



Introduction of the Investment Environment and Incentives: The Case of Somaliland

Chinese International Economic
Cooperation Association

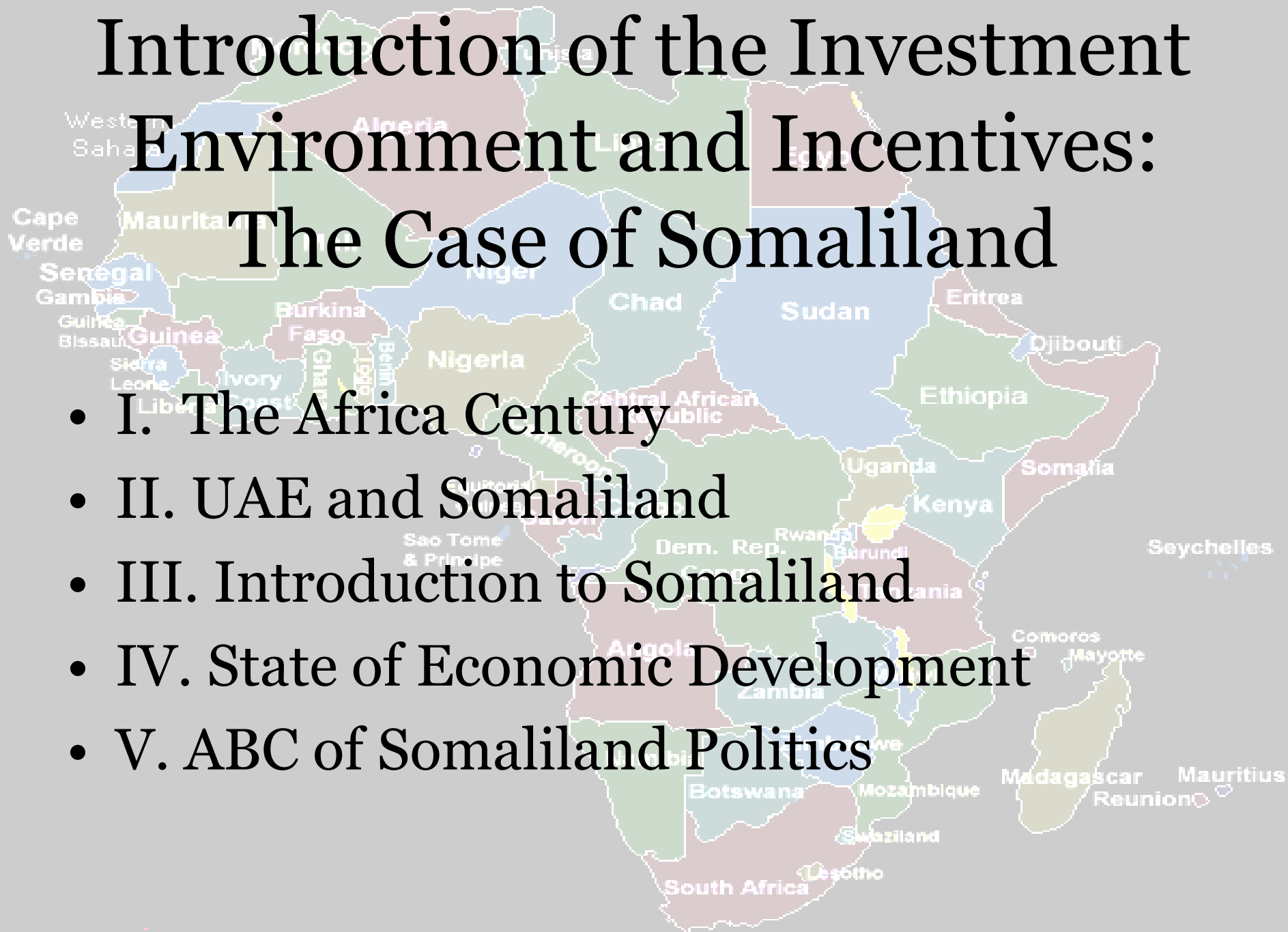
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Introduction of the Investment Environment and Incentives: The Case of Somaliland

- I. The Africa Century
- II. UAE and Somaliland
- III. Introduction to Somaliland
- IV. State of Economic Development
- V. ABC of Somaliland Politics



The African Century



- 1. This Will Be African Century – Paul Jackson, *Financial Times*, 01-31-2020, reason – the demographics
- 2. World's top 10 or top 20 fastest growing economies, half of them are from Africa.
- 3. AfCFTA – African Continental Free Trade Area, 2019
- 4. Regional Economic Communities: Eswatini and South Africa, members of Southern Africa Development Community (SADC)

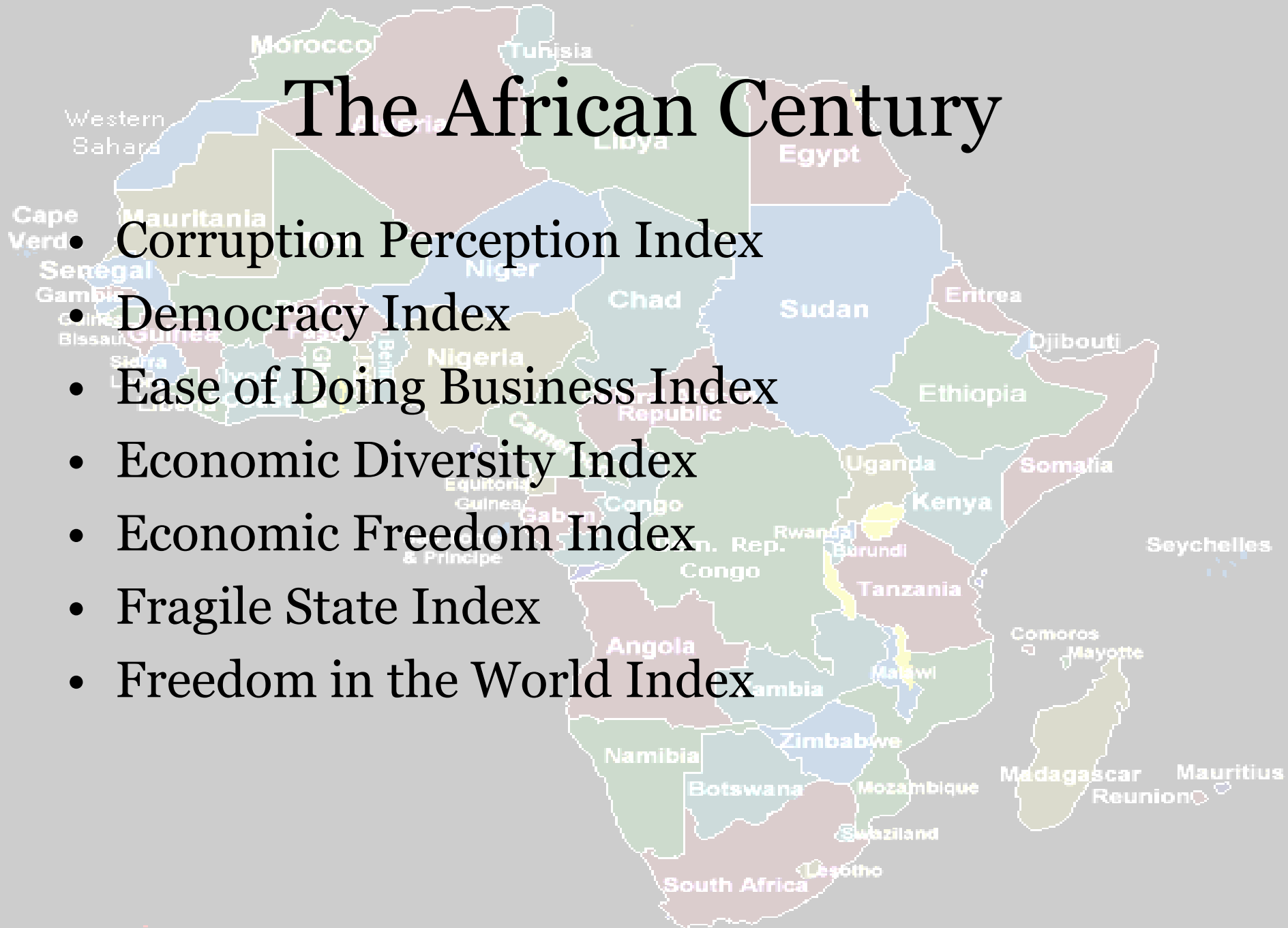
The African Century



- 5. Easy of doing business – World Bank 2019 ranking, Mauritius (13), Rwanda (38), Morocco (53), Kenya (56), South Africa (84), Zambia (85), Botswana (87), Togo (97), Seychelles (100), Namibia (104), Uganda (116), Ghana (118), Eswatini (121)
- 6. World Bank list of economies 2020: Eswatini as lower middle income and South Africa as higher middle income countries.

