

POLITICAL FACTORS INFLUENCING ECONOMIC DEVELOPMENT OF MOGADISHU, SOMALIA

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Abstract: Economic growth and political stability are deeply interconnected, on one hand; the uncertainty associated with an unstable political environment may reduce investment and the pace of economic development. Somalia is a country that has experienced excessive amounts of political instability during the past decade. Political instability contributed to massive suffering and poverty in Somalia, there has been massive unemployment and migration of people from the country. It is of this view that the study aimed at investigating the political factors influencing economic development of Somalia. The study was guided by four specific objectives; to find out the influence of Political Stability on Economic Development of Somalia, to determine the influence of rule of law in economic development of Somalia, to investigate the influence of government policies on the economic development of Somalia, to find out the influence of electoral process on Economic Development of Somalia. The researcher used a survey design method for the study. Survey design is a design in which data is collected using questionnaires. For this study, the survey design was preferred because surveys are relatively less costly, easily accessible and also useful in describing the characteristics of a large population and making the results statistically significant even when analyzing the variables. The study selected a sample of 201 respondents from the population of Mogadishu Somalia to determine the political factors influencing economic development of Somalia. The data collected was tabulated and analyzed. This study employed simple random sampling technique in selecting respondents. This type of sampling is none biased because each member of the subset has an equal probability of being chosen. The study used multiple regression analysis to investigate the political factors influencing economic development. From the regression analysis the study indicated that there is a significant effect of political stability on economic development. The study findings indicated that there is a significant effect of the rule of law on economic development. The regression analysis further showed that there is a significant effect of government policies on economic development. The regression analysis indicated that there is a significant effect of electoral process on economic development. The study made the following recommendations based on the findings; Promotion and maintenance of political stability. Promotion and established of judicial infrastructures to maintain rule of law in Somalia and increase access to Justice and the Judicial System. The government of Somalia should develop strong planning units to influence formulation of policies focused on the economic development of Somalia. The country of Somalia should hold regular competitive elections as it has been proved that frequent free and fair elections in developing countries improve economic policy by disciplining governments and making them accountable to the people.

Keywords: Political Stability, Rule of Law, Economic Policies & Electoral Process.

1. INTRODUCTION

Research Objectives:

General Objectives of the study:

To assess the political factors influencing Economic Development of Mogadishu, Somalia

Specific objectives:

- 1) To establish the influence of political stability on Economic Development of Mogadishu, Somalia
- 2) To determine the influence of rule of law on economic development of Mogadishu, Somalia
- 3) To investigate the influence of economic policies on the economic development of Mogadishu, Somalia
- 4) To examine the influence of electoral process on Economic Development of Mogadishu, Somalia

2. THEORETICAL FRAMEWORK**Economic Base Theory:**

The basic categories of economic base theory are the industrial sector of the regional economic assigned to either the basic or non-basic sector. Economic Base Theory postulates that local economy is strongest when it develops those economic sectors that are not closely tied to the local economy. By developing industries that rely primarily on export markets, the local economy can better withstand economic downturns because, it is hoped, these external markets will remain strong even if the local economy experiences problems. In contrast, a local economy wholly dependent upon local factors will have great trouble responding to economic downturns (Leatherman, 2013).

Staple Theory:

Staple theory identifies industrial sectors as its basic categories. It defines economic development as sustained growth over the long term. The essential dynamic is the external investment in and demand for the export staple that leads to the successful production and marketing of the export staple in world markets the theory major strengths are its historical relevance to North America economic development and its emphasis on understanding the region economic history (Canadian Centre for Policy Alternatives, 2014). The Staple theory of economic growth emphasizes the role traditional commodities, or staples, play in the shaping of a resource-rich economy. The staple thesis was created by Canadian economic historian Harold Innis and economist W.A Mackintosh as an explanation for how the pattern of settlement and economic development of Canada was influenced by the exploitation and export of natural resources. Though its original purpose was to model Canada's historical economic evolution, the staple thesis can be applied to any country with a successful, export-heavy economy.

