some of the main markets. Doubtlessly, this study does not answer all questions on the development of such an entity. But, since Bakaaraha is the main trading place of Somalia, it deserves description in spite of the need for some approximations and incompleteness.

1. Background

Bakaaraha market was inaugurated in October 1972 by Maxamed Siyaad Barre. As mentioned in the chapter one, urbanization policy had serious limitations in the 1960s in spite of significant urban growth and the main market, located in Xamar Weyne, became so overcrowded that trucks could no longer supply the shops easily. The new regime wanted to modernize the capital city and took some decisions to provide new areas for markets and ease the movement of people and goods.

The name gives also an indication of its function: *bakaar* means “grain silo” as used by farmers but, in this specific case, it refers to a silo where lime was processed. However even at the very beginning, there were more than just warehouses. Charcoal was produced there from wood, and a big butcher’s shop was very active, as well as a green grocer.

In the 1960s, the land was used for other purposes, mostly for grazing livestock. At that time, the owners of the land were Murusade, Abgaal (Absuge Village – i.e. a neighborhood populated by this Abgaal/Waceesle sub-clan), a very respected Sheekh from the Haber Gidir/Sacad (Indhayer) sub-clan and one Jareer (Bantu). *Casa popolare* was also inhabited by civil servants, mostly Isaaq. This structure of ownership was notable because the Hawiye were by far the most frequent owners of the land, even if plots there were bought in the 1970s and 1980s. This explains also why and how this market was able to cope with the insecurity of the late 1980s, especially in 1990: this part of the city was considered unfriendly by the regime and its forces would not go there without a good reason since incidents were likely. That also explains why many traders from Xamar Weyne and Medina shifted their activities and moved their shops to Bakaaraha at that period.

From that period onward, a Committee was established to deal with security issues and guards were employed to protect the shops. This Committee did manage quite efficiently the chaotic period of the

⁴² This expression could be translated as “To seat and fight”: it refers to the endless discussions, especially *qaat* sessions are the place for.

upheaval in December 1991/January 1992 and this strengthened the reputation of this market as a safe place in which to conduct business. When the second war of Mogadishu broke out in November 1991, the Committee was mobilized to prevent any looting. That action was not the result of a sudden improvement in ethics, but merely a reflection of the fear that if one shop was looted, then all would be. This does not mean that Abgaal and Murusade business people did not get into trouble there or that they felt secure. There were threats and looting in the vicinity of the market, but not inside it. The protection economy did work quite efficiently: Traders needed to be protected by somebody from a “strong” clan, (i.e. mostly Haber Gidir) and had to pay for that service. It was at that time that the expression *mukulaal madon*⁴³ came into use. The possibility of extortion was ever present, but old friendships and trans-clannic family links helped some business people to handle the threats and weather the hardships.

When UNITAF came in, the situation improved, since money was poured into the city and people were very busy trying to get their share of it. Bakaaraha was booming. The 3 October 1993 battle between General Caydiid’s supporters and the US Special Forces was but a hiccup in that dynamic. Up to now, many people do not understand how this operation was prepared since the whole area (and specifically *Casa popolare* and Wardhiigley) was then inhabited by Haber Gidir...

The political failure of UNOSOM II had some implications on the ownership of the land. Although changes occurred before, in 1996, the Bakaaraha area could be roughly divided in two parts. From the cloth market up to Bermuuda, most of the owners were Murusade and land plots were sold among clan members. On the eastern side (from Olympic hotel up to Mareexaan Street), many Abgaal owners had sold their lands mostly to Haber Gidir. This is one example of this “clanization” of the urban setting, mentioned in the introductory chapter. People knew that by being together, they would be in a better position to protect their shops and their belongings. This does not mean that people who belong to other clans were outsiders: some kept their houses and rented them to traders but this describes the situation in general.

Although a Committee had been established, it has not been able to regulate the market. It reflected one common concern about security but, as soon as it tried to carry out other activities, splits and rivalries occurred. Proof of that can be by observing the number of its members. Up to 1995, it had 13 members, 12 representing each section of the market, plus a chairman. In 1995, when General Caydiid set up his government, it reached 26. In 1998, at the time the Benaadir Administration was discussed, the figure reached 46. Representation is not only problematic for the political class but also for the core of civil society...

The periods of growth are indicative of the overall situation. In 1991-1992, business activity was low. The pre civil war business class was not active, since the political situation appeared quite unsettled. Only the small traders and those involved in the parallel economy before the civil war were operating since they had little choice: being inactive meant spending part of their capital to just live and would make returning to the market more difficult. Since there are no data, it is difficult to describe their success or failures but some did very well and emerged in 1993 as wholesalers and even real business people, though the rate of success was probably not so high. From 1992 to 1995, the period was good but some important sections of the market were basically frozen. Food and medicines were provided by the international aid agencies in huge quantities and private operators had little room. From 1995 onwards, the market could play its full role. Nevertheless, many significant operators were brokers or middlemen for big companies overseas and this might explain to a large extent why certain markets (especially for imported food) were functioning as cartels: those who did not have these links were quickly put out of business. As a consequence, some of those who had been successful at the beginning of the civil war lost their market share since they could not compete with the newcomers backed by big companies overseas.

⁴³ Gibil Cad traders who are good customers in the protection economy (...) have framed this expression. Literally, it means “black cat”: black refers to the colour of the Somalis and cat refers to the animal protecting the food from the mouses...

In spatial terms, the market extended westward beyond Kacaanka/Dabka street (see map) and reached close to Mareexaan Street⁴⁴. It is bound on the two other sides by Wadnaha street and Sodonka street. Although the core market area is in Hawl Wadaag, sections of it belong today to Hodan and Wardhigley districts.

Some short remarks should also be made on the way trade is organized. The traditional division importer/wholesaler/retailer is valid in Somalia as elsewhere in the world but there are a number of specificities that should be kept in mind while reading the rest of this chapter. First of all, importers are quite often wholesalers and that may have consequences since they can sell at lower prices than the wholesalers supplied by them. Wholesalers are often retailers and those two categories may also rely on a category of very small (“petty”) traders who receive a small quantity of goods, sell them, and pay back before receiving a new stock. This mechanism is widely practiced by women and well adapted to current circumstances, it is called *soo cadeey*, or “go and sell”. This could lead to difficulties: accounting is minimal, agreements are all oral, and no deadlines are given for the commodities to be sold. Moreover, there are other problems: very often a shop is owned by a group of people but managed by one who might pay his daily expenses before accounts are settled. These descriptions raise many questions on the procedures followed by the new traders. Since there was no attempt to describe individual histories, it is difficult to conclude that there are more failures than successes. But this question should not be dismissed: although collectively successful, there might be a significant turn over (departure of loss-makers, affluence of newcomers) among the small traders and the shopkeepers.

2. The medicine market

Bakaaraha is the largest market for medicines in Mogadishu and Somalia. Most of the medicines come from two countries, Pakistan and India, though drugs also come from Kenya, Egypt, Jordan, Greece, and Syria, but only very rarely from Germany, Italy, and the United Kingdom.

Although significant operators are few and far between, there are many others with somewhat more modest capabilities, but still able to compete against the majors. Though the main company importing from Pakistan is Moumim Enterprise, it still faces very tough competition. As far as India is concerned, the leading company is Nucmaan Co. Again, there are many other importers. Nucmaan Co. also operates on behalf of a number of other parties. In fact, women are specifically involved in those imports from India since many of them travel there to sell gold, returning to Somalia after having bought utensils, clothes, and medicines (a trade which started long before the civil war). Two of the main importers from Kenya are al-Furqaan Co. and Maxamed Jamca. There are no significant and permanent importers of medicines produced in Europe, though many people are involved sporadically. One reason is that these products are much costlier than their Asian near-substitutes (after all, drugs are drugs...). While Pakistani and Indian products are cheap, the medicines produced in Kenya and most of those from Europe are very expensive relative to the income of the Somalis. Another plausible explanation, though it may not be very significant, is that most European medicines are stolen from international NGOs and UN agencies, thereby stifling the emergence of a reliable market for European drugs.

The organization of the sector is pretty original. The importers are also wholesalers. Wholesalers can get their supplies from different importers. They supply a large number of pharmacies and money is collected from them on a daily basis. The main stores represent around 20% of the market while small booths or kiosks represent 80%. Spatially this market covers 6 blocks (i.e. 6 X 52 m²) with around 55 main stores, providing jobs for 5 to 10 people each. The average monthly rent for such a store ranges between So.Sh 1 million and 1,5 million.

⁴⁴ The official name was in the 1960s, Aadan Cabdulle Road since the first President of the Republic owned a building there. When the coup occurred, the new regime decided to tarmac this sandy road and many Mareexaan officials received land in order to build their house. Before that area was mostly inhabited by Cayr and Sacad, two sub-clans of Haber Gidir.

The work inside such a store is organized in a most systematic way. One employee determines the prices after checking the exchange rate of the moment; it is an important and well paid task, commanding about 50,000 So.Sh/day. Then there is an accountant, generally one of the shareholders of the store, who commands the same salary. Two people manage the stocks and receive 25,000 So.Sh/day each, while another one checks the correspondence with international suppliers, earning the same wage as the stock keepers. Another employee visits all booths/kiosks supplied by the store and collects money from them. There generally is also a courier, or delivery person, ready to take packs of medicines to other shops and is paid by the delivery, some So.Sh 2,000 to 3,000 depending on the distance.

The booths are much more numerous than the stores: there are two main lines with around 180 *tabakaayo* (local name, derived from the Italian, “Tabaccaio” small shops, almost kiosks that used to sell matches and cigarettes, then a state monopoly, but nowadays sell all manner of things, from aspirin to train tickets, equivalent to North-American “convenience stores”). There are also two other shorter lines with 90 kiosks, while others are scattered elsewhere in the market. In rough terms, there could be perhaps 350 booths altogether. Rent for the space they occupy ranges from So.Sh 100,000 to 200,000 but is rising.

Brokers are also numerous. Some of these cultivate relationships with the local staff of international NGOs, hoping to make some lucrative fencing operations. Others check on a daily basis, which products importers have brought. Some also inquire which products are in short supply, or currently most fashionable. A few are experts in expired medicines and study the market for those products...

Some stores or booths are doing well also because they have special agreements with physicians, laboratories, or clinics. They thus can count on a captive market and pay a commission to their counterparts for this advantage.

As in any other section of the market, there are guards. Six to eight militias keep the area secure and are paid by the traders. Some “bush restaurants” – 22 – sell tea and food to the guards or to customers. Most of their workers are women.

There are also two other much smaller sub-sections that deserve some comments. There are 7 locations where veterinary medicines are sold: this is a much smaller market in relation to its previous size. Such medicines come mostly from Pakistan, Kenya, and Italy. Importers seem to be individuals more than big companies.

Significantly enough, there is also a place where traditional medicines can be found. The Somali name is funny: *xabadsooda*⁴⁵, which is used “for all sicknesses except death”. Among the most used one finds *xulba* (against kidney problems, back pains, and STDs...) and *gabo-gabo* (against all sorts of infections and haemorrhoids!). This market is important but its full comprehension would require the skills of an anthropologist since it is linked to specific social practices like *mingis* (spirit possession) and *saar*. In Bakaaraha, there are around 19 locations selling such products, employing a labour force of about 40.

This market raises a number of concerns about public health. The quality of the medicines is rarely checked and very few people involved in this sector have any knowledge of what they are selling. Many products that really cure nothing are still sold, perhaps by reason of ignorance or greed. Moreover, there is no medical supervision or prescription: anybody can buy antibiotics or treatment for TB, without knowing anything about appropriate dosages and other rules of use. Fake medicines are often sold too, with pills from Pakistan and India packaged in recycled European packaging materials and labels, as are locally made injections (or phlebo)....

3. The fuel market

⁴⁵ Seeds imported from the Arab Peninsula, which strengthen the health according to a Hadith of the Prophet.

This market is located in two places within Bakaaraha: one is called Black Sea (a well chosen name) very close to Sodonka street and the other is near Maalin Tajir⁴⁶ building, in the proximity of the medicine market. Most oil products are imported through Ceel Macaan though Merka was still used occasionally in 2001. Diesel is reportedly mostly imported from Dubai through deals with UAE agencies. Petrol is mostly supplied from Kenya through Indian agents. It may have happened on some occasion that supplies came from Iraq, but also through Indian agents. Oil products of all kinds and qualities are imported from Dubai. A large quantity is ordinarily stocked outside Bakaaraha market, which is, itself, supplied on a daily basis.

The actors in this sector are big companies made up of big business people or of wholesalers who invest jointly. Actually, the way they operate shows that either investments are not that large or that there is a consistent effort to reduce risks. Usually, one company contacts the others and discusses the need for a shipment. Every partner then pays for a part of the shipment. When the ship arrives in Ceel Macaan, they are the first to receive the cargo and have priority in selling to wholesalers. This method, whereby companies either share a shipment or take turns in ordering, makes sense, as it allows significant freight cost savings. Since freight is a major element in the landed cost of petroleum derivatives, and freight costs fall sharply with the size of the shipment, this method of importing is used universally in small markets, even by the oil majors. At the very beginning, the main companies were operating as a cartel, fixing prices collectively but this no longer seems to be case. The main companies are the following: GASCO, SOBIC, KAAH-North, KAAH-South, BENAADIR, and HILAAC. All have storage capacity in Bakaaraha market. Some of them try their best to sell everything as quickly as possible, some are also wholesalers. Retailers sell by the jerry can on the street while wholesalers have a store and sell by the barrel (200 litres) or, at a minimum, 50 litres. There are about 45 depots for wholesalers. Among those people, there is a specific group selling only for delivery outside Mogadishu.

Each depot employs between 4 and 8 people and the place is usually rented for about So.Sh 1 million per month. There are about 135 retailers in Bakaaraha market, selling from 1 litre to one barrel. Very often, retailers also employ a porter. The oil products they have are stocked for the night in a store and they pay around 1,000 So.Sh/barrel/day. The porter may charge from So.Sh 7,000 to 8,000 per barrel. Therefore, there are about 500 people who make a living from the trade in oil products. Other employment related to this trade includes 14 “bush” restaurants mostly managed by women, and 18 guards paid daily by all sellers.

Middlemen, as in other sectors, play a crucial role. Six are well known for their ability. Their job is to check the prices and the exchange rate but also to convince people who have generators to buy from the companies they work for.

A last remark on the Black Sea market to try explaining some of the problems this sector faces as it is currently organized. In that area, tanks are bigger but are placed on the street, not underground as would be advisable. One should also note that this area is very close to the weapons market and that weapons stores are also located in the same area. Obviously, no one is really thinking about safety.

There might also be other reasons for the existence and size of such a market, despite its inadequate infrastructure. “Economies of agglomeration” as urban analysts call them, may push traders of all kinds to congregate around Bakaaraha since potential customers are more numerous. Furthermore, a compact market is easier to police, and require fewer guards to keep safe, as opposed to having trade spread out over the whole city... Bakaaraha is therefore both safe and unavoidable.

4. The imported food market

This is one of the most significant activities of Bakaaraha market. Imported food comes mostly from Ceel Macaan and recently from Kismaayo (essentially sugar); Merka might have been used a few times over the last years. The main commodities are rice and sugar.

⁴⁶ *Maalin Tajir* means “the one who became rich in one day”, a nickname for somebody who was involved in the theft of three million USD from UNOSOM II.

It is difficult to ascertain the characteristics of the importers because there seem to be very few companies able to compete in that market. Also, these companies have many shareholders, and they probably act as agents for bigger companies in Dubai or elsewhere. For instance, it was reported during the survey that rice was mostly handled by one company that was actually acting as agent for a firm based in Dubai and managed by a Syrian and an Emirati. No hard evidence is available either *pro* or *con*. One reason why this seems plausible is the fact that shipments must be large to be economic, to save on freight. Also, few people can go it alone, because of the scale of the trade, and because of the need to spread risk, since a large loss can be more easily absorbed if spread over many participants. Another consideration is that those companies have members from all main clans of Southern Somalia. This works like a kind of insurance that imports will be able to be sold wherever there is demand for them. It is also a way to secure trans-border trade, since a significant share of the food imported through Mogadishu finds its way to Ethiopia and Northern Kenya.

There have been some changes over the years. At the beginning of the civil war and up to 1996, most commodities were coming from or through Dubai. Later, the supply sources diversified: for instance sugar came at times from Brazil and more recently from Thailand. Rice also comes from India, Pakistan, and Thailand.

Importers act also as wholesalers and retailers, which from time to time creates some problems since they undersell the real wholesalers as their profit margin is larger. It is one of the sectors where the system of *soo cadeey* (“go and sell”) is most common. Relatives (really kinsmen, in the Somali sense) are given a few sacks and pay for them after selling the commodities. Usually, the wholesaler makes a profit of 1,000 to 2,000 So.Sh/sack as does the retailer. Unsurprisingly, most of the real profit accrues to the importers.

There is no specific place allocated to the food trade in Bakaaraha market, and many traders are also peddlers or manage one or two stalls: therefore it is difficult to give a figure on the number of people involved even in Bakaaraha market alone.

Since storage capacity is limited within Bakaaraha, there are alternative stores in other markets for some types of imported food. For instance, cooking oil, rice, and flour are brought in from Suuq Bacad whenever stocks run out in Bakaaraha.

The food-trading companies are also involved in other businesses. For instance, al-Islaax Co. (not to be confused with the Islamic movement of the same name) is also a key actor in importing construction materials through Kismaayo. Since trans-border networks have been constituted to sell imported food, they are also used for other commodities.

5. The market for local crops

Again this market is the main one in Mogadishu, notably more important than Suuq Bacad. Usual items are maize, sorghum, beans, peanuts, sesame, wheat, and local rice. Since the two last commodities are not grown widely in Somalia, they (wheat and rice) often come from international aid deliveries or imports. Maize comes from Lower and Middle Shabeelle and Middle Jubba; sorghum, mostly from Bay, Bakool, Middle Jubba, and Gedo (Baardheere area). Beans come from Ceel Buur and Ceel Dheere in Galgaduud (small species) while the two Shabeelle regions provide the bigger variety of beans (with a different taste!). Sesame comes from those same two regions as well as from Middle Jubba. Peanuts come mostly from Lower Shabeelle, while Middle Shabeelle produces small quantities of them. This simple description shows that trade involves all regions of Southern Somalia but, also, that prices may fluctuate because of the security situation in the countryside and the state of the roads linking it to the capital city.

Basically, all markets of Mogadishu and Southern Somalia depend on Bakaaraha, in particular Galgaduud and Mudug. This is because storage facilities have been built over the years and can keep grain stocks for immediate consumption and for seasonal storage. Farmers usually harvest and when the quantity of grain is significant enough, trucks collect the grain and convey it to Bakaaraha where

it is sold or stored. This may seem simple but it implies the existence of a crop monitoring system, to help decide when to send the trucks.

