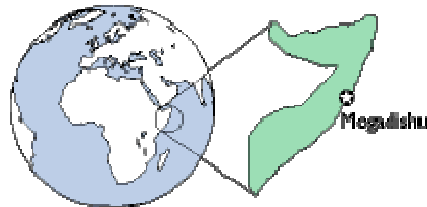


COUNTRY REVIEW

Somalia



10 December 2010

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EULER HERMES COUNTRY RISK GRADE: D

Country Risk Grades are on a scale of AA, A, BB, B, C, D
where AA is the lowest and D the highest risk.

COUNTRY PROFILE

Capital city:	Mogadishu
Population:	9.1mn (2009e)
GDP per capita:	Estimated at less than USD200
Currency:	Shilling (SOS)
Form of state:	Republic (in name only)
Head of state:	Sheikh Sharif Sheikh Ahmed is acting president of a Transitional Federal Government
Next elections:	Schedule uncertain

Somalia has **not had a properly constituted and effective central government since 1991**, despite attempts to form a federal authority. Since the early 1990s, the **country has been fractured along clan and regional divides, with society breaking down into lawlessness and anarchy**. A track record of undeveloped statehood from independence in 1960 reflects divisive tribalism and political fragmentation, including 22 years (1969-91) of dictatorship under Siad Barre and subsequent years of regional control by warlords and bandits. Current progress towards a unified state is fragile. **Somaliland and Puntland have a large measure of autonomy—the former declared itself an independent state in 1991, although it has not received international recognition**. Until recently, Somaliland and Puntland remained relatively unscathed by the fighting in the south and centre of the country. However, in September 2007, fighting broke out between these two areas and a further region (Sanaag) has seceded from Puntland to form another self-governing entity called Makhir. In addition to these political and security problems, Somalia has come to the world's attention through the **piracy in and around its waterways and coastline**. The fact that large oil tankers, as well as small craft, are held to ransom further indicates the lack of control of Somali government agencies.

Economic data are almost non-existent and most agencies do not include the country in ranking surveys. Policymaking and development have been severely restricted by civil unrest and armed insurrection and there are **virtually no formal government or banking institutions (a central bank is not yet fully functioning)**. The economy is **heavily dependent on agriculture (exports include livestock, hides and bananas) and the sector's output is prone to droughts and flooding**, as well as disruption from armed conflicts. Meaningful economic growth appears unlikely until peace and security are engendered. In turn, enhanced security would enable the international donor community to become more active in the country and permit full aid inflows to promote economic and human development. Currently, many agencies are reticent about having personnel in the country. Accordingly, **sound economic growth is likely to be elusive in the foreseeable future and Somalia will remain dependent on its vulnerable agricultural sector and on remittances from the large number of Somalis working overseas**. Accurate foreign debt figures are not available but, in the absence of a functioning government and central bank, service payments have not been met and **arrears have accumulated**. The economic situation is so poor that Somalia will, at some future date, receive significant debt relief—but only when peace and security have enabled a government to become effective.

The structural business environment is weak.

Andrew Atkinson

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