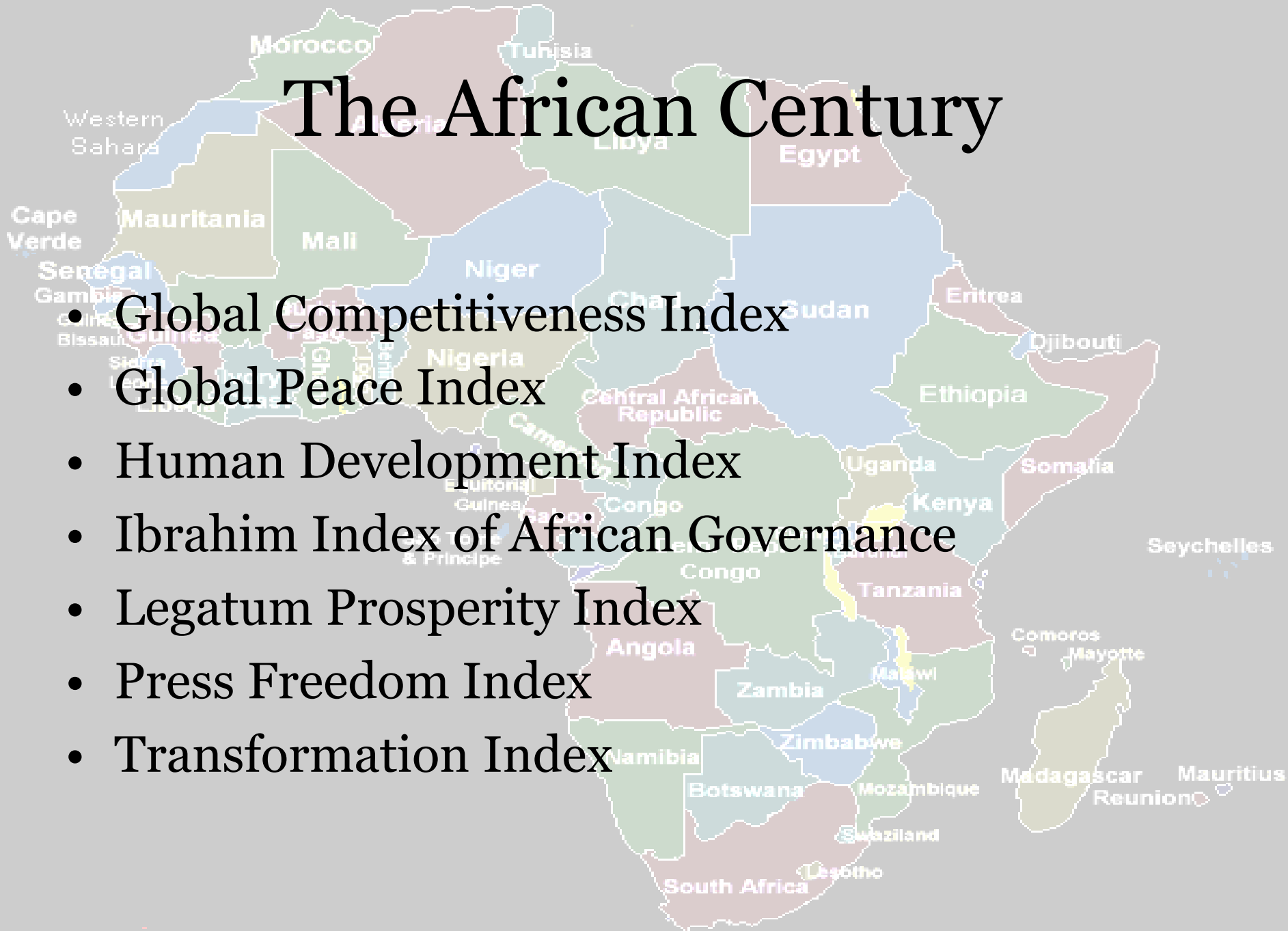
The African Century

- Corruption Perception Index
- Democracy Index
- Ease of Doing Business Index
- Economic Diversity Index
- Economic Freedom Index
- Fragile State Index
- Freedom in the World Index



The African Century

- Global Competitiveness Index
- Global Peace Index
- Human Development Index
- Ibrahim Index of African Governance
- Legatum Prosperity Index
- Press Freedom Index
- Transformation Index

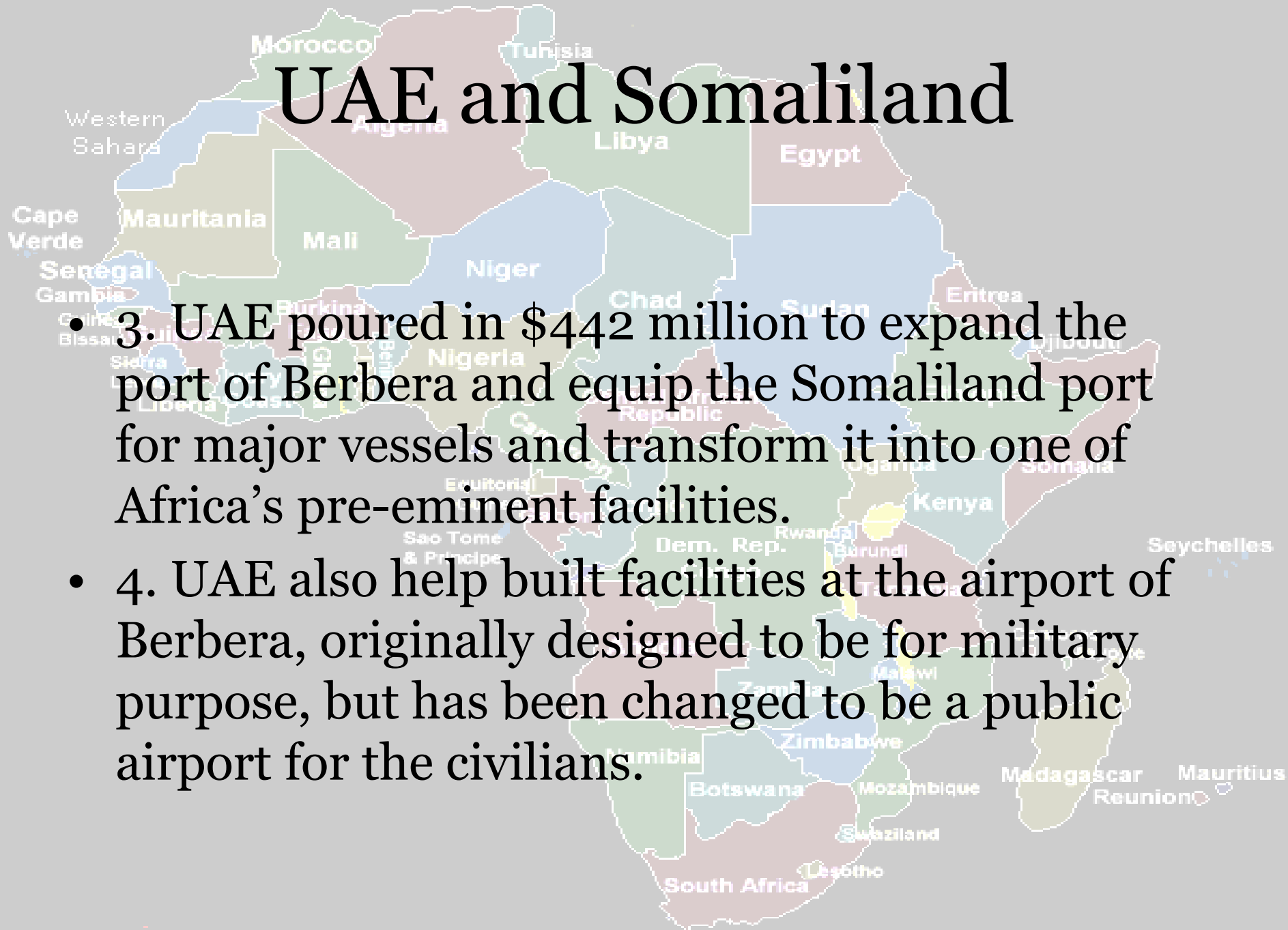


UAE and Somaliland

- 1. Somaliland was Africa's largest investment destination of UAE in 2017-2018, totaling \$860 million dollar, Egypt was second with \$380 million dollar.
- 2. The FDI concentrated in the area of construction industry (39%), ports(19%), transportation, warehouse and storage, mining, metals and chemicals (15%), renewable and environmental technology and financial services

