

**FROM TRUST TO OLIGOPOLY:
INSTITUTIONAL CHANGE IN LIVESTOCK
TRADE IN SOMALILAND AFTER 1991**

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ABSTRACT

From the 1980s on Somalia was in the grip of a looming civil war and formal institutions were weak and corrupt, which affected livestock exports. Livestock exports from northern Somalia, now Somaliland, resumed in the early 1990s in the absence of formal institutions and by late 1990, they were back in full swing. Some have made assumptions about the performance of informal institutions in the economy by interpreting the increase in the number of livestock exports from the port of Berbera in the absence of formal institutions to be an indicator of a performing post-war export sector. This study employs an institutional approach, informed by in-depth interviews and personal histories across a wide array of actors in the livestock export trade. Informal institutions have provided governance in the livestock export trade in the absence of formal institutions. However, coordination problems and other crippling challenges that have confronted livestock export since 1991 attest to the fact that informal institutions cannot be a substitute for formal institutions in the complex international trade. Somaliland had reinstated some formal institutions by the mid-1990s. However, the role of these institutions in the international livestock export trade is very limited due to their political status. Meanwhile, in the domestic economy, the interaction between formal and informal institutions has restructured the post-1991 livestock export trade.

INTRODUCTION

Central government institutions vanished in 1991 following the fall of the Siad Barre regime. Since then, the role of government institutions in the livestock export trade has been virtually non-existent or relatively ineffective where they have been revived.¹ Despite this, Somalia's post-war economy, including livestock export, has been treated by some as a poster child of an exceptional case of an economy that has thrived in the absence of formal institutions (Mubarak 1997; Little 2003; Leeson 2007). The increase in the number of livestock exports has been cited as a case in point of a remarkably performing post-war livestock economy (Little 2003: 37–38; Leeson 2007: 702–703; Powell, Ford & Nowrasteh 2008: 660). The performance of the post-war economy has been accredited to the deregulated and *laissez-faire* liberal markets that have emerged in the aftermath of the collapse of central government institutions (Mubarak 1997; Leeson 2007).

Leeson, for example, proclaimed that in terms of economic development, Somalia provides an experiment in how 'anarchy' may be superior to 'predatory' government institutions (Leeson 2007: 691) while Powell *et al.* (2008: 658) say that 'the Somali experience ... provide[s] insight to the robustness of markets when states collapse'. Mubarak (1997: 2028) argues that Somalia's post-war economy suffered more from recurrent droughts than from collapse of state institutions. In the case of livestock export from Somaliland, where Somali livestock export is most concentrated, it can be argued that libertarian scholars overstressed the performance of *laissez-faire* markets in post-war Somalia, based more on casual observations than on any critical evaluation of the post-war livestock economy including marketing facilities, veterinary care and animal welfare.

Analysts who lauded Somalia's post-war economy fall into two camps: first, US libertarians and select economists who found pleasure in the idea of a stateless and liberalised economy as they saw it happening in Somalia, including Somaliland. Second, academics who studied certain segments of the real economy in Somalia and who saw that there is and was a huge contrast between international discourses and stereotypes that Somalia's stateless economy is not functioning and their observations of a functioning economy which they used as a plausible evidence to counter stereotypes of a failed post-war economy. The interviews I conducted with a wide array of actors in Somaliland's livestock export trade fail to conform to any of these scholarly accounts. Those interviewed stressed that post-war livestock export is characterized by coordination problems, uncertainty, lack of proper health inspections and quality control and oligopolistic, profiteering, export merchants. As a result, the year-round commercial export of small ruminants, the most important species, has collapsed, Somalia's livestock has lost its dominance in the Saudi market to other livestock-exporting countries in the Horn of Africa, and accumulation from livestock has shifted to small number of large oligopolies while informal fees and customs duties charged on livestock exports have increased. Those interviewed believed that the ineffectiveness or absence of formal institutions has contributed to these woes. Some were nostalgic about the role formal institutions played in livestock export before 1991.² This scenario is best exemplified by the following quote from a livestock exporter who had been in the business since

1954 and who quit the business in 1991 due to the changes in the terms of trade in the post-war period:

Before the collapse, Somalia commercial bank facilitated livestock export. The bank was based in Mogadishu and had branches in Hargeisa and Burao cities. Through a Somali *wakiil* [agent] in Saudi Arabia, Somali and Arab traders established relationships and negotiated livestock prices. The Arab importer, then, sent LC [letter of credit] through the commercial bank. Upon receiving the LC, the bank advanced 50% of the livestock money to the Somali exporter in Somali shillings. Somalia used the FOB [Free on Board] shipment system in its livestock export. In the FOB, the Somali exporter loaded the livestock, the shipment company issued a Bill of Lading [BOL] and sent the original copy to the Somalia commercial bank while it gave a duplicate copy to the Somali exporter and the chamber of commerce. From the moment the shipment company issued the BOL, livestock ownership was transferred to the Arab importer and the Somali exporter claimed the remaining 50% of the money from the commercial bank which was paid in US dollars...it took few days to get the money... these arrangements had collapsed in 1991 and the terms of trade have completely changed since then. I quit the business because it was no longer what I knew, it became chaotic with greater risks and uncertainties.³

The quote above sums up the role that formal institutions such as the commercial bank, Letter of Credit, Free On Board shipment system and Bill Of Lading played in livestock export before 1991 and how these formal institutions induced cooperation between economic actors and reduced uncertainties and risks. After 1991, livestock export relied on informal institutions or ineffective formal institutions. In the light of the prevailing understanding that Somalia's livestock export has done extraordinarily well in the absence of formal institutions and the assumptions made about the optimality of informal institutions, the objective of this paper is to empirically investigate livestock export from northern Somalia, now Somaliland, with special emphasis on the effects of post-1991 institutional changes (both formal and informal) on the livestock export trade. As stated by Helmke and Levitsky (2004: 726), 'good institutional analysis requires rigorous attention to both formal and informal rules.'

This paper argues that Somaliland's post-1991 livestock export has faced a host of crippling challenges and a lack of development which threaten its competitiveness and sustainability and that these problems are in large measure a product of absent or ineffective formal institutions. The paper also argues that despite Somaliland's reinstatement of some formal institutions, export livestock trade remains largely informal and stateless, and not supported by state/formal institutions such as banks, contracts and enforcement. Other primary roles such as export livestock health inspection have been delegated to the private sector, while the mandate for national livestock disease surveillance and vaccination has been taken over by international

non-governmental organisations. Finally, the paper argues that despite informal institutions providing governance in the post-war livestock trade, they fall short in the complex overseas livestock export.

To support these arguments, this paper identifies and analyzes formal and informal institutions in the export livestock trade. Livestock export from Somaliland is distinctively different from other post-war Somaliland economic sectors. First, unlike other key economic sectors such as import, remittances, telecommunications or the domestic livestock trade, livestock export to the Arabian peninsula countries, Saudi Arabia in particular, is regulated by formal institutions of the receiving countries.⁴ Second, there are international standards and guidelines that govern livestock export and which are monitored and appraised by international institutions. The Somalia/Somaliland livestock export trade should be understood in this context. In its analysis of institutions in Somaliland's livestock export, this study finds useful and adopts an institutional analysis approach (Assaad 1993; Meagher 2007) to focus on formal and informal institutions in livestock export trade after 1991, their emergence and persistence, the interests they serve, the interaction between the formal and informal and their impact on the livestock export trade.

This analysis has three overlapping contributions: first, it bridges the gap between scholarly discussions of post-war economy in the absence of formal institutions and the lived experience shared by the people on the ground in the study area. Therefore, it contributes to the literature on formal and informal institutions in Africa. Second, the analysis is relevant for development economists and policy practitioners in Somaliland and elsewhere in Africa to understand the potential and limits of formal and informal institutions in economic growth and development. Third, livestock exports from Somalia take place along three corridors, two sea corridors (Berbera and Bossaso) to the Arabian Peninsula across the Gulf of Aden and one land corridor to Kenya (Tempia *et al.* 2010). Little, in his book *Somalia: Economy Without a State* (2003), has detailed the Somalia–Kenya corridor. However, the two sea corridors have not been subject to any systematic investigation on how statelessness affects trade. The sea corridors are not only different from the Kenya corridor in terms of geo-economics but also differ in the nature of trade and the actors. Little himself cautioned in his book against blanket generalizations on the Somali post-war economy.

Empirically, the paper is informed by three months of intensive field research carried out in Somaliland. I conducted in-depth interviews with 70 livestock exporters, middle traders, brokers, truck operators/owners, veterinary professionals, investors, the Chamber of Commerce and relevant government agents. The interviews were carried out in Hargeisa, Burao and Togwajale terminal markets in the morning hours, tea shops in the afternoon, while government officers were interviewed in their offices. Data collection took place between March and August 2018.

The paper is arranged into four parts: (1) conceptualization and definition of institutions; (2) a sketch of pre-war institutions in livestock export trade with emphasis on their roles and on how they have been evaluated ; (3) a more elaborate

analysis of informal institutions in the livestock export trade in the post-war period with considerable attention to their emergence, contributions and the constraints they face; (4) a look at the post-war veterinary institutions in livestock export, and (5) a detailed analysis of the creation of post-war formal institutions, their roles, vested interests and persisting constraints.

FORMAL OR INFORMAL? CONCEPTUALISING INSTITUTIONS IN LIVESTOCK TRADING

In contrast to orthodox economists, many heterodox economists and a wide array of other social scientists such as institutional economists, economic geographers, economic historians, sociologists and anthropologists have grown interested in the role of institutions in economic governance and performance (North 1990; Zukin & DiMaggio 1990; Amin & Thrift 1995; Staber 1996; Hess 2004; Granovetter 2005; Aoki 2007; Beckert 2009). Consensus on the interest of institutions has not been matched by consensus on their definition (Nabli & Nugent 1989b: 1334; Helmke & Levitsky 2004). The standard definition is that formal and informal institutions structure and coordinate human interaction by constraining or enabling behavior (Nabli & Nugent 1989a; North 1981; North 1990; Helmke & Levitsky 2004). However, due to the intimate relationship between formal and informal institutions in Africa, and probably elsewhere in the world, the distinction between formal and informal institutions is not always clear-cut (Assaad 1993; Meagher 2007; Little, Tiki & Debsu 2015).

This study adopts Helmke & Levitsky's (2004: 727) definition that formal institutions are laws, rules, procedures and policies that are 'created, communicated, and enforced through channels widely accepted as official' while informal institutions are 'socially shared rules, usually unwritten, that are created, communicated and enforced outside officially sanctioned channels' or that are not widely accepted as official. Helmke and Levitsky further suggest distinguishing informal institutions from weak formal institutions and institutional behaviour from non-institutional behaviour. In the former, they argue that weak institutions (i.e. ineffective in their enforcement and compliance) mean absence of 'stable or binding rules' but this does not necessarily mean informal institutions are present. In the latter, they argue that in order for a behaviour or practice to be considered as an institution it must conform to 'established rules or guidelines', violation of which can trigger sanctions.

In post-war Somalia/Somaliland, distinguishing formal from informal institutions is even more blurred because formal state institutions are not necessarily widely (or internationally) accepted as formal while other institutions such as quarantine stations have been created by the government but are self-enforcing. Moreover, financial institutions such as *hawala* have not been created by the government, neither are they enforced by the government through accepted channels. Therefore,

according to the adopted definition, which tries to capture as much information on formal and informal institutions as possible, both quarantine stations and *hawala* and their ilk are treated as informal.

