



MINISTRY OF TRADE AND INVESTMENT



SOMALILAND

An Investment Guide to Somaliland
Opportunities & Conditions
2013 - 2014
www.SomalilandInvest.net

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Opportunities and Conditions

2013 - 2014



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DISCLAIMER:

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

The Somaliland Investment Guide is also available as a web portal on: www.SomalilandInvest.net in both English and Somali languages.



At the Somaliland Livestock Quarantine Facility in Berbera, animals receive health checks and a health certification before being exported.

SOMALILAND

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MESSAGE FROM

THE PRESIDENT OF THE REPUBLIC OF SOMALILAND



The Government of Somaliland is proud to launch its first Investment Guide. The creation of this document and web portal is a signal to local, diaspora and foreign investors that Somaliland is “open for business.” It also marks a milestone in our progress from post-conflict stability and recovery to sustainable economic growth and development.

The Guide outlines the process of investing in Somaliland, and provides data and profiling information of investment opportunities in many of Somaliland’s productive sectors such as livestock, agriculture, energy and fisheries.

My government is ready to attract investment which is necessary to give the reconstruction and economic recovery the necessary leverage by creating economic opportunities and generating employment with the aim of contributing towards sustainable development and economic growth. In doing so, my government is committed to creating a business enabling environment that encourages innovation and fosters local and international linkages to expand market opportunities, while protecting investor assets.

I congratulate the Ministry of Trade and Investment and the many other Ministries, institutions and researchers involved with producing this valuable Guide, with the support of USAID.

A handwritten signature in black ink, appearing to read 'Ahmed Mahamoud', with a long horizontal stroke extending to the right and a vertical line at the end.

Ahmed Mohamed Mahamoud (Silanyo)

President of Somaliland

MESSAGE FROM

MINISTER OF TRADE AND INVESTMENT



The Somaliland people have witnessed a great deal of progress over the last 20 years of self-governance. Peace has been restored through our own efforts, democratic systems have been established and have continued to evolve after five successful elections at the presidential, parliamentary and local government levels; and professionalized security forces protect the population from terrorism, and organized crime. Now that the foundations have been put in place, it is time to build on these achievements by using foreign direct investment and local capacities to promote economic growth and job creation.

Somaliland has deepened its economic engagement with foreign governments, both within the region and beyond. With Ethiopia, Somaliland is engaged in negotiations to finalize their first official bilateral strategic cooperation agreement. Djibouti has invested heavily in Somaliland's economy, including investing roughly \$15 million in a Coca Cola factory last year. Somaliland has used diplomacy to help facilitate FDI from Turkey, the UAE, Egypt and China into Somaliland's key sectors such as livestock and fishery.

Thanks to stringent public financial management, increased tax revenue and more safeguards against corruption, Somaliland's 2013 budget is the largest and most balanced in its history. Moreover the government has no debt. Our children receive free primary education; we are expanding medical services and water distribution in urban and rural areas; and our mobile banking and money transfer industries have allowed for commerce to flourish.

Livestock exports account for around 60% of Somaliland's national income, chiefly to the Gulf States, but great potential exists for Somaliland to capture further global market shares and stages of the value chain. We have a fishery sector whose potential annual sustainable production is estimated at 40,000 tons. Through new technologies, drought-resistant crops, better practices and research, Somaliland's agriculture industry can take off. Somaliland's deposits of oil, gas and coal are attracting the attention of international investors, and agreements have been reached with Genel, DNO, Ophir and others over exploration and production rights. These contracts show investor confidence in our country's stability. There is also huge potential for renewable energy. Pilot projects in wind and solar energy are underway, and the legal environment is being reformed to better regulate the sector and protect investors.

Somaliland is reforming its once cumbersome regulatory framework to better promote investment. An Investment Climate Unit has been established within the Ministry of Trade and Investment (formally known as the Ministry of Commerce) to streamline business registration. Important legislation—such as the Foreign Investment Law, Islamic Banking Law, Central Banking Law, Electrical Energy Act, and Commercial Banking Act—have either been passed or are making their way through Parliament.

Somaliland has made many impressive gains in creating a favorable investment climate, but more investment support is needed. The main obstacle to major foreign direct investment has been ignorance of Somaliland's well-established peace and stability as well as its economic potential on the part of international investors. Somaliland is at a much more advanced stage of development and investors must acknowledge this reality. The start of new investment into Somaliland has shown that these attitudes are beginning to change, and my Government welcomes investors to come and see for themselves the unexplored and untapped opportunities that our country has to offer.

A stylized, handwritten signature in black ink, appearing to read 'Mohamed A. Omar'.

Dr. Mohamed A. Omar

Minister of Trade and Investment

Republic of Somaliland

SOMALILAND

AT A GLANCE

Name	Republic of Somaliland
Area	137,600 Km ²
Capital City	Hargeisa
Coastal Length	850 Km
Estimated Population	3.5 Million
Urban population	1.6 Million
Currency	Somaliland Shillings
GDP	US \$1.5 Billion
Per Capita Income	US \$429
Exchange Rate	1 US\$: 6500 Sl Sh
Standard Time Zone	GMT+3
Religion	Sunni Islam
Literacy Rate	43%
Languages	Somali, Arabic and English
Airport	Hargeisa & Berbera
Sea Port	Berbera
Major Towns	Burao, Borama, Berbera, Laas'nood and Erigabo



An Investment Guide to Somaliland
Opportunities and Conditions

2013 - 2014





1 / INTRODUCTION

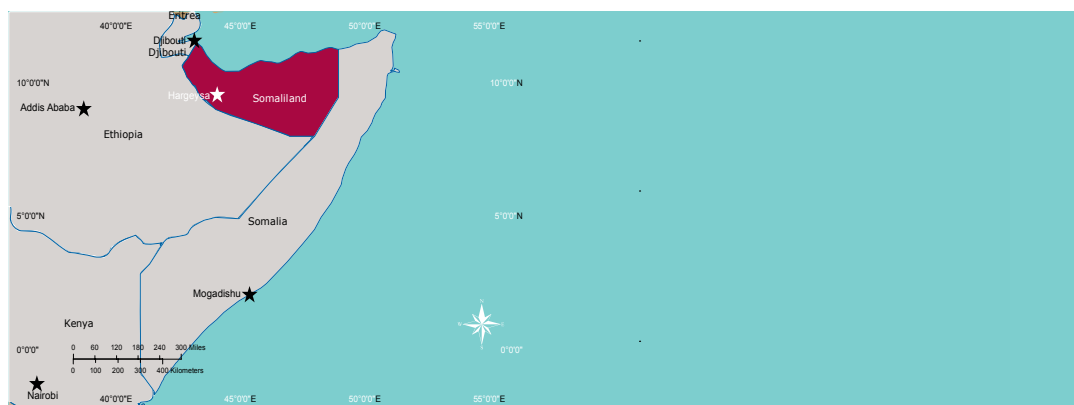
OVERVIEW

The Republic of Somaliland is situated in the Horn of Africa with boundaries defined by the Gulf of Aden in the North, Somalia in the East and Southeast, the Federal Republic of Ethiopia in the South and West, and the Republic of Djibouti to the Northwest. It lies between latitudes $8^{\circ} 00'$ and $11^{\circ} 27'$ north and longitudes $42^{\circ} 35'$ and $49^{\circ} 00'$ east, with mountains rising to 2000 meters in the east of the country. The total area of the Republic of Somaliland is estimated at 137,600 km² with a coastline of more than 850 km long. Climatically, Somaliland can be described as semi-arid and arid.

Somaliland consists of three topographic zones: coastal plain (Guban), mountain range (Oogo) and plateau (Hawd). The coastal plain “Guban” is between the sea and the mountain range known as “Golis”. This is a narrow and dry strip of land along the coast and is very hot hence the name ‘Guban’, meaning “the burnt” in Somali. Guban gets narrower towards the East and wider towards the West. The Golis range (Oogo) is the escarpment south of Guban zone and runs along the coastal lines in the North of the country,

where the highest peak known as Surad rises up to 2,633 m (7000 ft) above sea level. The Golis Mountains extend from Ethiopia in the West to Sanaag region in the East. There are no perennial rivers in Somaliland; however there are many ephemeral wadis (togs), or dry river beds. These river beds are dry most of the year but are filled with water during the rainy seasons of Gu and Deyr.

Somaliland’s isohyets map indicates that the mean annual rainfall varies from 150 mm in the narrow coastal fringe in the north known as ‘Guban’ to 500 mm in some South-West areas and in parts of the Golis range of the country. In terms of temperature, there is a great variability depending, generally, on the altitude of the area. The mean annual temperature ranges from 18°C in the higher escarpment of the Golis to 31°C in the northern coastal towns such as Berbera and Zeila. The mean temperature during the summer (Hagaa) is between 34°C and 38°C , the highest recorded temperature being close to 48°C . The mean winter (jiilaal) temperature varies from 15°C to 24°C , and the lowest temperature recorded is -2°C in Erigabo near the Surad Mountain.