3. REVIEW OF LITERATURE VARIABLES**The effect of Political Stability on Economic Development:**

Political stability and economic development are deeply interconnected. The relationship between economic growth and stability refers to the manner in which the political stability of a nation can lead to its economic growth. The common denominator and the most obvious relationship between economic growth and stability is the fact that a stable environment fosters economic growth (Ganfu, 2015).

The uncertainty associated with an unstable political environment may reduce investment and the speed of economic development. On the other hand, poor economic performance may lead to government collapse and political unrest. A politically unstable environment usually means that the government is misusing or mismanaging the country's resources: resources are not being used to their full capacity, or in a manner whereby economic development could be maximized. It is also right that if a country's political environment is volatile, this will deter investors, foreign trade and economic development (Ganfu, 2015).

Effect of Rule of law on Economic Development:

It is widely assumed that the rule of law is essential for economic growth. However, the rule of law is clearly a multidimensional concept, encompassing a variety of discrete components from security of person and property rights, to checks on government and control of corruption (Stephan, 2013).

Rule of law is a system in which the laws are public knowledge, clear in meaning, accessible to all, and apply equally to everyone; judges are impartial and independent and free from undue influence; central institutions of the legal system, including courts, regulatory agencies, prosecutors, and police are reasonably fair, competent, and efficient; government seeks to be law-abiding and its officials accept that the law will be applied to them; the making of laws is guided by transparent, stable, clear and general rules; and the laws themselves are prospective, known, clear, and relatively stable, and encompass critical areas (Antonia, 2014).

Effect of Government Policies on Economic Development:

Governments establish many rules and regulations that guide businesses. Businesses will normally change the way they operate when government changes these rules and regulations. Government economic policy and market regulations have an influence on the competitiveness and profitability of businesses. Business owners must comply with regulations established by federal, state and local governments (Barro, 2016).

The government can implement a policy that changes the social behavior in the business environment. For example, the government can levy taxes on the use of carbon-based fuels and grant subsidies for businesses that use renewable energy. The government can underwrite the development of new technology that will bring the necessary change. Imposing on a particular sector more taxes or duties than are necessary will make the investors lose interest in that sector. Similarly, tax and duty exemptions on a particular sector trigger investment in it and may generate growth. For example, a high tax rate on imported goods may encourage local production of the same goods. On the other hand, a high tax rate for raw materials hampers domestic production (Spiller, 2014).

Effect of electoral process on Economic Development:

The effect of democracy on income and economic growth is uncertain. On the one hand, elections might build better institutions and improve governance, which in turn should increase growth. There are, on the other hand, instances where democracy leads to local elite capture, that local elites gain undue influence with adverse effects for the local community (Sara & Fredrik, 2014). Sub-Saharan Africa's recent political and economic evolution suggests a positive relationship in the region between democracy and economic growth. As is well known, the region underwent a wave of democratization in the early; whereas only two states in the region (Botswana and Mauritius) had conducted regular multi-party competitive elections before the 1990s, within a decade over 40 countries in the region did so. Thus, the region underwent a striking process of substantial political liberalization, with significant progress in civic and political rights in a majority of countries of the region (Masaki & Walle, 2014).

4. RESEARCH METHODOLOGY**Research Design:**

This study took a descriptive survey design. According to Coopers and Schindler (2013) descriptive studies are more formalized and typically structured with clearly stated hypothesis or investigative questions. The study will involve subjects from diverse backgrounds both in culture and regions of origins. The researcher used the above design to enable him describe or present a picture of the problem under study.

For this study, the survey design was preferred because surveys are relatively less costly, easily accessible and also useful in describing the characteristics of a large population and making the results statistically significant even when analyzing the variables. Also surveys are flexible in deciding how the questions are to be administered. Survey method is best used when the researcher wants to collect a lot of data within a limited period of time as was the case with this study.