Formal and informal institutions have complemented each other in Somalia's livestock export since the colonial period (Samatar, Salisbury & Bascom 1988). Despite institutional pluralism in the livestock trade, informal institutions such as the trust-based credit systems have played a critical role at the beginning of the value chain (from producer to marketing) whereas formal institutions such as veterinary care, letters of credit, taxation, quarantine and certification have been concentrated at the end of the value chain, once the livestock reaches the local markets until export. The greater formalization of the latter stage in the value chain has largely been driven by the demands of the import countries for quality livestock and also to show compliance to the sanitary procedures of international trade organizations such as the World Organisation for Animal Health (WOAH).⁵ A key component of WOAH's international livestock trade sanitary requirements is controlling transboundary animal diseases (TAD) (Thomson *et al.* 2004) which require animals to undergo quarantine for a period of two–three weeks. Wealthy Gulf countries require livestock-exporting countries to place their animals in quarantine for two–three weeks against TADs including foot and mouth disease, Rift Valley fever, or peste des petits ruminants (Joosten, Muzira & Mintesnot 2017). In addition, pre-1991 formal institutions played an important role in livestock production and marketing development, though their capacity became increasingly weak in the post-Ogaden War period.

Since 1960, the relationship between Somalia and neighbouring Kenya and Ethiopia had been unfriendly due to the conflict over Northern Frontier District (NFD) and Ethiopia's Ogaden territories. Post-independence conflicts such as the 'shifta war' in NFD and the Somalia and Ethiopia war over the Ogaden in 1977/78 had interrupted cross-border economic activities, both formal or informal. The border situation changed again after 1991 when livestock export from Somaliland largely started to depend on cross-border trade with eastern Ethiopia (Majid 2010; Little, Tiki & Debsu 2015). This cross-border trade takes place along specific clan-controlled corridors where informal institutions such as guarantors, protectors and informal credit systems, which are founded on trust facilitate flow of livestock to the markets (Umar & Baulch 2007: 7). However, in the post-war period, overseas livestock export has also largely become informal.

PRE-WAR LIVESTOCK TRADING: COMPLEMENTARITY, CONSTRAINTS AND CRITICISM

To better understand the discussion on the post-war changes of institutions in the livestock export trade in Somaliland, we must take a closer look at pre-war institutions in Somalia. Scholars who studied Somalia's economic performance,

including livestock exports, mainly focus on four periods, starting first with the civilian government period (1960 to 1969). In this period, British Somaliland and Italian Somalia, having gained independence in 1960, united to form a civilian government which was overthrown by Siad Barre in 1969 (Leeson 2007: 692). Laitin noted that though some Western scholars saw emerging democracy in Somalia, civilian government institutions were weak and corrupt, for example, 'most custom duties from Berbera were pocketed by civil servants' (1976: 453). Secondly, under Siad Barre, scholars focus on two periods: the socialist period (1970 to 1979), and the post-Ogaden War period (ca. 1980 to 1990). Lastly, the post-war period takes in the time from 1991 to the present (see Laitin 1976; Samatar 1987; Jamal 1988; Samatar *et al.* 1988; Mubarak 1997; Little 2003; Leeson 2007).

Institutional performance and trade performance (1969 to 1979)

After a bloodless military coup in 1969, Siad Barre embraced scientific socialism as a development approach, purportedly to end the rampant corruption and poor economic performance of the civilian government (Powell *et al.* 2008: 658). Arguably, this period was the better part of Siad Barre's regime as major economic development projects were undertaken. Some critique the government's increased interventions in the economy. However, overall government interventions in the livestock export trade were minimal. As Samatar (1987: 369) explains, the government was unable to control the livestock export trade: the personal relationship arrangements in the trade, government's fear that interventions would interrupt its main source of foreign exchange and the hostility of Saudi Arabia, the most important market, to socialism were three factors that explain why livestock export trade remained less affected by interventions of the socialist government. Some of the most ambitious developmental policies and programs to improve livestock production and marketing were implemented in this period. Najim and Briggs (1992) discuss several ambitious and largely effective livestock development projects including the development program of 1971–1973 and the five-year development program of 1974–1978.

Extended veterinary services to treat contagious diseases, improvement of animal marketing by establishing livestock marketing infrastructure including the creation of new primary markets to bypass the profiteering of intermediaries between producers and purchasers, the construction of deep water ports such as Berbera and Kismayo, the establishment of 183 grazing/seasonal reserves and holding grounds, quarantine and reconditioning services for livestock exports and the establishment of a national shipping line to improve transportation of livestock and overcome stagnation in livestock export are some of the ambitious and largely effective government policies and development programs implemented in this period (*ibid.*). In 1979, the Somali government partnered with a Greek shipping company to establish Somali-Hellenic Shipping Agency (SHSA) which introduced livestock carriers chartered by Saudi Arabia (Najim & Briggs 1992: 360). The improved livestock transport, veterinary care and the upgrading of the port of Berbera increased the number of livestock exports and reduced livestock deaths during transport (*ibid.*). Despite slow growth in small ruminant exports and devastating

droughts in this period, Somalia remained the leading small ruminant exporter to Saudi Arabia (table 1).

Table 1. Number of small ruminant imports to Saudi Arabia by country 1970–1981

Livestock heads exported to Saudi Arabia per year						
Country	1970	1971	1972	1973	1974	1975
Sudan	148,705	972,93	112,996	164,885	202,552	91,195
Somalia	778,910	951,066	1,293,284	930,347	806,453	1,002,231
Djibouti	32,369	23,536	20,716	-	2800	6,000
Jordan	-	-	-	-	-	1,355
Syria	-	-	-	-	-	12,662
Australia	2,500	33,560	5,010	9,550	8,000	49,307
	1976	1977	1978	1979	1980	1981
Sudan	137,945	254,700	733,776	387,494	623,853	884,476
Somalia	730,178	514,529	1,422,855	1,150,832	1,247,533	1,155,449
Djibouti	3,336	92,327	3,897	6,200	-	32,383
Jordan	9,425	3,479	4,129	23,349	118,455	618,380
Syria	8,687	23,326	50,745	222,740	149,436	561,685
Australia	189,826	602,716	1,082,426	1,058,559	1,194,020	1,764,940

Source: Holtzman 1982, cited in Samatar 1987

In the period under discussion, livestock export trade to Saudi Arabia faced challenges around differences between formal and informal prices. Somalia nationalized its banks in 1975 and foreign currency was restricted to tackle the devaluation of the Somali shilling. Between 1973 and 1981, the Somali shilling was tied to the US dollar (Jamal 1988: 246). However, in the 1970s the value of the LC (Letters of Credit) for export livestock was lower than the price agreements between Somali exporters and Saudi importers (Samatar 1987: 368).⁶ The *Dabadheer* prolonged drought in 1974 was another event that affected livestock production; the numbers of Somali livestock population reduced due to the higher mortality rate of livestock caused by the drought, which in turn reduced the supply of livestock and as a result prices significantly surged. Between 1978 and 1982 the export price (in US dollars) of sheep and goats increased by 47 per cent (Jamal 1988: 244). Due to higher livestock prices and increasing competition from other livestock-producing countries such as Sudan and Australia, the Somali government, concerned about the loss of foreign exchange from livestock, fixed lower livestock prices (Samatar 1987: 369). Samatar *et al.* (1988: 94) describe how 'a Saudi client wires to the Somali Commercial Bank a letter of credit worth 'X' number of sheep and goats valued at \$42 each. The Somali Commercial Bank then advances 50 per cent of the value of the letter of credit in local currency (shillings) to the Somali merchant...'. However, there was a price difference of US\$15–30 per head of small

ruminant, depending on the grade, between price fixed by the bank and the price negotiated by the Somali exporter and Arab importer.⁷ This led to the emergency *farqiya* arrangement in the 1970s.

Despite the government-fixed price of livestock, livestock exporters still made profits. Livestock exporters were able to make profits from the *farqiya* arrangement described below (Samatar 1987: 369; Samatar *et al.* 1988: 96). The relative profits in the export livestock sector attracted non-livestock businessmen affected by the nationalization and consequently the number of livestock exporters active in Burao and Hargeisa markets increased from 60 before nationalization to 254 after nationalisation (Samatar *et al.* 1988: 94). The significant increase in the number of livestock exporters is an indication of limited government red tape and absence of oligopolies in the export livestock sector before 1991.

Farqiya (meaning 'difference' in Arabic) was an informal financial arrangement that started in the 1970s due to the above constraints.⁸ Somali and Arab traders negotiated prices that were higher than the official price per head of animal. The Arab trader wired a letter of credit of the official livestock price to the Somalia Commercial Bank while retaining the difference between official price on the letter of credit and the negotiated price, which he paid directly to the Somali trader in Saudi dollars after livestock was sold (Samatar *et al.* 1988). The *farqiya* arrangement was a precondition for the Somali exporter to supply 'quality' livestock to the Arab trader.⁹ However, the only reported defaults in the overseas livestock export before 1991 took place in the *farqiya*. Commenting on this, a former livestock exporter noted, 'if the Arab trader did not make the expected profits or made a loss, he blamed the Somali trader for supplying poor quality livestock and consequently defaulted on the *farqiya*'.¹⁰ As *farqiya* transactions were informal and not legally enforceable, the Arab importer knew that he could get away with defaulting on his partner. Expecting the exchange partner to default causes a problem of cooperation in the trade (Beckert 2009). Arguably, the case of Somali informal economy teaches us that informality and cooperation problems in overseas trade are closely associated.¹¹

Post-Ogaden war period (1980 to 1990): institutional and economic crises

After a fallout with the Soviet Union due to the 1977/78 Ogaden War between Somalia and Ethiopia, Siad Barre abandoned socialism in 1980 (Powell *et al.* 2008: 658). Siad Barre accepted International Monetary Fund (IMF) and United States (US) trade liberalization policies (*ibid.*). Mubarak states that in this period, Somalia lacked consensus on development policies: inconsistent and erratic macroeconomic policies confused the domestic market and government policies lost influence and credibility, which led to the emergence of parallel informal institutions (1997: 202). IMF economic reform policies failed in Somalia as in most other African countries (Jamal 1988: 248). Notable institutional crises that faced Somali livestock export in this period were the devaluation of the Somali shilling, a ban on livestock imposed by Saudi Arabia and unreliable livestock transport that increased trading costs. Consequently, the profitability of livestock exports plummeted.

Regarding devaluation, from the early 1980s there was a huge difference between the official exchange rate of the Somali shilling offered by Somalia Commercial Bank and the informal exchange rate on the street (Mubarak 1997; Jamal 1988). In the mid-1980s, the commercial bank exchanged US\$1 for 86 shillings for the Somali livestock exporters while in the informal market \$1 was exchanged for 150 shillings, a difference of 64 shillings per dollar (Samatar *et al.* 1988: 94–95). As argued by Samatar *et al.* (*ibid.*), in the mid-1980s Somali livestock exporters were still able to make profits from livestock as they exchanged the 50% of their hard currency from livestock that the commercial bank paid in dollars on the informal market. However, Somali livestock exporters lost their profitability from livestock by the late 1980s after ‘Saudi importers demanded the Somali exporters pay them commission from the Farqiya’ and, as of 1986, Somali livestock exporters who had LC were reluctant to buy livestock from Burao and Hargeisa markets (Samatar 1987: 248).