PEOPLE

The total population of Somaliland is estimated at 3.5 million. The majority of the population live in the rural areas as pastoralists/nomads (50%), while about 35% live in urban cities or centres. The remaining 15% live outside the country, mainly in Europe and North America, where since early 1980's large groups of nationals from Somaliland have sought asylum. There are also a sizeable number of Somalilanders who live in the oil rich

Gulf Countries, as migrant workers. The Diaspora from Somaliland send it valuable remittances which helps the local population survive and ensure trade and investment in Somaliland. The annual population growth rate is estimated at 3.14% and life expectancy at birth is between 49 and 55 years. The population density in Somaliland is estimated at 22 persons per square kilometer. Somaliland is considered to have a relatively young population, as more than 68% of the population are below 30 years of age¹.



Veterinarians and lab technicians at a newly opened Burao livestock fattening facility.

HISTORY

Somaliland is referred to invariably by the ancient travelers as Berber Land, Punt Land, Coast of Spices and Land of Aroma. Coastal towns in the region such as Zeila and Berbera were in existence as early as the 1st century AD. A document which dates back to that time, Periplus of the Erythraean Sea - written by a Greek merchant, gives an account of the commercial activities involved with the people in the coastal ports who traded with the Egyptians, Chinese, Persians, Indians and Arabs. Among the products described in the Periplus document and traded by the local traders from Somaliland included - spices, Myrrh, ivory, frankincense, gum and cinnamon. By the second century Arab trading relations were quite well established along the Somaliland coastal regions.

Pre-Independence Somaliland (1869 – 1960)

Like other parts of the region, the interest of the Europeans in Somaliland became more strategic after the opening of the Suez Canal in 1869. The arrival of the British colonial power in Somaliland started after the Berlin Conference in 1884 which resulted in Britain taking control of Somaliland, as a protectorate at a time when France and Italy were also competing for the control of territories in the region. The partition of the Somali populated regions in the Horn of Africa started in earnest after Britain signed treaties with local tribal chiefs in Somaliland in 1887 and thus made this territory a British Protectorate (British Somaliland Protectorate). Somaliland

remained a British protectorate from 1887 up until 26th June 1960 when it gained its independence from Britain. Italian Somalia became independent on 1st July 1960 and the same day the two states merged and formed the Republic of Somalia.

Post-Independence Somaliland (1960 – 1991)

During the first nine years after independence (1960 – 1969) some sort of a parliamentary democracy was observed, and democratically elected governments succeeded each other. The military coup d'état led by General Mohamed Siyad Barre suspended the constitution and brought in a martial law. The regime enacted numerous discriminatory policies which resulted in considerable economic, social and political disadvantages against the people of Somaliland. The repressive policies of the regime gave rise to the formation of an armed resistance against the government in the form of the Somali National Movement (SNM) in London on 6th April 1981. A ten year struggle ensued, affecting particularly the two largest towns of Burao and Hargeisa; and resulting in over 1 million displaced peoples. Under the auspices of the SNM, traditional clan leaders organized a number of community conferences (Shir Beeleed) to consolidate peace and reconciliation between different clans, culminating in the regional Grand Conference (25th March to 26th May 1991) which declared the withdrawal from the union with Somalia and reclaimed its independence.



The famous Las Geel cave paintings, located between Berbera and Hargeisa, are estimated to be over 5,000 years old. They continue to attract attention from tourists and archeologists worldwide.

SOCIO-ECONOMIC DEVELOPMENT

In terms of socioeconomic development, Somaliland does not feature in the UNDP's Human Development Report (HDR), since it is not recognized as an independent country by the UN. Yet, Somaliland continues to be peaceful, relatively stable, with central authority, a multi-party political system and elected government as well as active civil society and vibrant private sector. In the context of a post-conflict economic base and without direct international aid consecutive governments in Somaliland have to varying degrees succeeded in establishing functioning administrations, promoted peace, reconciliation and stability, and created positive and enabling environment for economic growth and social development.

ESTIMATED GDP	
GDP	\$1.5 billion
GDP Per Capita Income	\$429
SECTOR CONTRIBUTION	
Agricultural	65%
Industry	10%
Service	25%

Despite not being recognized as an independent country Somaliland has achieved not only peace and reconciliation among its population but also made huge improvements in basic essential social services including health and education since 1991. Indeed Somaliland has made remarkable progress given the scale of destruction caused by the civil war and

considering the fact that consecutive governments have operated under shoestring budgets without any direct budgetary assistance from international donors due to lack of recognition and development aid.

There is a huge presence of UN agencies and International NGOs in Somaliland. For example, some of the UN agencies working in the country include: UNICEF, WFP, UNDP, WHO, WFP, ILO, IOM, FAO, UNHCR, UNIDO, UNESCO and UNFPI. In addition there are International NGOs such as: NRC, DRC, Progressio, Action Aid, OXFAM, Health Unlimited, PSI, Care International, World Concern, World Vision, Caritas and many others. Other donors who are also running activities in the country include: World Bank, EU, DFID, USAID, DANIDA etc. These donors and aid agencies are involved not only in the humanitarian and stabilization programs that are essential for a post-conflict situation but also in creating employment, income generation and promoting investment through private sector development programs.

Traditionally rural activities have provided over 80% of employment opportunities. This is an indication of low labor productivity when the sector's GDP contribution is taken into account. Livestock production is the most important activity of the rural pastoralists. However in recent years, the rate of nomadic pastoralists abandoning their way of living and moving to urban centers is estimated to be between 6 and 10%. Both livestock exports and remittances from Diaspora generate significant

“ By virtue of its strategic geographical location and advantageous position between the East African interior and the Middle East with 850 km long coastal shipping routes and the Berbera Port, and its strong security situation, Somaliland has the potential for enormous growth in terms of free trade, trade facilitation, transit and transport corridor for the rest of the Horn, East and Central African countries. ”

income for the population which is funding the informal economic sub-sectors such as trade and construction. The combination of the livestock dependent economy and remittance money has created an informal economy, which needs to be properly guided towards creating demand in the formal economic sector and investment.

INFRASTRUCTURE

Infrastructure development is a policy priority for Somaliland’s path to sustainable recovery and reconstruction. The Government fully understands this and has been endeavouring to create an enabling environment for investment and productive work based on strong and reliable infrastructure that are prerequisite for economic growth and development. The experience of Somaliland for the past decade or so has shown that economic growth and sustainable development will require essential infrastructure to be established across the country. Indeed, there is a consensus in the country on the need for investment in infrastructure as a means of creating employment and promoting growth and equity. The priority sub-sectors of infrastructure include: roads, housing, education, health, telecommunications, ICT and Ports which are necessary to promote the above mentioned important sectors like agriculture, fishery, livestock and energy.

#	SUB-SECTOR	OPPORTUNITIES FOR INVESTMENT
1	Roads and Transport	Develop Berbera Corridor road; establish road safety standards; improve road maintenance and financing; start repairing existing roads and build new priority ones.
2	Post and Telecommunication	Establish telecom spectrum management; enable mobile interconnection; develop a postal code system and build other telecommunications infrastructure.
3	ICT and Information	Migrate from analogue to digital technology; expand the capacity of national radio and TV; provide secure common ICT government host and start networking government institutions.
4	Ports	Expand port facilities; establish a container terminal; develop a free trade zone; dredge to accommodate large vessels and acquire adequate port handling equipment.

The government is committed to creating the enabling environment for the operation of national and international firms that would implement its major development projects through performance-based contracting. Timely preparation of infrastructure projects depends on an effective planning and the government, investors and donors can work together to attract reputable international firms in the country and promote joint ventures between capable local institutions and potential international firms. In addition the government is fully aware that the

successful transformation of the economy will depend on the capacity to attract investment into the country involving all potential investment actors (Local, Diaspora and Foreign).

Investment

Over the past decade, investment into the Somaliland economy – particularly by the global Somali Diaspora community – has been steadily growing as peace and stability has improved. There is also nascent interest expressed by other investors– most prominently seen with the opening of a multi-million dollar Coca-Cola factory last year.

By virtue of its strategic geographical location and advantageous position between the East African interior and the Middle East with 850 km long coastal shipping routes and the Berbera Port, and its strong security situation, Somaliland has the potential for enormous growth in terms of free trade, trade facilitation, transit and transport corridor for the rest of the Horn, East and Central African countries.

