Mo money mo problems

Why the absence of aid in Somaliland may make the government a little more responsive to its citizens

Jun 24th 2011

Share

By J.N.L. | NEW YORK

RULING parties in Africa often have to answer as much to their donors as their citizens. A recent paper suggests that the government in Somaliland has become more accountable to its citizens because of the lack of aid.

Somaliland announced its secession from Somalia in 1991 and has operated as a more or less independent country ever since. It has its own president, parliament and constitution. It even boasts a central bank that prints its own currency, the Somaliland shilling. The peaceful existence of its three million mostly Muslim, but secular, residents contrasts sharply with the disorder and instability of Somalia. The world, however, has refused to recognise Somaliland. Reluctant to encourage other separatist movements, the West remains committed to supporting the embattled Transitional Federal Government in Somalia which opposes its separation.

In his paper, Nicholas Eubank, a researcher at Stanford University, claims that some of Somaliland's success is down to a dearth of aid. Donors cannot give aid directly to the government since it is not recognised as such. It has been dependant on raising local tax revenue, which the paper says citizens have used as leverage to make the government more inclusive, representative and accountable. For those looking to bash the multi-billion dollar aid industry, it is an appealing thesis. But is it true?

The port of Berbera, a trade hub for landlocked Ethiopia's 80m consumers, is one of the government's main revenue streams. In 1992 the government tried to take the port by force form the Isle Muse, a small clan. Having failed, it entered into negotiations which led to the inclusion of other clans into a more representative government that won the backing of the country's richest businessmen. Mr Eubank argues that the government was forced to negotiate with the owners of the port because it was short of money. This would not have happened if it had access to aid money; the port brought in 80% of the government's $51m budget in 2008, a measly sum compared to how much Somaliland could get in aid were it to be recognised.

Others say that the "benign neglect" of British colonial rule allowed stronger political institutions to develop which made negotiations about the port more productive. Even so, the government's dependency on taxation certainly gave local business people greater leverage.

Somaliland's experiences cannot be applied directly elsewhere. But it offers some lessons. The resource constraints which led to a more inclusive government gave each clan a stake in maintaining stability. It is impossible to judge whether this outweighs the benefits that aid might have brought, but it should give donors pause for thought when they start splashing cash around. Somaliland's chances of becoming a fully-fledged country have risen with the precedent of South Sudan's independence. But the Somaliland government should consider its options before accepting the aid that would pour in if and when it is recognised. Its stability has in part been a result of a weak central government that does not threaten traditional regional leaders. An influx of money could upset this delicate balance.