Another heavy blow to Somalia’s livestock exports was the Saudi ban on Somali livestock in 1983 due to health concerns (Samatar 1987: 370; Jamal 1988: 248). Najim and Briggs (1992) argue that the ban was political as Saudi Arabia, unhappy with the dominance of Somali livestock in its markets and relatively higher prices of Somali livestock, wanted to shift to Australia. Saudi Arabia lifted the ban on small ruminants gradually after one year while the ban on cattle remained in force (Samatar 1987: 370). The ban on cattle remains today and no Somalia/Somaliland cattle are exported directly to Saudi Arabia. Cattle exports shifted to Yemen and despite the significant reduction in the number of cattle exports, dropping from 157,000 head in 1982 to 40,000 head in 1983 (Jamal 1988: 248), as of 1987, ‘cattle trade was better than small ruminants as cattle holding grounds were full while small ruminant holding grounds were empty’ (Samatar 1987: 370). Finally, by the late 1980s, the decline in SHSA services led to a crisis in livestock transport. Samatar (1987: 370) has described the problem in the livestock transport system:

When livestock ships docked, livestock traders moved their livestock from the hinterlands to Berbera for export, but they did not have assurance that the ship could hold all their livestock. Those who were unfortunate to have their stock left behind often suffered significant losses as result of difficult coastal climatic conditions. No merchant was immune to this potential catastrophe.

Somalia faced serious economic and institutional crises in this period, however, as argued by Jamal (1988: 246) some of these were ‘African problems’ that faced most of the post-colonial African states. Despite formal institutions becoming weak towards the mid-1980s, they still largely regulated overseas livestock exports, especially small ruminants to Saudi Arabia. As Helmke and Levitsky (2004: 723) remind us ‘weak formal institutions does not necessarily imply the presence of informal institutions’. By the late 1980s economic crisis and growing popular discontent with the government of Siad Barre led to the formation of clan-based armed movements including the Isaaq-dominated Somali National Movement (SNM) and Hawiye-dominated United Somali Congress (USC) (Leeson 2007: 694). This conflict ‘culminated in full-scale war in 1988’ when the SNM launched an

offensive against government forces in Hargeisa and Burao cities (Gundel 2002: 257). The government forces responded with brutality, leading to the destruction of Hargeisa and Burao and the deaths of more than 50,000 people (ibid.).

POST-WAR LIVESTOCK TRADING: CONTINUITY, EMERGENCY AND NEW CONSTRAINTS

Shortly after the SNM took control of the northern Somalia regions from government forces, a process of reconciliation between clans in northern Somalia started, culminating in the declaration of Somaliland on May 18, 1991 (Balthasar 2013: 219). The SNM chairman, Abdirahman Ahmed Ali Tuur from the Isaaq/Garhajis clan was selected as interim president (Bradbury, Abokor & Yusuf 2003). Livestock export through Somaliland's port of Berbera resumed in June 1991 with the support of informal institutions. The post-war economy 'fell back to the informal market institutions' that were in place or had emerged before the war (Mubarak 1997: 2030). The subsequent sections focus on the continuation, emergence, optimality and new constraints faced by informal institutions in the post-war livestock trade.

During Tuur's interim government from 1991 to 1993, livestock export was conducted in the complete absence of functional formal institutions as the interim Somaliland administration was unable to restore functioning state institutions. In an interview I conducted with one of the first livestock traders to export to the Arabian Peninsula after the war, he elaborated on how the post-war livestock trade resumed:

It was my first time in the livestock export, I exported 20 goats with the first boat that left Berbera in June 1991. The vessel carried 650 sheep and goats. We exported the livestock to Dhubab, a coastal village in southern Yemen. Since Dhubab did not have a port, we unloaded livestock from the vessel with motorboats. I did not have a contact in the import market, no contractual arrangement existed either, or a banking system to repatriate livestock money. I had travelled with the vessel. After I arrived, someone introduced me to an Arab trader in Dhubab. I stayed at his house while he sold the livestock. We could not be paid cash because there was no dollar currency in Dhubab, while we could not accept the currency that was in use in southern Yemen. In addition, Dhubab was a military base for the Southern Yemen separatists. The military took whatever number of livestock they wished. We also paid informal fees to local mosques and for rubbish collection. We used the remaining money to buy used sacks and jerrycans/barrels, candies, biscuits and yeast from the local stores and imported them to sell to consumers in Somaliland urban settlements and in the refugee camps in east Ethiopia.¹²

This testimony highlights two key features of the post-war livestock export from the port of Berbera: first, the informal nature of livestock export and the total absence of formal institutions as no commercial bank, letter of credit, bill of lading or free on board arrangements were involved in export trading. Consequently, harassment started with the post-war informal export and risks were transferred from the Arab importers to the Somali livestock traders, something that has persisted until today. Second, it suggests a change in the key actors in the livestock export to the Arabian Peninsula. A new breed of low capital and less experienced post-war exporters, mainly from the Garhajis clan, resumed livestock export to Yemen. In so doing they replaced the high capital and more experienced pre-war livestock exporters, many of whom did not resume livestock export. The decision of pre-war livestock exporters not to resume livestock export had been influenced by a combination of factors including loss of capital. One former livestock exporter noted, 'the war broke out in the northern regions when a cargo ship that carried sugar for me docked in Berbera. I fled to Mogadishu and I lost millions of dollars in this ship while I lost millions in the Somalian banks since the government collapsed'.¹³ In addition, many of the pre-war exporters were elderly men nearing retirement age who lacked the flexibility and energy to engage in 'chaotic', risky and 'unregulated' post-war livestock export.¹⁴

Formal and informal institutions already complemented each other during livestock exports before 1991. Key informal arrangements in the livestock trade were *farqiya* and informal foreign exchange and credit arrangements (Jamal 1988; Samatar et al. 1988). *Farqiya* immediately collapsed in 1991 due to the collapse of government price controls. *Franco valuta*, an informal system that was mainly important for imports but also facilitated the repatriation of *farqiya* money back to the country, had weakened gradually due to the evolution of *hawala* institutions. The *franco valuta* persisted in the early 1990s when, in the absence of *hawala*, small-scale livestock exporters to Yemen gave their cash to commodity importers in Yemen who used the cash to buy imported goods and paid cash to the small-scale exporters in Somaliland. The emergence of informal institutions proves the resourcefulness of the Somali traders when confronted with challenges. In addition, the discontinuation of *farqiya* and *franco valuta* after state collapse highlight that some informal institutions emerge out of circumstances and can disappear when the circumstances that led to their emergence in the first place, change.

Informal credit systems in livestock trade developed in the 1940s and persisted throughout the years. Those livestock traders who did not have sufficient capital to buy livestock used kinship linkages to buy livestock on credit from producers, exported it in the overseas markets and paid their creditors once the livestock money returned back to the hinterlands and after they had deducted their costs and profits (Samatar et al.: 86). Through this credit arrangement merchants transferred risks to the producers (ibid.). After 1991, the so-called *soo-adeyn* ('cashing commodities') practice became common. For the livestock trade, this meant that a merchant buys livestock on credit from middle *jeeble* traders, transports it to the overseas markets and pays the creditors once cash has returned to Somaliland while retaining a profit/commission. In the local markets *jeeble* middle traders gathered

livestock from producers in primary or secondary markets on credit and sold them to *ganasade* or merchant exporter on credit. The *jeeble* and *ganasade* made arrangements with local food store owners who gave producers staple food items on credit. Either *jeeble* or *ganasade* acted as guarantors for the store owners. The *ganasade* then exported livestock to Yemen markets and delegated a Yemeni *wakiil* to sell the livestock. The Yemeni *wakiil* then sold the livestock to Yemeni slaughterers on credit, with the livestock payment to be made once cash was collected from the Yemeni creditors.¹⁵ This credit-based system facilitated livestock trade despite limited access to capital of both Somali and Yemeni traders, hence it led to a series of economic transactions in which no cash changed hands.

In the early 1990s livestock exports from Berbera destined for the Yemeni coastal towns of Dhubab, Mokha and Taizz where Somali livestock exporters bought essential consumer items from stores on credit using the *soo-adeyn* practice, Yemeni *wakiils* acted as a guarantor for the Yemeni store-owners. Somali creditors in the value chain waited for their money for months, sometimes years and at times it was never paid back.¹⁶ Somaliland livestock exporters started to export to the port of Jizan in Saudi Arabia, around 1992. In Jizan, the *soo-adeyn* informal credit practice did not change substantially over time with the exception that Arab traders paid US dollars to the Somaliland traders.

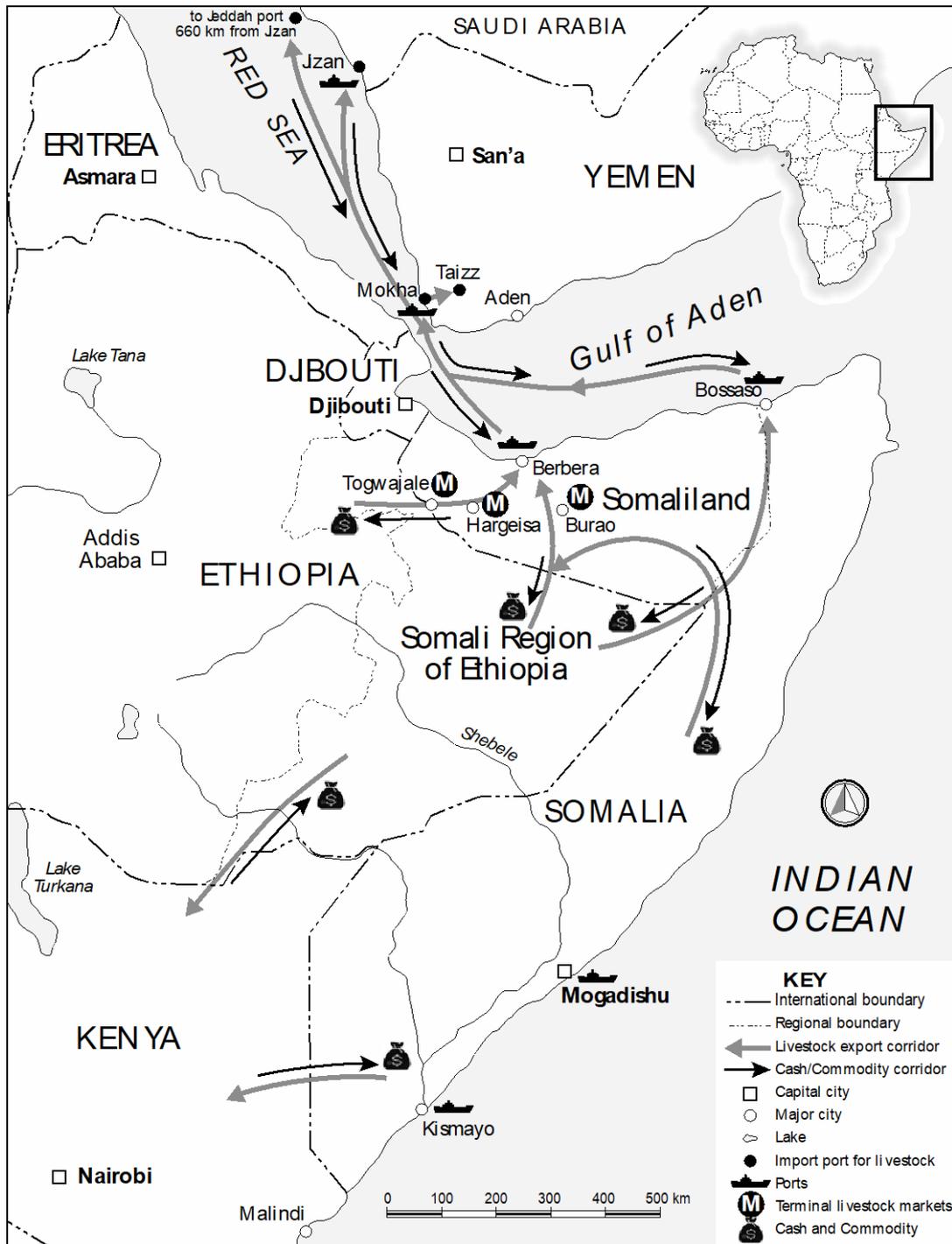
After cash returned into the livestock trade, Somaliland livestock traders confronted the challenge of repatriating livestock money back to Somaliland. At the beginning the *ganasade* or *haraas* (livestock attendants) who travelled with the livestock vessels transported the cash themselves. A former livestock exporter explained this risky money repatriation as follows:

After the livestock was sold in Jizan, I used to come back with the vessel and transported US\$150,000 to 200,000. I tied the money into my waist to protect it from water... there were no banks that regulated our cash, no taxation, no remittance...carrying such a huge amount of money was risky in both Saudi Arabia and Somaliland...however, it was profitable because livestock was the only economic activity in Somaliland that generated such huge amounts of hard currency.¹⁷

It is important to point out that in the livestock export trade corridors serve a dual purpose: first, the corridors facilitate movement of livestock from the hinterlands to the economic hubs (ports and markets). Second, corridors facilitate movement of cash and/or commodities back to the hinterlands (see figure 1). Nori (2009: 112) describes the Somali corridors as ‘parallel conveyer belts that take out local (pastoral) products and bring in consumer goods.’ Nori also mentions that due to ecological conditions, different corridors have different economic specializations. Regarding livestock, figure 1 illustrates that Togwajale and Kismayo are corridors in the hinterlands that specialize in cattle due to their proximity to cattle production zones while other corridors specialize in small ruminants. However, the movement of cash/commodities is a common denominator among the corridors.

It is a common practice to truck commodities back to the hinterlands along the corridors using the same trucks that transported livestock out. Close interactions between livestock and commodity flows offers a plausible explanation for why many of the institutions in livestock trade discussed here are relevant for an institutional analysis of commodity trade. In addition, it explains why many of the livestock traders/exporters are also commodity traders/exporters. Cash is rarely physically moved in the corridors as livestock traders either use cash from livestock to buy consumer commodities or wire the cash through formal/informal financial systems.

Figure 1. Livestock export and cash/commodity corridors in the Somali territories



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As the volume of livestock exports to Jizan increased in the early 1990s and the repatriation of cash became more difficult, Somali entrepreneurs started the contemporary *hawala* system, which facilitated the repatriation of hard currency from livestock exports to the Arabian peninsula.¹⁸ The *hawala* (an Arabic word meaning 'transfer') is a financial mechanism where *hawala* dealers transfer values of money through networks to facilitate international trade and, in its classical form,

it predates the medieval period of Islam (Ballard 2005). The contemporary Somali *hawala* started in the early 1990s during the civil war by *hawala* dealers, mostly trusted business associates and agents, who largely communicated through military radio equipment (*taar*) that fell into civilian hands after 1991 (Lindley 2009: 552). The emergence of *hawala* facilitated the repatriation of hard currency from livestock, and to this day *hawala* remains important for the backflow of livestock money (Iazzolino 2015: 15).

Livestock exporters faced challenges after the 9/11 terrorist attacks in the US, which brought about additional due diligence on international money transfers: sums of more than US\$ 20,000 transferred to Somalia or Somaliland has been subject to due diligence.¹⁹ In the Saudi value chain, livestock traders wire money through Djibouti banks as a consequence.²⁰ In the Yemen value chain they break down financial volumes into smaller denominations of \$10-20,000 and wire through different *hawala* companies under different names.²¹ Though international banks are absent in Somaliland (Iazzolino 2015), since 2010 some *hawala* companies have promoted their services by establishing Islamic commercial banks such as Dahabshil and Salaam. However, these banks do not handle LCs and they are also constrained by due diligence policies of international banks and the absence of internationally recognized formal state institutions in Somaliland. Notably, local banks remain to a large degree unregulated as the Somaliland central bank is unable to regulate the private banks (Musa & Horst 2019).

Despite an increase in the number of livestock exports in the 1990s, two main bottlenecks have limited this growth. First, low stocks of capital by Somali livestock exporters, and second, the limited availability of maritime transport as livestock carriers or cargo ships were reluctant to come to Berbera, due to high risk, and they have had to use smaller vessels. As of the mid 1990s one key informal institution that has facilitated livestock export trade and which developed out of the trade relations is *mu'amala* (in Arabic, meaning 'good conduct evolving from economic transactions'). The *mu'amala* is a trust-based and self-sustaining personalized institution that evolved as a result of repeated transactions and good conduct exhibited by trading partners across cultures and geographic boundaries.

Before *mu'amala* develops, transactions are typically characterized by uncertainty and risks as some traders let their partners down for short-term gains. Once *mu'amala* develops among trading partners it benefits the individuals that are known for good *mu'amala* in the form of trust, reputation and access to informal credit. After repeated transactions, those who have become known for good conduct are trusted with more informal credit. Being trustworthy and the benefits that come with it is an incentive to sustain good conduct, said one livestock exporter who, based on *mu'amala*, buys cattle from Ethiopia and has been dealing with one Arab livestock trade partner in Yemen for decades.²² Meijerink (2011) states that when adopting a certain behavior has a payoff, the institution will be self-sustaining. *Mu'amala* is not kinship-based as it can develop between cross-cultural, cross-clan and transnational exchange partners. A cattle exporter explained how *mu'amala* works for him:

If an economic actor is known for his good conduct and is trustworthy, that is a form of social capital because you will be trusted with livestock on credit. *Mu'amala* was not affected by the civil war in the country. Based on *mu'amala*, I take credit from livestock traders from different clans in and outside Somaliland. Let alone Somalis, I buy livestock on credit from Oromo traders in Ethiopia because we have *mu'amala*.²³

The development of the institution of *mu'amala* between individual Somali and Arab traders gave Somali livestock exporters access to informal credit advances that replaced the formal credit advances that the Somalia Commercial Bank gave to livestock exporters before war. After several successful transactions, Arab livestock traders started to advance funds to their cash-strapped Somali partners to buy livestock for cash while they also bought some on *soo-adeyn* credit. Besides demonstrating the Arab traders' trust in those Somali traders who had exhibited good behavior, the cash advance was also a means for Arab traders to influence increased supply of quality livestock since traders who supplied good quality animals preferred receiving cash rather than selling on credit. I asked a former livestock trader how the *mu'amala*-based advance payment worked and he responded: 'In 1993 we were cash-strapped, our Arab trade partner trusted us and sent US\$20,000 to buy livestock... I was a middle-level exporter, but larger exporters received larger sums of advance from their Arab trade partners'.²⁴ The critical question that emerges here is: what facilitated the cooperation between international economic actors in the absence of formal institutions that could have structured their interactions?

Economists and sociologists have widely discussed the social mechanisms that facilitate cooperation between actors when state or formal institutions that guarantee cooperation are absent (Akerlof 1978; Granovetter 1985; Beckert 2009). Economists consider that cooperation exists because individual actors are rational. For example, based on the prisoner's dilemma in game theory, economists posit that two economic partners will collaborate because repeated transactions will change the incentive structure of economic partners, making cooperation a rational strategy (Axelrod 1984 cited in Beckert 2009: 260). From a sociological perspective, embedded institutions such as networks, trust and social capital facilitate cooperation between exchange partners. For example, Granovetter (1985: 490ff) highlighted that personal relations ('networks') 'generate trust and discourage malfeasance' in economic transactions. In the post-war Somaliland livestock export trade, livestock traders were able to establish long-distance and cross-cultural business networks, which facilitated informal credit systems. Cooperation between actors and sustaining the informal credit system were driven by both economic and social incentives. However, as we shall see in the following section, there are still risks surrounding long-distance and cross-cultural informal trade transactions that relies on *mu'amala*.

DEFAULTING ON AND SANCTIONING OF INFORMAL CONTRACTS

As the below quote conveys, informal institutions sanction defectors. Somali lineage plays an important role in the trust among Somalis because of the ‘knowability’ and ‘social control that comes with lineage’ (Carrier & Elliott 2018: 8). Somalis have a social system in which information is quickly transmitted through social networks and it is through this information flow that economic agents learn quickly who is trustworthy to do business with and who is to be avoided (see Simons 1995). Voluntary information sharing among Somalis makes it difficult for defaulters and fraudulent malpractice to go unnoticed. Hence an incentive for economic actors who are willing to stay in the business is to do the right thing in order to protect their name.²⁵ Sometimes those who have a good reputation to lose will even pay creditors who have been defaulted on by their immediate relatives. A livestock exporter I interviewed in Hargeisa narrated how he paid a huge amount of money that his son defaulted on:

My son in Dubai is a car broker. Some people in Hargeisa and Ethiopia sent him money through *hawala* to buy cars for them but he defaulted on them and could not account for US\$250,000. The people complained to me. I asked him what happened, and he said he did not know where the money went. I was not aware of their transactions, neither had they signed formal contracts but to protect my reputation I had to pay the creditors. Since I am not the one who took the credit, I negotiated everyone to give me 10–20% discount depending on their financial status and our relationship. I paid 80–90% of the money to every creditor. I did not have cash, but I sold land and a house to pay the creditors.²⁶

Institutional economists hold the assumption that individuals are motivated by self-interest and that they pursue their interest at the expense of others, causing a cooperation problem. For this reason, formal institutions are important because they regulate behavior and promote stable and structured relations (North 1990; Williamson 2000). Livestock export from Somaliland demonstrates that the absence of formal institutions such as legal contracts and enforcement has increased risks, uncertainty, harassment, defaults and fraudulence in the livestock trade after 1991. Informal institutions such as the trust-based *mu’amala* are an incentive to constrain behavior of individual actors who have an interest in staying in the livestock trade but others, mainly Arab traders in the import markets, have defaulted on huge amounts of money and then quit the business for good.

Table 2 presents some examples of the numbers of livestock that Arab *wakiils* have defaulted on from their Somali economic partners. This problem has been further compounded by the fact that most of the Somaliland livestock traders do not have valid travel documents and are unable to track down the Arab *wakiils* who default on them. Nor can they raise the problem with Somaliland institutions, which are not recognized internationally, and which lack established contact with their Arab counterparts. For the above reasons, livestock defaults remain unreported.²⁷ These accounts, on the one hand, paint a clear picture of the coordination problems (risks and lack of enforcement) in the post-war livestock export that is not coordinated by

formal institutions and, on the other hand, illustrate the limited role informal institutions can play in the complex international livestock trade.

