Halima Mohamed, an expert on infectious diseases, was working on a primary-health project in the town of Erigavo in eastern Somaliland when she began feeling ill. "I realized I'd caught pneumonia," she says. "The drugs I needed were available, but expensive, and I didn't have the cash on me."

Mohamed, a Canadian member of the Somali diaspora, knew that Erigavo, one of the most inaccessible parts of Somaliland, had no banks. So she called the chief executive of the region's largest money-transfer company, Dahabshiil, at his London office.

"You don't happen to have a money-transfer office here, do you?" she asked.

"Of course," he replied.

The money arrived within minutes.

That swift, cheap transaction was the perfect illustration of the pragmatic versatility of the money-transfer industry in the Horn of Africa. Remittances to the Somali region alone are estimated at $1.3 billion each year. But these transfers now risk becoming impossible: Long-standing Western worries that remittance flows serve as a cover for money laundering and the funding of armed Islamist groups mean the taps could soon be turned off.

Barclays's decision in May 2013 to close the accounts of the money-transfer operators that dominate remittance flows in the region -- postponed but not rescinded as a result of a British High Court injunction -- is fueling mounting dismay in Hargeisa, the capital of Somaliland, a self-declared republic in northwestern Somalia. "I really don't know what is going to happen. We have been shouting and screaming," says Minister of Planning Saad Ali Shire, a man so soft-spoken it is hard to imagine him doing any such thing. "The president has been writing letters, we have made appeal after appeal, but nothing has been done. We are a creative people, but I fear the price will end up being paid by the poorest in our society."

The remittance issue raises the specter of a financial crisis, which would coincide with what agricultural experts predict will be the region's worst drought since 2011, expected to lay waste to crops and livestock. For political and business leaders in Somaliland, it brutally exposes the continuing vulnerability of the 23-year-old effort of collective will that is this still-unrecognized nation state.

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The summer months are usually a time of celebration in Somaliland, as members of the diaspora who fled into exile when civil war raged in the late 1980s and early 1990s reconnect with their roots. In contrast to their fellows in Somalia -- dismissively dubbed "the south" here -- they can pretty easily satisfy their human homing instinct. While suicide bombings and armed attacks by al-Shabab make Mogadishu and the rest of Somalia one of the world's riskiest destinations, Somaliland, a former British protectorate, is a haven of parochial calm. It has forged its own path since Somali National Movement rebels declared independence from military dictator Mohamed Siad Barre's regime in 1991.

Hotel lobbies in Hargeisa fill up; seats on flights become impossibly expensive. At tables in newly built pizzerias and cafes, the latest model of trainers peep from under traditional diracs (kaftans) and macawis (sarongs). If you eavesdrop on smartphone conversations, you will catch accents from Minnesota, Toronto, Liverpool, London's East End, and Scandinavia. The capital's dusty main drag fills up with four-wheel drives, which shoo sheep and donkeys off the road to cluster bleating in doorways and on veranda steps.

Since Hargeisa's international airport reopened in 2013, the returnees -- teasingly nicknamed "fish and chips" in tribute to dietary habits supposedly picked up abroad -- can fly direct to Somaliland's capital, rather than landing in the dilapidated, oven-hot port of Berbera and making a grueling 160-kilometer drive. The airport's main hall is decorated with a large wall frieze that says a great deal about Somaliland's relationship with the world. It is a montage of photographs of President Ahmed Mahamoud Silanyo shaking hands with former British Foreign Secretary William Hague and the leaders of Djibouti, South Sudan, Ethiopia, and Saudi Arabia. The underlying message is clear: See what respect we've won abroad; see what statesmanship we display.

That craving for respect, the result of Somaliland's unrequited quest for recognition as a sovereign state, distinct from its dysfunctional southern relative, makes itself apparent at incongruous moments. During a question-and-answer session at Hargeisa's recent International Book Fair, for instance, I was disconcerted to be asked by a young man in the audience: "Are you for us or against us, and if you are against us, what are your reasons?" A diplomatic answer -- "The writers attending this festival wouldn't be here unless they were sympathetic" -- triggered a surprisingly loud round of applause.