Target Population:

The target population contains members of a group that a researcher studied (Kothari, 2014). This study was conducted in Mogadishu, The base of political and economic activities in Somalia. It is believed it provided a representative sample for the study which was relevant in finding out the political factors influencing economic development of Somalia. The target population of this study was 405 members from the government, and civil society organizations.

Table 4.1: Target Population

Target Population	Total Population	% of Population
Government Officials	280	69%
Civil Society Organization	125	31%
Total	405	100%

Source: Banadir Regional Government

Data Presentation and Analysis

Data analysis is the process of developing answers to questions through the examination and interpretation of data. The basic steps in the analytic process consist of identifying issues, determining the availability of suitable data, deciding on which methods are appropriate for answering the questions of interest, applying the methods and evaluating, summarizing and communicating the results (Saunders & Thornhill, 2015).

The researcher preferred to use this program as it was convenient and simple tool which was available for the researcher. The study used mean and standard deviation analysis for descriptive statistics while correlation and regression analysis were used for inferential statistics.

Regression Model;

$$Y = \beta + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where;

Y is Economic Development, β is the constant, X_1 is the effect of Stable government, X_2 is the effect of Rule of law, X_3 is the effect of government policies, X_4 is the effect of electoral process and μ is the stochastic term.

5. DISCUSSION OF FINDINGS IN RELATION TO EMPIRICAL REVIEW

Effect of Political Stability on Economic Development:

The study investigated the effect of political stability on economic development and made the following findings; the study findings indicated that majority of respondents agreed that Political stability encourages investment. This is shown in by a mean response of 3.76 in table. Due to political instability, uncertainty comes in an economy and as a result investment decreases and economic development is also affected. Because of reduction in investment, the level of output correspondingly decreases. Political stability has direct effect on the process of economic development and the progress level of a state. Foreign direct investment affects economic growth and development process because it supplies capital for developing nations for investment purpose. Foreign direct investment also helps in creating job opportunities which finally leads to a rise in economic growth.

Influence of rule of law on economic development:

The study investigated the influence of rule of law on economic development and made the following discoveries; the study found out that many of the respondents agreed to that rule of law reduces corruption as shown by mean response of 3.99 in table. Corruption is a challenge to economic development as well as a cause of inequity, Rule of law, therefore, implies that every citizen is subject to the law including those at the very top and this helps to control corruption.

The study revealed that majority of respondents agreed that Fairness in application of rule of law promotes security as shown by a mean response value of 3.82 in table. Fair application of rule of law, based on human rights, promotes peace and security. At the national level, justice and the rule of law can prevent and mitigate violence and conflict by providing peaceful channels for the resolution of grievances. Justice and the rule of law are also fundamental for development.

Influence of governance policies on Economic Development:

The study investigated the influence of governance policies on economic development of Somalia and made the following findings. The study found out that many of the respondents agreed that taxation policies affect economic development. This is shown by a mean response of 3.71 in table. Economic activity reflects a balance between what people, businesses, and governments want to buy and what they want to sell. Our productive capacity depends on the size and skills of the workforce; the amount and quality of machines, buildings, vehicles, computers, and other physical capital that workers use; and the stock of knowledge and ideas. Taxes however can affect each of these factors. Increasing taxes can reduce the amount of savings which discourages investment in new production capital like machines and vehicles.

The study also discovered that many of the respondents agreed that Investment decisions by government influence Economic development; this is indicated by a mean response of 3.98 in table. Government policies and investments are, important, and often have a positive influence on the business environment and economic development of any industrialized nation. Increased government investment in infrastructure will stimulate private investment in businesses leading to economic development.