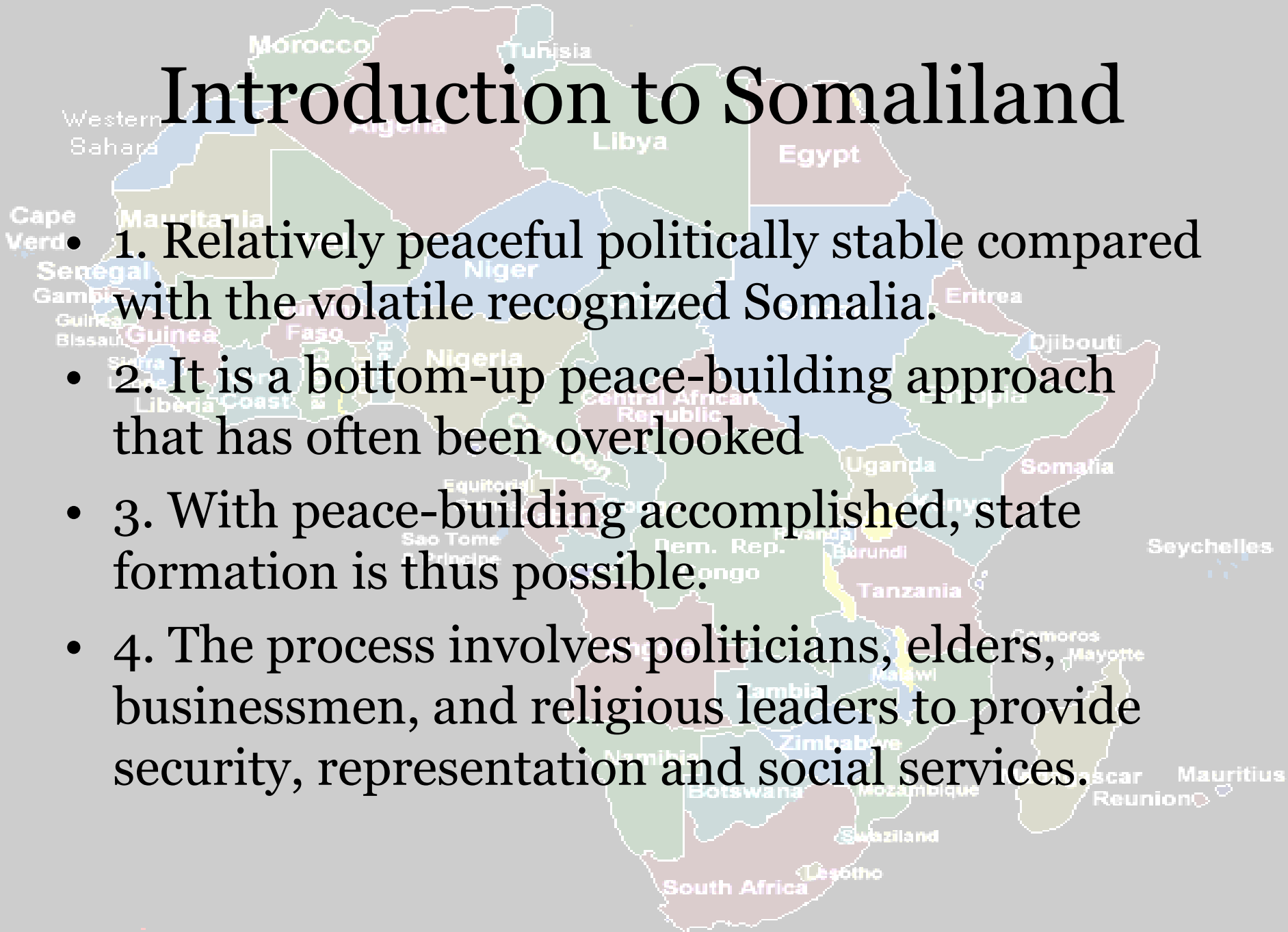
UAE and Somaliland

- 3. UAE poured in \$442 million to expand the port of Berbera and equip the Somaliland port for major vessels and transform it into one of Africa's pre-eminent facilities.
- 4. UAE also help built facilities at the airport of Berbera, originally designed to be for military purpose, but has been changed to be a public airport for the civilians.



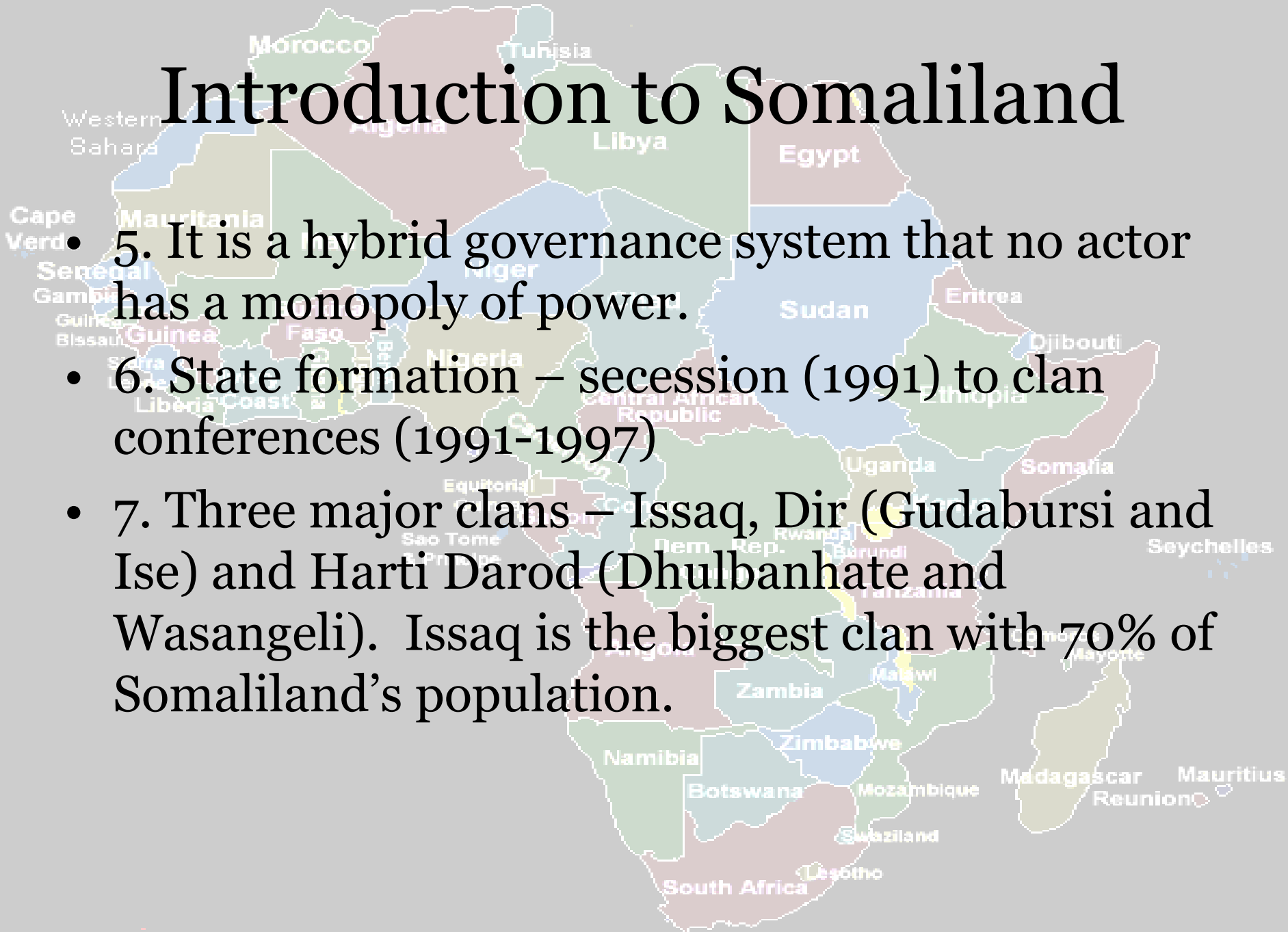
Introduction to Somaliland

- 1. Relatively peaceful politically stable compared with the volatile recognized Somalia.
- 2. It is a bottom-up peace-building approach that has often been overlooked
- 3. With peace-building accomplished, state formation is thus possible.
- 4. The process involves politicians, elders, businessmen, and religious leaders to provide security, representation and social services.