In truth, there is plenty to admire. Western donors may balk at making a formal gesture of recognition that would simultaneously undermine decades of costly support for the fragile Transitional Federal Government (TFG) in Mogadishu and give a fillip to secession movements across Africa.

Privately, however, foreign officials have overwhelmingly warm words for what Somaliland has achieved: A rare, hybrid system of government that juxtaposes multiparty democracy with traditional rule by clan elders. Monitored elections. Crime rates of which many industrialized nations would be proud. An enviable record on security (though, as a visitor, one of the disadvantages of dealing with a government determined to establish a whiter-than-white reputation is being assigned an obligatory detail of armed guards on any trip outside the capital, to ward against a repeat of 2008 bombings by al-Shabab in which some 30 people died).

If Somaliland's failure to win nation status has made it difficult to attract investment and aid, the inadvertent benefit has been a vigorous "can-do" attitude. The recent establishment of a Somaliland Development Fund to channel donor support into a government works program is expected to soon start delivering clean water, better roads, and electrification. Bombed to rubble by Siad Barre's air force in 1988 -- black-and-white photographs of the era are reminiscent of post-World War II Dresden -- Hargeisa is now a jostling city of 800,000 inhabitants with, it seems, a building site on virtually every street corner. It is all a far cry from the continuing drama in "the south," where an African Union peacekeeping force, AMISOM, battles both al-Shabab and local warlords, and the non-elected TFG's credibility continues to be undermined by factionalism and gross corruption.

But Somaliland's uneasy transition from informal coping mechanisms to the formal systems of a conventional state remains deeply incomplete, leaving its 4 million inhabitants trapped in an ambiguous limbo-land, juggling a host of anomalies and idiosyncrasies.

Somaliland may issue passports -- and its missions abroad certainly issue entry visas to the rare tourist -- but few foreign countries accept them. To win a valid passport, Somalilanders must travel east to Puntland, a region that harbors its own autonomous leanings vis-à-vis Mogadishu, to get the necessary papers. Somaliland currently does not control its own airspace, and it is in talks with the TFG and the United Nations, to which airlines currently pay their fees, to claim that right. Somaliland has no national postal service, so letters and packages are usually sent to DHL offices in Nairobi, Kenya, or Addis Ababa, Ethiopia, and then flown in. It has no insurance industry, either, which scares off foreign investment. The recent opening of a Coca-Cola bottling factory, whose day-glo drinks are now on sale in every Hargeisa restaurant, has been a rare exception.

And then there's the absence of an internationally recognized banking sector, which makes Somaliland particularly reliant on remittances -- an industry that is now in jeopardy.

Barclays was one of the last major international banks to still accept accounts held by money-transfer operators (MTOs), whose activities are seen in the West as open to abuse. But a record $1.9 billion fine slapped on HSBC by U.S. authorities for conducting business with banks in Mexico and Saudi Arabia with possible links to drug trafficking and terrorism appears to have tipped the balance for Barclays. The profit margins no longer seem worth the reputational risk. Now, ironically, Barclays finds itself in the role of "bad guy" by dint of its slowness in pulling out of the MTO sector.

Barclays's move was delayed when MTO Dahabshiil took the bank to court in 2013. But if allowed to go through, it will have huge implications for the whole of the Horn of Africa. Thousands of families in Djibouti, Uganda, Ethiopia, Kenya, Sudan, and South Sudan depend on regular remittances from hardworking relatives abroad -- payments so modest they make the fees charged by conventional banks impractical. Dahabshiil, the biggest regional MTO, with 400 payout locations in the Horn of Africa, points out that the United Nations, the World Health Organization, the World Bank, Oxfam, and Save the Children also rely on its services to pay staff, contractors, government departments, and partner NGOs. Humanitarian agencies, which prefer giving drought-hit farmers cash disbursements instead of market-distorting deliveries of food aid, are also alarmed.

But the level of vulnerability in Somaliland and Somalia dwarfs those of other countries in the neighborhood. Officials say Somaliland alone receives an annual $400 million in remittances, accounting for 25 to 40 percent of the republic's GDP. Critically, neither it nor Somalia has functioning private banks to fill the void.