That is why the Ministry of Trade and Investment (formally known as the Ministry of Commerce), in conjunction with the Chamber of Commerce, has for the first time developed this Somaliland Investment Guide which is designed to provide investors with a basic knowledge about the country, its people and an explanation of the way businesses operate within Somaliland. The Somaliland investment guide will elucidate other useful information related to security, commerce, trade and investment. There

is no doubt that investing in a foreign country or doing business in an overseas market is somewhat challenging for investors. Perhaps this is more in the case of Somaliland because it is not recognized by any other country and some investors may think that doing business in such a country is going to be a difficult and risky.

The Government of Somaliland, through its Ministry of Trade and Investment wants the investment guide to change this perception by showing investors around that Somaliland is ‘open for business.’ The investment guide zooms in the private sector investment situation in Somaliland by assessing major sectors of the economy and provides the information most relevant to potential investors about available opportunities to be taken advantage of. It also outlines other pertinent issues that are equally important for investors including security, regulatory framework and production cost factors such as labor, transport and energy. The investment guide sets out to identify opportunities in all major economic sectors in the country which have a strong potential for putting the country on the path to sustainable recovery and economic growth.

MARKET SIZE AND ACCESS

The population of Somaliland is estimated at 3.5 Million with GDP income per capita of around \$420. This has increased from an estimated income of \$290 in 2003 and that is mainly due to peace and stability which enabled faster recovery

and economic growth. People in the age group of 15 to 64 who are working or are available for work are considered to be the economically active population. According to World Bank figures (2011), this group constitutes 56.4% of the total population. This is about 1.6 million people out of the estimated 3.5 million in all of Somaliland. The weighted national employment rate is estimated at 52.6%. Total employment (comprising self-employment and salaried employment) among the economically active population is estimated at 38.5% in urban areas and 59.3% in rural areas. Therefore, unemployment rates are 61.5% in urban areas and 40.7% in rural areas. The market size is relatively small but Somaliland has a steadily increasing middle-class whose income is growing and their desire to buy consumer goods is equally growing.

Reliance on remittance money and livestock exports is matched by reliance on imported food and consumer goods which means that Somaliland is import-dependent as a result of both preference for imported food and marginal grain production and a limited domestic processing and manufacturing base. That is why the investment guide has conducted research in major sectors of the economy with a view to find out more information about the investment needs of the sectors and to provide investors with the practical and up-to-date information. It is expected that the more investors are given the right information about the challenges and opportunities in these sectors the more they could make an informed decision about investing in Somaliland.

INVESTMENT PRIORITY SECTORS

Based on the Somaliland’s Five Year Development Plan (National Development Plan 2012-2016) there are six sectors in the economy that are regarded as priority sectors, and the government is seeking to encourage foreign investment in those sectors:

#	SECTOR	OPPORTUNITIES FOR INVESTMENT
1	Banking & Finance	Modernizing the banking operations; piloting innovative financial services reaching rural and urban areas; expand Islamic Micro-finance opportunities.
2	Agriculture	Establish research centers; develop training and extension programs; build institutional capacity; improve support services and infrastructure; promote commercial farming and support farmers’ organizations.
3	Livestock	Improve veterinary services; add value to livestock exports; improve marketing and markets; establish research centers; explore new markets.
4	Fisheries	Establish fish stock in territorial waters; build fish markets; establish cold chain from port to markets; explore new markets.
5	Industry	Promote trade with neighboring countries; establish one-stop shop business centers; facilitate Berbera Cement Factory rebuilding and build institutional capacity.
6	Energy	Promote investment in the energy sector; promote renewable energy and establish generators with sufficient capacity in urban centers



Factory worker at local mineral water bottling company.

Other Areas for Investment

In addition to these six sectors in the table above, that are prioritized for investment by the National Development Plan, the Ministry of Trade and Investment is prioritizing the following areas for investment.

Exports

One of the most important areas that the government is promoting and encouraging

for investment is the export oriented enterprises with a view to increase exports while fulfilling domestic demand. Somaliland has traditional areas of economic activity for exporting which can be invested and developed further by making them more competitive (e.g. livestock fattening and export), but it is equally important to encourage the new entrepreneurial spirit and innovation (e.g. salt processing; new small scale industrial

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It is expected that the more investors are given the right information about the challenges and opportunities in these sectors the more they could make an informed decision about investing in Somaliland.

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development, etc.). In order to achieve this, the government is seeking to encourage investors through incentives including tax exemptions and land leasing. These will be highlighted further in the legal and regulatory overview section of the Investment Guide.

Mining

Another sector that has huge potential for foreign investment and could transform the future economic prospects of the country and its small population is mining including hydrocarbon deposits (oil and gas) as well as coal, which can be easily explored. Based on seismic surveys and geological data gathering carried out during the past few years, there are encouraging indications including onshore oil seeps showing favorable conditions for hydrocarbons to have accumulated in numerous large tilted fault blocks and sub-basins. Some of these discoveries go back to the 1950s and 1980s but there are also new data based on recent seismic surveys which indicate potential oil and gas deposits in the country. There is no doubt that the increasing global demand for oil fuelled by the expanding Asian economies will make Somaliland's oil drilling prospects more demand driven and urgent than before and the government has been seeking to develop the right institutions to pave the way for oil drilling and the distribution of any wealth from that oil to be properly channelled towards economic and social development.

Tourism

There is also a need to establish more thriving tourism industry ventures in the

country, particularly eco-tourism, where visitors can be encouraged to explore ancient caves, beautiful beaches and mountains, and spectacular landscapes in the country. The tourism sector is therefore another area in the economy that has large potential for foreign and domestic investors. Another area for increased potential for encouraging tourism is to attract Diaspora Tourists. Many Somalilanders living abroad have never visited Somaliland and many more were born abroad. With good hotels and tourism infrastructure, the Diaspora yearning to visit Somaliland can be attracted. This in turn could benefit other sectors in the economy by making the Diaspora promote investments in them. A concerted effort is needed to promote tourism.

Civil Aviation

This sector is expected to provide important support to the future growth of the economy in Somaliland. According to the Ministry of Aviation (MoA), air passengers at the Hargeisa airport between 2010 and 2012 has increased by 18% compared to the previous two years and air cargo had increased by almost 29%. In addition there are a growing number of people from the Diaspora who are visiting their country every year. Both Foreign and Diaspora investment is therefore required for this sector which is likely to grow, between 10% and 15% annually for the next three years. There is already a positive sign that companies like Ethiopian Airlines are interested in investing this sector and targeting this growing market in Somaliland.





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2 / LEGAL OVERVIEW FOR SOMALILAND INVESTORS

INSTITUTIONAL FRAMEWORK

The Somaliland Constitution establishes a tripartite governance structure with an executive branch, a legislative branch, and a judicial branch. The executive branch is headed by the President who nominates the Ministers who, report to the President.



The *Legislative Branch* is a bicameral system which together comprises the Somaliland Parliament. One chamber of the Parliament is the House of Representatives, which has 82 members representing each district. The other chamber of the Parliament is the House of Elders, which also has 82 members that have been nominated by their clans to represent the interests of that clan in Parliament.

The *Judicial Branch* is headed by a Supreme Court, which – when sitting as the Constitutional Court – has exclusive original jurisdiction over constitutional interpretation. The Supreme Court is the top of a three layer judicial system. Trial Courts (also known as courts of first instance) are split between District Courts, which are vested with original jurisdiction of family cases and civil cases of minor significance, and Regional Courts, which are vested with original

jurisdiction of all other cases. Between the Supreme Court and the Trials Courts, lie Appeals Courts.

The *Executive Branch* operates a modest decentralized scheme for the execution of its policies with some functions delegated to the six regions (the organizational level directly below the State). Each Region has a Governor that is nominated by the President and reports to the Ministry of Interior. Regional governments have no policy implementation of the State within the Region.

Municipalities within Somaliland have greater authority to manage daily commercial activities in the Regions. Municipalities are overseen by local councils which are popularly elected. Municipalities exhibit some rule-making authority within their mandated areas. Municipalities are mandated to issue policies related to municipal waste, small business licensing, zoning, controlling the security and public utilities within their areas, local schools etc. However, Regional and Municipal Governments do not exercise any judicial functions as those are exclusively reserved for the central State.

LEGAL AND DISPUTE RESOLUTION SYSTEM

The legal system is a mixed hybrid that has fused portions of Somali traditional norms, Shariah norms (usually of the Shafici school), and statutory law which pulls both from common law norms and civil law norms. At times, disputes and transactions are subjected to multiple

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Land ownership rights are strongly upheld within Somaliland. Both foreigners and Somalilanders are freely able to purchase and sell property as they wish.

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levels of compliance with various mixes of these norms depending on the litigants' intention or the subject matter of the dispute.

While there is not a clear allocation of subject matter jurisdiction between these sets of norms, many disputes and transactions will operate along the following lines. Shariah predominates jurisdictionally with regard to personal relations while traditional norms provide an important supplement to the Shariah norms. Traditional norms predominate jurisdictionally with regard to small transactions or larger transactions where the participants are not willing or able to comply with the statutory law. Statutory law predominates jurisdictionally for large and sophisticated transactions. This brief overview may serve as a guide, but it should be noted that any particular dispute or transaction may be subjected to any of the three major systems (Shariah, traditional, and statutory).