Broadly speaking, there are two kinds of transactions in this sector: *abakaarayda* and *gaadley*. When the grains arrive in Mogadishu, the whole consignment or significant portions of it are sold on the spot. This means that the traders have little capital and need money quickly. Some may unload the truck and keep the consignment for a few days or a few weeks, since they expect that prices will go up. The truck will then go back to the countryside and collect more grain. This is *abakaarayda*. The second one, *gaadley*, is possible only for traders who have a better financial structure. They buy the grain and store it for a longer period, releasing it onto the market only when prices have risen, either because harvest stocks are exhausted, or because transportation, or other bottlenecks are creating scarcity, and forcing up prices. Since there are no other market regulating mechanisms active in this market, then one may say that speculators serve a useful social function, because they buy at the lowest prices (preventing them from going even lower), and sell when prices are high (again, preventing them from going even higher, if their stocks did not exist).

There are seven big stores in a block, each rented for 150 US\$/month and 44 others whose monthly rent is about US\$ 60. Most of the retailers are women, generally making sales in front of the stores. They sell by *madaal* or *suus*: One *suus* is two *madaal*, roughly equivalent to one kg. More than 100 women are involved in this activity. Grains are brought to them from at least two other locations within Bakaaraha. The first place is near the market for utensils⁴⁷, where there are 5 stores with 65 women; the second place is on the other side of the street where 24 grinders make maize and sorghum flour, each employing at least 5 people⁴⁸. These women are new in the sector: before the civil war, only booths existed. At nighttime, the women deposit their grains in the stores nearby and pay 1,000 So.Sh/night.

Information is, as usual, very important and some porters are also paid to check going prices in the market, the quality of products sold by competitors, and to convince retailers to deal with their employer. The real brokers are those who try to strike deals between traders involved in *abakaarayda* and *gaadley*.

Since this is not the most profitable sector, no individual shop employs guards and there are only 35 guards paid collectively by all operators.

6. The weapons market: Cir-toogte (“shot in the sky”)

Because of the conflict with Ethiopia and the Cold War, Somalia both received and bought huge quantities of weapons and ammunition, as it had one of the largest armies in Sub-Saharan Africa.. With the collapse of the Somali State and the civil war, all military warehouses and barracks were looted and the weapons fell into the hands of militias, traders, and factions. As though this was not enough, from 1991 to date, despite an arms embargo voted by the UN Security Council in 1992, large quantities of weapons have been brought into the country. Although, in most countries, this trade is treated confidentially, if not secretly, in Somalia, this trade takes place openly. Recently, an aircraft full of weapons was unloaded near Mogadishu, right under the nose of passengers alighting from a commercial flight...

Ethiopia, Yemen, Eritrea, Egypt, Rumania, Djibouti, and Uganda are among the countries that have allegedly been supplying weapons to Somalia and to Mogadishu. All these countries have denied it. But the supply of weaponry over the last 10 years has not always been politically driven. Purely commercial operations are still taking place, at least with Ethiopia and Yemen. This means that in addition to representatives of various political groupings, pure (i.e. for profit) traders are also involved in this lucrative trade.

⁴⁷ Nearby the first building where such items were sold in Mogadishu under Siyaad Barre!

⁴⁸ There are the cashier, most often the owner of the machine, 3 technicians, and one porter.

The general situation, however, is characteristic: it is an open secret in Mogadishu, for instance, that heavy weapons have been brought at different times from Somaliland. Two armoured vehicles found their way from Oodweyne to Mogadishu in 1997. And this is a good example of the way this market operates. As soon as stability prevails somewhere, the flux of weapons and ammunition is reoriented towards tense areas or stored. As soon as the situation deteriorates somewhere, then the traders visit (often both sides of the conflict) and offer their merchandise. This easy accessibility to weapons affects not only Somalia but also the neighbouring countries. Ethiopian and Kenyan complaints may be strident, but they are true.

There are different types of operators in the weapons market. The first ones are the importers. Not all of them are traders: some bring to Bakaaraha only a small number of arms, sometimes one or two heavy weapons, or only ammunition. From what was said to the author, these items sometimes come from far away. Importers have warehouses where this armament is stored. There are also some significant wholesalers who deal with importers. And at the end, as in all other trades, the retailers who sell by the unit.

Faction leaders and big traders also play a role. When cash is needed, they can sell one or two heavy weapons or some quantity of ammunition. Weapons are like money in the bank: liquid and easily accessible. Warlords, after meeting a group of supporters, used to give them AK 47 rifles that found their way to the market very quickly. Recently, in May 2002, because of the fight in Mogadishu, the TNG distributed weapons and ammunition to would-be supporters and a good share of those weapons were sold to Bakaaraha traders. To a large extent, the price of weapons and ammunition is a reliable barometer of the tensions in Southern Somalia.

Cir-toogte is not the only weapons market in Mogadishu, underscoring the idea that weapons are commodities like all others. The Abgaal can rely on the Argentina market and Huruwaa has also a significant weapon market. In *Cir-toogte*, there are 22 stores employing three or four people and about 35 booths. There are also 15 ex-military staff repairing the weapons. Traders belong to various clans: Haber Gidir, Mareexaan, Isaaq, and Majeerteen are well represented. The Xawaadle also are there, since they have good connections in Ethiopia's Region 5...

Cir-toogte means "shot in the sky", since before buying a weapon, one needs to test it. Visitors are often impressed by the noise provoked by those tests. Somalis reassure them by saying that "only if there is a second shot, (i.e. a reply), then you are in trouble"...

7. Suuq Cabdalla Shideeye

The late Cabdalla Shideeye was a Gibil Cad who became popular because he owned a shop in Xamar Weyne selling second-hand electric and electronic items. Because of his success, his name was used to identify the area where his shop was located. This is a dubious privilege since the market for counterfeit and fake travel documents developed there in the 1980s. At that time, the most common requests were for visas and passports. Many officials were able to get visas for Western countries, especially Italy, and were selling them in this market. Prices were good, up to US\$ 1200 in 1986⁴⁹. In 1989-1990, this market was doing very well and since many officials had a vested interest in keeping it alive, the police never interfered in these activities.

In early 1991, after the upheaval in the capital, the activity started again and many electric and electronic items stolen in the ministries, the embassies, and the houses of the well-to-do found their way there. More importantly, it became the real market place for Public Goods: passports, visas, ownership documents, birth and university certificates were available at reasonable prices to everybody. But Xamar Weyne was a contested area and so, this market, though keeping its name, moved to Bakaaraha in early November 1991..

Actually there are three different sections in this market: a section selling electronic items and computers, another one selling official documents, plus the drug market.

⁴⁹ As experienced by a close relative of the Somali team.

The electronic market is the most important of the three. All kinds of electric items and electronic stuff, are abundantly available, either new or second hand. They also repair computers and electronics and, more interestingly, they “refresh” used equipment such as computers. Their products come from Dubai or from the internal market. As a sign of normalization, throughout the last years, most customers prefer to buy really new goods in order to avoid problems if they buy something that has been stolen. There is a rule concerning these items: if the real owner finds his asset in this market, he/she has to pay the trader the amount the latter paid to the thief. Fencing stolen goods is not such a dishonourable activity... This market also supplies Ethiopia and Kenya.

There are about 45 electronic shops and 22 booths located on 6 blocks (6 X 52 meters²). Each shop has 3 to 5 employees⁵⁰. The average salary is 30,000 So.Sh/day. There are also a small number of brokers (about 5) whose duties are to check the prices and contact potential retailers.

The second section concentrates on stationery, photocopying, and typing. There are 11 shops involved in that activity but 4 deal with counterfeits. There are 18 smaller shops involved in both selling stationery and producing fake documents. Three people are employed in the larger shops, only two in the smaller ones. In addition, there are also 16 small shops dealing only in forgery.

At the time the survey was carried out, the price of a passport was about So.Sh 300,000 (it used to be only 50,000 a while back). Other official documents (marriage certificates, birth certificates, and the like) are also available, since they are needed by relatives in exile. Even University diplomas are available on request... An Ethiopian passport is a very valuable asset, since visas to travel in Asia, for instance, become much easier to get.

Despite the clearly illegal nature of this activity, as a sort of mitigating factor one might say that Somalis have to deal with foreign bureaucracies that do not understand their situation. For example, Swedish authorities want a birth certificate and can't understand why that is a problem, so, inventive Somalis produce them. Why blame them? It is the foreigners who make unreasonable requests.... Also since no faction and, of course, no legitimate administration has been able to set up such services, but they are clearly needed, they must be provided informally.

Nevertheless, there are more debatable aspects. For instance, property certificates and forged contracts are produced there for real crooks, who then try to sell a house or a farm to other Somalis and/or rent a compound to an international agency that could get into deep trouble.

To add to the complexity of the description, in the same market, there are also honest solicitors who try their best to keep decent standards but they need to charge more than the others, since they cannot increase their incomes through theft....

The third and last section of this market supplies drugs. All shops involved in this activity sell normal goods. Five do that openly, others (maybe 10) not. Marijuana is produced locally in the Shabeelle regions, in Benaadir, and Middle Jubba. Brown sugar is imported from Pakistan and Nairobi and parts of it is sold in the Arabian countries. Morphine coming from Thailand and Pakistan is also available.

However, maybe the most significant drugs are locally produced from various medicines (a cocktail of sleeping, anti-inflammatory, and amphetamine pills) and local leaves. These have different names, *shalabow*⁵¹, *binji*⁵², or *jiif iyo joog*⁵³. Since they are much cheaper than the others and are consumed by the poorest segment of the population, they should constitute a concern for any administration sooner or later....

8. The Foreign Exchange market

⁵⁰ Basically: one cashier, one seller, one porter and one collecting the money from retailers.

⁵¹ Fermentation of a kind of palm fruit, grown in Lower Jubba.

⁵² Leaves of a wild tree.

⁵³ Cocktail of amphetamines and sleeping medicines..

This market represents one of the paradoxes of the Somali civil war. As described in Section one, the exchange rate was fixed by the State up to the end and awful monetary policies and poor governance ended up provoking the very collapse that the Somali State and donors were trying to avoid at all costs. After 1991, there no longer was any financial sector: no banks, no checks, only cash. Since data are missing, it is difficult to understand the way the exchange market developed over the initial years. Probably, what happened was a simple legalization, so to speak, of the pre-existing parallel market. Inflation, or rather, depreciation of the currency, was provoked by excess demand for dollars (in relation to the supply). In turn, this was due to the difficulty of sending remittances into Somalia (hence, a lower than normal supply), and also the internal military situation, with Somalia divided into various territories controlled by armed factions, none of them keen to allow trading networks (if any) to function.

Everything changed in December 1992, even though slight improvements had occurred already the previous summer. First of all, trading networks were functioning again, if with high transaction costs between Mogadishu and all regions, despite the unsettled political situation. HF radios, airlines, and trucks were crossing all political boundaries and Somalia became again a single, common market, whatever the political developments in Jubbaland, in Northeast, or in Somaliland. Thanks to the international intervention, huge amounts of dollars poured into the country thanks to foreign aid organizations, but Somalis themselves repatriated some dollars. Communications stopped being a nightmare and the law of demand and supply could work again.

The exchange market in Bakaaraha was seen as the financial centre of Somalia since the complex network of exchange operators and cash facilitators eventually took root there. With hindsight, one may understand why US forces thought that the exchange rate was manipulated. Most of the leading operators at that time were known to each other and many belonged to clans who were not the most supportive of the international operation. Still today, despite the involvement of people belonging to many other clans, Sheekhaal and Sacad individuals are still the main players in this sector. The two locations of the exchange market in Bakaaraha are often identified with the name of buildings: the Bulale building and the Sheekhaal building. In normal times, this is of little relevance, but when tensions around those clans arise, the business behaviour of these traders might no longer reflect purely economic, profit-seeking motives, and they might thus take inordinate risks that could lead them to bankruptcy.

This market followed certain patterns, described below, for years. The first one is that information is basically provided in real time. More 1,000 HF radios and many phones are available near the area where currency trading takes place. A significant number of people are paid to check the market within Bakaaraha, in the city, and in the whole country. As soon as a rumour spreads, there might be a reaction, and often perhaps, an over reaction. If a large amount of money is exchanged, then people inquire about its origin and cause. If the BBC Somali service mentions a military move (as it did in December when German ships arrived in Djibouti), again the market reacts. If a fight occurs in Kismaayo or in Boosaaso, everybody looks to the consequences and contacts correspondents in those towns. This is not always positive: for weeks in spring 1999, there were rumours that “fake” banknotes were supposed to come and the market reacted, though it took months before the rumours became reality. When the TNG started selling (asking for bids on) tens of thousands of US dollars, the market reacted and then cooled down, either because people knew that such sales could not persist (as they did in Ethiopia for years) or that the amounts offered would be modest. But this specific move gave some precious indications. When the Governor of the Central Bank put up the first US\$ 50,000 for sale, the exchange rate appreciated from 2,240,000 So.Sh/100 US dollars, to 2 million So.Sh/100 US dollars. The following attempt was not so successful since the market had already taken this into account.

A second characteristic is that the exchange market is national. Despite some slight variations – communications are not perfect and it costs money to ship banknotes from one city to another – the exchange rate is the same in Burco/Yerowe in Somaliland, in Boosaaso, in Kismaayo, in Mogadishu, and in Buulo Xaawa. Even if the economic operators in Mogadishu are significantly more important than others, arbitrage will quickly remove any differences in local exchange rates that exceed the costs of communication or transport, because the main markets are well connected.

A third characteristic might qualify the previous remarks. This market is segmented in the sense that there are two types of operators: people who might be in a position individually to change from US\$ 3,000 to US\$ 20,000 in a day but will have to rely on others for larger amounts. And people - mostly big traders - who are in a position to change more than US\$ 100,000 instantly. Some of the latter have played a major role in the import of the "fake" currency from 1999 onwards. To a certain extent, they do represent also a nascent financial sector, whatever one may think of their methods. Although the exchange market is segmented, it would be wrong to assume that there are no connections between those two kinds of operators. Many of those active in the market are relatives (kinsmen) of the bigger actors. They rely on them for backup and are sometimes even employed by them. This could be seen as training, and/or support to the credit rating of kinsmen. The fact that there is competition (to a certain extent) and that the market is national means that it is difficult for the big operators to function as a cartel. They certainly have tried and the study of those big traders involved in the printing of "fake" currency might provide some evidence, but their success has been limited, because they cannot control the money supply and are not significantly involved in key economic activities such as the livestock trade or in fishing which provide huge resources (thereby creating countervailing masses of transactions). It could be interesting to draw the larger picture, taking into account Puntland and Somaliland, though, as stated earlier, it is obvious that the foreign exchange market is unified and integrated at the national level.

There are around 350 small moneychangers in the Bakaaraha market. They often work in the street with a limited amount of Somali cash and other currencies, though they all rent a safe in a one of the nine stores dedicated to this function for 2,000 So.Sh/night. Interestingly enough, there are only two keys for the store: one with the owner and one with the changer who has deposited the largest amount of money. Thirty guards are paid collectively by all operators to secure the area. The main foreign currency is, of course, the US dollar but Saudi rials, Ethiopian birrs, Kenyan shillings, Djibouti Francs, and UAE dirhams are actively traded, as well as, more recently, Euros...

As explained above, there are also a number of people moving around within Bakaaraha to check the operations of other locations, but also to get information on the next shipments and on economic activities in other markets in Mogadishu and elsewhere. This way of doing things explains also why the market may over-react for a while and then cool down: the distinction between rumour and fact is not always clear in a Somali context...

Counterfeit dollars have been a concern for a long time. Some checking machines are also available, though it is unclear whether they are used in a systematic way.

9. The gold market

Gold has different uses in Somali society. It can be worn as jewellery but this is specific to the new (upper) middle class and/or for weddings. It is also, especially for women, a way to accumulate and save money. Gold jewellery can be taken to a safe place and sold as needed. It can also be an exportable commodity, mostly towards India. In that country, there are around 10 million weddings per year and no marriage can take place without gold being offered to the bride. But gold is very expensive, with taxes of up to 400%, recently reduced to only 100%. So, this is a reasonably lucrative market but risks and expenses can be high. Women (only women are involved in that activity) need to wear the gold and travel to India, without getting into trouble with custom officers. After selling the gold, they usually buy clothes, medicines, and utensils to bring back home expecting to make a good profit. This trade started before the civil war: the women involved in it are still mostly from the middle class but there are also some women with a strong nomadic background. Lastly, gold can also be a commodity sold in the internal market: the gold is melted, alloyed, and different cheaper jewels can be manufactured.

Most of the gold comes from Saudi Arabia (seen as the best) and from Dubai since, in both countries, it is a relatively cheap commodity. Before the civil war, this market was controlled by Indians Somalis, Pakistani Somalis, some Gibil Cad (from Dhaberweyne sub-clan), and by a few Jareer and Tumul. Most of them left with the civil war or were killed and, of course, all their shops were looted. Today, only Gibil Cad, Jareer and Tumul remain active.

The gold section within Bakaaraha is the most important gold market in Mogadishu. There are 18 stores and in front of each store, 6 or 7 stalls. More than 200 women are involved in this trade. At night, they deposit their gold in one of the stores and pay 2,000 So.Sh/night for that service. The monthly rent of the stores varies between US\$ 70 and US\$ 100. The whole section occupies six blocks.

Prices are reasonably cheap compared to Western countries: one can find 18 carat gold for 120,000 So.Sh/g, and 21 carat gold for 11 US\$/g. But the work is no longer as expertly and delicately wrought (gold filigree was a specialty of Mogadishu) as it used to be before the civil war...

Basic services are also provided like cleaning, measurement, and repair: they are charged respectively So.Sh 1,000, 5,000, and 10,000.

10. The milk market

Bakaaraha hosts the main milk market in Mogadishu. Just like in the clothing and gold markets, women are predominant. Every day, cars (the famous *Xaajiya Khamsiin*) and trucks bring them to the market from villages on the outskirts of the capital. The trade is more or less organized like that for local crops. Some sell their whole consignment as soon as they arrive in Bakaaraha, while others will stay there and sell progressively during the day. Among the customers are women who buy significant quantities of milk to bring to the villages within Mogadishu.

There are roughly 600 people, mostly women, involved in this activity. There are also a few restaurants and about 20 guards. One may notice also a specificity of this market: there are some 25 stalls selling the items most needed by villagers, so that people coming from the countryside do not have to move elsewhere in Bakaaraha to look for these goods, a one-stop shop.

One can find camel and cow's milk, and, despite the cliché, cow's milk is more used today than camel milk. It is sold by *dbalo* (around 0.75 l). Prices at the time of the survey were for camel milk 3000 So.Sh/*dbalo* and for cow's milk, 3,500 to 4,000 So.Sh/*dbalo*. In order to give an idea of the cost of transportation, one *caag* (around 3 litres) of milk is sold So.Sh 7,000 in Afgooye and So.Sh 8,000 in Bakaaraha.

11. The palm leaves market

Although the most significant in Mogadishu, this market is not a strategic one. It is worth describing because it might give a better idea of the costs the civil war. There are three qualities of palm leaves: *khabo* is the strongest and is used for recipients; *murug* is softer and cheaper; *maliigo* is very soft but, since it is used for prayer carpets and mats, it is the most expensive.