Table 2. Examples of export livestock ‘robbed’ by *wakiils*

Name of exporter	Species	Nationality of defaulter	Number of livestock (head)	Year
Hussein Gacmodheere	Camel	Egypt	1,200	1998
Hussein Gacmodheere	small ruminants	Saudi Arabia	10,000	1999
Jama Abdilahi Ahmed	small ruminants	Yemen	2,000	2006
Daybib Awaleh	small ruminants	Yemen	920	2006
Daybib Awaleh	small ruminants	Yemen	920	2006
Mohamed Abdi Samad	Cattle	Yemen	100	2014
Abdi Ali	small ruminants	Yemen	1,500	2015
Al-Anam company	small ruminants	UAE	12,000	2015
Al-Anam company	Cattle	UAE	4,000	2015
Women Traders in Togwajale	Cattle	Yemen	20	2016

Source: key informant interviews (n=10)

When default happens, Somaliland business actors rely on another informal institution called *mu’salaha*, meaning ‘mediation’ or ‘reconciliation’ in Arabic. This is how *mu’salaha* works: once a debtor fails to pay his creditor, it is common that a committee of trustworthy traders volunteer to mediate. They listen to all parties, establish the truth and the cause of default and make a decision. If the defaulter is trustworthy and known for good *mu’amala* but cannot pay his creditors because of force majeure, it is common that the committee fundraises some of the money, the defaulter also sells whatever assets he has while the creditors forgive some of the money. In this way the reputation of the defaulter remains somewhat intact. However, if the defaulter is not a person known for good *mu’amala* and he cannot pay his creditors the committee forwards their judgement to the formal Somaliland judiciary.²⁸ Traders who care about their reputation sell off their assets such as house or land to pay their creditors and their good *mu’amala* reputation remains intact.²⁹

Mu’salaha is an informal dispute settlement institution that is common in Somaliland markets. First, it is more effective than the formal adjudication process: no matter how complicated a business dispute is, it does not take more than few committee sessions before a final settlement is reached. Within the formal judiciary, cases are filed as civil cases and, most of the time, cdrag on for years which is costly to the disputing sides. Second, *mu’salaha* works because it operates as a collective insurance mechanism. It effectively ensures against business risks since the prominent businessmen in every economic sector play a role in conflict settlement

while reputation can give access to informal credit. *Mu'salah* (reconciliation) or *Sulha* (settlement) are two related and age-old conflict resolution practices that have their origins in Arab culture and Islamic *shari'a* and can be effective ways to deal with conflict in Muslim communities (Irani & Lebanon 1999; Irani & Funk 1998).

Unlike *mu'amala*, which as indicated is cross-cultural and transboundary, *mu'salaha* has a 'spatial' limitation. If the defaulter is an Arab, then *mu'salaha* becomes meaningless. As a livestock exporter noted: '*mu'salaha* was not applicable to the Arabs but worked well among the Somali traders. In the early 1990s when livestock was imported to Jizan and Mokha, the Arabs robbed many Somali livestock traders'.³⁰ Portes & Sensenbrenner (1993) remind us that non-universalist ethical orientations promote cooperative behavior between members from the same ethnic group, but not for outsiders. Just as Arab defaulters got away with frauding their Somali business partners, Somalis could also get away with cheating their Arab exchange partners.³¹

The conclusion that emerges from this is that informal social control and sanctions have less far-reaching implications for the cross-cultural overseas actors. This observation is in line with the concept of 'institutional thickness', which emphasizes that social and cultural factors tend to be stronger in the local context (Hess 2004: 174). Since the collapse of the intermediary role of Somalia's commercial banks, Somaliland livestock traders export livestock without prior payment, instead delegating designated Arab *wakiils* in end markets for protection, to sell the livestock and to collect livestock money from creditors in exchange for commission. However, in the absence of formal safeguarding institutions, it was common in the mid-1990s and 2000s that some *wakiils* failed to return livestock money. This still happens in Yemeni markets and has increased since the civil war broke out in 2015.³²

Interviewed former livestock exporters stated that default was not common before 1991 since livestock was exported through LCs. Somaliland exporters cited the different reasons that *wakiils* have given for their failure to return the money. These include failure to collect money from slaughterers who bought livestock on credit; *wakiils* refusing to pay agreed livestock money or selling livestock at lower than the agreed price, and in protest for lack of profit or poor livestock quality. Some *wakiils* request a second livestock shipment before they will return the money for the first shipment and then fail to return all the money. Meanwhile, Yemeni *wakiils* have claimed that livestock was confiscated by Saudi authorities at the border as they were trying to smuggle it into Saudi Arabia, a claim that Somali livestock traders could not confirm independently.³³

The reasons cited for default indicate coordination problems that confront traders, and which arguably arise from the informality in overseas livestock marketing. This is probably different from the cross-border trade within the Horn of Africa since, often times, actors involved in cross-border trading belong to the same tribe or clan in the borderlands or trade is based on cross-border networks and hence relies on socially embedded institutions to minimize coordination problems and other risks. One former livestock exporter stated that the only defaults before 1991 took place

in informal *farqiya* arrangements where the Arab importer was unhappy with the quality of the animals supplied or did not make expected profits. Quality or 'value problem' is a market coordination problem that arises when market actors assign different values to goods of certain classes (Beckert 2009). The value of livestock in the study area is influenced by informal and 'indigenous livestock grading' which Somaliland market participants are well versed in (Wanyoike *et al.* 2015). This study argues that the value problem in livestock trade is indeed a coordination problem in the overseas livestock export trade and was a main cause of default in the post-war period. Although value attributes of livestock constructed by market actors can facilitate market transactions, uncertainty arising around the value of livestock is one of the main reasons that Arab traders cite to justify their harassment of their Somali partners.

Not only had the banking institutions that facilitated international trade collapsed after 1991, but also export livestock health regulatory institutions such as veterinary services, holding grounds and quarantine stations. Although these institutions had been poorly run from the mid-1980s on, their total absence in the post-war period worsened the situation, in particular in the export livestock trade. This is especially true of the formal veterinary institutions whose absence hurt livestock exports in northern Somalia. It has allowed import countries to bully exporters and reject many animals based on their own veterinary facilities and at times unsubstantiated decisions.

ANIMAL HEALTH AFTER WAR: PRIVATIZATION, COMPETITION AND MONOPOLY

Livestock require veterinary care at production and export stages. As mentioned previously, Somalia implemented ambitious and largely successful livestock development policies and programs in the 1970s and 1980s (see Najim & Briggs 1992). However, from the mid-1980s the economic and political crises in the country affected the operation of these policies and programs; they continued to exist but were poorly run. Most importantly, government was responsible for and entrusted with veterinary services and decisions on livestock health in the hinterlands and quarantine facilities. After 1991, this role was taken over by private veterinary professionals, which often consisted of former government veterinary officers and graduates, as well as donor organizations. By the early 1990s, these private professionals ran the operation of three centers that inspected export livestock in Berbera, each associated with a particular clan family in terms of its ownership and clients.

Clan-based livestock health inspection was the first indication of the lack of monopoly in livestock veterinary care. Since then institutional pluralism in

livestock health regulations has led to institutional incongruency and competition between several regulatory facilities.³⁴ Evidence from Somaliland suggests that rivalry and lack of coherence between institutions of public authority with economic interests led to undesirable outcomes such as discrediting one another.³⁵ In the case of livestock export, many informants believed that competition between the private institutions that regulate animal health has contributed to the recurrent livestock bans.

The Centre for Health and Animal Production (CHAP) was the largest private regulator in the 1990s. Two other private export livestock health regulatory associations existed in Berbera. CHAP was dominated by traders and veterinary professionals from the Habar Yonis, a sub-clan of the Garhajis clan family. The Edagale, a second sub-clan of Garhajis, and Awal clan traders and veterinary professionals each had their own regulatory institution. Commenting on this, a former CHAP member said, 'there were three clan-based regulatory institutions, but CHAP was the largest because most of the livestock exporters were from Habar Yonis'.³⁶

CHAP inspected livestock health on a commission basis per head of animal, which was paid after livestock was sold and money had returned.³⁷ As will be explained below, the per head animal commission was an incentive for private veterinary practitioners to inspect livestock strictly in the absence of state monitoring and inspections.³⁸ When a group of people have an interest in adopting a certain behavior or when adopting certain behavior has a payoff, it makes institutions self-sustaining (Meijerink 2011). Both exporters and CHAP veterinary practitioners had an interest in regulating animal health in the absence of formal regulatory authority. CHAP professionals inspected export livestock for brucellosis using an antigen test since they did not have laboratories.³⁹ Commenting on effective animal inspection without third-party monitoring, a former CHAP member pointed out:

For the first seven years, from 1991 to 1997, no livestock that CHAP inspected was rejected on health grounds by the importing authorities... since our commission was based on per head of animal that was sold in the import markets. This was an incentive to ensure that no animal was rejected on health grounds.⁴⁰

Similar observations about the reasonable efficiency of brucellosis testing in this period have been reported by Gaani (2002). In addition, due to the absence of formal regulatory institutions, livestock veterinary care and welfare were compromised. The Livestock Development Agency (LDA) under the Somali Ministry of Livestock was regulated animal veterinary care and welfare before the war while the Somali-Hellenic Shipping Agency (SHSA) was responsible for livestock transport to overseas markets. In the pre-war period, livestock for export were rested and treated in government holding grounds in the hinterlands and along livestock trade corridors (Gaani 2002: 70). Since 1991, livestock has been directly moved from the hinterlands to private holding yards in Berbera where livestock traders keep livestock for the minimum time possible before shipping to avoid cost (ibid.).⁴¹

From Berbera overloaded vessels transport livestock to the Arabian Peninsula markets. When heavy rains or storms occurred livestock exporters or attendants occasionally had to dump livestock into the sea to reduce the overload and the risk of vessels capsizing. Commenting on this, a former livestock exporter said, 'I dumped livestock twice into the sea in 1993; first time 80 animals and the second time 110 animals... it was painful to dump my money [livestock] into the sea but I had to do it to save some animals'.⁴² Livestock that showed outward signs of illness were also dumped at sea so that they would not be spotted by regulatory authorities in import ports.⁴³ Though, as we shall see in the following section, ships were part of post-war livestock transport after 1994, animal welfare was still compromised in the sense that livestock was not fed properly and ships were overloaded.

In the absence of any formal veterinary and disease surveillance service, new diseases were reported in Somaliland (Gaani 2002). By the late 1990s, import countries in the Arabian Peninsula had imposed a ban on livestock exports from the Horn of Africa due to fear of Rift Valley fever, a disease that was new to Somaliland according to veterinary professionals. Two devastating bans hit Somaliland in 1998 and 2000 (Holleman 2002; Majid 2010). This study argues that the bans affected livestock exports from Somaliland/Somalia mostly due to the absence of formal institutions in at least two ways. First, no recognized state institutions existed that could lobby on behalf of Somali livestock exporters in the import countries, especially Saudi Arabia, for review or lifting of the ban. This role was played by Western-funded projects such as the European Union's Enhancing Somali Livestock Trade (ESOLT) initiative.⁴⁴

Second, the absence of formal health inspection institutions and the weak oversight and enforcement of post-war formal institutions have been a concern for import countries' livestock health regulatory bodies. This argument is further supported by the fact that the ban did not devastate Sudanese livestock exports to the Saudi market in the way it ravaged Somalia/Somaliland exports. In fact, Djibouti took advantage of the ban imposed on Somalia/Somaliland livestock and temporarily emerged as a key livestock exporter to Saudi Arabia. In 2007, 2008 and 2009 Djibouti set a new record by exceeding Somalia in small ruminant exports to Saudi Arabia (table 3).