Practically speaking a large proportion of disputes in Somaliland is subjected to a two-tier dispute resolution framework. The first tier of dispute resolution is usually an alternative dispute resolution (ADR) moderated by traditional leaders. Even where one of the litigants files a case with one of the courts of first instance, many courts will require ADR by traditional leaders prior to hearing the case. Traditional mediation is commonly practiced in the country and it usually seeks the consent of the two opposing parties on the decision reached by the mediating team prior to the final outcome. In some cases the traditional mediation

is considered more favorable than the formal court system. If certain requirements are met, the agreement which comes out of the ADR may be enforced by the state. Under the Civil Procedure Code, on application of a party, the court may grant conservatory or other interim relief in support of an ADR agreement. If the ADR is successful, the parties may register the agreement or award with the Regional Court within 10 days from its issuance if it is in written form and meets other formality requirements in order to have the court support the enforcement of the ADR agreement.

The second tier of dispute resolution is the formal court system, which becomes the dominant venue for dispute resolution if the ADR was unsuccessful. Litigation before the courts is regulated by the Civil Code which provides the statutory basis for most commercial activity. Civil litigation is administered by the formal courts with lawyers usually representing the litigants.

Lawyers are admitted to practice before the courts based on either a law degree or extensive experience. There is no current Bar Association which has full administrative control within Somaliland. The Somaliland Lawyer's Association is in the process of debating its by-laws, and it is expected that by the middle of 2013 the Somaliland Lawyer's Association will be more clearly developed and begin operation as a more clearly defined Bar Association.

For more information see:

http://www.somalilandlaw.com/somaliland_lawyers_association.html

Corporate matters, including investment regulation, are controlled by the statutory law system for the most part. In this area, the Company's Act and Foreign Direct Investment Act are the major pieces of legislation which control the norms applied to corporate and investment matters.

INVESTMENT PROTECTION

Somaliland maintains a strong system of investment rights and a straight forward corporate law where investors will get adequate protection and compensation for their investments:

Foreign Investment Protection

The current Foreign Direct Investment (FDI) Act provides the norms and rights which most investors will be seeking, although the details of those norms are still in the process of being finalized. Currently, the norms for Foreign Investments and the rights of the Foreign Investors are being amended.

For foreign investors to be able to enjoy the rights included below and in the FDI Act, the investment must be registered with the Foreign Investment Board. The methods required to perform this registration involve filing the details of the investment with the Board to first apply for the venture or investment to be approved by the Board. This application must be made prior to the investment capital being transferred into Somaliland. The criteria the Board will use to review the application are still being developed. The Board is required under the law to

provide the investor with a "Certificate of Foreign Investment in an Approved Enterprise" if it approves the investment.

Registration of company is a two-step process. It usually begins from the Ministry of Commerce with application and memorandum of understanding or a bylaw attached to it, and goes to the Office of Attorney General which issues the final registration certificate. Registration of a foreign company needs the approval of the Investment Board. The time usually varies between two weeks to three weeks.

If the Board approves the venture or investment, the investor then will file a second application to register the investment after funds for investment is transferred into Somaliland. The Board is required to provide the investor with a "Certificate of Foreign Investment Registered" if the venture or investment has been approved by the Board prior to the transfer. When the investor has received the Certificate of Foreign Investment Registered, they will be entitled to the benefits provided by the FDI Act.

Non-Discrimination

Investments that have been properly registered with and approved by the Board will be treated the same as domestic enterprises. There is no discrimination between Domestic Investments, Diaspora investments or Foreign Investments.

GUARANTEES AGAINST EXPROPRIATION

Investments that have been properly

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The legal system is a mixed hybrid that has fused portions of Somali traditional norms, Shariah norms (usually of the Shafici school), and statutory law which pulls both from common law norms and civil law norms.

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registered with and approved by the Board may not be expropriated unless there is no other method by which the government can safeguard the “public interest.”

Repatriation Rights

The capital invested in the enterprise must remain within Somaliland for three years following registration with the Board of the investment, unless a waiver from the Board of this requirement is attained. Profit from the investment, on the other hand, may be repatriated at any time

without restriction The FDI Act provides an investor a provision to receive an additional Certificate of Foreign Investment in case the investor decided to reinvest the profits of their investments in Somaliland subject to sufficient evidence of such reinvestments.

LABOR REGULATIONS AND WORK PERMITS

Somaliland workers enjoy many rights and benefits that have been mandated under the Labor Law.



Pre-Employment & Early-Employment Requirements

The Labor Law provides guidance to employers seeking to recruit employees: It requires that open positions be advertised for two weeks in the local media. Employers seeking to hire employees must form an employment review committee comprised of a minimum of three people – two from the enterprise and one from the Ministry of Labor and Social Affairs. This committee should review each of the applications as well as any oral or written examinations required by the enterprise. At least two of the members of the committee need to agree on the person(s) to be hired for the position(s) and sign a declaration as such. The Labor Law has a strict anti-discrimination requirement. New investors can learn more about this hiring procedure and contact that Ministry of Labour and Social Affairs here: <http://molasa-sl.gov.org/>

Employment Contracts

The Labor Law allows employers to provide their employees with contract rights. Employment contracts are able to layer on additional rights and benefits for their employees which do not meet the required baseline standards of the Labor Law. Employment contracts are also used routinely to clarify and standardize rights which may not have a fully developed regulatory system overseeing that particular right.

Determination of the Employment Relationship

Somaliland is currently developing its

methodology and case law that will provide more clarity as to whether an individual is a contractor – and therefore the relationship will be contractually regulated – or whether an individual is an employee – and therefore the relationship will be regulated by both the terms of the contract and the Labor Law.

Discipline and Termination

Both the Ministry of Labor and Labor Law encourage employers to establish a department where employees are able to bring grievances to an appropriate authority within the enterprise, which will both increase morale within the enterprise's workforce and will also work to reduce litigation risk for the enterprise.

The Labor Law provides employers with a fairly significant level of discretion for disciplining employees. The two most often utilized discipline methods are docking pay and suspension of the employment contract. Disciplinary action proceedings against employees should be properly documented. Warning letters and show cause notices should be given to employees within seven (7) days of the misconduct, and a copy of such document must also be given to the Ministry of Labor so that the Ministry can provide oversight of the discipline, if needed. Where the employer seeks to suspend the employment relationship, the following:

- Conditions must be met in order to properly sever the relationship.
- Suspensions, as with any warnings or other disciplinary measures, must be notified to the Ministry of Labor.



Investments that have been properly registered with and approved by the Board will be treated the same as domestic enterprises.



- It should be noted that the employer has an opportunity to present their case for suspension to the Ministry of Labor, rather than taking the decision within the enterprise.
- The Ministry has the ability to give a suspension of up to 90 days.
- If the employee is accused of a crime and placed on remand, or is called up to for national defense purposes, the employment relationship may be suspended for the entire length of the relevant period at no cost to the employer.

The Labor Law allows for immediate dismissal with cause for gross violations of workplace rules, as well as a six week notice for other dismissals. The allowable reasons for immediate dismissal must be either contained within the Labor Law or within the contract with the employee.

Immigration and Residence Permits

Immigration requirements in Somaliland are easily fulfilled. Single entry visas in the business classification may be applied for at either the Somaliland missions abroad or at any port of entry. Two passport photos, a letter of invitation from the sponsoring organization (if any) or the business contacts of the applicant, a standard form and the filing fee are what is required to attain a single-entry visa. Applicants should also be prepared to show evidence of sufficient funds for a visit and a continuing or return ticket. Visa forms and current information may be found at the Somaliland Immigration Department's web site: (<http://slimmigration.zzl.org/Visa.html>).

Multiple entry visas are available for investors as well. Multiple entry visas generally must fulfill the same requirements as single entry visas, although multiple forms are required to be attained for investors who wish to visit the country more regularly. Multiple entry visas may not be granted from outside of Somaliland. A form for multiple entry visa must be procured from the Ministry of Foreign Affairs, another from the Ministry of Labor, and a third one from the Ministry of Interior, in addition to the form from the Immigration Office. The current filing (as of this drafting) fee for multiple entry visas is \$500 for a one year permit.

The Somaliland immigration authorities are in the process of establishing the regulatory system that will support a residency permit. However, at this time longer term multiple entry visas are available if the investor so desires.