Palm leaves come mostly from Hiiraan, the Kenyan border, and Gedo. A consignment for an N-3 truck is worth about So.Sh 2 million in the region of origin, but roadblocks and transportation costs add around So.Sh 7 million. A bundle of palm leaves is sold for So.Sh 1,500 in Gedo and about So.Sh 10,000 in Bakaaraha.

As said previously, this is not the most important trade in Bakaaraha, yet there are 74 stalls selling it, of which 50 are managed by women. Besides selling, the women also make bags and mats that are sold on the spot.

12. The clothes market

This market started long before the civil war, actually from the very beginnings of Bakaaraha, just after the butchery and vegetables sections. There were around 500 shops or stalls in 1990 but today an educated guess would put the number near 900. This figure is difficult to establish since shops and stalls are scattered all over the area.

Countries supplying Bakaaraha are numerous: the most important are India, Pakistan, Syria (for curtains), Bangkok, China, Singapore, and Indonesia. There are differences. Synthetic clothes come very often from Indonesia, Pakistan, and India. Cotton clothes from Bangkok, India, Singapore. But

traditional clothes for women (*dirac*) come from Dubai, Saudi Arabia, or Djibouti. Counterfeits or cheaper ones come mostly from India. These commodities reach Somalia either by ship or airplane (especially for Eid at the end of the Ramadan, when people buy clothes).

There are around 35 importers and all also manage a shop. In front of the shops there are also stalls and even tailors (around 200). There are also peddlers using barrows and moving in the market, while others may just carry clothes on their shoulders. A conservative estimate would put the number of such workers at 350.

There is also another section, different and smaller, handling second-hand clothes. The name in Somali is *buudbey* (i.e. “who died”). These clothes are supplied in bundles to the sellers. Most come today from Dubai and Saudi Arabia, while before the civil war they came from Italy. Most of the people involved in that sub-sector are very small traders and their business is not without risk, since they have to buy without knowing the content of the bundles

13. Suuq Bacad

Located in Yaaqshiid district, Suuq Bacad has a different history, and it is today the second or third most important market in Mogadishu. It was established in 1975, at a time Ceel Gab, the main Mogadishu market located in Xamar Weyne, became overcrowded. At that time, stores and shops in Suuq Bacad were supplying the trucks going to the Central Region (Galgaduud and Mudug), and even Nugaal and the population of the area.

For years it played this limited function. The traders were, at that time from different clans, Abgaal, Haber Gidir, Mareexaan, Majeerteen, and even Isaaq since some trucks were reaching even Burco. Things changed dramatically with the civil war, since Daarood and Isaaq traders mostly left. They were followed, in November 1991, by the Haber Gidir and Xawaadle.

In 1998, the crisis among the Abgaal clan reached a peak and traders from the Harti Abgaal and Waceesle, two Abgaal sub-clans, left the main market in Kaaraan and moved their shops to Suuq Bacad, where they were better protected. The market is divided by a main road, which splits it into southern and northern halves. The southern half hosts mostly Waceesle traders, while the northern is occupied by Harti Abgaal traders.

Still, this market is the main supply source for Middle Shabeelle, Hiiraan, and sections of Galgaduud. At the same time, there are connections with Bakaaraha market and trucks are supplying one market or the other (see § 4). Suuq Bacad actually functions as a big warehouse for Bakaaraha, since it is close to it and has storage facilities built in the late 1970s and 1980s.

Security is fair but is not organized as in Bakaaraha market In the southern part, militias are employed by the traders while in the northern part a new Islamic court created in summer 2001 provides guards. It should be noted that this Court is not fully recognized.

At the centre of the market, there are the new buildings of the telecommunication and remittances companies. The other sectors are briefly described in the following chart.

Sector	Number of shops/stalls/peddlers	Estimated number of employees
HF	53	150
Food	430	500
Cement	2	64
Human medicine	22/30	44/50
Livestock medicine	12	24
Cloth	300/160	1350
Soap and cigarettes	70	70
Tailoring	60	80
Restaurant	13/60	180/360

Bagaash/utensils	76/30	76/120
Gold	90	130
Foreign Exchange	0/200	235
Butchery	60/130	200
Local food	15/??	60/180
Cosmetics	30	30
Beauty saloon (male +female)	15 + 8	62 + 60
Stationary	15	45
Services for the nomads		500
Barrows and donkeys	450/200	600
Public writer	15	30

As in the description of Bakaaraha market, women play significant roles in various markets such as gold, butchery, restaurant, cosmetics, and clothes.

14. Conclusion

Three remarks are offered under the guise of a conclusion for this survey.

The first remark concerns numbers. Bakaaraha market provides direct jobs and income to more than 10,000 people (15,000 could be closer to the truth). In comparison, for Suuq Bacad, the same figure might be of the order of 6,000. Of course, there are other markets in town. Cabdulcasii fish market could also have figured in this survey but Diakonia, a German NGO, has contributed in the last years to its rehabilitation and would have better information on its workings. Argentina is mostly a weapons market, functioning independently from Bakaaraha and mostly for North Mogadishu: this is hardly a meaningful economic asset. More significantly, Monopolio and Kaaraan, which are important markets, should have been studied. They were not for technical reasons and, also, because their scope is much more limited than Bakaaraha. Despite the fact that they are supplying a significant fraction of the population, they do not have the dynamism of Bakaaraha market and very few important economic operators are involved in those markets.

Maybe, the most striking fact is the absence of any attempt to restore the existence of the central market in Xamar Weyne, despite some improvement in the situation. This has strong implications for urban development, since the old city centre is still in ruins while the city has been developing along its periphery. Such improvements as have taken place are not strong enough to move people back to the centre of the capital and people trust the new settlements more, because they are mostly clan-based. There will be lasting consequences, not all positive, because of that kind of urban growth but, for now, it seems impossible to counter this trend.

The second remark is related to the way trade is organized. As already emphasized in a previous study in 1996, there is a huge gap between importers and the others (wholesalers and retailers), both in terms of operations and revenue. The fact that women are increasingly involved in the market might mean that the profits they generate are minimal and that men are leaving those jobs since they are not very profitable. Credit is also an issue. Many economic operators will mention that trust is very limited in the absence of a judiciary system. Yet, credit is the cornerstone of market operations. Credit may be extended for many reasons, yet there is no obvious explanation as to why it exists at all. Many understand trade mostly as the turnover of goods and many traders will lower their prices to sell their stocks as quickly as possible because of that view. Others will do the same because their commercial capital is limited and they need to sell as quickly as possible. Others will act the same way because they may have economic or political reasons to maintain a good reputation, or track record, towards their kinsmen. It could be part of the protection economy or simply a cultural obligation rooted in their ethos. Some may also do it to strengthen the position of their clan in the business, which eventually, may also strengthen their own.

The third one is related to revenue. Many people often work in Bakaaraha for one or two dollars a day. In such a situation, one may better understand their concerns as the price of a cup of tea now

costs So.Sh 1,000 rather than Sosh 500, as was the case in 2000 before huge quantities of banknotes were imported and issued. The dynamism of Bakaaraha might be more motivated by the need to survive than the wish to prosper. The fact that wages are paid daily reinforces this feeling. Of course, some of the operators must be making money but the survey suggests they are not that numerous.

CHAPTER EIGHT

The Qaat Trade

Qaat is a small tree or shrub, whose young leaves, shoots, and tender bark are chewed for their stimulating effect⁵⁴. *Qaat* (*Catha edulis*) was known and used for medicinal purposes in the medieval Islamic world and in traditional China. It has long been chewed in Yemen, where it may have originated, and in the 1980s became the chief source of entertainment and group recreation in the towns of Somalia. People from Somaliland who settled in Mogadishu after the independence may have played a crucial role in the introduction of this practice to Southern Somalia.

Qaat consumed in southern Somalia comes mostly from Kenya, where its name is *miraa*. It is cultivated in Nyambene district in Meru region. Farming is restricted to the Ameru of Tigania, Igembe, and Ntonyiri. Other people living and owning land in the area must be content with growing other crops, not *miraa*. This sector has developed so powerfully in Kenya that its lobby has influence up to the Presidency. The Kenyan part of the *qaat* trade won't be discussed in this chapter, though it also would deserve a real study.

There are actually three qualities of *qaat*: *Gangeeti* that is the most expensive and mostly exported to London; *gise* that cannot be found often in Mogadishu, and *laari*, the cheapest one, which constitutes more than 90% of exports to Somalia.

The crucial unit of time is three days. First of all, a number of people have to make a deal with somebody in Nairobi who will buy the requested quantity. Money is sent accordingly, either in US dollars or in Kenyan shillings. The planes that bring the *qaat* will land on an airstrip near Mogadishu, and the *qaat* must be brought to the various markets and sold the same day. Wholesalers and retailers are supposed to pay their consignment by the next day. This is the theory. But a closer look at the situation may reveal some variations.

First of all, the trade is controlled by merchants from the Dagoodiye clan, though their representative in Mogadishu could belong to another clan (but kinship links are important). Planes are chartered to transport the precious commodity and land in Somalia in the early morning, at around 9:30 or 10:00. Airstrips used vary due to the situation in Mogadishu. For instance, a few years ago there was an average of four small planes landing in Jaziira, one or two at K-50⁵⁵, and recently, one or two at Dayniile (this number increased to 5 or 6 after Jaziira became unsafe). Competition is difficult: if a new comer starts operating, a plane might arrive in the afternoon, and his consignment won't be sold because customers prefer the fresher *qaat*. He may lose large sums in a matter of days and will be edged out the market.

Each plane carries between 45 and 50 sacks, enough to supply 6 or 7 wholesalers. Those people may be only fronting for a cluster of business people. Each sack contains 20 bundles and each bundle is made up of 5 *marduuf*. But at the retail level, *qaat* will be sold either at a quarter of *marduuf* or at half *marduuf*. In May 2002, one *marduuf* was sold to the public at around So.Sh 80,000; a sack represented around US\$ 356 at the then exchange rate, and the cargo of a plane, around US\$ 17,800. But, as we will see, this rough estimation does not always reflect reality.

Price fixing is a delicate task. A first attempt takes place at the airport. The number of planes and the demand is discussed and a first price is fixed. This could vary daily, because there may have been more planes or because there is some fighting in town. A specific customer (a faction leader for

⁵⁴ See for a full background, Lee Cassanelli, "Qat: changes in the production and consumption of a quasilegal commodity in northeast Africa", in Arjun Appadurai (editor), *The social life of things. Commodities in cultural perspective*, Cambridge, Cambridge University Press, 1985. Shelagh Weir, *Qat in Yemen. Consumption and social change*, London, Trustees of the British Museum, 1985.

⁵⁵ Those planes supply also Lower Shabeelle...

instance) may order a very large quantity and get a special price, but this is not well appreciated by other importers: a cartel must be a cartel! It is also agreed that price will go down in the late afternoon - usually after the Maghreb prayer – since the quality of *qaat* will no longer be excellent by that time. The price will decrease by a minimum of 10,000 So.Sh/*marduuf*.

The biggest *qaat* market is located near *Tribuna*. There are around 30 operators, including a fair number of Isaaq women, who sell by the bundle to retailers. These women or a good proportion of them at least, were already involved in that activity prior to the civil war. They sell one or two sacks and, apparently, make a good deal of money since their profit on each bundle is around So.Sh 5,000. There are also two kinds of retailers: those who sell by the bundle or those who sell by fractions of *marduuf*. The first one may try to get 5,000 So.Sh/bundle profit while the others will fix their price to get between So.Sh5,000 and 10,000 per *marduuf*.

This looks like an impressively lucrative business but it has a very weak point: credit (*maqal*). If money is paid in advance to the Kenyan counterparts, in Somalia things are different. The operators at *Tribuna* may pay the wholesalers cash but won't be paid by the retailers. The latter may have one day or two, but maybe a week, or even a month to pay back the entire debt. In any case, every day they have to bring at least part of the money. The consumers also generally purchase on credit. Quite often, they consume *qaat* every day, yet only pay when they get their salary or remittances, often once a month. At this level, credit is very expensive since the risks of non-repayment are high. Moreover, the books of the retailers are hardly ever checked by the customers, and that gives some room to overcharge ...

In general, the group of retailers associated to the same supplier is relatively stable since solidarity is often needed because the customers are often turbulent, especially when they are in debt. Such a group is not always clan-based, though security, in the end, will be provided by the lineage.

Problems are frequent and, contrarily to the outsiders' understanding, debts are rarely paid back fully. This system is based on the fact that small retailers fear to lose their customers and take more risks than they should to keep them. Sometimes, people skip town in order to avoid payment, sometimes threats are used when the customers are militias (but not only militias). More recently, kidnapping has become a method of collecting debts, and a way to regulate credit. Militias from certain sub-clans are employed by the *qaat* traders to kidnap the debtor, so his family has to pay for the debt and the cost of the kidnapping! This can sometimes lead to bloody incidents.

The profitability of this business must therefore be qualified in different ways. First, as just explained, creditors do not repay their debts in full: they will bargain, delay, and pay a fraction and the retailers do not always have any options left. Second, transaction costs may be very high compared to other businesses due to the nature of the commodity. For instance, one of the main wholesalers in 2000 was basically bankrupted because his close relatives were chewing huge quantities of *qaat*, but he was unable to get even part payment for it. Dealing with faction leaders is not always an easy way to make money. A woman who used to be a prominent wholesaler was bankrupted when Xuseen Caydiid refused to pay for the *qaat* consumed by his people in Baydhabo. She survived and is still in the market, but only as a retailer. Another got her *qaat* consignment stolen near Jilib by the RRA and is now out of the market. Other expenses should also be considered, though they have not been mentioned in this description: the cars bringing the *qaat* to the capital city have to be the best and won't last very long the way they are used. No savings are possible, since speedy delivery is essential to ensure that the whole *qaat* consignment can be sold. It does happen also that supply exceeds demand on any given day, and significant losses will accrue over the entire marketing chain as quantities of the product remain unsold and spoilt.

It is very difficult to figure out the number of retailers involved in this market. A tentative figure would put them at more than 2,000 people, mostly women. From the limited and informal survey carried out by the Somali team, many of those women are widows or divorced and are involved in this activity since they have no alternative to support their household. As retailers, women are more trusted than men, since they usually do not chew *qaat*. However, more and more there is talk, in Mogadishu (as in Hargeysa) that chewing by women is a growing phenomenon. Until recently, and

with very few exceptions, men and women do not chew *qaat* together (except for prostitutes), but this rule might be already breached among certain fractions of the upper middle class. The discourse on *qaat*, could, however, be hypocritical. On the one hand, women selling *qaat* are blamed; but on the other, everyone consumes *qaat* ... One should add that street children, often, get tips when they help the retailers: they may bring tea, sell the famous plastic bags, and often get a few leaves of *qaat* as reward. They have a nickname “*qaat* Axmadey”, “Axmadey” being often the name (or nickname) given Jareer or Raxenweyn. A nation of republicans but with robust hierarchies....

Without entering into a medical discussion that may also have its interest⁵⁶, some of the problems caused by *qaat* consumption are described below. The first one is that a huge amount of money is spent for this not very useful commodity. Considering the figures given at the beginning of this chapter, tentatively, no less than US\$ 15 million are spent yearly on *qaat* supply to Mogadishu and neighbouring areas. This money invested in the rehabilitation of the capital city could work miracles... A second problem is linked to security. *Qaat* is not especially linked to war and, as mentioned in the introduction, it was used by religious figures and is consistently consumed during peace conferences. Nevertheless, it pushes some militias to conduct certain dubious activities, such as roadblocks and extortion. It also may lead to a number of arguments, which are solved violently (kidnapping, fighting). A third problem is visible in daily life: the change in the social fabric. Productivity is very low for *qaat* chewers and the use of *qaat* disturbs the normal relationships within the circles of family and friends. Moreover, its impact on the household is disastrous. The income used to buy *qaat* is not used for buying better food or better education for the children. The family unit is considerably weakened: sexual activity ordinarily suffers from *qaat* consumption, links between the husband and the wife deteriorate and the involvement of the father may even diminish in the basic education of his children. *Qaat* also may abet the development of some pathologies that then need to be cured.

It is fair at this stage to remind readers that *qaat* is not chewed by everybody in Mogadishu, and that many chew only once a week, on Thursday afternoon since they can sleep late on Friday morning. But external observers should see *qaat* in Somalia in the same light as alcoholism in Western countries: it is a social problem with serious economic consequences...

⁵⁶ Peter Khalix, “Khat: scientific knowledge and policy issues”, *British Journal of Addiction*, 82, 1987.

CHAPTER NINE

Small industries in Mogadishu

Before 1991, most of the industries were State-owned and managed and their productivity had collapsed years before. Problems faced by this sector were numerous. First of all, many industries worked thanks to Russian experts (costing very little) who were expelled in 1977 since the Soviet Union was not eager to support the war against Ethiopia. Investments dried up since State resources went to the war effort. Spare parts could not be bought and there were no incentives to upgrade the quality or the output. Furthermore, management was poor when it existed: the embezzlement of money was a common practice; and positions in “Wakaaladaha”, or parastatals, were seen mostly as rent-seeking sinecures. Politics also imposed economic costs: it is doubtful that Gaalkacyo was the best location to produce maize flour...

The first moments of the civil war were the most destructive. Looting took place on a devastating scale and many places were occupied by IDP. However, the situation slightly improved thanks to the international intervention and small plants started operating from mid-1994. In May 2002, there were about 23 functioning plants in Mogadishu, a figure that proves that political conditions in the capital are not as bad as foreigners believe. The fact that most plants are located in South Mogadishu gives some indication on how the security problem is perceived, as well as the identity of the main shareholders.

The following is a list of these small factories:

- Pasta: there are four plants; two produce only one kind of pasta (macaroni); two produce two kinds (macaroni and spaghetti). Machines to produce spaghetti are much more expensive than those for producing macaroni;
- Mineral water: there are currently three companies producing mineral water locally;
- Sweets: one plant started recently;
- Plastic: three plants produce plastic bags and (stronger) plastic sheets;
- Hides and skins: three plants are processing hides and skins for export;
- Detergent and soap: one company is producing two types of products;
- Aluminium: there is one factory producing aluminium shaped products (with the metal imported from Dubai);
- Foam: one plant produces foam mattresses and pillows;
- Fishing boats: four companies produce fibreglass boats of different sizes and capacities;
- Packaging: one company started in March 2002...
- Stone processing: two are involved in this sector.

There are of course a number of questions that could be raised. Our survey tried to answer some, but information is often sketchy since the managers or shareholders are not always keen to provide what they believe is “secret commercial data”. Nevertheless, there are some findings worth reporting.

The first one is that most of those companies are *de facto* if not *de jure* owned by shareholders. The links between shareholders are of various kinds. Most of the time, they are friends and/or have been involved in common activities before: trust is therefore paramount. Most often one of the shareholders manages the plant while others act as silent partners, getting their share of the profit on a monthly or yearly basis.