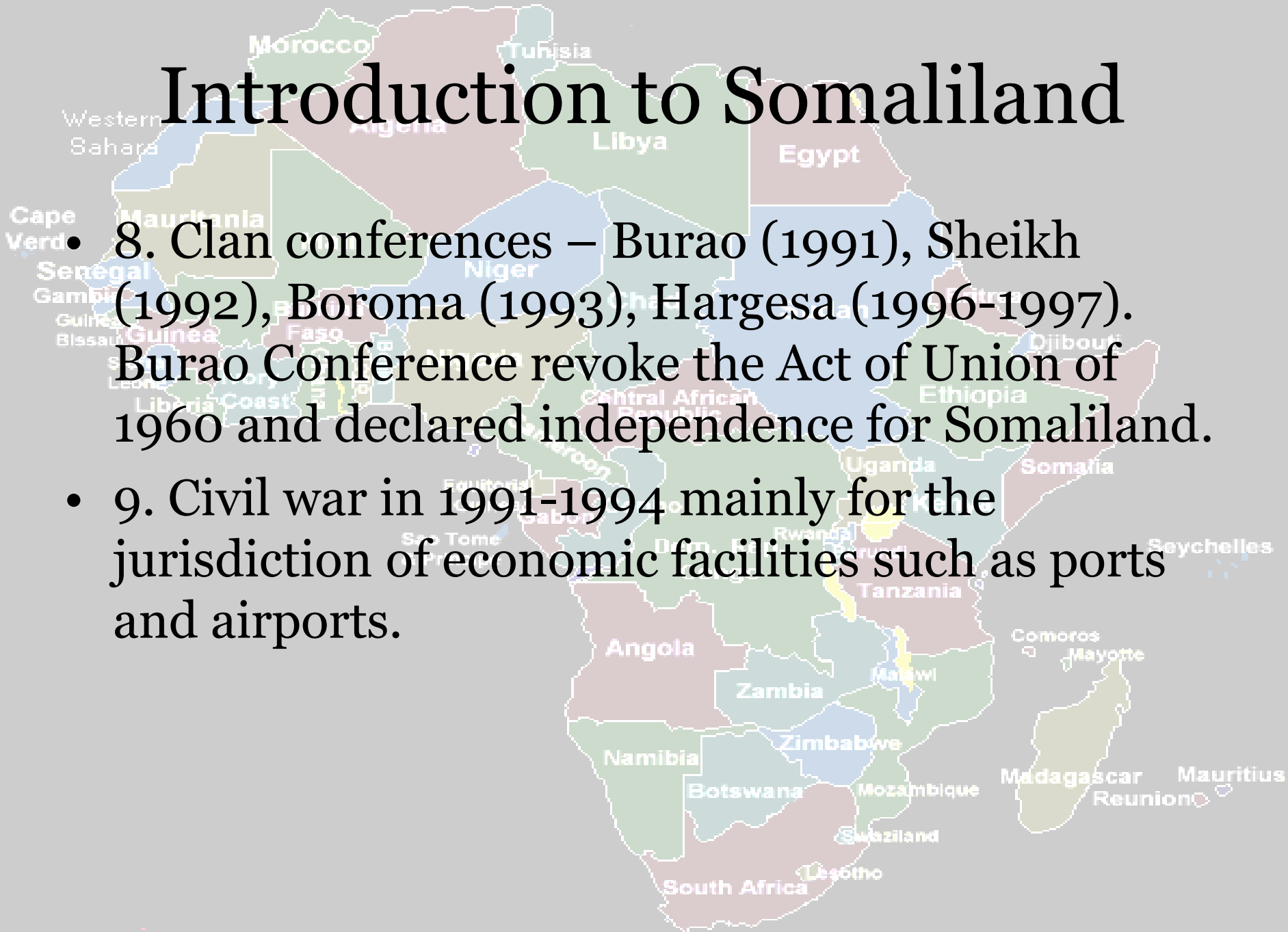
Introduction to Somaliland

- 5. It is a hybrid governance system that no actor has a monopoly of power.
- 6. State formation – secession (1991) to clan conferences (1991-1997)
- 7. Three major clans – Issaq, Dir (Gudabursi and Ise) and Harti Darod (Dhulbanhate and Wasangeli). Issaq is the biggest clan with 70% of Somaliland's population.



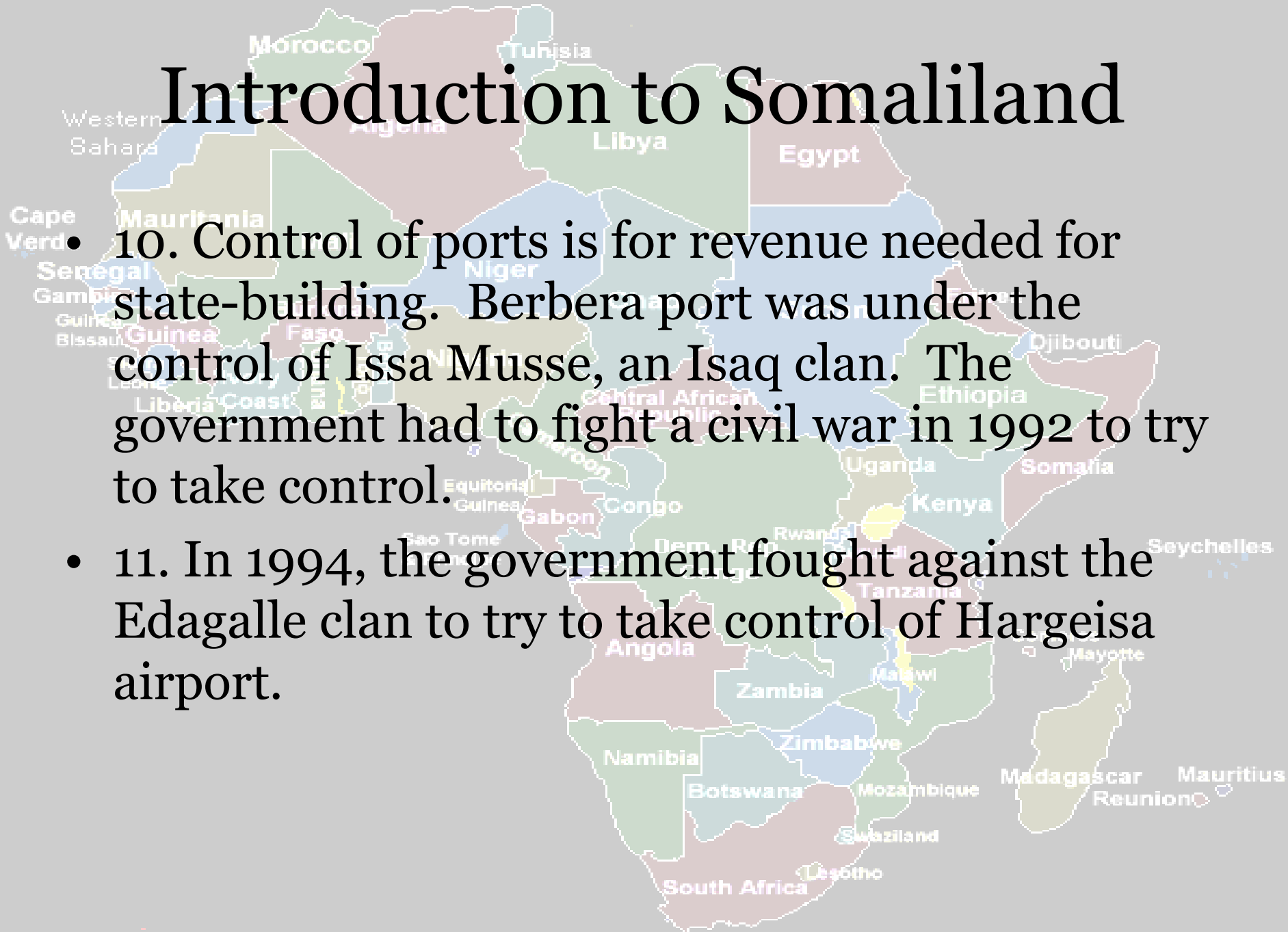
Introduction to Somaliland

- 8. Clan conferences – Burao (1991), Sheikh (1992), Boroma (1993), Hargesa (1996-1997). Burao Conference revoke the Act of Union of 1960 and declared independence for Somaliland.
- 9. Civil war in 1991-1994 mainly for the jurisdiction of economic facilities such as ports and airports.



Introduction to Somaliland

- 10. Control of ports is for revenue needed for state-building. Berbera port was under the control of Issa Musse, an Isaq clan. The government had to fight a civil war in 1992 to try to take control.
- 11. In 1994, the government fought against the Edagalle clan to try to take control of Hargeisa airport.