LAND OWNERSHIP AND PROPERTY LEASING

Land ownership rights are strongly upheld within Somaliland. Both foreigners and Somalilanders are freely able to purchase and sell property as they wish. Property transfers are registered with the Appeal Court in the region where the transaction takes place, after the tax on the transfer of the property is payable to the Municipality which oversees the transfer, as well as a three percent (3%) national property transfer tax payable to the Ministry of Finance. When purchasing land, however, investors should note that land records are currently being developed

across Somaliland and the ability for an investor to properly perform an extensive title search is currently limited. Investors can search information from the local governments which control the area.

Once a land transfer has been registered with the Appeals Court and the transfer taxes have been paid, the owner of the land will be able to exercise control over the land without restriction. Municipalities are responsible for issuing of land titles after a Deed has been registered with the Appeals Court.

The property may also be easily leased in Somaliland. There are few restrictions on a foreign or domestic investor's ability to lease land. The rights and duties of the leasehold are largely taken from the terms of the lease between the land owner and the lessee, and Somaliland's courts generally will uphold the terms of the lease as agreed by both the parties.

Considerations for Corporate Structuring ***Authorized Corporate Forms***

Companies may be formed with liability limited to either an investor's share investment or by guarantee. The corporate structure of a venture is also flexible where both public and private companies are allowed to be registered and operate in Somaliland. Companies that have less than 30 shareholders are defined as private companies and companies that have more than 30 shareholders are defined as public companies. Public companies have higher disclosure requirements than private companies. Partnerships and Sole Proprietorship

Ventures are possible in Somaliland and they are governed by the Civil Code.

Minimum Capital

The minimum capital required under the Company's Act is left to the discretion of the Registrar of Companies which is located within the Attorney General's office. In practical terms, the Registrar of Companies at this time has established flexible minimum capital requirements which are not overly onerous for many investors but will depend on the contemplated enterprise's area of operations.

Director's Liability

The Members of the Board of Directors of Somaliland registered companies enjoy strong protection under the Company's Act. Directors enjoy a strong application of the business judgment rule in Somaliland, and are well insulated under the Company's Act from suits by those shareholders who may be affected by their business decisions. Directors have nearly complete discretion to perform their business oversight and direction functions as long as they stay within the objects clause of the company. The Board of Directors decides the dividend payable to the shareholders, if the enterprise was profitable in the previous year.

For further information please check the link below:

http://www.somalilandlaw.com/somaliland_company_law.html

INCENTIVES INCLUDING LAND AND TAX EXEMPTIONS

If an investment has been registered with the Foreign Investment Board, as described above, it will enjoy a three year tax holiday on profits. The three years begin when the investment enterprise commences its operation. Following the expiration of the tax holiday, any profits reinvested into the enterprise will enjoy a 50% reduction on the normal tax liability of that profit.

Legal Framework

The following acts regulate the conduct of business in Somaliland for different activities:

- *Somaliland Company law (Law No: 25/2004).*
- *Classification of Trading Business Law (Law No: 26/2004).*
- *Foreign Investment law (Law No:29/2004).*
- *National Livestock Code (Law No: 34/2006).*
- *Banking Act (Law No: 54/2012).*
- *Telecommunication Act (Law No: 50/2011).*
- *Somaliland Fishery Law (Law No: 24/1995).*
- *Private Sector Employees Law – Law No. 31/2004 (As amended 2008).*
- *Somaliland Civil Code.*
- *Mining Code.*
- *Maritime Code.*
- *Land Tenure Act*





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3 / LIVESTOCK SECTOR

HISTORICAL PERSPECTIVE

Much of the Middle East is an arid desert that does not support livestock production; hence the Somali regions have always been a major source livestock for hundreds of years. By the second century, Arab trading relations were quite well established along the Somali coastal regions.

The Hajj has been a pillar of the Islamic faith since its foundation; and the tradition of slaughtering livestock during the pilgrimage has established a reliable annual demand from the Kingdom of Saudi Arabia (KSA) for livestock since the 7th century. The story of Prophet Abraham being asked to sacrifice his son Ismael, but sacrificing a Somali black head sheep instead, continues to be told throughout the Muslim world. Therefore, the local Somali variety, known as Berberi sheep, continues to be preferred by Muslims, particularly during the Hajj.

The port of Berbera was one of the leading livestock export ports of the world in the early to mid-1970s; however by 1976 it was replaced by Australia, which remained in the lead for the next 34 years. Australia is the major competitor of Somaliland livestock in the GCC, especially in the lucrative KSA market. However, for the first time in 2012 since the 1970s the total number of Somali shoat² exports surpassed Australia's.

OVERVIEW

Livestock is currently the leading economic sector in all of Somaliland. Livestock production accounts for 60-

65% of the gross domestic product (GDP). Based on 1998 FAO estimates of livestock numbers and past growth rates, Somaliland has about 1.69 million camels, 0.40 million head of cattle, 8.4 million goats and 8.75 million sheep in 2011. The Sool, Sanaag and Togdheer regions account for about 75% of all livestock.

Somaliland's major livestock exports are sheep and goats, accounting for 91% of all animal exports. In 2010 a total of 2.352 million shoats were exported through the Berbera port (including from Ethiopian sources). Of this total, 1.612 million (69%) were exported between September and November for the Hajj festivities. Assuming an average export price of US\$70, the estimated total value would be over US\$160 million. With government taxes at around US\$3.60 per head, this means tax revenue of around US\$8.5 million, or 10% of the Somaliland government's total revenue.

Somaliland, and to a certain extent the other exporters from the Horn of Africa, depends on only a few countries for exports. For example out of the 2.585 million head of sheep and goat exported through the Port of Berbera in 2010, about 78% went to Saudi Arabia, 20% to Yemen and the rest to Egypt and Oman. With increased investment, smart regulation, infrastructure development, sector coordination and improved branding, the Somaliland has ample opportunities to capitalize on the growth of the livestock sector in the Middle East and other regions of the Muslim world, while supporting the growing local demand.

“ With increased investment, smart regulation, infrastructure development, sector coordination and improved branding, the Somaliland has ample opportunities to capitalize on the growth of the livestock sector in the Middle East and other regions of the Muslim world, while supporting the growing local demand. ”

FIGURE 1: Number of livestock (heads) exported from Berbera to Arabian Gulf states from 2004 to 2012 (Source: Somaliland Ministry of Livestock)

YEAR	CAMEL	SHEEP/GOAT	CATTLE	TOTAL
2002	18,864	341,711	37,547	398,122
2003	21,874	563,107	84,312	669,293
2004	5,147	859,404	131,852	996,403
2005	5,069	1,023,795	148,151	1,177,015
2006	22,810	1,017,242	85,631	1,125,683
2007	14,245	1,350,054	88,143	1,452,442
2008	26,515	1,219,519	80,051	1,326,085
2009	20,206	1,556,003	88,005	1,664,214
2010	92,651	2,584,810	133,021	2,810,482
2011	96,181	3,104,684	150,934	3,351,799
2012	102,664	3,219,584	190,354	3,512,602

FIGURE 2: Total Sheep & Goat Exports by Month from Berbera (Source: Berbera Port Authority (BPA))



FIGURE 3: Average market prices of sheep & goats and volume of exports per head (Source: Somaliland Ministry of Planning & Chamber of Commerce)

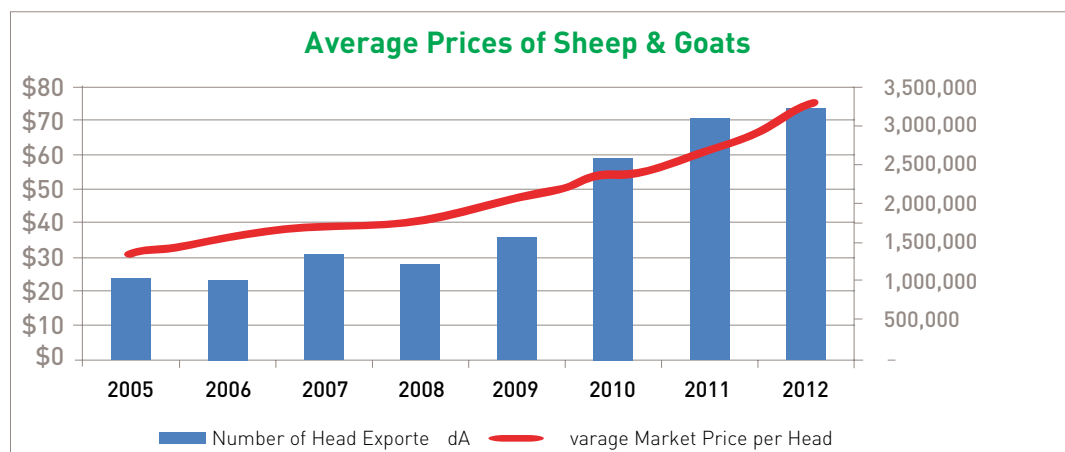


FIGURE 4: Sheep and Goat Exports from Berbera by Volume and Annual Percentage Growth
 Source: BPA