Money for investment does not only come from the Diaspora as is too often assumed. The interesting point is that a number of business people who made money trading are investing in the plants, but little is known about the precise origin of the investments. Somalis involved in trade with Somalia but based outside the country are often the most likely sources. Although very few managers were eager to detail the structure of ownership, there seemed to be relatively few foreigners involved. This should be carefully considered since some businessmen, for reasons of pride, are reluctant to acknowledge foreign cooperation in their business. The investment idea is often related to the skills of the shareholders or their previous experience. Few started only after a market assessment. Some

shareholders are not especially aware of market conditions but invested either because they wanted to place some of their money or consolidate the share of their relatives in some operation. Economic calculus has its limits and only goes so far; as Keynes once said, it is the “animal instincts” of investors that matter sometimes.

Another point worth considering is that the real starting point was 1998 rather than 1993, even if it seemed that 1993 offered more opportunities. One may also see in this gap that primitive accumulation had not yet taken place and that the key actors needed first to constitute their capital or understand the market before starting industrial activities. Certainly, in 1998, plants were built because people expected some political improvements in the aftermath of the Cairo agreement. These never came but the existing factories were able to work more or less normally and that was an incentive for others to start. Political developments in the capital certainly have an impact on the way the Diaspora is planning its investments but the local business class seems more detached from the daily political events since they have been able to manage the situation for years with no insurmountable obstacles.

Many companies are operating thanks to equipment bought in Asia. Pakistan, India, Taiwan, Thailand, and China are now seen as good supplying countries for industrial materials. First of all, visas can be obtained relatively easily to travel there and assess the market. Prices are often more attractive than in Europe or the Middle East. Moreover, technicians and engineers can be sent cheaply to provide on-the-job training. Somalia also is a full participant in globalisation...

Unsurprisingly, most plants produce basic commodities and despite all the hype, some important sectors have not yet been revived. For instance, there is no milk factory, no wheat or maize flour, no pharmaceuticals, no cigarette factories. These existed before the civil war in the capital city. This situation points out a series of difficulties and bottlenecks affecting the industrial sector. First of all, the lack of government has a number of consequences. Foreign companies are not keen to get involved at this stage since there are no laws protecting their investment nor any administration to enforce them. There are no regulations on imports and no tariff protection: imported products may not meet the quality they claim; local products might not be sold at very competitive prices. Mogadishu international port is closed and this also has an impact on supply since dhows rather than ships bring commodities to the city, not to mention the painful unloading operation. The overall political situation has also been somewhat of a deterrent. Most of the plants are located in South Mogadishu, which means that business people from a number of clans might be reluctant to invest there and are waiting that North Mogadishu stabilizes. Although some investments exceed a few hundred thousand US dollars, most of them are limited and barely reach US\$ 200,000. This creates a vicious circle since the scale of production is too limited to be really profitable. Access to the regions and neighbouring countries is possible but not always cheap enough to make Mogadishu output competitive. Inflation had also some impact on the demand, since prices had to be set daily for weeks.

Skills are also a constraint. Many Somali skilled technicians, engineers, and clerks have left the country and most of the employees – and sometimes even the management – require training. A problem may bring the plant to a standstill for days or weeks since a foreign engineer and spare parts need to be procured. Very often, breakfast and lunch are provided by the company to make sure that employees are fit for the day's work. Depending on where the demand is, transportation can become a problem; and it can also be so since many employees live far from the plant and certain areas are insecure at night.

Some of these companies have been surveyed. A few refused to answer questions and are, therefore, not listed here. The following paragraphs summarize the data collected, and a chart at the end of the chapter gives further details.

Jeegaan is a pasta factory owned by Somalis (51%) and foreigners – Italians - (49%). It produces macaroni (50 kg/h) since its opening in 1996. In 1998, it also started producing spaghetti but stopped after a while because the plant was too small. Its output is sold in Mogadishu and Lower and Middle

Shabeelle. Customers in general pay in US dollars except for very small quantities, when Somali Shillings are accepted.

There are 7 staff working 8 hours a day. Their daily salary is So.Sh 30,000 to 40,000. Meals (breakfast and lunch) are provided free of charge. Five guards secure the compound by day, and 3 by night. They are paid 30,000 So.Sh/day each. Wheat flour is imported from Dubai. The machines come from Italy. Capacity of production could reach 150 kg/h but such a level of output would require an additional staff of five.

Somalpasta was established in June 1999 and production started at the same time. It produces three kinds of spaghetti (Deeqa, Saafi, and Prima). Its output is sold mostly in Mogadishu, Lower and Middle Shabeelle, Hiiraan, and in Ethiopia's Region 5. Capacity is 10,000 kg/day, in two lines of production.

There are about 20 shareholders, of which two work in the management of the plant, 34 workers, and 6 technicians, while an additional 7 people work in management and marketing. The management is the same as in Magna Plastic (see below), and both plants are located in the same compound. Working hours are 8 and there are two day shifts, one starting in the early morning, the other, in the afternoon. Salary depends on output and sales. When the plant is not in production, workers are paid an average of 50 US\$/month, i.e. about 30,000 So.Sh/day (as at May 2002).

Magna plastic started operating in July 2000. It has 10 shareholders and produces 9 types of plastic goods (small and large bags, plastic sheets of different qualities...). Twenty eight people are employed as well as one shareholder. Management, technicians, and guards are shared with Somalpasta. Working hours are the same as Somalpasta. Salaries depend on output. Capacity is about 400 packs/day, a pack contains 1,200 bags. Raw material is imported. Scrap could be recycled but not used bags since their processing would be more expensive than importing. The market is Mogadishu and the neighbouring area.

Italpasta started operating in July 1998 with 13 shareholders. At the beginning, there were some Italians involved but they got their money back and started the same kind of activity in Boosaaso. Since the company was doing well, other Somalis bought their shares. Macaroni type pasta is the only output. The plant works basically at full capacity, about 7,500 kg/day, though they may stop when stocks are high. The equipment comes from Italy, the wheat flour from Dubai, and preserving products from Italy. Thirty people are employed, of which three are shareholders and administrators. The thirty workers include four guards and three cleaners. Salaries are paid every two weeks and vary between US\$ 25 and \$ 100. The three administrators do not get a salary but they share in the profits.

They have no agents and sell their production by themselves. When stocks are complete, they stop operating for a couple of days or a week. Markets are Mogadishu, Kismaayo, and the Kenyan border. At the time of the interview, the management, as others, was very vocal on two issues. First, they complained about the inflation, which disrupted their work and provoked losses. Second, they stated that some people were using their packaging and selling very cheap imported pasta as if it were produced by them.

Pasta Benaadir/Panorama started in 1984. The plant is in the same compound as the Panorama hotel. Ownership changed over the years but in March 2001, there seems to be two companies (or groups of shareholders) involved in this plant: Hilaac and Barwaaqo. There are 37 employees and 7 guards. Average salary is around 35,000 Sosh/day. They work three shifts. Full capacity is 3,500 kg/day but at the time of the survey, output was 2,500 kg/day. It serves mostly Mogadishu, Lower and Middle Shabeelle, and Lower Jubba markets.

Sweet Benaadir was established in October 2001 and produces candy. It has 10 Somali shareholders, including two settled in Europe, one in Canada, and seven in Mogadishu. Production at the time of the survey was 1,500 kg/day but could be increased with rising demand, for instance in the month of Ramadan. There are 34 people working in the factory, including 5 in management, 5 guards, and 2 cleaners.

The equipment was bought in Taiwan and two engineers came to provide in-house training. Since the workers still had difficulties, two Pakistani engineers were hired for some months. The raw materials come from different countries: glucose, from India; flavouring and colouring from Taiwan; citric acid, from Dubai, and sugar, from Mogadishu, since one of the shareholders is a major importer of this product.

Price is a problem since imports coming from Indonesia and China are very cheap. The situation could be improved if the company had the capacity to order its raw materials every six months or every year, but it is doing it quarterly. Nevertheless, the manager did not look so anxious....

Eurowater started in Shibis in 1997. It is basically a family company since the three shareholders are close relatives. It is a typical Diaspora venture, since the equipment was bought in South Africa and the expertise came from Norway, where one of the shareholders is settled and struck a deal with a Norwegian company that provided training and assistance. Output at the time of the survey was 5,000 litres/day, about 80 % of full capacity. Seven people are employed and their earnings vary between US\$ 30 and 60.

Someat Co. is certainly one of the most interesting developments in SME history in Mogadishu, because of both its success and its difficulties. It was established in 1997 by eleven small, or rather very small, companies that were exporting meat to Dubai. Three other individuals later invested in the company.

A crucial problem was to meet the regulations set up by the Dubai sanitary authorities, which required a real investment in a slaughterhouse and in a cooling system. This move was not easy for at least two reasons: one because the capital of the shareholders was small and immobilizing it created real problems; second because no one was completely sure that new conditions would not be imposed later. After their consignments got stuck at Dubai airport several times, they decided to work together and invest in what was necessary. UNDP-Somalia provided them with some expertise and the result is impressive.

Of course – and this is one problem for the shareholders - they have no remedy against decisions made in Dubai on mad-cow disease or on Rift Valley fever but at this stage, most of the shareholders believe they have made the right choice. New problems arose because of the management. Some shareholders are involved in other businesses and try to get their shares of the profit more quickly than others. Accountability is not always the best, and no one denies that some meetings were tense. But, again, they are trying to sort out these difficulties collaboratively.

Consignments to Dubai are sent two or three times a week. From October 2001 to May 2002, the company has been able to export about 141,144 kg of goat meat and 198,000 kg of beef. Employees include 3 top managers, 4 clerks, 52 staff who slaughter the animals, 52 others who clean them, 7 cleaners, 7 guards, 2 drivers, and around 200 women who sell the offal in the market. Average salaries are unknown, but managers are paid US\$ 120 US\$ to 200 per month.

Allas Co. is processing bones, hides, and skins. It was established in 1997 and is located in North Mogadishu. It is a joint venture between Italian and Somali business people. It used to export bone meal to Europe, Japan, and India but that was stopped by the ban on Somali livestock and the fear of Rift Valley fever in 1998, and later, mad cow disease. From then on, the activity has focused on the processing of hides and skins. Export countries are Bangladesh, Europe, and India. There are 75 employees whose earnings vary between US\$ 80 and \$600. Thirty people are also employed part-time when needed.

Barwaaqo Co. was established in January 1998 and started its operations in July 1998. It has two shareholders. The equipment was bought from India. At the beginning, the company was processing bones and was quite successful (360 MT/year to India). But with the advent of mad cow disease, it shifted to dressing stone in December 2000. This change was not easy and the company went through a hard period. But today, the shareholders are much more confident in the future of their

company. It produces large dressed stones for house building and crushed stone for the rehabilitation of roads. There are 25 employees, including 3 clerks and two managers. Moreover, two guards are employed at nighttime. Salaries are linked to sales but the average is between 30,000 So.Sh and 40,000 So.Sh/day. This activity looks quite profitable since two other companies previously involved in bone processing have recently changed their activity to stone.

Sompack, making packaging materials, started in March 2002. There are 11 shareholders, some based in Canada. At the time of the survey, the company was still testing parts of its equipment (from Pakistan) and a few machines were still missing. Capacity was already 3000 packs/day but will reach 16,000 pieces/day as soon as the plant is fully operational. Since it is the only one currently in this sector, its management is very optimistic. Potential customers are the industries, the fishing companies, and others. For the time being, their market is limited to Mogadishu. The raw material (mostly wood pulp) comes from Brazil through Dubai.

Currently, there are 25 Somali staff and 3 Pakistani technicians training them up to September 2002. Among the 25 employees, three are managers (including two shareholders who do not get a salary), 5 guards, and 3 cleaners. Salaries vary between 30 and 50 US\$/month.

Anshuur Co. produces mattresses. The plant started operating in February 2001. The company has 5 shareholders of which two are managing it. The equipment comes from Taipei and one Somali engineer was sent there to be trained. Raw material comes from Dubai. The capacity of production is 300 mattresses (185cm X85 cm X 30cm) a day but at the time of the survey only 170 were produced daily. Average price for an imported mattress is US\$ 13-15, while the locally produced one is sold US\$ 10-11. An agent within Bakaaraha provides the marketing intelligence.

There are 8 employees working with the machines, 4 others cover the mattresses with cloth. There are also two cleaners, two porters and four guards. Salaries vary between US\$ 35 and 100. No information has been given on the earning of the two shareholders involved in the management.

Al-Furqaan Company is one of the four companies producing boats with Saabir (South Mogadishu and Merka), Benaadir (Kaaraan), and Al-Jaziira Marine (Kaaraan). It is located in Cabdulcasiiis district. This company existed before the civil war and produced boats under an agreement with the State. It started again processing in 1994 but at that time the aim was to produce plastic seat and desks. After a while, production was shifted to big containers for water (25-50 litres) but it now produces only three kinds of boats: 8,5 meters (Volvo type); 6,5 meters (Saab style) and; 9 meters ("Butterfly" style). Selling prices vary: US\$ 6,500 (Volvo), US\$ 1,800 (Saab), and US\$ 1,200 ("Butterfly"). Orders come from all Southern Somalia. There are 13 employees. Salaries vary between US\$ 40 and 100. Average output is of two boats monthly, though the company is able to double this output.

Qudus Industry Centre started in November 1999 three small plants: plastic bag, ice and furniture factories. It is owned by three shareholders. Of the three, only the plastic factory was surveyed.

Qudus Plastic Co. started on 20 March 2000 and can produce any kind of plastic material. There are two lines of production: the first processes light plastic bags (300 packs/day, i.e. 1,500 kg); the second line produces bigger bags (100 packs, i.e. 2000 kg). Plastic sheeting is produced on request. The company has three agents in town to market the products. They supply the meatpackers, since their shareholders are also involved in it. Raw material comes from outside the country. They employed a Pakistani engineer for a month to train his Somali counterpart as well as an electrician. Electricity is provided by two generators which supply also the two other factories located in the same compound.

There are 24 employees working in three shifts of 8 hours (24 hours/day). Among them, one can count 3 people in the administration (including two shareholders), two cleaners, and two guards. Monthly salaries vary from 20 US\$ to 400 US\$.

Dalsan was establishing when five companies decided to merge in January 2000. They are: Royal Benaadir International (HQ in Jakarta), Dayax Brothers (HQ in Dubai), Roda Trading Company (HQ

in Dubai), Fedra Rowdha Engineering (HQ in Jakarta), and al-Miisan International (HQ in Baydhabo). Dalsan started operating on 16 November 2001.

It was producing only detergents at the time of the survey but plans were ready to produce also shampoos, soaps, and Vim. Equipment was already bought but technical assistance was delayed. Raw material come from Netherlands (through Dubai).

Production could reach 44 MT/day, but at the time of the visit, it was only 1 MT/day since the management wanted to test the market before launching its full operation. Potential customers are in Somalia and in Ethiopia's Region 5. When they arrived on the market, 10 kg were sold for 10 US\$. Prices today are lower at 7.5 US\$. The plant has 44 employees plus 28 part-time staff. This includes 10 engineers and technicians. Eight people are involved in the management including one shareholder. There are two daily shifts of 8 hours. Salaries vary between 25 US\$ and 100 US\$.

As a conclusion, one let us restate a few important points. The first one is that the business mood is very positive towards small plants and investments. That is certainly a major change compared to five or six years ago. Business people are positive despite the stalemate in Somali politics because they believe that they can manage it and that any real fighting in Mogadishu is unlikely. This behaviour could be also explained by the fact that the import sector has become much more competitive over the last years and that the rate of profit has certainly declined.

The second remark is that the main sector of development is currently food processing. It is not really surprising in an economy where the average (not minimum) salary is about US\$ 60/month: the surest market is the most basic one.

The third point, to be less positive, is that this market is always at risk, because imports are very cheap and there are no regulations, quality control, or duties on them. There are plenty of rumours in Mogadishu about the quality of some products, either imported or sold locally. This is not an incentive to invest in a proper business, because newcomers may quickly spoil the market. This point has been mentioned for pasta but that is only one example among many.

Furthermore, technical expertise is limited and again this should not be surprising, since most of the educated people left the country and there was no way to obtain technical training. This is a concern, also shared by many trading companies, since accounting is ordinarily poor and weakens the trust business people require to invest in joint-ventures.

Energy is also a concern. All factories must buy their own generators and fuel to obtain a reliable electricity supply. A power plant that could reduce the price of power would be most welcome since many factories will then be in a better position to compete with imports.

A last point may qualify this rather positive set of remarks: there is without doubt, a scale problem. Many of those factories are not producing enough to reach lowest cost (even at full capacity, the size of the plants may nor be sufficient to compete with imports coming from a plant of optimal, (i.e. lowest cost) size, and must thus compete against imports by reducing their profit margins. This is proof that hope for an improvement of the overall situation exists, but is not strong. Since most of the investors have a very limited background in manufacturing, they do not want to invest substantial amounts of money. The low incomes and purchasing power of potential customers also indicate to many would-be investors to go slow.

CHAPTER TEN

The Media in Mogadishu

1. Introduction

Because of, or in spite of, the civil war, Mogadishu was able to face, to a certain extent the information revolution, which characterizes this era of democratisation in many parts of Africa. The situation prior the civil war was not that favourable: radio was State managed from the time of independence but newspapers were privately owned until the 1969 coup. TV started operating in 1988 but was not easily accessible outside Mogadishu since it required other basic services, including electricity supply...

As soon as the regime was challenged, newspapers mushroomed in the capital city and tried to provide their readers with analyses of the situation, and reasons to support the various contentious groups among the apparent winners of the first Mogadishu battle of December 1990-January 1991. One must quote the following titles in a rather long list of publications: Shabeelle Newspaper, 1st July (date of independence), Shumac (Candle), Gor-gor (Eagle), Midnimo (Unity) Beel-deeq (Generosity of the community). This latter closed in 1993, after the others.

A second wave of newspapers developed after 1993 and managed to survive until now. Moreover, they were no longer the only media to disseminate news. Radio broadcast developed also without allegiance or dependence towards the military-political factions. More recently, two TV networks started while Internet was also becoming part of the new media landscape. One should not end this broad description without mentioning HF radios. These radios have actually been the most effective way to gather and disseminate information between the capital city and the regions or between regions. Thanks to their number, they are not easily controllable nor can they be shut down easily. And they have been working as a real network, getting news from specific areas, checking rumours, or basically, reading the most recent issue of Mogadishu newspapers to local HF radio operators who then convey the content to other places...

There are a few comments that need to be made before going through the survey. Despite the vigour of this sector, its profitability looks tenuous if the figures provided to the research team reflect the true situation. Most salaries are below the standard loosely set by other services: that might be explained by the fact that most journalists involved are newcomers, without proper, formal training. But, it is also possible that journalists also earn additional income working part-time for other publications (foreign press agencies and the like).

Another fact is worth underlining: advertising is becoming more common and widely accepted. To a certain extent, to advertise may mean, to certain sectors of the Somali society, that the quality of the service supplied is not good because potential customers need to be told about it. It is, therefore, of no help in increasing sales! Despite this trend, advertising increasingly present in all medias though none is yet able to finance its activity from those revenues. One should add that some of the medias are really not shy about getting advertisements. They might publish dubious information about a company so that it would give the newspaper a share of its advertising campaign to get a correction published. To call that kind of behaviour blackmail is certainly too strong because the amounts of money involved are small, but certainly it does not reflect the situation of the neo-classical market where information is free-flowing...