Influence of Electoral process on Economic Development:

The study investigated the influence of electoral process on economic development and made the following findings; the study found out that many of the respondents agreed that Free and fair elections builds better institutions and in turn improve governance and economic development as shown by mean response value of 4.02 in table. The study also found out that respondents agreed that Participation in elections helps the people to protect their economic interests; this is shown by a mean response of 3.95 in table People elect those who have better economic policies that protect their economic interests which could involve creation of employment opportunities and construction of infrastructures, all of which contribute to economic development. Study findings revealed that many of the respondents agreed that fair campaigning make politicians accountable to public; this is shown by a mean response of 3.65.

Correlation Analysis:

The correlation analysis was used to test the relationship between the dependent variable and independent variables. The findings indicated that there was a significant relationship between the dependent variable and the independent variables but there was no relationship between the independent variables. This finding fulfilled the Gauss Markov assumption which says that there should be no relationship between the independent variables. This therefore indicated that the independent variables are significant and can be used to predict the dependent variable.

Table 5.1 Correlation

		Political stability	Rule of law	of Government Policies	Electoral Process	Economic Development
Political stability	Pearson Correlation	1	.213**	.304**	.123	.642
	Sig. (2-tailed)		.053	.080	.085	.001
	N		198	198	198	198
Rule of law	Pearson Correlation		1	.296**	.061	.269**
	Sig. (2-tailed)			.090	.394	.000
	N			198	198	198
Government Policies	Pearson Correlation			1	.013	.091
	Sig. (2-tailed)				.860	.023
	N				198	198
Electoral Process	Pearson Correlation				1	.076
	Sig. (2-tailed)					.028
	N					198
Economic Development	Pearson Correlation					1
	Sig. (2-tailed)					
	N					

** . Correlation is significant at the 0.01 level (2-tailed).

Regression Analysis:

The study used multiple regression analysis to investigate the political factors influencing economic development. In regression analysis R squared is used to find out the goodness of fit of the regression model in estimating the dependent variable. R squared shows the percentage of variations in the dependent variable that is explained by the independent variables. From the regression analysis the study indicated that 91 percent of the variations in the dependent variable are explained by the independent variables as shown in table 5.2 below.

4.2 Model Summary:

Table 5.2: Model Summary

Model	R	R Squared	Adjusted R Square	Std. Error of the Estimate
1	.954 ^a	.910	.908	.274

a. Predictors: (Constant), Electoral Process, Government Policies, Rule of law , Political stability

ANOVA:

This was used to test whether the relationship between the dependent and independent variables is significant. ANOVA was used to test the associative hypothesis between the dependent and independent variables. The From ANOVA test the study produced F-test P value of 0.000 (sig, 0.000) which is less than 0.05 level of significance as shown in table 5.3 below. This indicated that the independent variables are statistically significant and predict well the behavior of dependent the dependent variable. This proved the regression model was significant in explaining the relationship between the dependent and independent variables.

Table 5.3: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	148.196	4	37.049	490.715	.000 ^b
	Residual	14.577	193	.0755		
	Total	162.773	197			

a. Dependent Variable: Economic Development

b. Predictors: (Constant), Electoral Process, Government Policies, Rule of law , Political stability

Regression Coefficients:

From the regression analysis the study indicated that there is a significant effect of political stability on economic development. This is shown by a level of significance of 0.003 in table 5.4 which is lower than 5% level of significance. Therefore at a 5% level of significance we reject the null (H_0) hypothesis which assumed that Political Stability has no influence on economic development of Mogadishu, Somalia. We accept the alternative hypothesis which assumed that Political Stability has influence on economic development of Mogadishu, Somalia.

The regression analysis also indicated that there is a significant effect of the rule of law on economic development. This is shown by a level of significance of 0.000 in table 5.4 which is lower than 5% level of significance. We therefore reject the null hypothesis which assumed that Rule of law has no influence on economic development of Mogadishu, Somalia. The regression analysis further showed that there is a significant effect of government policies on economic development as shown by a 0.034 level of significance in table 5.4 which is lower than 5% significance level. This therefore leads to rejection of null hypothesis which assumed that Government policies have no influence on economic development of Mogadishu, Somali. The regression analysis also indicated that there is a significant effect of electoral process on economic development shown by a 0.028 level of significance in table 5.4 which is lower than 0.05. This leads to rejection of the null hypothesis which assumed that Electoral process has no influence on economic development of Mogadishu, Somalia.