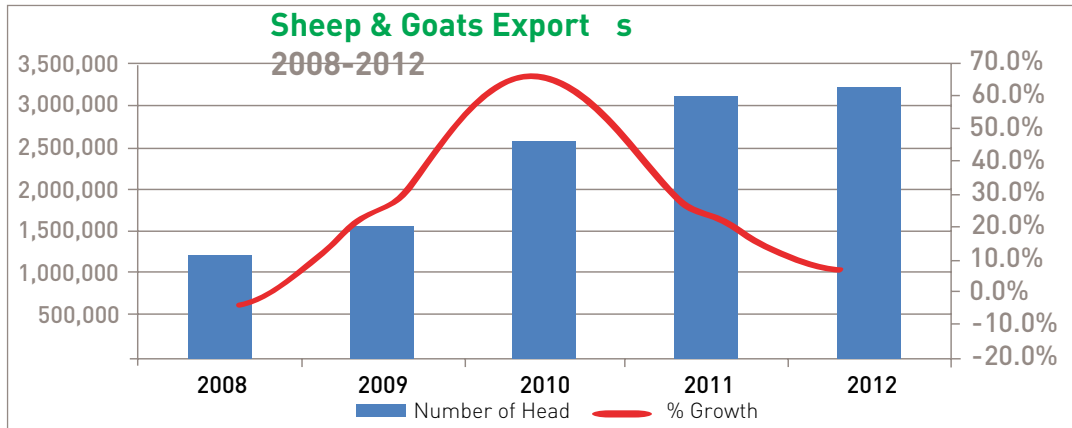


FIGURE 5: Cattle Exports from Berbera by Volume and Annual Percentage Growth
 Source: BPA

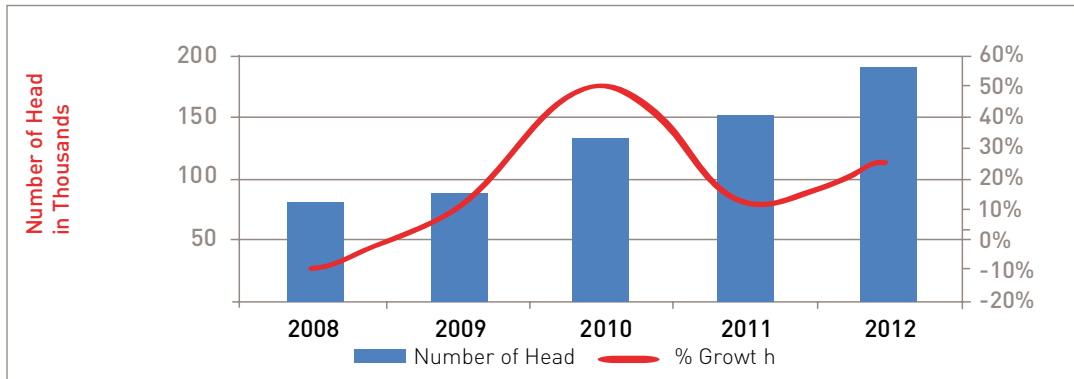


FIGURE 6: Camel Exports from Berbera by Volume and Annual Percentage Growth
 Source: BPA

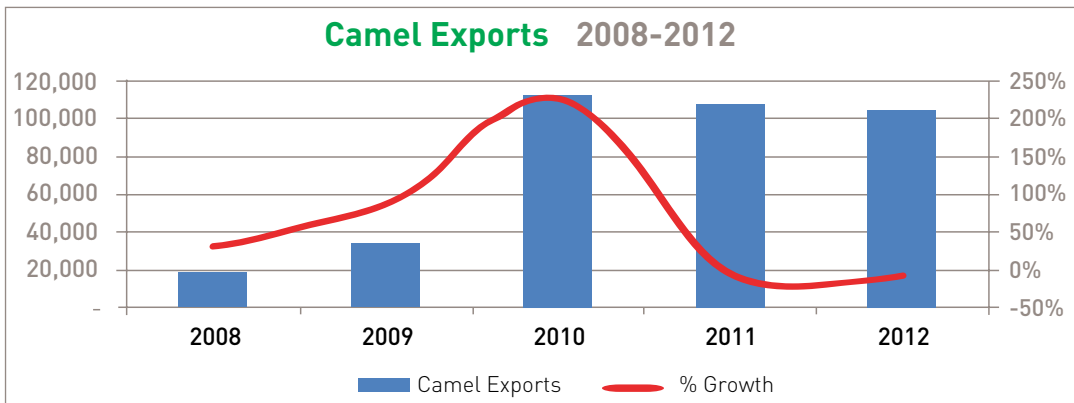
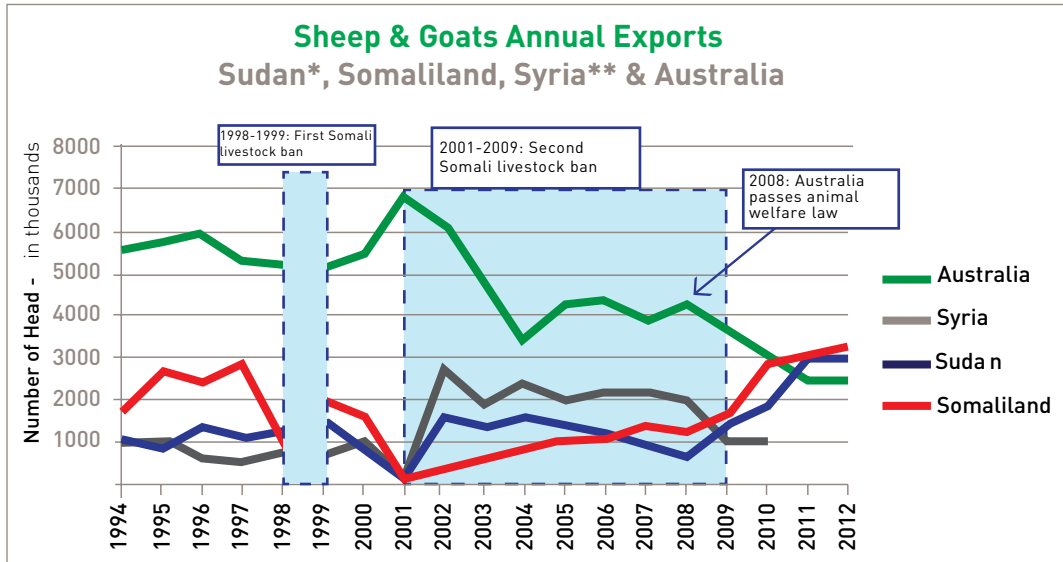


FIGURE 7: Sheep & Goat Exports of Leading Suppliers to the GCC Market

Source: FAOSTAT, MLA, BPA. *2011 & 2012 figures for Sudan is from the Sudanese Ministry of Agriculture, **For Syria 2011 & 2012 figures are not included.



LIVESTOCK LEGAL ENVIRONMENT

In order to conduct livestock export business, one has to apply for an export license issued by the Ministry of Commerce upon the payment of prescribed fees. Livestock export is regulated under the Somaliland Veterinary Code. Under this Act, female animals are prohibited from being exported. Before exportation, livestock undergoes serious inspection to verify their health status. It is forbidden to export animals without first checking and verifying their health status. The relevant provisions of the Veterinary Code regulate the transportations and inspection of animals before they are exported to any third country. For Abattoir operations in Somaliland, a license to operate the abattoir or related operation must be attained from the Ministry of Livestock. The applicant desiring a license will write an application letter to the Ministry of Livestock and provide the following details within the application letter:

- The desired name of the abattoir;
- The purpose of the abattoir or related operation;
- The corporate capital, structure, and ownership details of the enterprise;
- The corporate procedures and details of the enterprise's By-Laws or constitutive documents along with the details of the contemplated managers;
- The contemplated number of employees;
- The contemplated location along with the details of the ownership or lease of the land;
- The details of any improvements to be built on the land such as engineering specifics for any buildings, any grading or earthmoving requirements, and any other relevant details for improving the land;
- The contemplated production levels of the facility when it is completed.

Accompanying the application letter to the Ministry must be an endorsement letter from the local council with jurisdiction over the contemplated plot where the facility will be located to ensure that the Municipality has a chance to integrate the facility into its planning operations.

Upon receipt of the application from the applicant, the Ministry will have thirty (30) days in which to review the application and take the decision whether to grant the license or deny the request. Where the Ministry chooses to approve the application, the license to operate the commercial facility will be issued by the Ministry and will be valid for twelve (12) months.

The Ministry is in the process of developing a regulatory body of rules that will govern dairy, meat and export operations (draft Dairy Act, Meat Inspection and Control Act and Animal Welfare Code); and establishing a Minimum Standards for Community-Animal Health Worker (CAHW) Curriculum under the mandate of the Veterinary Code that is overseen by the Veterinary Board. All laws governing the livestock sector, and new laws once

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The global halal food market is valued at US\$2.77 Trillion.