Introduction to Somaliland

- 12. With these clan conference, the government gradually has access to increased resources, i.e., through import tax or business support.
- 13. In return clan leaders have been rewarded with representation in the House of *Guurti* with the responsibility to promote peace by resolving clan conflicts and keeping clan militia in check.
- 14. With peace after the Hargeisa conference, the Somaliland started economic recovery.
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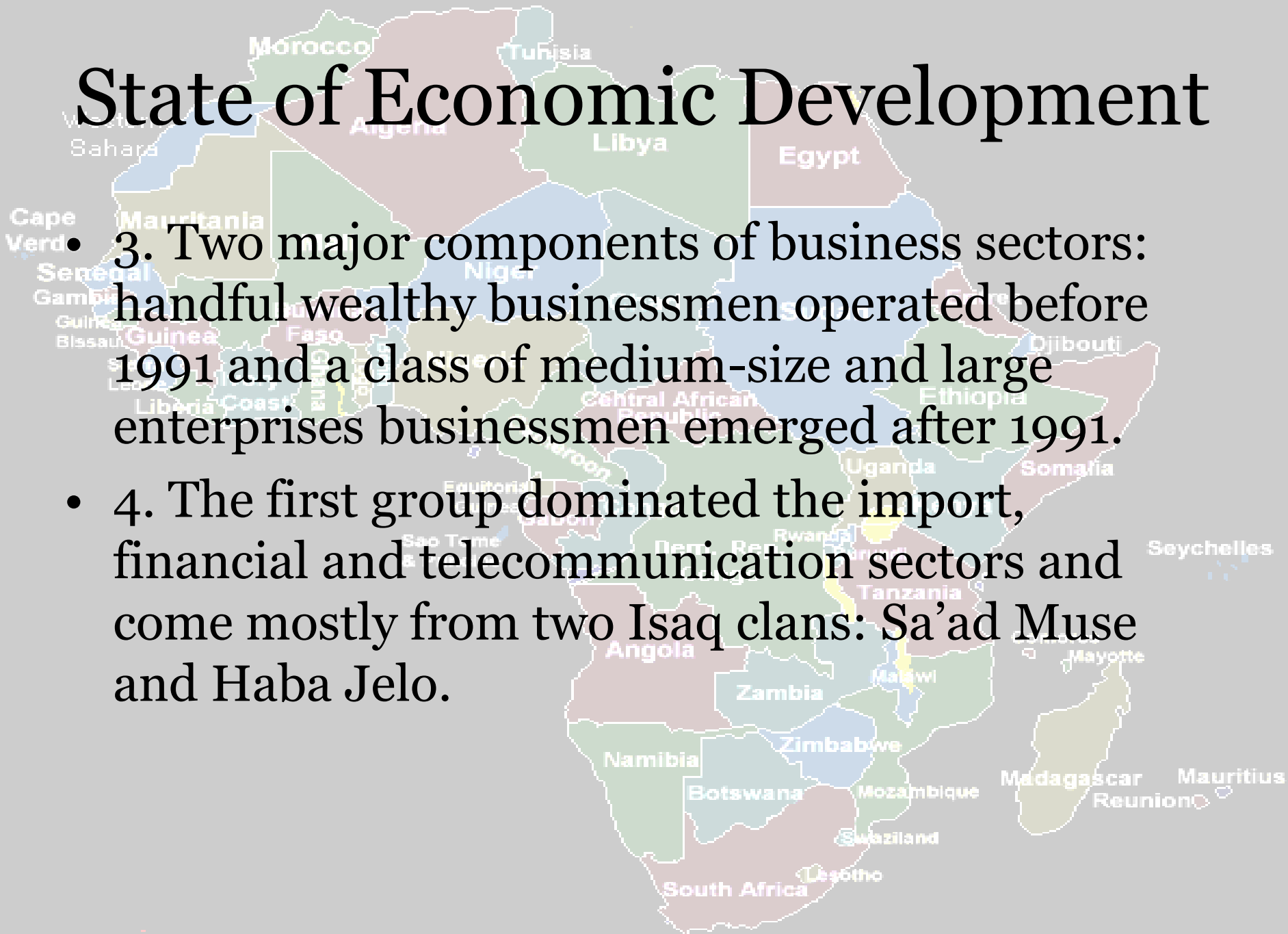
State of Economic Development



- 1. Since there was no international financial assistance, the economic activities have mostly been generated by the private sector, including the three most important pillars of the economy: livestock, telecommunication, and remittance.
- 2. Livestock depends on the trade with the Gulf states. Telecommunications and remittance depends on the Somali community in diaspora.

State of Economic Development

- 3. Two major components of business sectors: handful wealthy businessmen operated before 1991 and a class of medium-size and large enterprises businessmen emerged after 1991.
- 4. The first group dominated the import, financial and telecommunication sectors and come mostly from two Isaq clans: Sa'ad Muse and Haba Jelo.