One should also keep in mind that some journalists do not understand the requirements of their profession perfectly. Some media are known not to be reliable and for propagating fake news (as happened to this author personally). Others are very biased, which does not always mean that they are aligned with one group (most often a clan, rather than a faction).

2. Radio and TV Broadcasts

There are two types of radios. The first one was broadcasting on short wave: it is the oldest in Mogadishu and is mostly linked to political factions. In the late 1990s, FM technology became common and new firms started operating, offering better comfort for listeners and obliging the first group to upgrade their equipment and provide both FM and short-wave programs.

Radio Quran Karimka

As its name indicates, this radio is mostly dedicated to religious matters, the reading of the Quran, its tafsir (commentary), analysis of the hadiths, and the like. Very recently, it introduced news bulletins, as well as some commercial advertisements. Broadcast time is 11 hours

This radio was established in autumn 2001 and is managed by a group close to an Islamic group, Salafiyyah Jedid (The New Salafist⁵⁷). Actually, such a project was planned years ago under a Sufi umbrella, Ahle Sunna wa Jamaca, when the late Maxamed Faarax Caydiid was still alive, but funding was never found.

The radio currently employs 12 staff and an undetermined number of correspondents in regions outside Mogadishu. Salaries range from US\$ 40 to 70 but many staff work on a voluntary basis. The funds necessary to keep this radio functioning are provided by a number of business people who are supporting this religious group.

Radio Voice of the People

This radio explicitly supports the political grouping led by Xuseen Caydiid. Actually, it must be admitted in this survey that it occupies the location of Radio Mogadishu and is able to use its facilities, including its important archives. The supporters of the late General Caydiid took over the place in November 1991 and broadcasting never stopped despite the subsequent events linked to the June 3 incidents in Mogadishu. Attempts to loot the equipment occurred also several times under Xuseen Caydiid, since the staff was not paid... The radio was off the air for sometimes long periods.

FM broadcast started in 1995 while the programs could still be listened to on short wave radios outside the Benaadir region. There are about 40 staff working permanently in this firm. Due to an intensive use of the archives, the radio broadcasts 24 hours a day. Power supply is provided by a telecommunication company (TeleSom) that manages a GSM network in Mogadishu in a joint-venture with Telcom. Salary is flexible. It is loosely linked to the amount of money raised through advertisement and notices but, clearly, political support is a key feature in the daily existence of this radio.

Radio Benaadir

It started on 22 February 2000 at the initiative of a big business man but seems to enjoy also the financial support of a cluster of other wealthy traders. Some local observers are inclined to believe that it provides a voice for certain leaders and sub-clans. Nevertheless, some listeners argue that this radio is, to some extent, more politically balanced than others. In particular, it provided room for leaders opposing the current TNG to explain themselves directly, while the main networks did not give this chance to them (but things have changed). This radio is also seen addressing Somali issues beyond the capital city.

There are 40 employees at present, including those based in five regions of the country and supplying their HQ with local news. The radio broadcasts daily from 09h to 15h and from 17h to 23h. Programming is limited to music up to 05h in the morning. Due to the lack of financing, this radio seems to face maintenance problems. Spare parts are too often missing and those weaknesses have an impact on the quality of the signal and then on the number of listeners...

HornAfrik

⁵⁷ The term *Salafiyyah* denotes a desire to return to the golden age of the Prophet. On many issues, this trend will be closed to those of the Wahhabis also called *Mumabhidun*.

The FM radio started in December 1999, the TV broadcast a few months later. This is a very good example of a business brought by Somalis from the Diaspora (Canada) who were then able to mobilize local financing from a cluster of big traders. There are 10 shareholders but some of them actually represent a small group of Somalis living abroad that delegate their rights to one person settled in Mogadishu. Among those shareholders, two are professional journalists.

The content of the programs is as in any other country: news, stories, debates, advertisements, and the like. The TV section is able to provide 8 channels: a Somali channel with news, debates and entertainment, which is a tremendous success; M-Net, Super-Sport, CNN, Al-Jaziira, BBC World Service, Cartoon Channel, and MM. While the radio broadcasts 14 hours/day, the TV channels are on screen for 20 hours except the Somali channel that broadcasts only 6 hours/day. Far and away, this is the most impressive success story among new activities in Mogadishu over the last four or five years. It is largely due to its ability to offer a new service with high quality of reception but, unfortunately, at costs that are not affordable to everybody.

This radio and TV played a major role in the Carta process, campaigning for it as many civil society organizations did. This early support has, over time, changed to an ambivalent attitude towards the TNG, with a few programs being seen as overtly biased (towards one side or the other), while most others seem fairly balanced. Shareholders participate in the management. Economic sustainability is obtained through different ways. The monthly expenses include rent (US\$ 2,000), the salary of the 35 permanent staff (but part-time people are also employed), and the maintenance of the equipment, which costs US\$ 7,000 to 8,000. Revenues are raised mostly through two activities. First, HornAfrik is the local broadcaster used by the BBC to transmit its Somali program on FM and gets paid for that. Moreover, this technical cooperation has been extended to the staff and the newsroom. News is taken and given from the BBC without copyright and the staff may also earn more income while working for the BBC. Agreements of the same kind are currently being discussed with Al-Jaziira and Voice of America, but such an agreement has already been struck with a Kenyan newspaper.

STN

Unlike the previous company, STN started its TV network first, in March 1999 while its radio started broadcasting on 5 June 2000. This company reflects also the involvement of the Diaspora since some of the five shareholders resided in Western Europe for years. The TV network, in principle, offers 11 channels (Somali, CNN, NBC, Al-Jaziira, Super Sport, LBC, MM M-Net, BBC, TV 5, Al-Mustaqbal) but some of those channels are difficult or impossible to get. The Somali channel broadcasts 5 hours/day from 18h to 23h while others function 19 hours/day. Despite the lack of a formal agreement, STN is broadcasting the BBC Somali program without being paid for it. Competition is therefore a real determinant of certain commercial choices.

These networks have played a considerable role from 2000 on, and this has created a number of arguments among their listeners. Independence, as already mentioned in several contexts, is not an easy matter, especially in Mogadishu. Forty five people are working for this company: most are journalists or technicians since only 4 manage the activities, 2 are cleaners, and 3 are guards. Salaries vary between 25 US\$/month and 200.

3. Newspapers

The table below gives details on the main Mogadishu newspapers; all are listed below:

Newspapers in Mogadishu
(figures should be only considered as indicative)

Title	Periodicity	Started	Circ.*	Workers*
Mogadishu Times	Daily	18/11/96	500	8
Sanca	Weekly	1993	500	8
Panorama	Weekly	1991	500	8
Danjine	Weekly	1994	500	8
Xoriyado	Weekly	1998	500	8
Xog-waran	Weekly	1997	500	7
Dadka	Weekly	23/03/94	500	8
Xog-Ogaal	Daily	1991	850	15
Ayaamaha	Daily	1995	700	12
Qaran	Daily	June 91	600	14

* as of early 2002, figures were not cross-checked.

The history of Mogadishu in the civil war is reflected by the situation of its newspapers. Most of the currently functioning newspapers are produced in the southern part of the city. In the North, both daily and weekly newspapers have existed sporadically, but then disappeared.

Mogadishu Times, Sanca, Panorama, Danjire, Xoriyada and Xog-Waran together could add-up to 7000 copies but this number has fallen to a low of 2500 over the years. Nevertheless, those newspapers use the same facilities and partly the same staff, which limits their costs of production and makes their sustainability less problematic...

More can be said about the four others that are, by all means, the most important in Mogadishu.

Dadka is published by the Somali Printing Agency, a private company located near Bakaaraha market. This newspaper is sponsored by al-Islaax and expresses the view of this quite influential Islamic organization among the business people and the educators. The editor is a well-known journalist whose team is also seen as more professional than the others. The profitability of this publication is debatable but production costs are reduced through various means. The publishing house produces also other publications (books, booklets, advertisements) and the sponsor is keen to keep this newspaper alive. An offset printing press was bought recently, which shows that investments are also taking place that will improve dramatically the quality of the output (before it used to be mimeographed).

Xog-Ogaal is one of the oldest newspapers in Mogadishu and has known difficult times. It is widely considered one of the best, and also as fairly independent despite a certain inclination towards one faction leader (Cismaan Caato) for a short period and hostility towards another (Xuseen Caydiid). The journalists enjoy a warm relationship within media circles. Most of the team members were very new to the job when they started, 10 years ago, but have improved dramatically, thanks to the training organized by the BBC and funded by the European Commission, among other efforts.

Two persons own this business, one being its chief editor. At its most successful period, Xog-Ogaal published about 1,200 copies but circulation is currently significantly lower, at 850. The distribution is a bit more articulated than other news media since, over the years, this newspaper has built a real distribution network over the whole city. Agents take half of the price as their fee (i.e. today 1,000 So.Sh). Ostensibly, sustainability is also reached thanks to revenue from advertisements and notices (1 page is worth US\$ 6 for locals and US\$ 15 for international agencies or bodies).

Qaran (Nation) is certainly the most influential and most reliable newspaper in Mogadishu. It started publishing in June 1991, but with an interruption between 17 November 1991 and April 1992 (while the second battle of Mogadishu was raging). It had three owners at its beginning, which grew to six, until a crisis in 1995 caused a split with a splinter group starting the daily Ayaamaha, while the rest remained at Qaran. At its peak, this daily newspaper printed 5,000 copies. Today, the distribution is much less important at 600 copies.

The chief editor was a famous lecturer at the Faculty of journalism prior the civil war and other members of the editorial team had been trained for this job before the civil war and also received training from the BBC. Fourteen people are currently employed, including 2 administrators, one guard, one cleaner, and 2 printing workers. Salaries are not impressive (40,000 So.Sh to 100,000 So.Sh per week). One wonders how such an enterprise is sustainable knowing that they have to rent their facilities (40 US\$/month), pay various bills, and cover salaries.

Ayaamaha was established in 1995. The chief editor and his deputy are both graduated from the faculty of journalism and lead a team of 10 people. At the beginning, 1300 copies were printed daily but then the number dropped to 700 copies/day. Salaries vary between 10 000 and 35 000 So.Sh /day.

Educated readers in Mogadishu believe that the reliability of the news published by this daily is too often debatable: sensationalism seems to be a trait of the editorial board. Nevertheless, in the long run, it seems quite worth reading, especially because of the love stories published as episodes, much appreciated by the romantic readers of the Somali capital city...

4. Conclusion

Despite the apparent vitality of the media in Mogadishu, there are various weaknesses that reflect specific patterns of the new urban dwellers of the Somali capital city. The large Benaadir population certainly exceeds 2 millions but less than 6000 copies of newspapers circulate among them. This should raise some questions.

There is no need here to highlight again the dramatic changes in the urban population wrought by the civil war. Uneducated people from the countryside arrived in town while the former middle class basically disappeared and migrated overseas. This strengthened the oral condition of the current setting.

But there are also real economic causes. Due to poverty, it is not uncommon to rent newspapers: a few minutes' leafing costs 1,000 So.Sh. As in other sectors, inflation induced by the issuing of the "fake" banknotes from late 2001 onwards had a negative impact on pricing and distribution of daily newspapers. Last but not least, the emergence of radios (TV networks have still a relatively small impact on urban society) weakened the development of the written press.

One has to congratulate all those journalists who have been taking risks to keep the public informed in spite of all difficulties and complications. But, one must ignore the implications of the current situation, which demonstrate that the ability to be informed so as to reflect and analyse, is one of the most selective privileges in Somali urban society.

SECTION FOUR

LIVING IN MOGADISHU

This last section starts with some information on the health and education sectors and then continues with a report on the household survey of Mogadishu. Health and education essentially collapsed for a while at the beginning of the civil war. Nevertheless, today, for better or for worse, they are significant economic sectors in Mogadishu. Pharmacies and clinics are numerous, as are hospitals. Some of those facilities have been surveyed and are reported upon. Educational institutions proliferate in Mogadishu: they go from the ubiquitous languages schools, where people are supposedly taught Arabic and English, to the Universities and other formal education institutions. This chapter focuses on three categories of schools, those managed by two Somali associations and the ones sponsored in some way or other by International NGOs.

The education and health sectors basically suffer from the same weaknesses. There are only notional regulations and anyone can start whatever activity without any proper background or knowledge. This is an important concern among many others. These services are also relatively expensive compared to the average income of the population, even though they cannot be aimed at the elites, as very few have access to decent health services or real schools. In both cases, quality standards are a major issue. Better this than nothing, but the harm this problem may cause the urban fabric cannot be ignored.

The last chapter reports on the findings of a survey of 70 households conducted by the Somali research assistants in September and October 2001. The survey tries its best to estimate household income and expenditure for a period of one month. Although this sample cannot claim to be representative of the overall Mogadishu population, it raises a number of interesting points, notably the structure of income, the wide gap between income and expenditures, and the costs of basic services. It also allows some criticism of the conventional outsider vision of how the population manages to live under a still mostly unsettled situation.

CHAPTER ELEVEN

The Health and Education Sectors in Mogadishu

1. The health sector

Health was part of the public sector before the civil war. Access to health care was guaranteed by the Constitution (Art. 33 of the 1962 Constitution; Art. 55 of the 1989 Constitution): people were supposed to go to the public hospitals and get medicines free of charge. This was not the case in the 1980s, not to mention earlier periods. Even in public hospitals, most of the services were (informally) charged for. There were already a (legal) private medical sector and private clinics, but none were authorized to hospitalise patients. This period is important because it established a number of practices that became the norm throughout the civil war in hospitals managed by international NGOs.

The medical facilities that existed before the civil war were the following:

- Martini hospital was built in colonial times and dealt with all types of diseases.
- Lazaretto Forlanini Hospital was built in the same period but specialized only in tuberculosis and other contagious diseases.
- Digfer Hospital started functioning in 1966/67 and was funded by the then European Economic Community.
- Medina Hospital was built for the police forces and their families. It was a gift from West Germany to thank the Somali government for letting them storm a hijacked Lufthansa airplane. One section was open to the public but services required payment.
- Benaadir Hospital was built by China and started operating in 1980. It treated mostly women and children.
- The Military Hospital, as its name implies, was built for the military. In the same compound, there were also facilities assigned to members of the Somali Socialist Revolutionary Party, the only political party allowed in Somalia after 1969⁵⁸.
- SOS Hospital was built in 1984 and patients were women and children. It is the only hospital in Mogadishu that has been working continuously from its opening until now.

Basically, all public medical facilities were looted during the civil war. Some were looted at the very beginning; others, years afterwards, but the end result was the same. Benaadir and Digfer worked until 1996, when the split between General Caydiid and Cismaan Caato translated into a bloody military confrontation. Others were functioning thanks to foreign assistance until security deteriorated so much that it made their operation impossible. Among the many problems faced by foreign aid workers and dedicated Somali staff, there was the fact that many people without any training “worked” in the hospitals and other facilities and fully expected to get a share of any medicines or food provided by the international agencies. Controlling the use of medicines was not easy and could be even dangerous: an MSF doctor in Baydhabo hospital was killed in 1997 because he tried to... In 1991 and 1992, threats to medical staff were not uncommon.

Support from international agencies is crucial for those facilities. Medina Hospital started functioning again in 2002 thanks to ICRC. Cholera, a recurrent pandemic in Mogadishu as in many other parts of Somalia, is controlled only with the cooperation of UNICEF and international NGOs.

The location of these facilities was also a problem for some years, as most of them are located in South Mogadishu. So, when the second Mogadishu war started, the only place where people could receive treatment in North Mogadishu was the then recently established Kayseney hospital managed by ICRC and the Somali Red Crescent. Later, it became difficult to reach even this location because tensions among Abgaal sub-clans made the road leading to it dangerous at certain times. But the situation had changed for the better.

⁵⁸ It was established in 1974, as a way to please the Soviet Union, while a very important Defence agreement was being signed.

From 1991 onward, the difficulty of getting to public hospitals spurred the creation of private clinics where the sick and wounded could be treated. But the real change came in 1997, when private hospitals started being established in private houses and compounds. New equipment was brought in and staff quality improved markedly with the hiring of returnees and Mogadishu University graduates. It should be noted, however, that a fair number of people did have minimal skill and training in health care. A physician might have completed only three out of four years of study, or a nurse may have been trained only within a hospital, but they did have basic skills/knowledge. Though these are real problems, these facilities had a real impact on public health, at times positively, at times, negatively. For instance, medicines are, at times, prescribed more for commercial than medical reasons. Pharmacies sell antibiotics or TB treatments like other shops sell food or clothes... There is an absolute lack of regulation and this is one of the most serious problems that any administration, urban, regional, or national, will have to address.

At the time of the survey, there were 11 hospitals functioning in Mogadishu, plus SOS Hospital. Two (Medina and Kayseney) were supported by ICRC. No attempt was made to survey the private clinics providing only out-patient care, since there are hundreds of them. The following charts show the location of the facilities.

List of hospitals in Mogadishu

Hospitals	Location
Al-Hayat hospital	Wardhiigley
Arafat hospital	Industrial street/Yaaqshiid
Medina hospital	Wadajir
Wadajir hospital	Wadajir
Ramadan clinic centre	Hawl Wadaag
Temporary Benaadir hospital	Hodan
Towfiq hospital	Kaaraan
Mogadishu voluntary hospital	Wardhiigley
Canada Polyclinic hospital	Wardhiigley
Dr. Xasan Jiis Memory hospital*	Hodan
Habeb hospital	Kaaraan
Shifa hospital**	Huruwaa
SOS hospital (international NGO)	Huruwaa
Kayseney (ICRC/Red Crescent)	Kaaraan

Nota Bene: * temporarily closed; ** temporarily closed since the main doctor is in London.

Since al-Hayat Hospital is the largest facility at present, more detailed information is given below.

This hospital opened in July 1998. It has 13 shareholders, with share values varying between US\$ 5,000 and 13,000. Equipment was brought from Saudi Arabia with the support of an Islamic NGO. The hospital has 13 departments: paediatrics, gynaecology, gynaecological surgery, general medicine, cardio-vascular medicine, kidney diseases, infectious diseases, dentistry, pharmacy; laboratory, X-ray, hospitalisation, and management.

The staff is paid weekly. There are 10 doctors and 90 other employees. The doctors receive 60% of gross revenues (i.e. of what patients pay), 40% go to the hospital. The salaries of the normal staff vary between US\$ 20 and 150 /week for six 8-hour working days.

There are 80 beds in the hospital and a day's stay costs 2 to 3 US dollars, depending on the number of beds in the room. The hospital attends between 100 and 150 patients daily. Each patient pays US\$ 1.50 in advance. An X-ray session may cost between 40,000 So.Sh and 500,000 So.Sh (or 2 to 25

US\$). Up to 250 patients request this exam each month, and all such exams must be done within the hospital.

Structural costs for the hospital are the cost of the building (it used to belong to the state) but was “repurchased” from the militias that occupied it for about US\$ 2,500. Electric power is supplied by two generators that consume fuel costing US\$ 100/month. Monthly water and telephone charges amount to about US\$ 250 and US\$ 300 respectively.

The following chart summarizes the information on some of the hospitals surveyed.