The figures in the table imply that by 2012 Sudan became the leading exporter of small ruminants to Saudi Arabia, a position previously held by Somalia/Somaliland.⁴⁵ Sudan livestock exports to Saudi Arabia occur throughout the year, peaking during the *hajj* season (Joosten, Muzira & Mintesnot 2017). These changes in international livestock trading between the Horn of Africa and the Arab peninsula raise important questions. If not for the lack of formal/state institutions, what other factors offer a plausible explanation for Sudan's overtaking of Somalia/Somaliland as leading livestock exporter or for Djibouti to temporarily emerge as a key livestock exporter to Saudi Arabia? How could a livestock ban come to ravage Somalia/Somaliland livestock exports or cause Somalia/Somaliland's year-round livestock exports to collapse? The importance of formal institutions in livestock export growth is demonstrated by, for instance, the success of Ethiopian

government institutions in eradicating rinderpest, which boosted its international livestock exports (see Akilu & Catley 2014).

Table 3. Small ruminants imported to Saudi Arabia by country of origin 2000–2017

Livestock head exported to Saudi Arabia per year						
Country	2000	2001 ¹	2002	2003	2004	2005
Sudan	876,813	76,057	1,372,035	1,333,623	1,930,175	1,090,055
Somalia	2,401,021	-	-	-	-	-
Djibouti	18,419	-	-	-	-	-
Jordan	284,269	76,059	106,732	135,129	120,023	144,800
Syria	648,248	394,906	1,805,487	1,237,607	2,192,033	2,915,670
Australia	431,215	1,516,897	1,803,401	1,476,536	-	1,161,351
	2006	2007	2008	2009 ²	2010	2011
Sudan	1,084,409	773,532	601,330	1,595,724	1,777,395	2,723,514
Somalia	-	5,500	-	535,382	1,947,469	2,994,453
Djibouti	-	1,963,436	1,587,344	1,049,923	261,134	205,631
Jordan	437,809	-	18,534	81,712	93,125	269,492
Syria	1,993,115	1,714,443	1,181,278	462,848	602,278	352,682
Australia	1,184,397	-	852,081	630,206	264,088	23,928
	2012	2013	2014	2015	2016	2017
Sudan	3,655,953	3,898,784	4,936,084	5,792,365	4,837,963	4,822,791
Somalia	3,044,911	3,199,513	2,871,976	1,778,520	2,803,572	1,609,649
Djibouti	466,712	350,979	467,026	332,998	131,092	596,106
Jordan	284,535	458,223	501,959	548,393	248,193	284,535
Syria	257,789	152,212	99,524	32,330	-	-
Australia	-	-	-	-	-	-

Source: author's compilation from General Authority for Statistics, Kingdom of Saudi Arabia.⁴⁶

Saudi Arabia conditioned the lifting of the prolonged ban from 2001 to 2009 on the privatization of livestock health inspection and a certification to reliable institutions. This also indicates a lack of trust in post-war state institutions on the part of the importing countries. Following WOA and import countries' recommendations for proper and reliable livestock health inspection and certification, international companies showed interest. A former senior government officer I interviewed stated, 'the General Society of Surveillance (SGS), a multinational export–import

¹ September 2001 Saudi Arabia and other Gulf countries impose ban on livestock exports from the Horn of Africa due to Rift Valley fever.

² September 2009, Saudi Arabia lifted the prolonged Rift Valley fever ban.

inspection, certification and quality control company, approached Somaliland to inspect and audit Somaliland livestock export in mid-2000.⁴⁷ SGS secured acceptance from Saudi Arabian authorities, but could not conclude an agreement with Somaliland'.⁴⁸

Finally, Somaliland allowed an influential Saudi livestock trader to take over livestock inspection and certification.⁴⁹ The Arab trader invested and commissioned the Saudi–Emirates International Veterinary Quarantine Management Company (SEIVQMC), locally known as 'Al-Jabiri', in September 2009 and recruited two Somaliland livestock exporters who had been trading before the ban, namely Adan Ahmed Diriye 'Baradho' from the Garhajis and Ali Warabe, from the Habar Awal, to be his *wakiils*. The rest of the Somaliland livestock exporters had to supply livestock to Al-Jabiri. Those who insisted on exporting themselves also had to use the Al-Jabiri facility to certify their livestock.⁵⁰ For example, the sons of Abdi Awad 'Indhadero', from Habar Jelo, who together with Ali Waarabe had dominated livestock export before the ban, had to either supply livestock to Al-Jabiri or use the facility to export livestock. Al-Jabiri was, thus, not only an animal health inspection and certification facility but a monopolistic exporter of livestock from Berbera (Eid 2014: 11).

Somaliland's post-war livestock export trade has not been free from politics in the domestic and international markets. The politics of quarantine stations took centre stage in the Somaliland presidential elections in 2010 (Eid 2014). The Kulmiye party, which had Ahmed Mohamed Mohamoud 'Silanyo' from Habar Jelo as their presidential candidate, promised to break the Al-Jabiri monopoly once elected. In August 2010 President Silanyo broke the monopoly with a presidential decree that allowed the Berbera National Animal Health Quarantine (BNAHQ) as a second quarantine station (Caraale 2010). BNAHQ, locally known as 'Indhadeero' was owned by Mohamed Qa'id Sa'eed 'Al-Yassir', a Saudi livestock trader, who recruited Indhadeero's sons from the clan of the president to be his *wakiils*. And in 2015 a third quarantine facility, Veterinary Berbera United Quarantine (VBUQ), locally known as 'Iska Abinta' ('resisters') was commissioned.⁵¹

These quarantine stations play two main roles: they export livestock to Saudi Arabia and they regulate the export trade by visually inspecting and blood-testing each head of export animal for trans-boundary diseases such as foot and mouth disease (FMD), brucellosis and Rift Valley fever.⁵² One may wonder whether the quarantine stations regulate themselves properly. Interviewed veterinary officers stated that the quarantine stations at times compromise the standard animal quarantine (incubation) period to reduce costs:

The standard incubation period is 11, 14 or 21 days, depending on the type of disease. For example, the incubation period for FMD disease is 14 days, but livestock are kept in the quarantine stations in Berbera for a period quite shorter than the standard period since both exporters and quarantine operators/investors aim to minimize the cost.⁵³

In addition, some livestock traders and brokers in Hargeisa and Burao markets believed that livestock bans have become political, partially because of the competition between quarantine investors/livestock exporters. Commenting on this, a senior broker said:

Al-Yassir established a quarantine station in Djibouti since he was outcompeted in Somaliland, but he still operates his quarantine station in Somaliland. Al-Yassir and Al-Jabiri are bitter rivals, we believe that sometimes quarantine stations export sick animals to attract collective Saudi punishment, knowing that their competitor will lose more than they do.⁵⁴

Field interviews, including with key policymakers, expressed concern that the 2016 ban on livestock exports from Somalia, including Somaliland, was imposed after Saudi authorities found Rift Valley fever in livestock that left Mogadishu. Those interviewed held the view that the shipment was made with malicious intention to attract collective punishment, since a ban would affect most livestock exports from Berbera. The predicament that has faced Somaliland/Somalia livestock exports since 1991 is the absence of a central authority that regulates livestock exports from Somalia's ports and the Saudi blanket punishment of livestock exports from Somalia irrespective of port or quarantine of origin.

The involvement of Arab quarantine investors in Somaliland's livestock export trade further restructured livestock trade in the Berbera corridor. First, Somaliland livestock traders lost control over livestock export to Saudi Arabia, which they had held since the 1940s.⁵⁵ Second, the oligopolistic exporters/quarantine station investors now control livestock prices and create barriers to entry and development. During fieldwork, the price of small ruminants in Hargeisa and Burao markets was, on average, US\$60 per head, a price that middle-*jeeble* traders were not happy with and that was lower than the informal livestock price had been in the late 1980s.

For instance, during the 2018 *hajj* season, middle-*jeeble* traders tried to negotiate for higher prices by withholding livestock supply from Burao market. But because of the oligopolistic exporter, they had limited options and they finally had to release the livestock to the markets. Commenting on this, a middle-*jeeble* trader who supplied livestock to Burao market said, 'this is the peak *hajj* season but still the price is low, there has been only Al-Jabiri in the market, Indhadeero and Iska Abinta entered the market in the last three weeks but this has not changed the prices'.⁵⁶ An Al-Jabiri senior broker (*ga'anjare*) stated that the *hajj* livestock price is determined by the Islamic Development Bank in Jeddah.⁵⁷ Third, the quarantine stations changed patterns of accumulation in livestock export by not only making profits from the inspection fees but also from the animal exports. The quarantine fees started at US\$7.50 for small ruminants and \$21 for large ruminants. During data collection in 2018, the quarantine fee was \$5.50 for small ruminants and \$14.50 for large ruminants.⁵⁸

Fourth, the involvement of Arab traders represented the genesis of the *shirkad-jeeble* (company-middle trader) system, which replaced the pre-war *ganasade-jeeble*

(merchant–middle trader) system. In the new *shirkad–jeeble* system, Arab traders together with their Somali *wakiils* (agents) represent the ‘company’. Two types of middle traders: *faashle* (those buying livestock supplied by producers in the secondary markets) and *jeeble* (those who go out and collect livestock from the hinterlands) sell livestock to the company in the secondary markets (Musa & Schwere 2018: 56). The new arrangement, visible in the Saudi value chain, has both benefits and problems. The benefits include that the companies, in particular Al-Jabiri, buy livestock with cash, which reduces credit, barter-trade and default in the import markets.