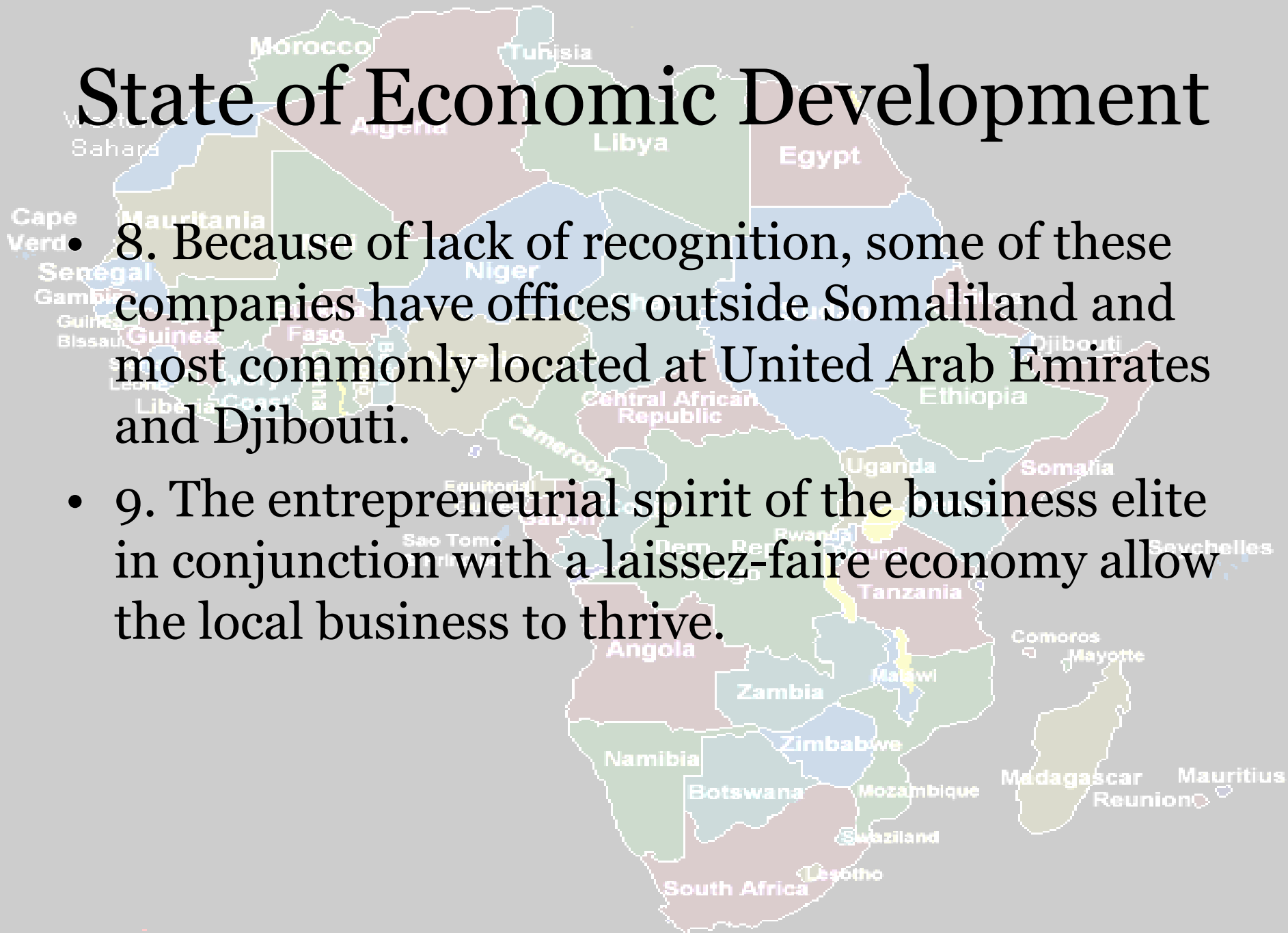
State of Economic Development

- 5. The second group usually hold strong conservative religious views, e.g. Salafi movement of Sunni Islam. They are also active in the above-mentioned sectors plus the energy sector but more or less as shareholders.
- 6. These shareholders are still labelled and identified with the top leadership of their clans.
- 7. Thus local elders, policy-makers, and politicians protect these companies.
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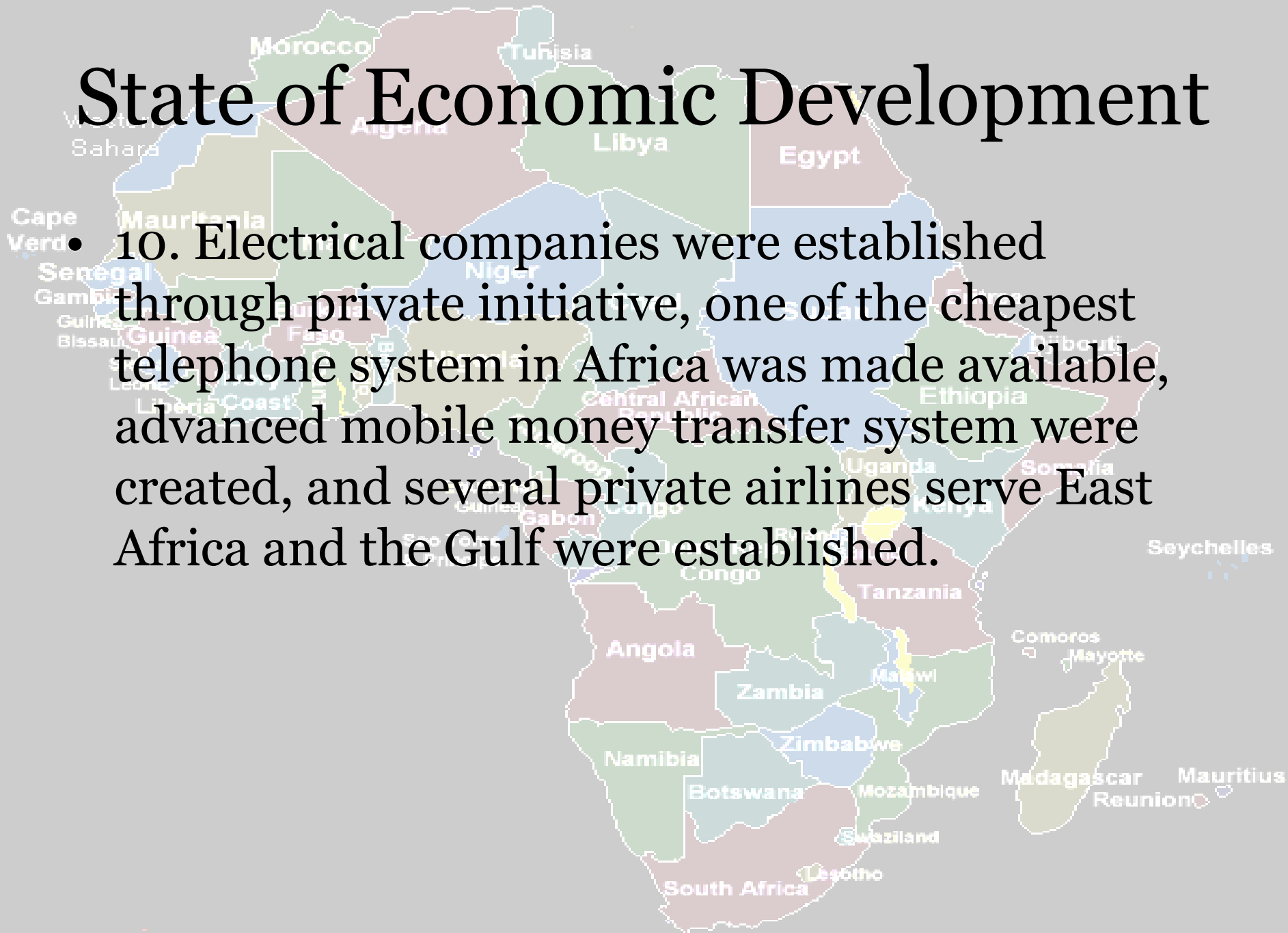
State of Economic Development

- 8. Because of lack of recognition, some of these companies have offices outside Somaliland and most commonly located at United Arab Emirates and Djibouti.
- 9. The entrepreneurial spirit of the business elite in conjunction with a laissez-faire economy allow the local business to thrive.



State of Economic Development

- 10. Electrical companies were established through private initiative, one of the cheapest telephone systems in Africa was made available, advanced mobile money transfer systems were created, and several private airlines serve East Africa and the Gulf were established.



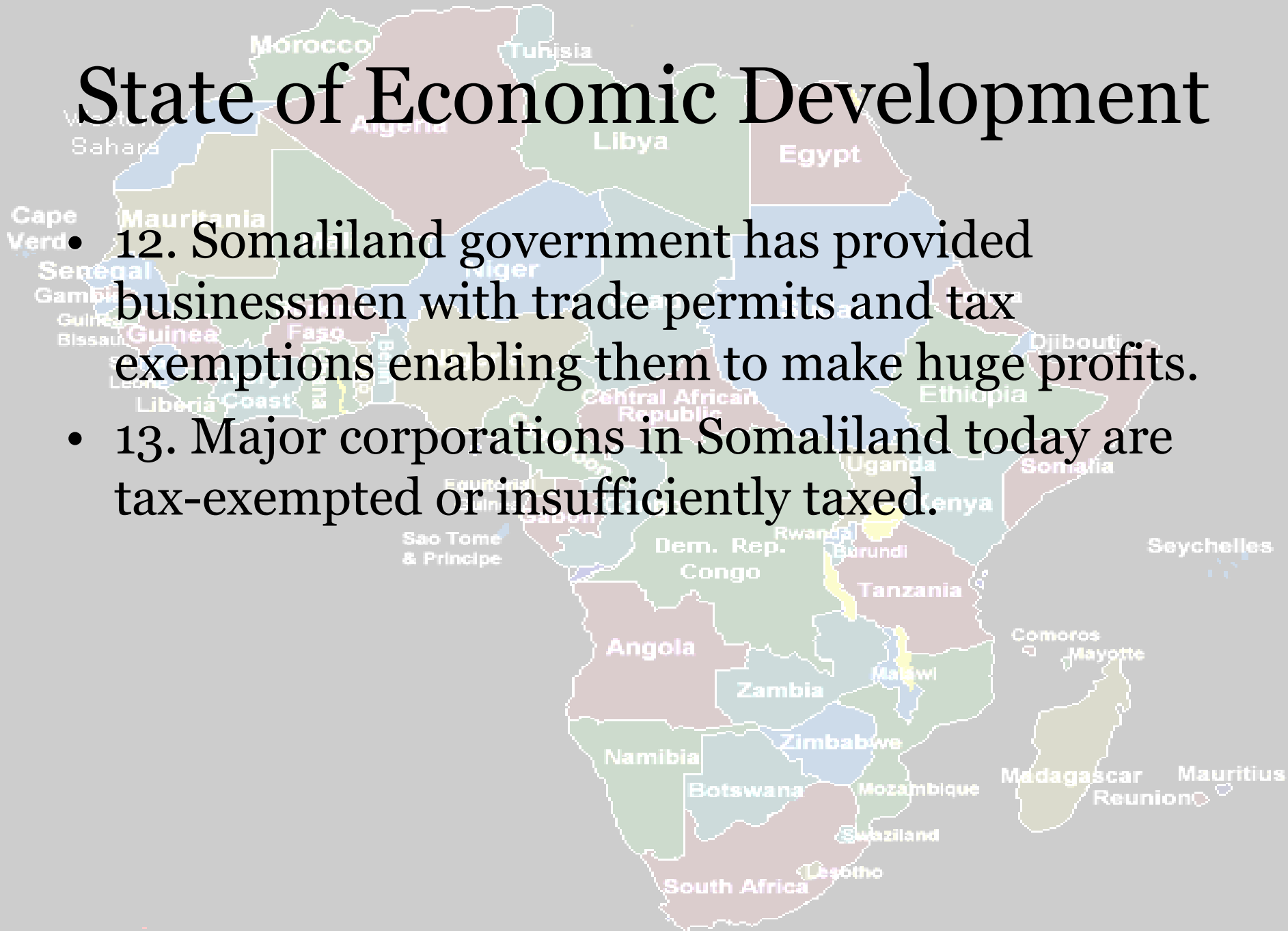
State of Economic Development

A map of the African continent is shown in the background, with various countries labeled in different colors. The labels include Morocco, Tunisia, Libya, Egypt, Algeria, Niger, Mali, Chad, Central African Republic, Ethiopia, Djibouti, Somalia, Kenya, Uganda, Rwanda, Burundi, Tanzania, Angola, Namibia, Botswana, Zimbabwe, Mozambique, Madagascar, Mauritius, Reunion, South Africa, Lesotho, Swaziland, Comoros, Mayotte, Seychelles, Liberia, Sierra Leone, Ivory Coast, Ghana, Guinea, Sierra Leone, Liberia, Cape Verde, Senegal, Gambia, Guinea-Bissau, Mauritania, Sahara, and West Sahara.

- 11. An example of the clan politics in business can be illustrated by the case of government's efforts to enforce intercommunication between two telecommunication companies – Telesom and Somtel in 2010. The elders considered such a move would favor Somtel that is owned by a businessman from the clan of the president and they were successful in lobbying against the regulation.