Administration - Non Medical Personnel

Description	Wadajir Volunteer Hospital	Madina Hospital	Benaadir Hospital	Arafat Hospital	Ramadan Clinical Centre	Al-Hayat Hospital
Manager	1	1	1	1	1	1
Accountant	1	1	1	1	1	1
Cashier	-	1	1	1	1	1
Secretary	1	1	1	1	1	1

Ownership, Services Provided/Facilities, and Other Data from Private Hospitals Surveyed

Description	Wadajir Volunteer Hospital	Madina Hospital	Benaadir Hospital (temporary)	Arafat Hospital	Ramadan Clinic	Al-Hayat Hospital
Ownership	3 Doctors	National Police.	Coalition from B/Hos.	Samsam Foundation	1 Doctor	13 Shareholders
Date of opening	1999	July 2000	April 1996	14 July 2001	1998	1998
Number of beds	Approx.12	Approx.52	Approx. 30	10 beds	20 beds	80 beds
Rent	1,500,000.	-	-	-	150 USD	-
Fee for visit	20,000	15,000.	50,000	30,000	30,000	\$1.5
Charge/night	30,000	30,000	25,000	\$2 per night	20,000	\$ 3
Charges for surgery	1,000,000 Negotiable	800,000 Negotiable	Negotiable	Negotiable	Negotiable	Negotiable
Minor surgery	300,000 Negotiable	400,000 Negotiable	Negotiable	Negotiable	Negotiable	Negotiable
Dressing/treatment after operation	free of charge	free of charge	free of charge	free of charge	free of charge	free of charge
Blood Test fee	30,000 to 70,000	30,000 to 70,000	-	30,000 to 70,000	-	30,000 to 70,000
Stool Exam	10,000.	5,000	-	4,000	-	-
Urine Exam	20,000* 10,000	5,000	10,000	10,000	10,000	10,000
X-Ray	-	30,000 50,000 150,000	30,000 - 50,000	40,000- 500,000	-	40,000- 500,000
Surgery Patients per month	23	265	-	-	100	100 -150
Blood Bank	-	1	-	-	-	-
Mortuary	-	1	-	-	-	-
Pharmacy	-	1	-	1	1	1
ICU	-	1	1	1	1	1
Well / Borehole	-	2	-	1	-	-
Generator	2	3	-	2	-	1

N. B.: prices are in So.Sh. *: for pregnancy.

Employment - Medical Division (including non-medical staff)						
Description	Wadajir Volunteer Hospital	Madina Hospital	Benaadir Hospital	Arafat Hospital	Ramadan Clinic	Al-Hayat Hospital
Director	1	1	1	1	1	1
Deputy Director	-	3				
Medical Doctors	3	7	2	5	3	10
Nurses	3	18	12	23		90
Male Ward (caretaker)	1	1	-	-	-	-
Female Ward	-	1	-	-	-	-
Maternity Ward	1	-	-	-	-	-
Auxiliaries	2	26	8	-	11	-
Sanitation (Fayodhoor)	-	1	-	-	-	-
Cleaners	2	17	12	-	2	-
Launderers	1	5	-	-	-	-
Gardeners	1	3	-	-	-	-
Volunteers	2	several	-	-	-	-
Watchmen	2	4	6	2	3	2
Mechanics	1	1	-	-	-	-
Plumbers	1	1	-	-	-	-
Supervisors	-	1	-	-	-	-
X-Ray specialists	-	4	2	-	-	-
Laboratories	2	4	4		2	
Pharmacists	-	1	-	-	1	-
Head of Operation	-	1	1		1	
Technicians	-	1	-	-	-	-
Drivers	-	1	-	-	-	-
Carpenters	-	1	-	-	-	-
Electricians	-	2	-	-	-	-
Staff in-charge of surgery tools	-	1	4	-	-	-
Instrument Repairing	-	1	-	-	-	-
Kitchen Staff	-	6	-	-	-	-
Guards (Police + Militiamen)	-	54	-	-	-	-

2. The Education sector

Before the civil war, free education was guaranteed under both the 1962 and 1989 Constitutions. The stark reality was very different. But, though the military regime could be blamed for this failure, most African countries at the time also failed as they faced rapid population growth and lacked adequate financing.

For ease of analysis, the history of education in Somalia can be broken down into four periods: pre-colonial times, the colonial period, the first years of independence, and the military regime.

In the pre-colonial times, knowledge was part of religion. There was no formal education as such, only Islamic studies that also served to train lawyers, judges, and teachers. All young Muslims attended Quranic schools, to learn Islam, to become socialized, and to learn basic social morality. After those years, the best students could get higher religious education (be what is called in Arabic: *taleb*; in Somali *kutaab*) in one of the Somali madrasa where Arabic, *tafsir* (commentaries on the Holy Quran), *hadiths* (sayings of the Prophet Maxamed), and *fiqh* (law) were taught. The most brilliant could then also travel to al-Azhar, or to Saudi madrasa to improve their understanding of Islam or specialize in some aspect of the curriculum. One of the most celebrated such places of scholarship was located in northern Somalia, near Hargeysa, where Sheekh Yuusuf al-Kawnayn was teaching, but there were also others in the South, for instance, in the Baardheere area.

The Italian colonizers were not eager to establish formal education: Italy was a poor country and was reluctant to spend scarce resources for that purpose. Nevertheless, some primary and intermediate schools were set up, mostly to train translators and clerks for the colonial administration. To be fair, one should also say that the Somalis were not keen to send their children to colonial schools since they were afraid they would be converted to Christianity. In spite of this rather conciliatory colonial policy towards Islam, this fear was still there in the 1950s, during Italy's United Nations mandate to prepare the country for independence. Some nationalist leaders ran into problems when they tried to convince their constituents to send children to school so that they could become civil servants in the future independent State. Nevertheless, Italy did fulfil its mandate and opened schools, even secondary schools and colleges, to train nurses, veterinary doctors, teachers, and the like. Higher education seemed to take place mostly outside the country, in Italy. This may have been a strategy to improve the relationships with the nationalist elite and maintain an Italian presence in Somalia after independence⁵⁹. Egypt was keen to take a lead into this sector and opened a branch of al-Azhar University in the 1950s. This institution also provided formal education: its main aim was to train teachers. The reaction of the Somali population was more favourable, as teaching was in Arabic.

After independence, two systems co-existed. There were a number of private schools, mostly in the main urban centres such as Mogadishu, where children could receive education up to secondary level in Italian, Arabic, or even Hindu. These schools attracted mainly the nascent bourgeoisie and government officials. The main contingent of schools was, of course, in the public educational system where teaching was mixed, sometimes in Somali, and sometimes in English or Italian.

The main problem was, of course, that the Somali language had to be written⁶⁰. Different schools of thought debated for years and procrastination was the order of the day for the various cabinets of that period. In any case, it was a difficult decision to take because of its technical and cultural implications. This decision, so long postponed or avoided, was eventually taken by the military regime in 1972. Soon after, in 1974, it launched the campaigns for alphabetisation (Baranna Baro: "teach or learn") where thousands of students were sent to the countryside to teach reading and writing to the population. Although politically and socially most legitimate, this decision brought many consequences. The schooling system was unified but not always in its best aspects. The learning and use of foreign languages became a major privilege, compared to earlier periods. This decision also gave some impetus to, and improved the position of a marginalized section of the elite, more rooted

⁵⁹ See on this very interesting part of the creation of the Somali State in Southern Somalia, Paolo Tripodi, *The colonial legacy in Somalia*, London, Macmillan Press, 1999.

⁶⁰ David Laitin, *Politics, Language and Thought. The Somali Experience*, Chicago, University of Chicago Press, 1977.

in nomadic culture and concepts, which had a clear impact on Somali politics in the 1980s. But, the most important consequence of writing Somali and imposing it as the language of schooling was the “massification” of education and, as resources were either not available or poorly allocated, its deterioration, shortly thereafter.

After 1985, the quality of schools became very poor since the teachers’ real salaries dropped precipitously and teachers had to hold several other jobs to make ends meet. Moreover, clans became an issue inside the schools and even at the University. All kinds of pressure were brought to bear to make sure that students from the “right” clans would get their degree and then access high positions in the civil service. University lecturers had limited infrastructure and increasingly fewer opportunities to upgrade their skills. Moreover, their commitment to their work declined, as the overall situation deteriorated rapidly. Mogadishu was the most privileged area in Somalia, because the middle class could send its children to private schools where the quality of education remained decent while it collapsed within the public school system.

Over the three decades of independence, Somali educators worked very hard to restructure the curriculum and to modernize it. This, certainly, was not an easy job. In 1989, with the support of UNESCO, a new curriculum was defined but it was hardly put in practice in most of the country since schools were already empty in most parts of the country ...

The Somali system is structured in three periods of four years. A child of 6 or 7 used to attend 4 years of primary education, then 4 additional years of intermediate school, and last, 4 years of secondary education. Before the civil war, in Mogadishu, there were 56 elementary/intermediate schools and 29 secondary and technical/specialized⁶¹ schooling institutions. Co-education was also the norm, at least from independence to the civil war.

This rather weak educational system did not resist the disturbances of the civil war. Schools were looted, sometimes by their own staff, and many of them became IDP camps. During the international intervention, schools became a way to get food using neighborhood children. At a point, in 1994, the WFP was providing food for more children than the whole population of Mogadishu. This was certainly not the whole reality, but was far from atypical, in spite of the commitment of many teachers. This era closed with the end of the international intervention in March 1995. But the situation did not return to its previous condition.

Because of the international (mostly US) involvement, Somalia was perceived as a place where Islam and Christianity were competing. Not all Muslim aid agencies shared this militant view but, nevertheless, this perception helped Somalis to get significant support from various Islamic charities. The education and health sectors were also seen as priorities and huge investments were made there. There are numerous reasons for this interest. On the one hand, this involvement allowed Islamists to interact with women and youth, seen as strategic actors in social change. On the other hand, there was a huge demand for these services, and they did fall within the broad mandate of the organizations. When these charities decided to leave Somalia (in 1994 and 1995), they asked their Somali counterparts to continue the work while funding it under the condition that an assessment would be made every six months.

The main Islamic NGO at that time (and still today), al-Isllaax, contacted other schools that shared its orientation and set-up some kind of coordination mechanism. In 1998, 14 organizations established an umbrella organization for those schools: the Formal Private Education Network (FPEN) in Somalia. But FPEN went really public in 2000, at the time of the Carta conference. Al-Isllaax was involved in the Djibouti conference and was one of the best organized groups there. It wanted to campaign for its interests and strongly supported the TNG that came out of the Carta meeting. This explains why the TNG was able to gather so many children in the Mogadishu Stadium: it could rely on the support provided by FPEN.

⁶¹ Physical training, communications, post and telegraph, livestock, fishing, etc...

One of the first major FPEN decisions was to establish the same school certificate recognized in Sudan and Yemen. Actually, all FPEN schools use the Arab curriculum (Saudi Arabia, Kuwait...), and Arabic as teaching language⁶² as well. A translation of the Somali elementary education curriculum into Arabic was carried out with funding from Islamic Banks from the other side of the Red Sea. Another task was to have the diploma provided by FPEN recognized beyond Pakistan, Yemen, and Sudan. FPEN was able to obtain grants for higher education for 70 students in 2000, mostly from Sudan. Support is also provided on a lesser scale for students in Yemen, Pakistan, and Mogadishu University, one of the several universities currently active in Mogadishu (see below). There are continuous discussions to unify the curricula taught in FPEN schools (they use indifferently the Emirati, Saudi Arabian, Kuwaiti, Yemeni, and Sudanese curricula) to make final exams identical. This task is not easy, as even the same organization might use different curricula in the schools it manages.

FPEN, as is its supporting organization, al-Islaax, is very close to the TNG and financially supported the Ministry (or the minister) of Education while it entertains also good relations with UNICEF. FPEN also provides needed refresher courses for the teachers working in its schools, while encouraging headmasters and parents to participate in various educational activities. In April 2002, with the support of NOVIB, a Dutch NGO, FPEN also opened a Women's Teacher Training Centre in Mogadishu, with an intake of about 100 women.

FPEN claims to be represented in 15 of the 18 regions of Somalia and to operate 139 schools (in 2000/2001), of which 70 elementary, 53 intermediate, and 16 secondary schools. In Mogadishu, FPEN manages 45 schools with 23,705 students (see tables below for details). At the time of the survey, average elementary school fees were 50,000 to 60,000 So.Sh monthly; intermediate school fees, between 50,000 and 100,000 So.Sh; and secondary school fees, between 60,000 and 120,000 So.Sh. Since they started earlier than other schools and were supported by charities, they are well-known and slightly more expensive than others. But these fees might drop if competition were to heat-up in the area.

FPEN uses different types of buildings. It has been able to gain control of about 10 schools after bargaining with the people (IDP and/or militias) occupying them. Some private compounds are also rented for 100 to 200 US\$ per month. Moreover, some member organizations have built their own new facilities.

The salaries of the teachers vary with the degrees they possess. Those with a University degree receive from 120 to 150 US\$, while others might be paid 80 to 100 US\$.

Like its main competitor, FPEN provides some intensive courses for overage students. These courses are organized over a five-month period and cost between 100,000 and 200,000 So.Sh monthly.

Today FPEN is the strongest institutional umbrella for formal education. It is so because it recruited many former teachers and paid them fairly. It can do so because it has, over the years received steady funding from the Gulf countries while its competitors could not after Western donors lost interest in the Somali crisis.

The other Somali association is School Association for Formal Education (SAFE) which was created in 1998 by some well-known Lafaole University lecturers and professors. It serves as an umbrella for about 30 schools in 2002. In its schools, it uses the 1989 curriculum with slight modifications introduced by UNESCO. There is also joint supervision of the schools so they reach the same standards. It stands also vocally against foreign curricula.

Some teachers and parents also criticize some of the schools funded by Islamic charities because the kind of sociability they promote is alien to the Somali, because they eliminate co-education, because

⁶² Imam Shafi'i school actually uses English for teaching sciences in its secondary schools. This could be explained by the fact that its manager is more educated than the others and, maybe more relevant, got his degrees from Lafaole Institute before the civil war where Arabic was not used for sciences.

they teach an intolerant form of Islam, not respecting Somali tradition, and because they often strongly question Somali social customs and values. Some actually dislike the use of a non-Somali curriculum in schools and the use of Arabic at the expense of Somali.

One of the main characteristics of SAFE is that it employs former teachers: 75% taught before the civil war and 25% attended a training course sponsored by UNESCO. Average salary is, however, low compared to FPEN: from 600,000 So.Sh to 1 million So.Sh monthly, i.e. from 30 to 50 US\$. But most of the teachers have another job in the afternoon.

Fees for primary and intermediate levels range between 30,000 and 50,000 So.Sh per month. For the secondary level, they are 100,000 So.Sh. Those figures may have increased after the survey was completed.

Most of the schools (see list and other information in the table at the end of the chapter) are located in private houses or compounds, not the best facilities. A comparison with FPEN shows the drastic difference that steady external support can make. UNESCO does offer some training and supervision and UNICEF also, but that is clearly not enough.

Although Mogadishu seems like the Wild West for many foreigners, two international NGOs, CONCERN and ADRA, performed outstandingly in their support of these schools at various periods of the civil war. CONCERN started operating in 1992 in Benaadir, Bay, and Lower Shabeelle, and tried its best to rehabilitate public schools. At the time of the survey, seven elementary and intermediate schools were functioning in Mogadishu thanks to its support which consists mostly of technical assistance, and training for teachers and parents. The monthly “incentive” for the headmaster is 100 US\$, while a teacher receives 50 US\$. The curriculum is the same as SAFE and fees range between 10,000 and 30,000 So.Sh. This is not a complete success story: at the time of the survey, support to two schools was suspended since these failed to fulfil some basic conditions. There are 2565 students in the 5 schools currently supported, and 85 teachers, together with 16 cleaners and guards.

A few remarks on higher education follow. There are four institutions claiming to provide university-level courses: Mogadishu University; Xamar University; Indian Ocean University, and SIDAM. Information has been collected on three of these.

The idea to start Mogadishu University was first expressed in 1993. A teacher training institute opened in July 1995. The university was formally established in August 1996 but it started operating only in September 1997. There were problems galore, but the main ones were the lack of security, the shortage of qualified people, and the high student fees (300 US\$/year).

Teaching languages are English and Arabic. There are five faculties: law and Islamic Shari’ a, education (arts and sciences), humanities (literature, history, and journalism), economics and management, and nursing. The University also boasts a library and a computer centre. The course of study lasts four years. There are 49 lecturers and 44 additional staff (management, guards, cleaners, drivers). Salaries vary in function of the degrees possessed and the nature and extent of duties, and range from 50 to 700 US\$.

In 2001, there were 1800 students and 150 graduated after their fourth year in July 2001. Fifteen students were supported by grants from the Sudan. This University has privileged connections with FPEN, is a member of the Federation of Universities of Islamic Law, the Association of Arab Private Institutions of Higher Education, and is associated with Ottawa University.

The Somali Institute of Development Management and Administration (SIDAM) was re-established in November 1999 by the African Muslim Agency. As its name implies, it provides students with secondary education courses on management and administration. The diploma requires two years. Teaching is in English since the lecturers have been trained in that language. Intensive courses are provided for the students since most of them come from the FPEN schools. SIDAM also has a

library and a computer centre. SIDAM's yearly intake is 100 to 150 students who pay monthly fees of US\$ 20.

There are numerous problems. Most of the lecturers need at least refresher courses, the curriculum is not really adequate, and the library is quite limited, though new books have been acquired in 2000.

The Indian Ocean University was established in 1993 by a group of professionals including University lecturers. It actually focuses on management, business administration, and accounting at a rather elementary undergraduate level. Students may or may not have formally completed their secondary education. Monthly fees are lower than at other institutions, namely, 150,000 to 300,000 So.Sh. The curriculum is the same as SIDAM. There is little equipment and the library and most of the class rooms are in poor condition.

Conclusion

This chapter aimed to provide a view of both the health and education sectors in Mogadishu. But, at the end of the exercise, it seems that this goal is too ambitious. There are currently in Mogadishu hundreds of pharmacies, clinics, and educational institutes. And this raises one concern already mentioned several times. Most of the people involved in those activities have no qualifications to do so and, though they earn incomes in this manner, they may endanger the lives, or the future, of others.

Somali readers may over-react to this statement but there is no doubting the health damages produced by poor medicines and unqualified nurses and doctors. Similarly, the future of their children educated in poorly staffed schools could be endangered. This is not the whole reality, but a firm trend that market and competition have not reversed. Of course, there are a number of institutions delivering much better services as well as dedicated workers in these two sectors but their services are expensive and not everybody can afford to school four or five children, or have them cared for the way parents would like.

This description also tends to affirm that external support may be a necessary but not sufficient condition to the provision of quality basic services. It would seem also that there is no way a Somali educational system could work even in an area as privileged as Mogadishu, without external financial support. Even if the liberal view were taken, that people expect the market and competition to eliminate the current shortcomings, a market, and such markets in particular, needs some regulation and these are badly missed. Supporting these sectors may be very difficult at this stage since interlocutors are weak or not credible, but the current situation should be acknowledged as it is.