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passed by Parliament can be found here: www.SomalilandLaw.com.

MAJOR CHALLENGES FACING SOMALI LIVESTOCK EXPORTS IN MIDDLE EAST MARKETS

1. **Competition:** Somaliland faces steep competition in the export of live animals, particularly sheep, from countries such as Australia and Sudan. In the end-markets, Somaliland livestock fetches lower prices due to poor finishing (smaller, leaner animals). For example, Somaliland sheep are priced at US\$90-120/head while the Swakini sheep from the Sudan are priced at US\$170-180/head. Well-finished local Gulf breeds (Njadi, Neami, Hari and Awasi) fetch prices as high as US\$320-350/head. The average weight of the sheep and goats from Somaliland is estimated around 20 to 22 kg, which is almost half the weight of Australian or Sudanese animals.

Australian Competition:

- In 2010, Australia passed a comprehensive animal welfare law (Export Supply Chain Assurance System) that regulates sales, transport, slaughter of live animals in local and export markets. While Australia has supported abattoirs in Oman, Qatar and Kuwait to meet these regulations, they have not done so in Saudi Arabia and exports to Saudi Arabia from Australia have drastically declined. For example, in 2008 Australia exported over

870,000 head to the lucrative KSA market and only 24,000 head in 2011. Nonetheless, the Australian livestock industry is robust, highly organized, backed by the institutions of a leading developed economy and therefore remains a formidable competitor in the Middle East markets.

Sudanese Competition:

- Sudan is currently the main competitor of Somali livestock in the Saudi Arabian market, especially during the Hajj season. Sudanese sheep exports have been continuously growing in recent years. Sudan's share of the Saudi market grew from 27% in 2006 to 40% in 2010. The total value of livestock export for Jan-Nov 2012 was US\$408 million, an increase of 20% from the previous year. Sudan's reduction of oil revenues and foreign currency earnings, as a result of the independence of South Sudan, has forced the government of Sudan to exploit other export opportunities to generate hard currency including agricultural and livestock exports. The Sudan livestock sector is generally more organized (transport, feedstock, veterinary services) with expanding Middle Eastern investment in Sudan.

Other competitors:

- While countries such as India, Iran, Pakistan and some Eastern European countries are gaining some market share in the Middle

East for live animals, exports from these countries are limited to certain segments of the market with comparatively small volumes; and more focused on meat exports. As a result, Somali live animal exports are well suited to continue to grow in the coming years.

2. Sanitary and Phyto-sanitary (SPS)

Regulations: The GCC has established uniform SPS regulations for member states. The Somali regions need to ensure animals being exported to the region meet these standards. Export bans, imposed by the International Animal Health Code of the Office of International des Epizooties (OIE) can occur due to livestock disease outbreaks. For example, the economic losses due to the export ban in 1998 are estimated to be US\$100 million, while the losses from the ban from September 2000 to December 2002 are valued at US\$ 326 million. While the Somali live animal exports are able to meet GCC SPS regulations at this time, improvements in traceability, health inspections are needed for Somalis to enter the halal meat export market in the Middle East.

3. Poor quality and low-capacity shipping vessels. The lack of all-season, well-equipped ships for transporting livestock from Berbera to Salalah and other ports is a serious obstacle to the livestock trade with Yemen, Egypt and the GCC countries. The inappropriate vessels result in animals shedding considerable weight

on the voyage, and often arriving at a final destination in a filthy and extremely emaciated state that negatively impacts on sales. For example, the average goat leaving Berbera weighs 22kg. After a one week voyage on a poorly adapted vessel, arrives in Dubai with only 16-18kgs (a loss of 22% - 38% loss).

Major challenges facing the livestock sector in the Somali Regions

1. Weak infrastructure: Presently, there are two privately-owned livestock quarantines in Berbera and one livestock holding ground in Burao (that is undergoing rehabilitation). However, the livestock markets in many towns in Somaliland are in poor condition. Some donors have started upgrading some markets by providing basic infrastructure such as loading/unloading ramps, but there is still a need to address issues of water provision, fencing, veterinary inspection as well as other facilities. Assembly of animals at regional and other markets takes several days, and there is a need for more and higher-quality holding grounds.

2. Informal grading: Compared to international livestock producing countries, Somaliland continues to lack any formal grading standards. As a result, potential competitive advantages (i.e. market information, enforcing market deals and quality standards) that should be accessible to value chain stakeholders are limited in Somaliland. Grades of cattle used

by Somaliland exporters, for example, are subject to interpretation and do not consistently conform to a specific and clear grade.

3. Range degradation and other pastoralist challenges: There is considerable range degradation in all Somali regions, which is affecting the species diversity, with a decrease or slow growth rate in grazers like cattle and sheep. Climate change has increased the frequency of droughts,

and increased borehole/berkad construction is adversely affecting traditional grazing areas. In addition, pastoralists are facing a multiple problems such as lack of market information, price instability/price setting by exporters/importers/dealers/brokers and long distances to markets. More productive and organized pastoral livestock producers will lead to a more competitive Somali livestock export sector.

FIGURE 8: 2013 USAID Somali Livestock End Market Study

PRICES IN END MARKETS	SHEEP US\$ / HEAD	GOAT US\$ / HEAD	CAMEL US\$ / HEAD	CATTLE US\$ / HEAD
Bahrain	180	180	N/A	N/A
KSA	130	130	700	N/A
Kuwait	150	150	N/A	N/A
Qatar	140	140	N/A	505
Oman	110	110	N/A	600-650
UAE	104	104	N/A	700-750
Egypt	500	500	2000	N/A
Yemen	140	140	N/A	500-800

4. Limited extension services: The provision of livestock extension and animal health services in Somaliland is limited, as veterinary officers are located mostly in Hargeisa and Berbera leaving field extension to Community Animal Health Workers (CAHWs) and Animal Health Assistants (AHAs). However, this system is expanding and formalizing with recent new investments by the

Ministry of Livestock and several donors and local NGOs train more CAHWs and develop a standardized CAHW curriculum.





The local Somali variety, known as Berberi sheep, continues to be preferred by Muslims, particularly during the Hajj.



TRENDS IN KEY END MARKETS

General trends in the Middle East Livestock Sector

- 1. Increasing demand, creating higher prices in the Middle East:** While prices fluctuate throughout the year, there is a general trend of increasing prices in major Middle East end markets as the demand for livestock increases, and particularly as the number of people attending the Hajj each year increases (60% increase from 2001 and 2011). There is an estimate of 4.8 million people who may attend in 2020 which is nearly double the 2008 figures. Five years ago, an average shoat was sold in Burao for US\$37/head. Now, shoats are being sold at an average price of up to US\$87/head in Burao. During the Hajj season, a sheep in Saudi Arabia can sell for US\$200, and in Egypt they can sell for up to US\$500. The decrease of the Australian imports in 2011 has also affected prices due to initial supply constraints in the end markets.
- 2. Global trends in niche meat markets are growing in the GCC as well:** Over the last 20 years, consumer and retailer-driven quality certification procedures have opened up new market niches in the meat industry. The global halal food market is valued at US\$ 2.77 trillion, and continues to expand. Also, organic meat certification, amongst other certifications, continues to expand as well. Middle East consumers,

especially upmarket, expat and younger consumers have adopted these trends as well. Somaliland is well positioned to capitalize on these growing niches; however further collaboration amongst producers, traders, marketers, and regulators are needed to ensure market entry.

- 3. Change in taste preferences leads to sales of younger shoats:** Prior to the turn of the millennium, shoats sold in the local markets were generally three or more years old. In contrast, during the last decade, the purchase of shoats one year old or less (e.g. lamb meat – up to 6 months old - or younger sheep) has led pastoralists and agro-pastoralists to sell their animals earlier. This change in selling younger shoats has been encouraged by a rising demand shift in the Gulf States toward younger meat, which is considered more tender.

Saudi Arabia

- 1. The KSA is by far the largest single market for Somali livestock imports** (nearly 80%). The preference of the Saudi consumer for the Somali sheep (known locally as Berberi) has helped foster good trade relationships.
- 2. However, the heavy reliance on this one market is a major concern for Somaliland exporters** as well as government authorities – as evidenced by the speed with which the Saudi ban on livestock import from Somaliland destroyed the economy.

- 3. KSA importers buy according to the age of the animal.** There is a strong preference for young animals, usually 3-year-olds. The animal must be free of defects and with an upright hump in the case of camels (when camels have a sagging hump they are under stress or in poor health). One

large proportion of the Somali cattle that are re-exported from Oman. The cattle are transported by trucks from the port of Salalah to UAE.