However, the new arrangement, as mentioned, has created oligopolies that accrue profits in the form of quarantine fees, commissions and profits from sales. The new system has scaled up livestock trade as the companies buy large quantities from middle traders and no longer from producers. Hence, one rarely sees producers who have supplied their livestock to the secondary markets. Those who have supplied livestock still sell to *faashle* middle traders who sell to companies for a profit. To eliminate the role of intermediary *jeeble/faashle*, companies have tried to penetrate the hinterlands and buy livestock from producers in primary markets. However, the clan-based livestock trade system has become a challenge to compete with middle traders.⁵⁹

However, the establishment of quarantine stations did not provide a lasting solution to livestock bans of Somali livestock, neither did it provide access to new markets. In fact, over the last couple of years, livestock exports from Somaliland to Saudi Arabia have become seasonal, only taking place during the *hajj* period.⁶⁰ There are different quality requirements in the commercial value chain that operates 10 months of the year as opposed to the sacrificial value chain that is in place during the other two months of *hajj* (Mtimet *et al.* 2015: 2; Godiah *et al.* 2014: 4). Livestock exports increase with the increase of *hajj* pilgrims. In addition, oligopolies in livestock export (i.e. quarantine investors/livestock exporters and their *wakiils*) have become entrenched, creating market barriers and resisting developments in the animal health regime including quality improvements as interest groups fear increased cost or profit losses. Well-informed people interviewed for this study reported that a planned revival of two important livestock holding grounds (LHGs) along livestock export trade routes in Somaliland failed due to resistance from livestock exporters/quarantine investors, among others. Commenting on this, a senior government officer who was aware of this project explained:

The donors allocated around US\$5 million to revive Qoladay and Aroori holding grounds in Burao and Hargeisa. This would have been the most serious livestock development project since 1991. The plan was that each holding ground is fully equipped to provide veterinary care for livestock exports, including health inspection and vaccination. However, Qoladay has completely failed while Aroori was fenced but it is not in operation. The failure of this project was partially caused by livestock exporters and quarantine investors/operators who resisted because they do not want to comply with standard livestock export practices, which they believe would increase the cost of doing trade.⁶¹

Foreign actors within these livestock oligopolies are able to influence the decisions of the governments and health inspection authorities to limit entry, as we have seen in the case of Saudi Arabia. This acts as a major constraint for any new, outside, investors. Two ambitious investments, which aimed establishing animal fattening farms and meat plants in Burao failed due to these market entry barriers. Commenting on this, one interviewed investor said:

We are a group of Somaliland and Malaysian investors. We wanted to transform livestock export by establishing fattening farms and a modern meat factory in Burao. One major challenge we faced was the competition from livestock actors. Livestock industry is a cartel industry; local and international livestock traders fought to ensure that this facility does not come into existence. There are market barriers imposed by oligopolies in every economic sector in Somaliland. Local stakeholders are manageable because you either give them shares or ask them to be suppliers or use other mechanisms, but we do not have control over international actors who range from individuals to countries.⁶²

The two above quotes convey two important characteristics of Somaliland's post-war livestock export business. First, livestock exporters/quarantine investors have contributed to the absence of regulations such as the implementation of standard animal health and caring, fearing that regulations will negatively affect their profits. Second, economic interest groups have taken advantage of the weakness of state institutions and the absence of regulatory oversight of the economy. As Menkhaus (2003: 406) reminds us, powerful political and economic interest groups in Somalia have contributed to state weakness, which they see as an opportunity for profit rather than a problem to be solved. The following section details the emergence of oligopolies in the context of weak state institutions and how the interaction between formal and informal institutions has restructured livestock trade.

RE-EMERGING STATE INSTITUTIONS AND THE BIRTH OF OLIGOPOLIES

The case of quarantine stations described above indicates two things about the political economy of Somaliland's post-war livestock trade. First, state interventions including fiscal policies such as tax exemptions, the requirement that livestock exporters exchange a certain percentage of livestock profits at a low exchange rate with the central bank and higher export livestock levy eventually gave birth to an export oligopoly. Second, interactions between economic interest groups (both in export and import sectors), as well as between the latter and the Somaliland state restructured the post-war livestock economy.⁶³ Unlike the rest of Somalia, Somaliland reinstated some state institutions that partly regulated the local

economy only four years after the collapse of the central government. By 1995, Somaliland's newly established central bank was opened, a new currency was introduced, customs were in operation and the government had raised US\$10 million in revenue (Bradbury 1997). The Ministry of Finance and the Ministry of Livestock are other institutions that were created.

To reinstate state institutions, Mohamed Ibrahim Egal, Somaliland's second president who replaced Tuur, took advantage of the support of the clan-based pro-government bourgeoisie (Balthasar 2013). However, despite the fact that Somaliland reinstated state institutions immediately after the collapse of central government, it is important to highlight that these post-war state institutions differed from pre-war state institutions in at least three ways. First, unlike pre-war state institutions, post-war state institutions have limited jurisdiction and cannot impose or enforce regulations beyond the domains of their territorial stronghold, in this case Somaliland. The absence of a central authority responsible for the health of livestock from all of Somalia's ports is a challenge that confronts post-war livestock exports. This is important because, as mentioned earlier, Saudi import bans are collective and affect all Somali ports and territories.

Second, post-war government institutions retreated from their international obligations as they have not been recognized by governments of importing countries or do not maintain diplomatic relations with international organizations that regulate health and other standards pertaining to livestock exports. Consequently, livestock traders are not protected from the arbitrary decisions of regulatory authorities of importing countries. Meanwhile, locally, post-war state institutions were unable to develop or invest in the livestock sector due to poor budget allocations. As argued by a former government minister, key production ministries responsible for livestock, agriculture and fishery receive modest budget allocations. For example, in 2000, the budget of Somaliland's Ministry of Livestock accounted for 0.7% of the national budget, which was entirely consumed by operational and personnel costs (Gaani 2002: 59). As of 2019 the ministry was among the lowest funded in the national budget and ministry budget spending has not changed.⁶⁴ Third, the revival of state institutions did not translate into a revival of relevant livestock policies. For example, the Livestock Quarantine Act, the Animal Health Strategy, the National Animal Welfare Strategy, the Animal Production Strategy, the Animal Disease Emergency Preparedness Plan and the Sanitary and Phytosanitary Strategy that are key policy documents for livestock export either exist only in draft form or are absent.⁶⁵

An interviewed meat factory investor lamented how his factory had been delayed for eight years due to the absence of financial, health, insurance, and quality control regulations in Somaliland livestock while those of Somalia are not functional:

We started our investment in 2010. Our investors are from Malaysia, which should have been the main market of our chilled meat. However, lack of recognized state institutions and absence of regulations has been and still is a challenge. We had to hire an expert to draft some national policies.⁶⁶

Due to changes within Somaliland's formal institutions after 1991, interactions between formal and informal institutions transformed from, largely, a competing to a complementary relationship because informal institutions have taken larger roles and more space at the expense of formal institutions.

Somaliland's revived state institutions resurrected some of the trade practices and policies that had been critiqued when they were in place during the Siad Barre government. For example, livestock exporters had to exchange a certain percentage of export livestock hard currency with Somaliland's central bank, which offered very low exchange rates between USD and Somaliland shillings. Livestock exporters were also required to hold ownership of properties in Hargeisa and Burao towns to get trade licenses.⁶⁷ Furthermore, Somaliland introduced multiple taxes on livestock exports; the Ministry of Finance introduced a custom valuation book (CVB), a long list of traded items and their tax rates, in the mid-1990s.⁶⁸ The CVB imposed a new duty on export livestock, which has been collected in Somaliland shillings.⁶⁹ In addition to export livestock duty, Somaliland introduced an export duty levy while numerous local municipalities also collect taxes from livestock exports. Export duty levy is the highest livestock tax and is collected in US\$.

In the absence of a formal commercial bank, Somaliland did not control foreign currency earned from livestock trade. In 1997, a new government directive required livestock exporters to exchange US\$7, \$15 and \$18 with the central bank for small ruminants, cattle and camels, respectively.⁷⁰ However, the problem was the official exchange rate offered by the central bank was much lower than the informal exchange rate. In 1997 the official exchange rate was 1,500 Slsh while the informal rate was 6,500 Slsh.⁷¹ The rationale behind the new directive was that the government wanted to claim a share of the hard currency from livestock export. Livestock exporters did not resist the new directive because they were loyal to President Egal. At the same time they believed that the revenue was important for state-building and the demobilization of militias.⁷² The government and livestock exporters agreed that the export duty levy replaced the exchange directive in late 1990s. The government started to collect a livestock duty levy of US\$2, \$11 and \$15 for small ruminants, cattle and camels, respectively, on top of the export livestock duty.

Interaction between the formal and informal institutions in Somaliland has structured livestock trade. As evident from the example of the quarantine stations, the politics of livestock exports has taken centre stage in Somaliland in recent years and has given birth to oligopolies. The post-war political economy of livestock exports highlights the degree to which livestock trading is a key economic activity and source of foreign exchange and that whoever controls livestock export in the Berbera corridor enjoys economic and political weight. Three dominant Isaaq clan families – the Habar Awal, Habar Jelo and Garhajis – became political and economic rivals in post-war Somaliland. Most of the Garhajis economic and political actors were loyal to president Tuur while many Habar Awal and Habar Jelo businesspeople and politicians supported Egal. This rivalry had both political and economic motivations and ensued from the 1994 war in Somaliland, as Egal wanted to break the Garhajis' opposition (Balthasar 2013: 228). The Garhajis felt that they

had been economically and politically disenfranchised by Egal, who built the Somaliland state through clientelism (Bradbury 2008: 115–119; Renders & Terlinden 2010: 731).

Following the 1994 civil war in Somaliland, a new class of merchants from the Habar Awal and Habar Jelo clans, who had access to state power, rose to dominate Somaliland's post-war economy. These merchants controlled the import and export sectors and for the latter replaced the Gahajis export merchants who had controlled livestock export from Berbera before and after the war until 1994. Egal secured the support of the Habar Awal and Habar Jeclo business class during the Borama Conference of 1993. Afterwards, the business class provided loans to Egal, which he used to build state institutions and print Somaliland shillings in October 1994 while businessmen accumulated wealth through tax exemptions (Renders & Terlinden 2010: 731; Balthasar 2013: 223). In the 1990s Habar Awal tycoons including Ibrahim Abdi Kahin 'Ibrahim Dheere' and Jama Omaar 'Omaar' relocated to Somaliland from neighbouring Djibouti and dominated the profitable import sector while Ali Ibrahim 'Ali Waraabe' from Habar Awal and Abdi Awad 'Indhadeero' from Habar Jelo dominated livestock export.⁷³

Ali Waraabe and Indhadeero did not have much capital while livestock export was unprofitable due to the high duty levies imposed by Egal. But they made arrangements with Ibrahim Dheere and Omaar, both commodity importers, to barter imported goods such as rice, flour, oil and sugar for livestock in the hinterlands. This is how their arrangement worked: Ibrahim Dheere and Omaar imported consumer goods, mainly from Thailand. Ali Waraabe and Indhadeero took consumer goods from Ibrahim Dheere and Omaar on credit (*soo-addeyn*) and bartered them for livestock, which they exported to the Arabian Peninsula, in particular Saudi Arabia. Ali Waraabe and Indhadeero transferred the earning of livestock sales back to Ibrahim Dheere and Omaar through Djibouti banks. Ibrahim Dheere and Omaar then used these funds to buy consumer goods from Thailand and handed these over to Ali Waraabe and Indhadeero, who again bartered these consumer goods for livestock. Ali Waraabe and Indhadeero did not make substantial profits from livestock, rather they made their profits from the imported commodities which they bartered for livestock.⁷⁴ This highlights that in Somaliland's post-war economy, export livestock and import commodity trading have become so intertwined that their interconnection needs further research and analysis.

The arrangement between livestock exporters and commodity importers has restructured livestock export in a number of ways. First, it marginalised Garhajis livestock exporters, albeit most of the middle-*jeeble* traders were Garhajis who lost their dominance in livestock export from 1994 to 2000, before the ban. Whether this economic marginalization was an accidental byproduct of the 1994 war or systematic and state-engineered by the Egal administration is a question beyond the scope of this study. Second, the volume of livestock exports increased and exceeded pre-war levels (see Little 2003: 38). However, this increase mainly took place because the Ali Warabe and Indhadeero companies had increased livestock exports in order to generate hard currency for the import of the consumer goods from which

they generated their main profits. This increase was also assisted by cargo ships that began operating from the port of Berbera, replacing the smaller boats that the Garhajis traders used to transport livestock before 1993. To attract cargo ships to Berbera port, Ibrahim Dheere paid the insurance of the first cargo ship that came to Somaliland after the war from his own pocket (Phillips 2013: 45). Third, since livestock exports were unregulated, Ali Warabe and Indhadeero oversupplied livestock to the import markets. The uncontrolled supply which some exporters described as 'dumping' (*daadin*) could, in fact, have caused some of the problems that Somali livestock export faced in the post-war period (also see Gaani 2002).