State of Economic Development

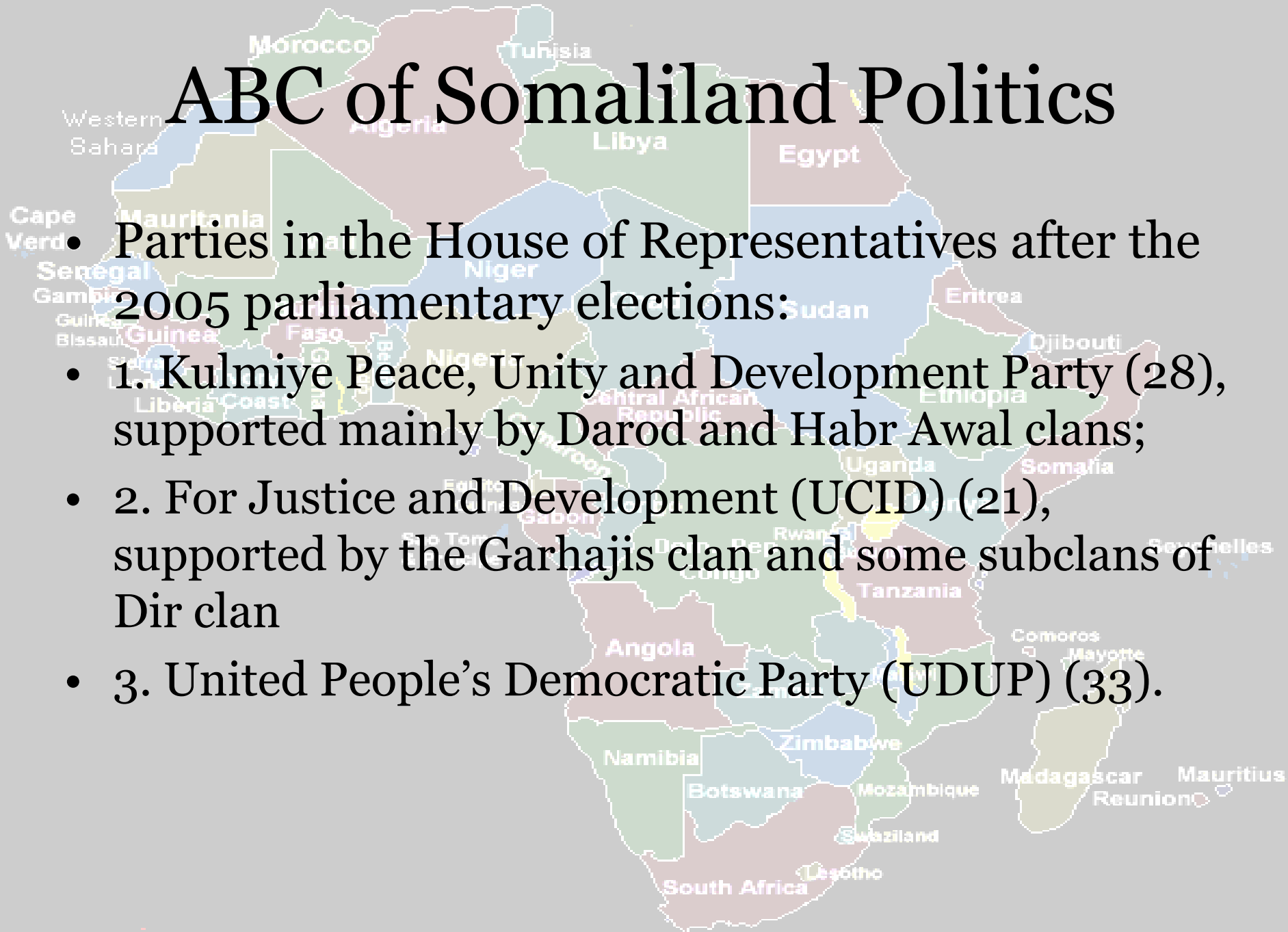
- 12. Somaliland government has provided businessmen with trade permits and tax exemptions enabling them to make huge profits.
- 13. Major corporations in Somaliland today are tax-exempted or insufficiently taxed.



ABC of Somaliland Politics

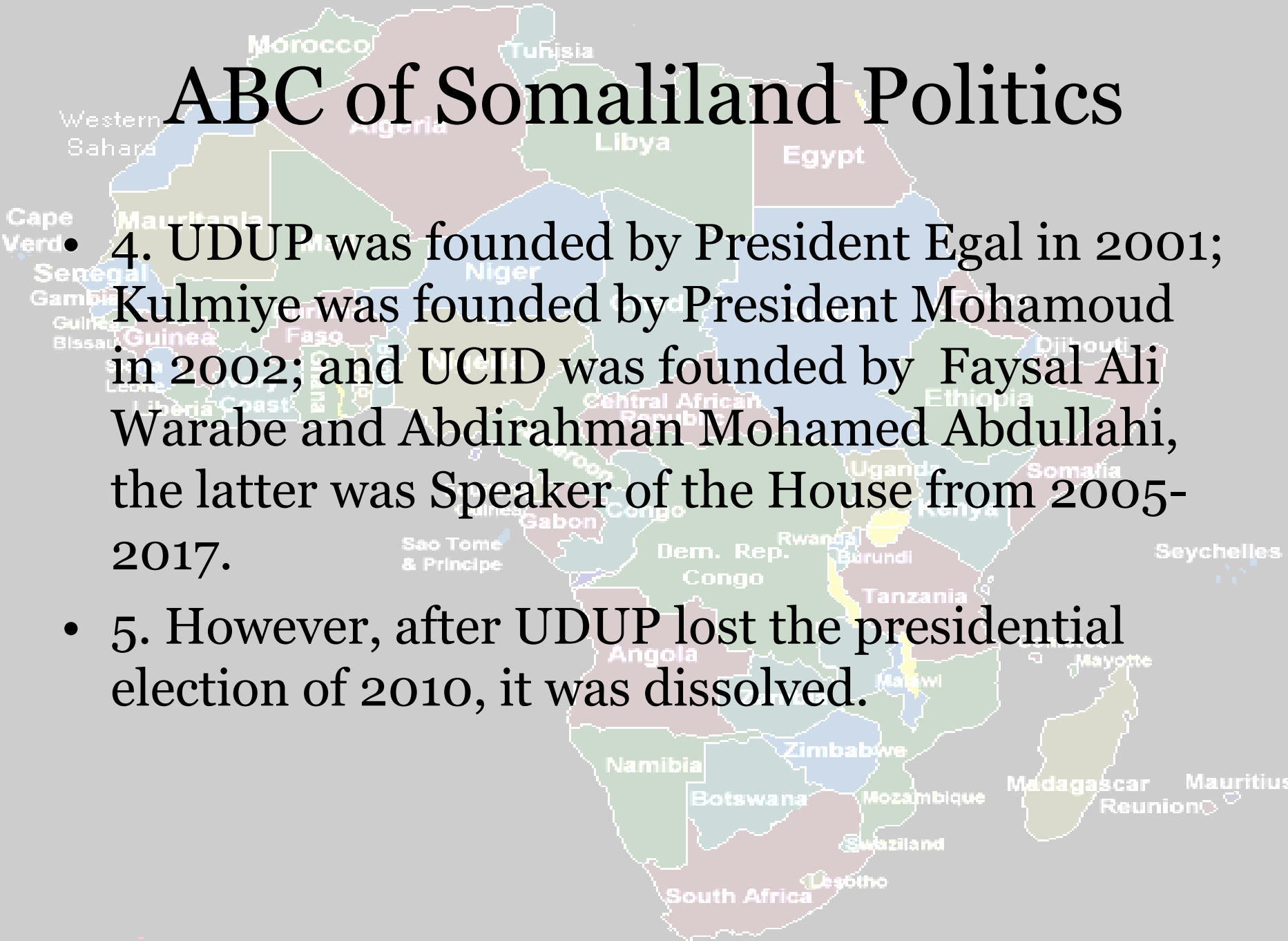
• Parties in the House of Representatives after the 2005 parliamentary elections:

- 1. Kulmiye Peace, Unity and Development Party (28), supported mainly by Darod and Habr Awal clans;
- 2. For Justice and Development (UCID) (21), supported by the Garhajis clan and some subclans of Dir clan
- 3. United People's Democratic Party (UDUP) (33).