Table 5.4: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.456	.721		3.409	.001
	Political stability	.120	.071	.124	1.686	.003
	Rule of law	.393	.103	.277	3.819	.000
	Government Policies	.048	.078	.045	.608	.034
	Electoral Process	.103	.096	.074	1.067	.028

a. Dependent Variable: Economic Development

Fitting the regression values into the regression model $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$ gives out the following;

$$Y = 2.456 + 0.120X_1 + 0.393X_2 + 0.048X_3 + 0.103X_4 + \epsilon$$

Where Y is Economic development, X_1 is the influence of political Stability, X_2 is influence of rule of law, X_3 is influence of government policies and X_4 is the influence of electoral process.

The regression equation above indicates that taking all factors into account, which is political stability, rule of law, government policies and electoral process, and the constant at zero, the economic development will be at 2.456.

On the other hand, the study shows that there is a statistically significant relationship between political stability, rule of law, government policies, electoral process and economic development ($p = 0.000 < 0.05$). This implies that political stability, rule of law, government policies and electoral process are significant factors for economic development of Mogadishu, Somalia.

6. SUMMARY, CONCLUSION AND RECOMMENDATIONS

SUMMARY:

Study findings indicated that 66 percent of respondents were single, 27 percent were married, 5 percent were widows and 2 percent were divorced. Findings from the study revealed that 63.6 percent of respondents were in the age bracket of 21-26 years, 23.7 percent in the age group of 27-35 and 12.6 percent in the age bracket of 36-49 years. Results from the study indicated that 14.6 percent of the respondents had primary level of education, 24.7 percent had secondary level of education and 60.6 percent had University level of education.

The rule of law promotes inclusive economic growth and builds transparent institutions that facilitate sustainable development. The rule of law helps make basic services such as education, health and sanitation available for all. The rule of law empowers citizens to address underlying causes of inequality and poverty.

The regression analysis further showed that there is a significant effect of government policies on economic development. Investment decisions by government influence Economic development. Government investment in infrastructure stimulates private investment in businesses leading to economic development. Government spending and taxation has an influence on economic development. To increase economic growth the government may increase government spending and lower tax. If the government wants to reduce inflation, they decrease government spending and increase taxation.

CONCLUSION:

The study assessed the influence of rule of law on economic development and the study indicated that there is a significant effect of rule of law on economic development. The correlation analysis indicated that there is a significant relationship between rule of law and economic development. The researcher concludes that rule of law influences economic development.

The study investigated the influence of government policies on economic development and the regression analysis showed that there is a significant effect of government policies on economic development. The study concludes that government policies have a significant effect on economic development.

The study examined the influence of electoral process on Economic Development; the regression indicated that there is a significant effect of electoral process on economic development. The study concluded that electoral process has a significant influence on economic development.

RECOMMENDATIONS:

Promotion and established of judicial infrastructures to maintain rule of law in Somalia and increase access to Justice and the Judicial System. Good governance, economic development and security forces that maintain order without repression are among the fundamental building blocks of a stable, peaceful democracy. But it's the rule of law, and by extension, competent, capable and independent justice systems, that are the mortar holding it all together.

The government of Somalia should develop strong planning units to influence formulation of policies focused on the economic development of Somalia. The country spent more than 25 years in war and without a government, this had a serious negative impact on the ability of the country to plan and policy formulation aimed at guiding Somalia to economic development

The country of Somalia should hold regular competitive elections as it has been proved that frequent free and fair elections in developing countries improve economic policy by disciplining governments and making them accountable to the people. Infrequent and uncompetitive elections may actually make things worse as they lead to increased political unrests.

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