CONCLUSION

Although there has been considerable interest in the role of institutions in African informal economies in the last six decades, informal institutions in the Somali economy attracted attention only after state collapse in 1991. The increase in livestock exports from Somaliland's port of Berbera after 1991 has given the impression of a performing economy in the absence of state or other formal institutions. Drawing on an institutional analysis, this paper has identified and discussed institutional changes and their impacts on Somaliland's post-1991 livestock export trade. Somaliland reinstated some state institutions over time; however, the lack of international recognition limited their significance in the international livestock trade. Consequently, livestock trade remains mostly stateless while other institutions that would have been important for livestock export have not been revived. Informal institutions that filled the vacuum left by state collapse largely fell short in regulating economic actors. Nor have they established relationships with formal institutions, including those of the importing countries.

Consequently, Somaliland's post-war livestock export trade has been characterized by coordination problems such as a 'value problem', defaults in livestock payments, poor animal health and welfare, harassment of Somali traders in the international markets, oversupply of livestock to international markets, collective punishments through livestock bans and oligopolies. The collapse of an all-year-round commercial value chain, repeated devastating bans, and the loss of dominance in the Saudi Arabia market to other livestock exporting-countries from the region all attest to the fact that Somaliland's post-war livestock export has not performed well. Hence, the sheer increase in the number of livestock exports does not provide a full picture of dynamics and problems underlying livestock trading.

The informal institutions that have replaced formal institutions in Somalia/Somaliland's post-war economy should not be interpreted as substitutes for formal institutions. In practice, while the role of informal institutions in the local value chain of livestock exports is commendable, this paper has demonstrated that

formal, recognized institutions are indispensable in the international value chain, in particular to attract investors willing to diversify the dependence on the Saudi market and on live animal exports. Generally, the findings of this paper are in line with scholars (for example Meagher 2007) who have noted the role of African informal institutions in holding economies and societies together in the face of daunting economic and political challenges, but who also pointed out that informal institutions cannot substitute formal institutions.

The post-1991 political status of Somalia is a real challenge for the livestock economy and export. The absence of central institutions responsible for animal health inspections and quality control of livestock exports from different Somali ports and the fact that Saudi livestock bans have been collective, regardless of the port of origin, mean that post-1991 political entities need to find a mechanism to enforce health requirements across export ports and territories and to avoid a politicisation of this important source of hard currency and livelihood.

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END NOTES

¹ There are two important livestock value chains in Somaliland: the export value chain and local consumption value chain. The export value chain is more noticeable because of the foreign hard currency and revenue it generates. In terms of institutions, the role of formal institutions in export trade largely vanished in 1991 while informal institutions are challenged by the overseas nature of this value chain.

² Many scholars have critiqued the role of formal institutions in the economy before 1991. In the Somalia case Western observers and ordinary Somalis have, most of the time, held different views on institutions and development. For example, while Western scholars saw an emerging democracy and viable state institutions during the civilian government (1960 to 1969), Somalis perceived civilian institutions as corrupt and weak, leading to a stagnation in state formation and making military intervention all but inevitable (see Laitin, 1976).

³ Interview, former livestock exporter, Hargeisa, March 2018.

⁴ Livestock exports from Somalia/Somaliland to the Arab Peninsula were regulated before the war by both Somalia and import countries. However, before the war there was a substantial unofficial livestock export from Somalia to Kenya and, to a lesser extent, to Yemen. IMF estimated unofficial livestock exports from Somalia at US\$60 million (see Jamal 1988: 33). Unofficial livestock exports from Somalia to Kenya have increased dramatically after 1991 (see Little 2003).

⁵ The World Organisation for Animal Health (WOAH) was formerly known as the Office International des Epizooties (OIE).

⁶ Exporting livestock with a Letter of Credit (LC) was a means by which the Somali government controlled hard currency exchange from livestock. The Saudi government also demanded LCs so that Saudi importers could exact price demands from Somali importers (see Samatar 1987: 368) while it also prevented default of Saudi importers to their Somali partners and vice versa.

⁷ Interview, former livestock exporter, Hargeisa, March 2018.

⁸ Interview, former livestock exporter, Hargeisa, March 2018.

⁹ Interview, senior livestock broker, Burao, March 2018.

¹⁰ Interview, senior livestock broker, Hargeisa, March 2018; oral history, former/current livestock exporter, Hargeisa, March 2018.

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- ¹¹ In Nairobi's Eastleigh, I have also heard that Somali traders defaulted their Chinese partners after several trust based transactions.
- ¹² Interview, former livestock exporter, Hargeisa, June 2018.
- ¹³ Oral history, former livestock exporter, Hargeisa, March 2018.
- ¹⁴ Oral history, former livestock exporter, Hargeisa, March 2018.
- ¹⁵ Interview, senior livestock broker, Burao, March 2018.
- ¹⁶ Interview, livestock broker, Hargeisa, March 2018. It was not clear how long the Yemeni creditors (store owners) waited for their money and what happened to creditors in case animal slaughterers failed to return livestock profits.
- ¹⁷ Interview, former livestock exporter, Burao, June 2018.
- ¹⁸ Interview, former livestock exporter, Hargeisa, March 2018.
- ¹⁹ Interview, livestock exporter, Hargeisa, March 2018.
- ²⁰ Interview, livestock exporter/*wakiil* (agent), Hargeisa, March 2018.
- ²¹ Interview, cattle exporter to Yemen, Togwajale, July 2018.
- ²² Interview, cattle exporter, Hargeisa, June 2018.
- ²³ Interview, cattle exporter, Hargeisa, June 2018.
- ²⁴ Interview, senior veterinary professional/ex-minister/former livestock exporter, Hargeisa, March 2018.
- ²⁵ Interview, cattle exporter, Hargeisa, July 2018.
- ²⁶ Interview, cattle exporter, Hargeisa, July 2018.
- ²⁷ This is not an exhaustive list of livestock exporters that have been defaulted on by the Arab partners, neither does it capture the Arab traders who have been defaulted on by Somali partners.
- ²⁸ Interview, cattle trader, Togwajale, March 2018.
- ²⁹ Interview, cattle trader, Hargeisa and Togwajale, June 2018.
- ³⁰ Interview, cattle trader, Hargeisa, June 2018.
- ³¹ Interview, former livestock exporter/former minister, Hargeisa, June 2018.
- ³² Interview, livestock exporter to Yemen, Hargeisa, July 2018; focus group discussion, female cattle traders/exporters, Togwajale, August 2018.
- ³³ Interview, livestock producer, Hargeisa, August 2018.
- ³⁴ Competition between institutions that claim public authority can be an indication of institutional incongruence (Lund 2006: 699).
- ³⁵ Not all informal institutions or institutions that claim public authority have an economic interest. For example, in the past traditional elders who claimed public authority were not part of an economic institution but a social one. Although as of late traditional elders have made use of their social position to access power and capital.
- ³⁶ Interview, senior veterinary professional/ex-minister/former livestock exporter, Hargeisa, March 2018.
- ³⁷ Interview, senior veterinary professional/ex-minister/former livestock exporter, Hargeisa, March 2018.
- ³⁸ Interview, former CHAP member/founder, Hargeisa, March 2018; Interview, former CHAP member, Burao, July 2018.
- ³⁹ Interview, former CHAP member/founder, Hargeisa, March 2018; Interview, former CHAP member, Burao, July 2018.
- ⁴⁰ Interview, Togdheer regional ministry of livestock coordinator, Burao, March 2018.
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- ⁴¹ Later, the Somaliland government introduced two days mandatory resting of livestock in the holding grounds (Gaani 2002: 71).
- ⁴² Oral history, former livestock exporter, Hargeisa, March 2018.
- ⁴³ Interview, former livestock trader, Burao, June 2018.
- ⁴⁴ The EU has supported efforts to lobby for lifting the Somali livestock export ban.
- ⁴⁵ Figures represent livestock exports from Somalia. It is estimated that over 70% of livestock exports from Somalia are from Berbera.
- ⁴⁶ General Authority of Statistics, Kingdom of Saudi Arabia, available at <https://www.stats.gov.sa/en/214>, accessed June 10, 2019.
- ⁴⁷ Société Générale de Surveillance (French for General Society of Surveillance).
- ⁴⁸ Interview, former general director, Ministry of Finance, Hargeisa, June 2018.
- ⁴⁹ Interview, former general director, Ministry of Finance, Hargeisa, June 2018.
- ⁵⁰ Interview, veterinary professional, Hargeisa, March 2018.
- ⁵¹ SEIVQMC has the capacity to hold up to 500,000 animals each time; BNAHQ 250,000 and VBUQ 400,000 according to the IGAD Centre for Pastoral areas and Livestock Development available at <https://icpald.org/network-for-quarantines/> accessed March 30, 2019.
- ⁵² Interview, director of planning, Ministry of Livestock, Hargeisa, March 2018.
- ⁵³ Interview, veterinary professional, Hargeisa, March 2018.
- ⁵⁴ Interview, senior livestock broker, Hargeisa, March 2018.
- ⁵⁵ Historically, when the Asians and Europeans who controlled livestock export evacuated Somaliland following the Italian invasion and the occupation of British Somaliland during the Second World War, Somali livestock exporters took control (Samatar *et al.* 1988: 86).
- ⁵⁶ Interview, livestock trader, Burao, July 2018.
- ⁵⁷ Interview, Al-Jabiri senior broker, Hargeisa, 2018.
- ⁵⁸ Interview, Sahil regional ministry of livestock coordinator, Berbera, June 2018.
- ⁵⁹ Interview, senior broker, Burao, March 2018.
- ⁶⁰ Interview, Chamber of Commerce, Hargeisa, June 2018; Interview, Ministry of Livestock, Hargeisa, August 2018.
- ⁶¹ Interview, Ministry of Livestock, Hargeisa, March 2018. The development organization who was responsible for the donor project expressed and shared a similar account.
- ⁶² Interview, Tayyid Quality Meat Plant managing director and founder/former Minister of Justice, Hargeisa, March 2018.
- ⁶³ For discussion on how informal institutions influence formal institutions see Helmke & Levitsky (2004).
- ⁶⁴ Interview, senior officer from Ministry of Livestock, Hargeisa, March 2018.
- ⁶⁵ Interview, livestock specialist and development worker, Hargeisa, June 2018.
- ⁶⁶ Interview, Tayyid Quality Meat Plant managing director and founder/former Minister of Justice, Hargeisa, March 2018.
- ⁶⁷ Interview, former livestock exporter, Hargeisa, July 2018.
- ⁶⁸ Interview, senior customs officer, Hargeisa, June 2018.
- ⁶⁹ Small ruminants 52, cattle 348 and camels 480 Slsh.
- ⁷⁰ Interview, senior customs officer, Hargeisa, June 2018.
- ⁷¹ Interview, cattle exporter, Hargeisa, June 2018.
- ⁷² Interview, livestock exporter, Hargeisa, March 2018.
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⁷³ Interview, former livestock exporter and senior government officer, March 2018.

⁷⁴ Interview, former livestock exporter, March 2018.