A last point is interesting: earnings for the most qualified jobs are higher than in trade. At least, on one definite matter, Siyaad Barre is shown to be wrong, and not through a bloody revenge. Although still debated at the political level, parts of public opinion today holds the view that some skills are needed for certain jobs, and that not everybody can just improvise oneself a lecturer or a doctor. Clan identity or the presence of friendly militias cannot give the ability to cure and to teach. This is today more broadly accepted than 10 years ago, and yet, too many fake clinics, labs, and schools still prosper in Mogadishu....

See annex 1 / 2 and 3.

CHAPTER TWELVE

A Tentative Household Survey

Carrying out a survey in Mogadishu is not an easy task. People are not used to answering questions and the first thing they want to find out is what this is all about. Answers are very much linked to the way they perceive their interests to the extent that many either refuse to answer or give false information deliberately. This remark may not make much sense to outsiders but is a normal pattern of behaviour in Mogadishu and Somalia.

The fact that this work was undertaken for the European Commission did not help resolve any of the difficulties. Security is always a concern for ordinary people and most believe that if they supply information about their earnings even to consultants of international agencies, they might soon receive unwelcome visitors.

Moreover, the “cargo cult” is still a strong aspect of how people understand contacts with foreign agencies: one may provide a bleak description of one’s livelihood in order to get some food or work. But as the Somali team who undertook the survey soon became aware, there also explanations related to the situation of the household. The husband is not always keen to report his income since he may use some of it to support another wife, whom he may have married in secret, or more commonly, because he does not want his wife to figure out how much he spends for qaat or other leisure pursuits.

Partly to avoid those difficulties, it was agreed that the Somali researchers would select a sample of people whom they knew in order to benefit from some trust while undertaking the survey. This decision has a cost, since the sample is no longer random, one can no longer assume that the selected sample is representative of the Mogadishu population at large. This must be borne in mind while reading this chapter.

Despite the evident good will of the households surveyed, there are a number of weak points. The main one, which must be emphasized from the very beginning is that the survey was undertaken over one month (September or October) since daily contacts were needed. However, the descriptions of revenues and expenses do not take into account other extraneous or random events, as they normally occur. For instance, remittances do not always arrive on a monthly basis, they may arrive when debts become unmanageable, sometimes on a quarterly basis, sometimes when a relative travels home. Some ceremonies or festivals may take place and, depending on whether they fall within the reporting period or not, alter dramatically the dimensions and structure of the household budget.

As shown in the following paragraphs, a significant number of households spend more than their income. In addition to remittances, saving or dissaving obviously play a role in the inter-temporal balancing of income and expenditures, yet they were rarely mentioned. In particular, the richest households generally save quite a bit of their incomes. So, rather than reaching hard conclusions, this survey raises yet other questions that won’t be so easy to answer.

There were also other, funnier aspects that illustrates the problems faced by the Somali researchers: they provided the households with a list of items related to their potential expenses. After a week or so, some called the researchers, mentioned that they had not spent money, let us say, on clothes, and asked whether they should, or whether they would be given money to do so.... . No one is to blame for these shortcomings and misunderstandings but they may have had some impact on the quality of the information given and collected...

A survey over a longer period should be undertaken in due course. As the present survey suggests, the questions should be simpler and easier to understand. Such a study would be needed to correct or confirm some of the findings of this preliminary survey, and give some idea of how far from the mark it was.

1. Description of the sample

Eighty households were initially identified by the team but, during the survey, four moved and six gave up. Therefore, the final sample contains 70 families. In the sample, there are 26/70 involved in trading activities of all kinds; 12/70 are employed and paid on a daily basis; 20/70 are employed and paid on a monthly basis; and 10/70 are jobless but, they do not seem to spend much less than their employed peers. The tables below give a full description of the sample.

The households surveyed have an average of 7.3 members, which is close to the average Somali household as described in the Human Development Report. However, the size of the household seems to grow with income, as the following table which gives the average number of members per household in each income category shows.

Group	Average income in So.Sh	Number of household members	Average Revenue/member
Group A	13,680,000	9	1,520,000
Group B	6,953,000	8,85	785,600
Group C	4,158,000	8,14	510,800
Group D	3,173,000	9,7	327,100
Group E	2,615,000	6,14	425,900
Group F	2,085,000	4,85	429,900
Group G	1,776,000	6,14	289,200
Group H	1,486,000	6,57	226,200
Group I	1,212,000	6	202,000
Group J	870,000	4,14	210,144

This could be explained if richer people are inclined to support more family members. In any case, this safety network functions in many different ways. Note also that about half of the surveyed households earn less than US\$ 100 /month...

Description for the sample annex 4

1. Revenues

In 60% of the sample, the main income earner is the male (husband and/or father), while women do so in the remaining 40%, which also happen to be among the poorest households.

Income is divided into two broad categories: the regular and the unexpected. The following tables show that unexpected income is common and often makes-up an important share of the total. Remittances, of course, are one of its main components. Nevertheless, only 23 households get regular or random remittances and most of them are among the “richest” households surveyed. For households in Group B, remittances represent 26% of their total revenues. This is a very important point that needs to be pondered.

That the well-to-do seem to receive the bulk of remittances can be explained by the fact that one has to be well-to-do to leave Somalia. Several thousand US dollars (US\$ 3,000 to 5,000) are necessary to be able to leave the country, and this represents a huge amount of money for most households. The better off can manage to get this money and find their way to Europe, Canada or Australia. Poor people, however, may take the risk of going to Saudi Arabia, Yemen, or the UAE illegally. But, assuming that they won't be expelled, their situation is a nightmare. Since they are illegal immigrants, they only have access to the lowest-paid work and are not in a position to send significant amounts of money (by Somali standards) to their relatives in Somalia.

Remittances, when sent by children, are always managed by the father (though the mother may also get a small additional amount), even if the mother is the main or sole income earner. The gender division of labour is not as contested as some foreigners or Islamists claim... The only exception is when the father has more than one wife, in which case, the money is sent to the mother.

But unexpected revenues may come from other sources as well. More rarely, people might sell gold, clothes, or any other valuable item they own. More likely, they will be able to engage in some trading, or hold a job, even if temporarily, to earn something to ease their predicament.

Assistance from better-off relatives is far from rare. When their economic situation is a nightmare, people will try to get help from family, day after day, and may well end-up getting some support. The role of petty trade, in which many household members may be involved, is most important

The following tables sum-up most of the findings on this issue

2. Expenditures

Unsurprisingly, food constitutes most often the most important expenditure. Sixteen kinds of foods are purchased, of which 6 are imported: sugar, rice, pasta, flour, oil, and wheat. The latter represent about 50% of the total expenditure on food. As an average, food accounts for one third of household expenditures, but this proportion varies inversely with income: the poorest households spend as much as 50% or more of their income on food, while the richest ones will only spend 20%.

Another point that is visible is that there are no structural differences in food expenditures in relation to household income. Of course, a richer household may consume more meat, better quality pasta, and mineral water but basically the meals are the same. Surveys in other countries have shown that income differences are more obvious when comparing what is eaten and drunk between the three main meals. In Somalia, it is likely that the class structure (if any) is less rigid: people could be rich or poor, of rural or urban background, but they eat the same dishes, though perhaps not the same quantity and quality.

The second category of expenditures surveyed was for education. The main finding is that the number of students sent to educational institutions of all kinds (including Quranic schools) is 146. This is not too bad: There are 221 children under 15 and 104 above 15. That means that certainly more than 50% of the children are getting some kind of education. This does not reflect the overall trend, though putting the children through school is more frequent in Mogadishu than in most other urban centres of Somalia and Somaliland.

Every month, an average of 5% is spent on education but this does not reflect the ample variations between households, as shown in the tables at the end of this section. Nevertheless, the following table gives average figures on food, education, and health expenditures.

Group	A= Average income in So.Sh	B=average food expenditure	C = B / A	D=average education expenditure in So.Sh	E = D/ A	F = average education expenditu re/ student	G= Average health expenditu re in So.Sh	H= G/ A	I= G/ K in So.Sh
Group A	13,680,000	1,742,500	13	3,731,000	5	287,000	549,200	4	61,100
Group B	6,953,000	1,641,200	24	269,300	4	11,220	302,800	4,4	34,300
Group C	4,158,000	1,630,800	39	904,000	22	50,300	187,200	4,5	23,000
Group D	3,173,000	1,126,800	36	162,600	5	10,900	141,500	3,4	14,600
Group E	2,615,000	1,130,000	43	95,000	3,6	7,300	87,200	3,4	14,200
Group F	2,085,000	805,400	39	78,800	3,8	4,900	204,600	9,8	42,200
Group G	1,776,000	951,000	54	164,500	9,3	11,750	69,600	3,9	11,400
Group H	1,486,000	1,108,900	75	86,300	5,8	5,700	161,500	10,9	24,600
Group I	1,212,000	856,900	71	28,600	2,3	2,900	34,300	2,8	5,800
Group J	870,000	624,900	72	22,200	2,5	1,000	55,000	6,3	13,300

N. B.: C, E and H are expressed as percentages; K= average number of household members

Assuming that the sample is, at least in some ways representative, it would seem that education is not a priority as sector: most of the people spend less than one dollar/month for schooling their children.

Of course, this must be qualified in some way. In the survey, no difference was made between Quranic schools and formal education, nor was the age of the students considered much. It seems clear that education expenditures are not related in any simple and direct way to average income. However, looking at the formal education of the heads of households where education expenditures are highest shows, unsurprisingly, that educated parents want their children educated, while parents without formal education attach less importance to education.

Expenditures on health have been surveyed also. The table above provides the average figures, but looking into details (see the tables below at the end of the chapter), it seems that households spend either very little or quite a lot of money on health care. This is due to the fact that any disease may need a visit to a clinic, lab exams, and medicines, while if the disease is serious, curative costs could become very high. Depending on what situation was captured by the survey, health care would seem either very cheap or very costly. A survey over a longer period would have provided more definite conclusions as to the real importance of health care costs within family budgets .

Electricity and water expenditures are clearer indications of the level of poverty. Around 2/3 of the households spend nothing on electricity but use traditional lamps. This again confirms a statement made in Section Two, that electricity supply is still a luxury. Nevertheless, it seems that some households (in groups A, B, and C, notably) are neither able to invest in a generator nor to contract supply from a power company.

Water consumption is not a clear indication of poverty, since families may have free use of a borehole managed by relatives or receive supply from a mosque well or even, from time to time, from some nearby hotel. Average expenditures are shown below:

Group	Number of household members	Average water expenditure in So.Sh.	Average water expenditure per household member in So.Sh.
Group A	9	121,200	13,500
Group B	8.85	89,500	10,200
Group C	8.14	75,800	9,300
Group D	9.7	66,900	6,900
Group E	6.14	85,500	13,925
Group F	4.85	69,000	14,300
Group G	6.14	52,900	8,600
Group H	6.57	72,400	11,000
Group I	6	56,700	9,500
Group J	4.57	70,000	15,300

Qaat is not chewed by everybody and its consumption does not follow income closely. The tables below show that only 9 households admit to spending money on qaat. For instance, household # 50 is headed by an unemployed person but he spends more on qaat than any other household in the sample. The extent of consumption of qaat is probably the most unreliable among the variables surveyed, since many prefer to deny this practice in front of their family.

3. Concluding remarks

There are many paradoxical findings that could use further study and clarification. The first one is the importance of irregular, or unpredictable, unexpected income compared to the regular one. Since this survey has been carried-out only over one month, it is difficult to reach definite conclusions about this matter.

Another query concerns the budget balance at the end of the month. Although some households (27) seem able to save at the end of a month, most fall short, spending more than their income, especially the poorer groups. There must be various ways to solve this problem: one is to call relatives overseas and ask for a special donation. Another is to rely on the generosity of better-off relatives at home and ask for assistance or a loan. Quite often such loans are not meant to be paid back in full. Family

networks function, therefore, as a real safety net for the poorest. It can also happen that families, after exhausting all other possibilities, migrate to the countryside, hoping that their creditors forget them (this is called “incurring arrears” in financial terminology).

One may understand also the importance of some social events, such as Ramadan, when rich people pay the *fitra*, often paid to their poor relatives or close neighbours. *Zakat*, another Islamic tax that every Muslim should pay, can also go to the same people. *Sadaqo* is another Islamic practice whereby rich people can make donations at any time, but especially for *Mawlid* (anniversary of the birthday of the Prophet) and the month before Ramadan. It is widely practiced in Mogadishu. *Sooryo* can be a gift given to an elderly relative coming from far away, it can also be part of the bride wealth shared by the close relatives of the new wife. *Xus* is also one of the most important moments for a family, unifying relatives at home and abroad by honouring dead relatives. For this ceremony, even migrants who do not usually send remittances will send a few hundred dollars to make sure that the ceremony is large and dignified: it is a question of family prestige. At the very end, having exhausted all other recourses, begging is increasingly practiced.

There is one practice, different from all those already described that needs a very special mention: *shaxaad*⁶³ (assistance). The term is new in the Somali language and was created in the 1980s, at a time of rapidly rising inflation. People looking for *shaxaad* were not the usual poor people, nor the unemployed. The vast majority were civil servants who could not live with their salary. They were visiting the better-off people of their networks or circles and asking for money. This asking is not aimed at close relatives, as people may just come by and say “today it is your turn” and they might even come back every week or month. Request for *shaxaad* does not need any specific explanation. One can accept or reject the request. But what is at stake, still considered important within the Somali social context, is the reputation or fame of the giver as seen through his ability to support other people. *Shaxaad* is not assistance as such because neither the amount nor its use are part of the transaction: any amount can be given, and then spent freely for anything at all. *Shaxaad* is not begging because people asking for *shaxaad* are not the poorest (quite often they were better off in the past). Many “Sunday people” (i.e. people who arrived recently from the bush) practice this. *Shaxaad* is also a male-oriented mechanism, as women rarely ask for it. *Shaxaad* has also become a real social illness, since many people can make a living this way, and come to rely on it rather than looking for a job.

Readers may wonder whether the clan is providing support to individuals. Among the clan, sociability and family bonds could motivate assistance, as explained above, but the clan as such will not generally assist an individual. *Qaaraan* (collection of money within the clan) happens frequently but mostly for collective purposes like paying *mag* (blood money) or supporting a faction or a fight. Nevertheless, *qaaraan* may also be collected to help poor kinsmen pay medical fees, burials, or the weddings of their offspring. So, foreigners should not consider the clan as a purely negative feature of Somali society...

In Section One, dedicated to the financial sector, doubts have been expressed on the amount of remittances sent to Somalia, as estimated by some experts. The household survey in many ways does contradict the view that Mogadishu basically relies on remittances. It emphasizes the need to analyse this phenomenon under its various aspects. This survey shows that not all families receive remittances. Nevertheless, the existence of a section of the population that is wealthy (by Somali standards) or better off because of remittances is a real asset for the whole population: assistance is easier to get, Islamic taxes are paid and *shaxaad* functions well. At the macroeconomic level, this distinction is not so important, though it is fundamental to an understanding of the new social fabric of this city. Moreover, the low level of household consumption really calls into question the rather high remittance figures given by some recent authors. Mogadishu is certainly the area in Somalia where remittances are the most important, yet no obvious impact, commensurate to the sums that are irresponsibly bandied, about can be seen there. Education facilities are still limited, prices are lower than in Kenya, the rehabilitation and reconstruction of houses is proceeding faster than 10 years ago but seems nowhere near the supposed amount of remittances received from overseas.

⁶³ The exact meaning of *shaxaad* could be “money given with consent”.

Poverty is a huge problem and some descriptions provided in this report (such as the renting of newspapers, or the minute consumption of water and electricity) make clear that this cannot be ignored. Households are able to survive mostly because all adults are involved in the trading economy, even if at its most petty level. Food, in particular, is rather cheap, and this may help explain why a complete disaster was averted.

These concluding remarks have been made under the assumption that the sample was, in some way representative of the state of the population in Mogadishu. An assumption is an assumption...

CONCLUSION

Economic Dynamics and Globalisation through Markets and Migrations

Despite bleak prospects and forecasts, Mogadishu has been able to survive without a government for the last 12 years. At different times over the last ten years, the UN and others predicted a complete collapse of urban society. It simply did not happen. This does not mean that the social cost of reproduction of this surviving polity and economic system is acceptable. But, certainly, the way people from all social strata and origins coped with war has confounded conventional wisdom.

There are no longer public services of any kind, including water and electricity supply. This situation does not date from 1991 but actually started in the 1980s depending on which area of the city one considers. But the radical privatisation of these services (private wells, generators, and grids) and their atomisation, have provided employment for a substantial number of people in town. At least twenty-three small plants are active in Mogadishu in the spring of 2002 and function at more than 50% of their capacity, a performance not seen in Mogadishu since the mid 1970s. Worthy of mention also are telecommunication companies that are providing basic services at low prices (US\$0.50/minute for international calls). Decent Internet services are also available at favourable prices when compared to Kenya.

The media were part of the State apparatus under the dictatorship. Nowadays, there are plenty of independent newspapers and weekly magazines in Mogadishu, reflecting and supporting a broader political and social discourse than at any other time in Somali history. Moreover, there are various radios broadcasting on FM or short wave and even TV stations that carry debates and disseminate a much wider range of ideas than the always widely listened-to BBC Somali Service. Furthermore, movies of all kinds and origins, (some even dubbed in Somali in a laboratory in Mogadishu by some talented Indians and Somalis) are available. At the same time, satellite dishes are not uncommon in the city.

Also worthy of note are private hospitals that outnumber the three assisted by the international community, the universities (three), and the 228 schools regrouped under two umbrellas. But, no one can count the plethora of language or computer institutes. Of course quality and standards are debatable, as they are in a number of other countries where the State has not collapsed.

Mogadishu at war has not been isolated from the outside world. Although the international port and airport have been closed for years, there are three airstrips where commercial aircraft can land (Ballidoole, K-50, Cisalley), two additional strips fit only for small planes (Dayniile and Jaziira), and two natural ports (Ceel Macaan, Jaziira) where most of the imports are unloaded. The port of Merka has been used only by international agencies for the last three years. Mogadishu is connected to Dubai, Djibouti, and Nairobi by regular, scheduled commercial flights. Remittance companies are also active in the city and function as its nascent financial sector. Besides money transfer, they often participate directly or indirectly in the investments made in the capital city, acting as institutional investors. They also offer some banking services, in that they keep safe (under deposit) the cash of many traders or entrepreneurs. Regular trading in foreign exchange takes place daily and in currencies such as dinars, rials, dirhams, birrs, Kenyan shillings, and, of course, US dollars, with cross-rates also kept at fairly correct levels.

Last but not least, there are a number of markets in the capital city where almost anything is available, from a valid passport to the most fashionable sunglasses, as well as more basic merchandise, such as anti-aircraft artillery, ordnance, and cocaine.