For the past year, Somaliland's parliament has failed to enact legislation allowing the creation of a commercial banking sector. The reluctance, government insiders say, is rooted in the belief that sends the muezzin's call to prayer echoing from every corner of Hargeisa five times a day: the Islamic faith. Mindful of a constitution explicitly drafted according to Islamic principles, Somaliland's parliamentarians have approved an Islamic Banking Law, but have yet to pass its commercial equivalent. They fear it could introduce the charging of interest on economic activity, which is unacceptable under sharia law.

"We've visited parliament; we have sat down with the chairman to explain how important this is, how much we need these foreign banks. We push and push and push," says Abdilahi Hassan Aden, director general of Somaliland's (unrecognized) central bank. "But we are still waiting."

A Western advisor to the government sees parliament as ultimately persuadable, but not without work. "A lot of this is about changing the narrative when it comes to religion, changing mentalities," the advisor says. "Islamic countries like Malaysia or Indonesia, for example, still manage to have commercial banking sectors."

In private, some officials voice the suspicion that a commercial banking law has been so long in coming because the MTOs, influential local economic players that they are, until recently preferred the remittance system to remain just as it was.

Dahabshiil, which says it does background checks on all the customers it can, sees itself instead as a victim of world events. "All of this started because of 9/11," says Abdirashid Duale, Dahabshiil's chief executive officer. "Before then, there was no difference between us and a grocery store opening a bank account to deposit its earnings. With 9/11, the world changed, especially for Muslims."

MTO operators say Barclays's move would do the opposite of improving competition on a continent whose inhabitants already pay well over the odds for their money transfers. U.S.-based Western Union and MoneyGram, which the Barclays decision would not affect, charge far higher fees than Dahabshiil, which prides itself on being the cheapest MTO in the world.

Dahabshiil has now applied for and been granted a banking license under Somaliland's existing Islamic banking legislation. But if that materializes, there would still be an open question of how thousands of rural families who will never see the inside of a bank -- too far away, too expensive -- would survive financially.

After a spirited lobbying campaign by the Somali diaspora, fronted by Olympic sprinter Mo Farah, whose family lives in Somaliland, the British government set up an action group in the fall of 2013 to try to hammer out a solution. The Department for International Development (DFID), alongside the British Treasury, is working on establishing a "safer corridor" for remittances. Its feasibility study explores ways of improving customer due diligence, from biometric fingerprinting to PINs to bar codes, and the establishment of an independent "trusted third party" to audit transactions. But more than a year after the remittance issue first blew up, the "safer corridor" remains a distant aspiration.

British consultants who were in Hargeisa to address a conference on money laundering, attended by Somaliland government ministers, remittance companies, the local Chamber of Commerce, and the World Bank, dismiss the "safer corridor" idea as a non-starter. (They have been commissioned by Dahabshiil to carry out a regional banking survey.) "It's a Hans Christian Andersen story concocted by DFID, a case of the emperor's new clothes," says Peter Norris of Obiter Consult. "It's been very unhelpful in luring everyone into a false sense of security."

"The idea that you can have some massive computer system and somehow feed all this information in … and the computer will somehow work out which clients are dodgy and which are clean is a nonsense," he adds.

Norris think that a different approach is needed. The governments of Somaliland, Puntland, and Somalia each need to set up a supervisory body to police money-transfer and banking activities in their respective regions and then feed the information back to financial intelligence units, monitoring bodies set up by Western governments to regulate their own financial markets.

For Somaliland, that would mark another, arguably overdue step in the country's transition from post-conflict outlier, reliant on the survival instincts of its adaptable, entrepreneurial citizens, to conventional state.

Whatever solution is adopted in the coming months, money transfers loom too large in the lives of local residents to disappear overnight. In the old days, Somalilanders simply stuffed suitcases full of cash and boarded planes; friends of friends and strangers were, by necessity, entrusted to do the right thing. The irony, people say now, is that Barclays's move will drive money transfers underground, beyond any scrutiny at all.

"At the end of the day, the money will still come in, but at much higher transaction cost and with less transparency," says Shire, Somaliland's minister of planning. "So who do you punish by doing this? Is it the pirate, the terrorist, or the poor man?"