ABC of Somaliland Politics

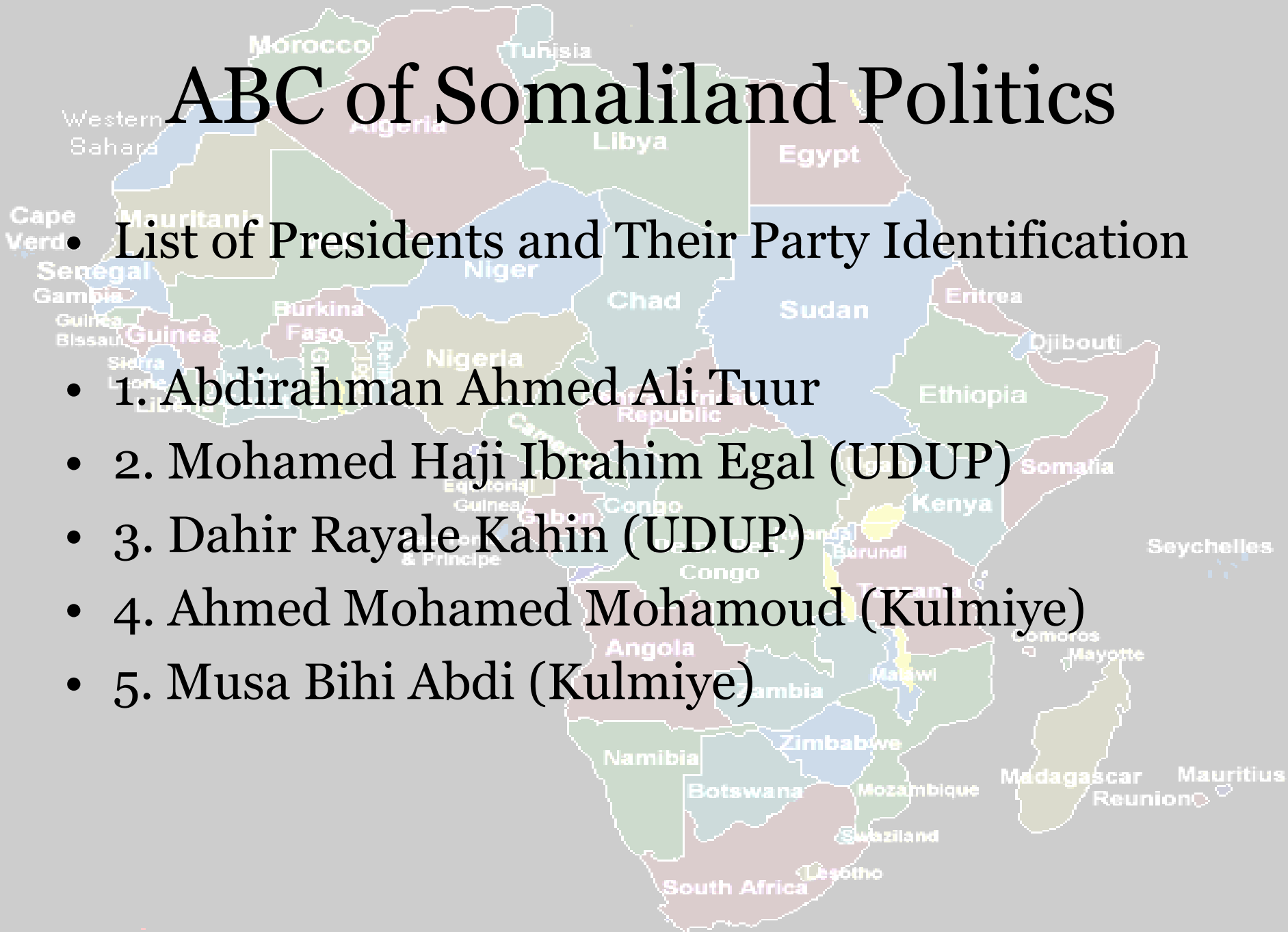
- 4. UDUP was founded by President Egal in 2001; Kulmiye was founded by President Mohamoud in 2002; and UCID was founded by Faysal Ali Warabe and Abdirahman Mohamed Abdullahi, the latter was Speaker of the House from 2005-2017.
- 5. However, after UDUP lost the presidential election of 2010, it was dissolved.



ABC of Somaliland Politics

• List of Presidents and Their Party Identification

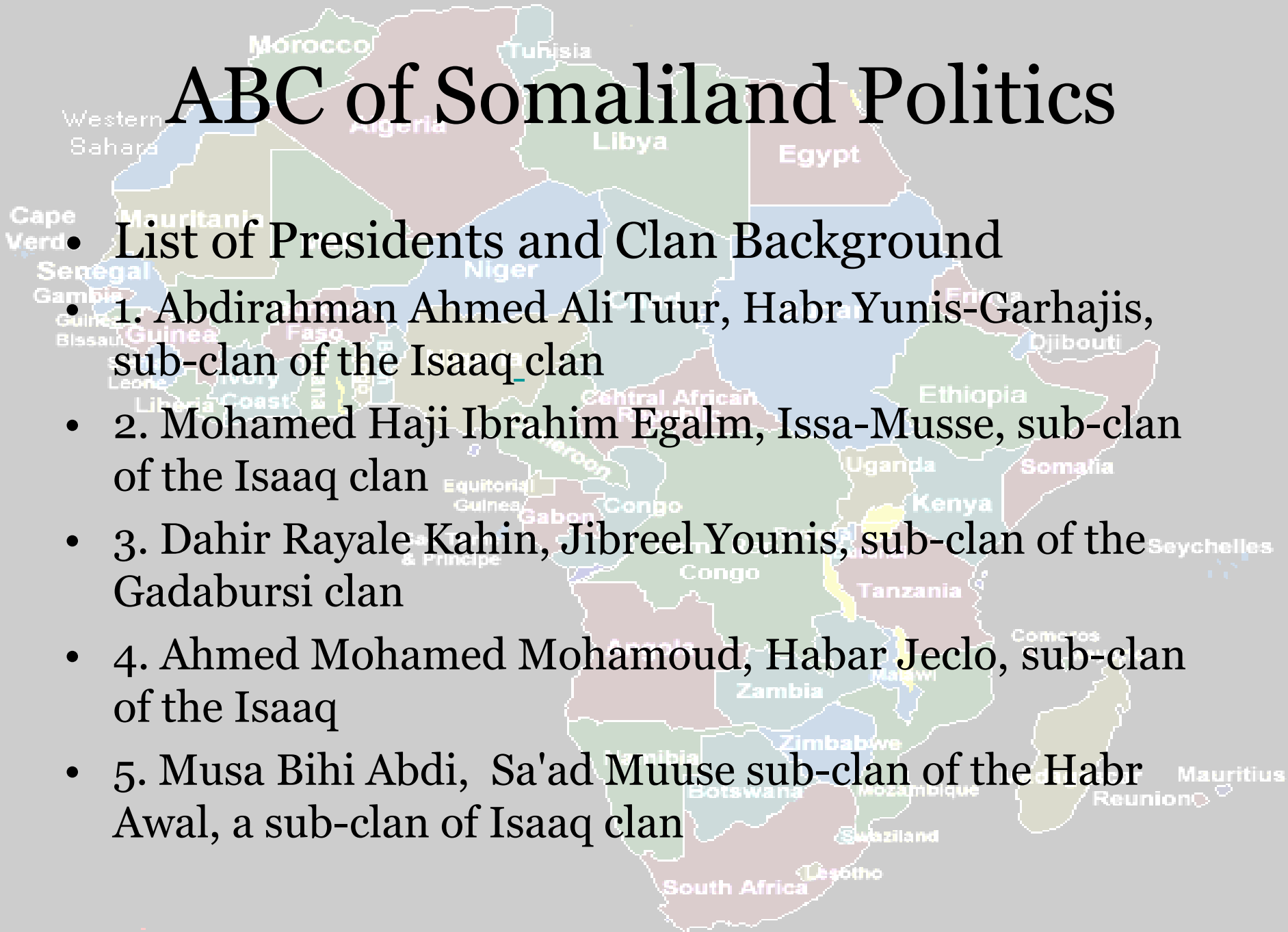
- 1. Abdirahman Ahmed Ali Tuur
- 2. Mohamed Haji Ibrahim Egal (UDUP)
- 3. Dahir Rayale Kahin (UDUP)
- 4. Ahmed Mohamed Mohamoud (Kulmiye)
- 5. Musa Bihi Abdi (Kulmiye)



ABC of Somaliland Politics

• List of Presidents and Clan Background

- 1. Abdirahman Ahmed Ali Tuur, Habr-Yunis-Garhajis, sub-clan of the Isaaq clan
- 2. Mohamed Haji Ibrahim Egal, Issa-Musse, sub-clan of the Isaaq clan
- 3. Dahir Rayale Kahin, Jibreel Younis, sub-clan of the Gadabursi clan
- 4. Ahmed Mohamed Mohamoud, Habar Jeclo, sub-clan of the Isaaq
- 5. Musa Bihi Abdi, Sa'ad Muuse sub-clan of the Habr Awal, a sub-clan of Isaaq clan





Thank you for your attention!