For good or bad, Mogadishu's economy has an impact on the neighbouring Somali regions and States. There are a number of reasons why this is so. At the Somali level, remittances sent by the Diaspora play an important role as did, before 1990, the vibrant parallel economy whose operators were able to trade under tense situations and with only tenuous legal protection. Figures on remittances have been inflated for public relations, especially after November 2001, since no serious

study has ever been conducted. In any case, most figures quoted in the recent past have been, at best, educated guesses. Nevertheless, a plausible annual amount for the whole of Somalia must fall between US\$ 150 million and US\$ 500 million, a significant percentage (from 12% to 40%) of the GNP, estimated at US\$ 1.3 billion in the recently published Human Development Report for Somalia.

But Somalia benefited also from certain imperfections in regional markets. While both Kenya and Ethiopia pay lip service to the free-market economy, liberalization, and deregulation, the reality is that there are plenty of grey areas where the State bureaucracies have considerable latitude and this has led to the growth of a parallel economy that depends on the purchase of access to markets. Somali operators have invested in this economy either by smuggling to engage in border trade (cattle, weaponry, and staple foods) or directly in the Eastleigh market in Nairobi. Of course, Somalis living in both Kenya and Ethiopia were instrumental in setting up these cross-border commercial networks and interfaces which their cousins from Somalia now take advantage of. However, these networks today operate in areas well beyond those where Kenyan and Ethiopian Somalis reside or have influence. The proximity of Dubai, a free port and entrepot in the Persian Gulf, is also an asset for Somalia and has considerably eased the problems that the absence of banking facilities creates for people who need to engage in international trade. For a start, Somalis can easily get a two-week visa to visit Dubai, as opposed to the difficulty of getting visas to Western countries. They can also pay in cash whatever commodities they buy. Furthermore, dhows are available to bring their commodities to Somalia without the need for expensive insurance, cumbersome procedures, or large cargoes. Money laundering was not considered a major issue in the day-to-day activities of many UAE operators before September 11.

The Somali crisis, or perhaps its intractability, is also in a certain way a by-product of the end of the Cold War and of globalisation. Had the West/East competition lasted a few more years, Somalia would have received much closer attention from the West and its crisis would have been handled much more effectively by its Western allies. Furthermore, because of the end of the Cold War, Western States felt they needed to pay but little attention to this crisis since the winner, whomever he might be, would have no choice but to align himself with the West. On a more positive note, this contributed also to redirecting the attention of Somalis to a place like Dubai, since their traditional allies were not so involved in the management of the crisis in 1991 and 1992. One should also mention that a number of key economic sectors went through radical transformations in the 1990s and those changes contributed towards easing the problems faced by Somalia. For instance, the collapse of the Soviet Union provoked the split of Aeroflot into many companies that were eager to rent their aircraft, with consequent declines in lease fees. The most successful Somali airlines for years had been chartering IL 18 aircraft from Air Tajikistan... The IT revolution also had a very important impact on the Somali economy. Thanks to it, telecom technologies became quickly obsolete and could be bought at prices affordable by Somali investors. The availability of telecom in Somalia as well as the development of commercial flights boosted the remittance economy since relatives from abroad could contact their families in Somalia and make sure that the money sent reached them.

Maybe the most challenging transition for Somalis has been to manage the huge change between the 1980s and the 1990s. Siyaad Barre's regime was adamant in its rejection of globalisation. Foreign books and newspapers, contacts with foreigners, and trips abroad were not taken lightly by the security services. In the 1990s, besides the existence of a numerous Diaspora scattered in the Horn, in Europe (today more in its Northern parts than in Italy), in America and Australia, passports are bought for a few dozen dollars, and commodities of every description can enter or leave Somalia. The influence of the Arab Peninsula has grown for complex reasons that cannot be explained here but this is also very much a part of this new era, ushered in by the civil war. Radical Islamism is also a way to address, or try to make sense out of modernity, and offers a solution to the fears generated by social changes under these new conditions. It is not surprising that certain Islamic groups have had, initially, more success in the Diaspora than in Somalia itself. One should also notice that globalisation in Somalia was mostly superficially understood as the victory of the market or money but that its other characteristics, such as political liberalism, pluralism, or the universality of certain values have not permeated into the current political culture.

It is important to keep in mind certain novel characteristics of the new economy in Mogadishu but also in other parts of Somalia. They could be summed-up under three points: the protection economy is still a significant part of this system; it is more of an oligopolistic economy than a perfectly competitive free market; and its lack of regulation (one of the most basic public goods provided by national governments) is one of the major obstacles to increased efficiency and prosperity.

There are different ways to analyse the protection economy in the context of Mogadishu. The most obvious is to discuss the ambiguous relationships between clan and business and the ancillary issue of how relative clan strength eventually translates into the economic realm. This has been examined in a previous study⁶⁴ and only a few additional comments are made here. Despite the clear denial by a majority of economic operators, the clan is still an issue, but the way it is managed has changed considerably over the years. At the beginning of the 1990s, business people acted in a market that was highly segmented due to deep rivalries among factions that controlled parts of Somalia. Today, with the collapse of the factional order (or disorder), the business people are more inclined to team up in companies and work together from the very beginning. This new *modus operandi* represents an improvement, though its limits are real as soon as management is discussed. To a certain extent, the need for protection is still there and there is a popular term for it in the market: *mukulaal madow*⁶⁵. Of course, this refers to a lower level of business but, eventually, demonstrates that the civil war mentality is not completely over. Another way to gauge the importance of the protection economy is to estimate the number of guards in all businesses. Evidence is provided through all chapters that militias are still a key component of the workforce in any company. This shows a trend that may become permanent even if a lasting political settlement were reached in this part of Somalia. Just like in South Africa, Mozambique, and Angola, these guards will, sooner or later, become employees of security companies since the rule of the law won't be established overnight, and even if a peace agreement were to be reached, security will not become perfect *ipso facto*...

There is another facet to this protection economy: the kidnapping industry. This term does not refer principally to the incidents in which foreigners or UN personnel are occasionally taken, but to the frequent hijackings that have taken place throughout the last years among Somalis, despite the establishment of Islamic Courts from 1998 to 2000, or of the TNG in autumn 2000. Many commercial disagreements or debts, when outstanding over long periods, can translate into kidnapping of one of the protagonists and pressure on his/her family to pay a ransom or the disputed sum. This can also generate counter measures, such as kidnapping from the other side or the seizure of vehicles or goods. For instance, that is what happened to a manager of Universal Bank when local investors wanted their money back. But there are many other examples: after a Mareexaan was kidnapped for ransom by some people in North Mogadishu, his kinsmen in Buulo Xawaa decided to stop all trucks belonging to the sub-clans of the kidnapers and this was enough to force a settlement. Many economic operators rely on those procedures since they lack confidence in any of the so-called new political institutions, notably the court system or even the TNG. It shows also that the rhetoric of powerful clans versus powerless clans no longer describes the whole reality. Clans no longer mobilize to defend each side (showing there is a defined border between private and public conflicts, and that ordinary people do not automatically accept that private disagreements should lead to social clashes). It proves also that this economy still needs a considerable amount of protection to work: legal regulations and arbitration procedures are still missing in this situation, making it easy to resort to the use of guns.

The absence of any kind of administration may make outsiders believe that Mogadishu's economy is a free-market economy. It is not. Some patterns explain why it cannot be the case. First of all, the need for protection (use of force) and the high transaction costs determine the profitability of operations. Those costs depend on many parameters, the clans of the potential operators being one of them. Some business people may pay less than others for certain services (protection...) and that would give an artificial advantage, meaning that efficiency is not always the decisive factor. One should certainly qualify that remark today, as compared to the situation four or five years ago but it is still broadly

⁶⁴ Roland Marchal, *The Somali post-civil war business class*, Nairobi, European Commission, September 1996.

⁶⁵ Gibil Cad traders, who are good customers in the protection economy... have framed this expression. Literally, it means, "black cat": black refers to the color of the Somalis and the cat is protecting the food from the mice....

valid. Another more intriguing pattern is that, in many economic sectors, the arrival of a new entrant often provokes the same behaviour. At first, there is an attempt by those already in the business to get rid of the new company and the competition takes the form of price-cutting so as to bankrupt the newcomer and expel him from the market. This can last several months and be quite costly for all actors. These price or competitive wars are accompanied by negative propaganda and, at times, depending on the temperament, character, or background of the protagonists, by armed clashes. After a while, when all sides are exhausted enough, fighting stops and informal consultations take place until a deal is struck. Often, the deal will include agreements on price fixing. So, the cartel, initially threatened by a new entrant, absorbs him and is strengthened. There are many examples of this practice, in the food trade, or in services such as telecommunications or electricity supply. This can be quite damaging to the economy, since innovations might be slowed, and competition much reduced, leading to unnecessarily high prices. Such behaviour by firms also shows that arguing about the quality of services is not that easy in Somalia and Mogadishu. But one should also look at the other side. When an activity generates significant profits, it attracts new entrants who may want to take shortcuts, not invest as much, or deliver a service of lower quality. In addition, because they might not incur the same costs, these entrants can undersell the established suppliers and thus provoke a crisis in the sector. There are many examples of such events in Mogadishu as well as in other parts of Somalia: lobster and meat exports some years ago faced difficulties because of the behaviour of new entrants wishing to capture easy profits. Finally, the entry of a new firm, after this unruly period which economists call “adjustment”, could lead to its classic economic conclusion, namely, lower profits for all the firms in the activity and lower prices for consumers.

The lack of controls and regulations makes things both easy and difficult. Since there are no rules, people can import whatever commodities and sell them under whatever name. The most well known and crucial example is in the health sector and the pharmaceutical business. Outdated or fake drugs are commonly sold in large quantities in Mogadishu by people who frequently have no knowledge about drugs. The packaging of Western medicines is often recycled and filled with very cheap or, at best, useless Indian and Pakistani pills. The same happens for certain foodstuffs, which are not of the quality described on the package. “Fake” banknotes have been imported into Mogadishu as if they were ordinary commodities, without any consideration for the consequences for the economy and the lives of poor households, quite a significant fraction of the population. Weapons are also brought into Mogadishu in quantities that raise major concerns over the possibility of peace in certain sections of the capital city. The same question could also be raised about other more sophisticated services such as telecommunications, airlines, or water and electricity supply, etc. In the long run, this creates real bottlenecks in certain sectors. For instance, the lack of regulations in the telecommunication sector has hampered the interconnection of networks and caused massive duplication of investments, as subscribers need to have three land lines reaching their home and three phone sets. The need for certain strategic sectors to agree on regulations, and for any would-be government to enforce them, is a priority for proper management of the Somali economy.

Recommendations for further action

As a result of this study on Mogadishu’s economy, and discussions with business people involved in various sectors, a set of options for further action has emerged. The following ideas have been examined throughout the author’s stay in Mogadishu and can either be implemented as stated here or reformulated within a context that takes into account other parameters (legality of the procedures for the EC and the like). They certainly can constitute significant steps in establishing a working relationship between sectors of the Mogadishu business class and the EC. They also raise a number of different, but important issues that could provide the EC with experience in dealing with a situation where no central government is able to enforce regulations or limit the activities of private individuals.

a) Revive the Somali Telecom Association

Despite the apparent success of telecommunications companies in Somalia, there are a number of problems that are of concern, both for their management, and for the public. For instance, the lack of interconnectivity of networks means that there is considerable duplication of investments, which constitutes both an inefficiency and a bottleneck for the growth of this sector. Other serious problems include: the need for a new numbering plan; the need for consensual allocation of GSM

frequencies; disagreements over the placement of microwave towers; and the need for improving managerial capacities in some of the companies. The expertise of the staff is acceptable but not impressive and all companies are aware that training in one form or another is urgently required.

Most of those problems have been discussed for a number of years and were already there when the Somali Telecommunications Association was set up in Dubai in August 1999. That meeting was a resounding success: all companies operating in Mogadishu attended, as well as prominent companies from other regions - with the notable exception of NETCO (Boosaaso) and SOLTELCO (Hargeysa). The Association was recognized as the Somali counterpart by ITU, due to the fact that no government based in Hargeysa, Garoowe or Mogadishu could be endorsed by all company members. This situation continues to the present day.

After three years of existence, however, the Association needs to be revived. After the initial enthusiasm, and in spite of their attendance (facilitated by ITU) at several international seminars, all companies have gone back to business as usual. Although the points discussed in Dubai have not been implemented by all companies, some of them have made specific deals that comply with advice provided by experts. For example, TELCOM and Nationlink were connected for a time and this may resume soon; Internet was operated collectively in Mogadishu and the like.

The first recommendation, therefore, is to help the telecommunications companies to hold a new managerial meeting in Dubai, under condition that all companies operating in Somalia be invited. The agenda of the meeting could be a broad reassessment of the telecommunications sector, and ways to enhance further cooperation as well as appropriate regulation among the companies. In addition, there should be an agenda for action on two different matters: the strengthening of links with ITU and the establishment of a training institution whose aim would be to provide courses for telecom technicians and management at senior and medium levels, which are in great demand.

To a large extent, this action is limited in time and could have a definite impact on the telecommunications sector in helping to strike agreements among some - if not all - companies. A new training centre, established in Somalia (most probably in Somaliland), could take over the role of the training centre that had been set up by the ITU in the 1960s, but shut down at the time of the civil war.

This project could, therefore, have impacts at different levels. The first could be the slow but real reshaping of networks due to the interconnection of a few significant companies. The second could be a fresh reappraisal of the numbering plan and the like. Third, the project could be a further step in the establishment of a regulatory body, an experiment that will have important consequences on other sectors, if it succeeds. A final impact could be the creation of a training structure substantially funded by the private sector where training could be provided at first for telecom workers, and then extended to meet other needs (electricians, management for ordinary companies, and the like).

b) Establishment of a Power Plant in Mogadishu

There are approximately 21 small plants in Mogadishu, not counting some of the companies that need significant power supply. Very often, electricity production or supply is the second or third greatest expense incurred by factories, radio stations, or telecommunications companies. This aspect has to be borne in mind, especially when the profitability of certain plants becomes fragile due to high costs and a low scale of production, as compared to very cheap imports.

An outline of power production and distribution in Mogadishu is proposed in the Report, but it is clear that electricity supply is still too primitive to contribute to the development of significant industrial activities.

After lengthy discussions with business people, there seems to be a window of opportunity to move on this point. A group of Somali investors could be identified with the help of a leading partner. They could invest in a small power plant (2 or 3 MW at this stage, far below the needs of a city like Mogadishu) build the relevant grid, and start supplying electricity to some factories and other companies. For reasons that are explained in the report, it would be convenient to build the power plant in the industrial area to serve large industrial users first and start selling to private households on a trial basis, initially as a side line.

EC involvement at an early stage would help in recruiting the core group of investors, pay for part of the feasibility study and, at a later stage, contribute expertise and training courses for those who will be managing the plant and the grid. The EC could also help by structuring the bodies that will be the caretakers of the project. The grid could be privately managed under certain conditions; the power plant could be owned by a company whose capital would be increased when new machines are needed. This is typically a project that is both economically sound and politically a confidence-building achievement since security and peace in the area will be absolutely crucial.

This project has other advantages as well. It could be extended if successful, providing a way out for those currently involved in a rudimentary system of electricity supply. It may also, sooner or later, contribute to the construction of a medium voltage grid in a significant portion of the city, or the consideration of regulatory issues.

c) Promote the emergence of a financial sector from the investment departments of money-transfer companies

Long before November 7, when al-Barakaat funds were frozen after allegations that the company was operating for al-Qaida, a number of observers saw the need to use remittances for something other than the survival of Somalia's middle class. Despite the lack of any legal system and the absence of trust among most of the market operators, Somalia and certainly Mogadishu's economy would not exist without an extensive and intensive use of credit. Those loans, whether small or large, are made under different conditions: to kinsmen in order to pay respect to the family or lineage, to well-known people in order to be co-opted among this circle of local or national figures, and so on.

A realistic way to begin the process would be to help the most prominent money transfer companies upgrade their capabilities. Given the low probability of a national government emerging soon from the current situation, it is unlikely that any real Somali banks will be set up in the near future. However, the question of whether a foreign bank could deliver some banking services within Somalia, beyond money transfer, is still open.

It is possible to envision a clear strategic agenda. One intervention would be to help the identified companies to train (in-house training or by other means) their staff to be able to handle normal bank operations. Money transfer is highly focused work and the staff were selected for that specific set of skills. This training could take a semester or two and could be partially supported by the EC on condition that significant moves are made towards the establishment of investment departments within the assisted companies.

As mentioned earlier, it is likely that many companies are actually doing this on an informal basis. The point is to help those companies to examine the loan applications in a technical and financial manner, so that loans are made to people who are known, but not notorious and from whom repayment is

likely. Despite all odds, the main money transfer companies or their HQs have already been doing that on a case-by-case basis. One would expect them to eagerly participate in a program to institutionalise this practice.

At an early stage, the EC could provide technical expertise, and information on what a bank is supposed to do and not supposed to do, since many managers are not clear on this subject. A list of companies to include could be drawn up. One difficulty should be mentioned here: after November 7, there have been rumours that the US government would, one way or another, take over Somalia's nascent banking sector and some companies were getting into position to take "their share of the supposed cake". Any program undertaken by a foreign institution, such as the EC, will generate a number of rumours and the revival of those newly created and sometimes-fictional companies.

d) Support to the companies exporting goods with value-added

After years of discussion, some of the companies exporting meat, fish, lobster, hides and skins have invested in infrastructure, cooling systems, and slaughterhouses that are close to meeting international requirements. This move in itself may not seem remarkable. However, it represents a considerable step forward given the background of those involved, and the type of capital available to them.

The export business is now relatively successful but the main problem remains. Most of those involved still need additional training in their area of work as well as some means to consolidate their investments.

At this stage, the EC could support these companies in Mogadishu, by organizing a series of missions to the city, with the purpose of instructing them in the norms of compliance needed to gain access to international markets and the investments that will allow for their growth.

This is a modest recommendation, but it could be extended to other companies based in Puntland and Somaliland. Moreover, in a country where trade is seen as a buying-selling activity, this would support the view that adding value to local products is a more effective (profitable?) way of getting into overseas markets.

e) An expert unit could provide pre-feasibility studies for small plants and marketing of exports

The discussion of the various plants set up in Mogadishu makes clear that a move to establish industries and other service companies took place from 1998-onwards. This is explained by the fact that a major confrontation in South Mogadishu became unlikely after the death of General Caydiid and subsequent events. However, the move is not strongly linked to political events: many plants were established despite the failure of the Benaadir Administration, a component of the Cairo agreement signed by all faction leaders based in Mogadishu in December 1997.

Another pattern underlined by the report is the fact that these new enterprises are often linked to the Diaspora, even though a significant part of the capital is raised locally. Nevertheless, one difficulty expressed all over Somalia by a proportion of the would-be managers is that, beyond their very effective but limited expertise, they lack the skills required to start a project.

In order to alleviate this difficulty, one may imagine that a small unit of experts could be contracted (for a fee) to prepare a pre-feasibility study. This report would be the property of those having commissioned it for a certain period of time. After that, it could become public if the initiators made no concrete move towards the investment.

This system may help business people to get a clear idea what they need when getting involved in such a project, such as the amounts that need to be raised and the time required to recoup their investment. It would be important to be able to start with some reasonable projects with good prospects of implementation (some ideas could be proposed) because nothing succeeds like success, which is also a prerequisite for further business progress.