FIGURE 9: Average Saudi Market Price Comparisons

NO	STOCK TYPE	ORIGIN	WEIGHT RANGE IN KG	PRICE IN SR	PRICE IN USD
1	Mutton	Australia	40-45	700-750	180-200
2	Sheep	Ethiopia	20-24	430-450	115-120
3	Sheep	Somaliland	16-24	300-420	80- 112
4	Sheep	Sudan	20-24	520-550	140-145

Estimated profit margins realized by traders of the livestock markets are:

- a) Sheep: Average margins realized by exporter are US\$8 per head.
- b) Camel: Average margins realized by exporter ranges from US\$50 to US\$80 per head.
- c) Cattle: Average margins realized by exporter ranges from US\$106 to US\$133 per head.

challenge for Somali exporters is that shipments are often not according to customer requirements, since they tend to ship animals of a mixed age, and hence lack the uniformity of other importers.

It is important to note that due to lower margins, particularly of shoats and camels, the death of even one animal or rejection of a sick animal for a Somali trader negates profits of 10-15 live healthy animals.

United Arab Emirates

- 1. UAE was a dynamic livestock and meat market prior to the 2000 ban.** It is therefore very important that this end market becomes more integrated into any Somali livestock export diversification strategies.
- 2. UAE is also the end-market for a**

- 3. There is a potential to increase Somali livestock exports to the UAE by sea freight** but also via air freight due to the availability of daily and direct flights from Berbera to Dubai.

Qatar

- 1. Meat consumption is expected to increase steadily** over the next few years because of the rapidly growing population, rising income levels, and an increasing expatriate labor force in the UAE.
- 2. Somaliland is not exporting any livestock directly to Qatar.** However, some Somaliland livestock is regularly re-exported to Qatar from other GCC member states such as Saudi Arabia and the UAE.
- 3. Qatar is a member of the GCC countries, and hence adheres to**

common import regulations. The lack of Somaliland livestock export directly to Qatar cannot be attributed to phytosanitary regulations. Rather it is mainly due to a failure on the part of Somaliland livestock exporters to explore and penetrate the Qatar market and also due to the limited trade relations between the two governments.

Oman

- 1. Oman ranks as the third live cattle and second live small ruminants export destination** among the livestock importing Arabian Gulf States. The country has seen rapid growth in livestock market demand in the past four years, with a particular demand for cattle. Oman therefore proves itself to be a fast growing and sizeable market that should be further explored by Somali livestock exporters.
- 2. Live animal imports to Oman from Australia have ceased in the last year due to** a) the relatively high price of Australian sheep; b) the Australian demands for treating animals according to certain animal welfare principles; and c) the availability of much lower-priced Somali shoats that weigh less than their Australian counterparts. The price of Australian sheep jumped from 65 Omani Rial (US\$168) per head during the 2011 Ramadan season to 85 Omani Rial (US\$220) in the 2012 Ramadan. The continuous price increases of livestock from Australia prompted Oman's Authority for

Consumer Protection to impose a price freeze on Australian sheep. Hence Omani customers prefer the lower-priced Somali livestock. An average Omani family can afford to buy a Somali sheep or goat rather than one imported from Australia or Syria or even the local sheep.

Yemen

- 1. Yemen has a long established traditional history as a strong trading partner for Somaliland** and other Somali regions. Yemen wields great strategic advantage over other GCC end markets for Somali livestock due to its close geographic proximity.

Yemen is not a GCC member and was the sole outlet channel for Somali livestock during the Saudi livestock import bans of 1998 and again from 2001-2009.

Egypt

1. Egypt has been a strong importer of livestock, mainly camels, through various channels including Djibouti. But due to the recent lifting of the Saudi livestock ban, there may be a possibility for a new window of opportunity that may lead to more regular/direct imports of Somali camels to Egypt as well, thus reducing the cost of transportation.
2. Egypt is a re-exporter of Somali camels to Libya, and could be an entry point for Somali exports to expand in North Africa.



Other Potential Markets

- 1. Malaysia:** The Malaysian halal meat industry has shown great interest in importing livestock from the Somali regions. High-level delegations led by the Vice President of Somaliland were invited by the Government of Malaysia for discussions in 2007 followed by several visits by Malaysian businessmen and government officials in 2010 and 2011. One Burao-based company, for example, has partnered with a Malaysian meat importer to invest in a quarantine facility / feedlot.
- 2. Turkey:** Turkey is emerging as a potential market to offer expanding possibilities for Somali livestock exports. The country imported 140,000 heads of cattle in 2011, mainly from Australia. The shortest distance to Somaliland could make cattle exports from Berbera more competitive.

OPPORTUNITIES FOR LIVESTOCK INVESTORS

- 1. Somali sheep and goat, which are**

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There is a general trend of increasing prices in major Middle East end markets as the demand for livestock increases, and particularly as the number of people attending the Hajj each year increases.

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smaller and lower weight that Australian, Syrian and Sudanese shoats, meet an important market niche for lower/middle income consumers in the Middle East; and Somali traders should continue to expand their share of this market segment. Market trends of competitors such as Australia – which is drastically losing market share in the GCC - demonstrate that the higher prices / much fatter animals are not always preferred by consumers. Many middle income consumers prefer the smaller sized / lower priced Somali livestock (e.g. less than 30kgs). Therefore, any Somali investor exploring investment opportunities must ensure this important niche sector is still captured by Somalis. In fact, in mid-2013, when Syria began to export to the GCC again, they were competing directly with the Sudanese and Australian shoats, but the Somali demand did not decrease – neither did the price of Somali shoat - providing a clear indication that much of Somali shoat exports occupy a separate unique market channel for buyers.

- 2. However, major investment opportunities for feedlot finishing / fattening farms and fodder production exist for Somalis to compete in higher end markets:** The end market field research clearly shows that there are opportunities for the Somali livestock sector to invest further in fattening / finishing to capture more of the high value market segment of Middle East consumers

presently being dominated by Syria and Sudan. With its close proximity to the Middle East, its shared culture and trading relationships, and the well-known brand (e.g. Berberi Somali black head sheep), Somali livestock has the opportunity to capture more market segments.

Investors should explore a variety of investment opportunities in feedlot finishing and fodder production to keep animals healthy year round. Somaliland sheep, for example, kept in Saudi fattening farms for a period of two weeks, and returned to the same local markets, usually sell for US\$100 to US\$130 more than the original buying prices. Some if not all of this value added can be captured by Somali fattening farms, and by associated stakeholders in the export channel.

In addition, Middle East consumer preference research shows that higher end buyers prefer better finished animals – often found from feedlot conditions rather than pastoral production systems. Animals fattened on farms tend to be more physically alluring, have more weight accumulated at a younger age due to less movement and more hydration, and hence have more tender meat. It is important to note that while opportunities exist for more fattened animals, the Somali livestock sector should not lose sight of the important smaller sized shoats that still have strong preference for lower/middle income consumers in the Middle East.

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- 3. There is a need to diversify into new export markets:** The dependency of Somaliland livestock being exported to a limited number of countries (with the vast majority of livestock going to Saudi Arabia) has led to very serious impacts during the import bans of the last decade. Somaliland traders should therefore explore other export markets to cushion it from actions by having only a few traditional trading partners. Existence of potential and underutilized Arabian markets such as Egypt, Malaysia and Turkey offer huge market potential for livestock and halal meat.

Also, the very heavy dependency on only three months for exports (nearly 70% of exports sold during the Ramadan and Hajj seasons) puts pastoralists in an unbalanced cash flow situation, as the sale of animals is the main source of household income. Alternative markets outside the Hajj season need to be explored to even out pastoralist income opportunities throughout the year.

- 4. An upgraded and more competitive shipping industry offers major investment opportunities.** Presently there is a shortage of proper ships designed for livestock export from the Somali regions. Somali livestock exporters frequently use boats that are not designed for sailing through the high seas in all seasons to transport livestock to the Arabian Peninsula. In addition, traders often wait with their animals at the ports for long periods of time when no vessels are

available – with holding ground, feed, water and labor fees charged on a daily basis (e.g. \$1 per day per head of sheep – destroying a profit margin within one week). The inability of boats to transport livestock to Salalah during the summer months creates an atmosphere of unreliability and irregularity in livestock supplies from Somaliland to Oman.

Major investment in the shipping industry offers potentially large returns and a more secure and steady flow of properly finished Somali livestock. As an example, a \$1 million livestock vessel investment can see a turnover of over \$3 million in one year.

Somali livestock traders are presently incapable of signing contracts with major Omani companies or government institutions because of a lack of all-season shipping vessels. In addition, more organized shipping logistics to ensure that livestock of the same age are shipped together – and meet more buyer requirements in the Middle East markets will promote more reliable trade relationships.

- 5. Potential to export fresh and chilled meat.** Somaliland can export fresh and chilled meat to the GCC countries provided businesses establish abattoirs with proper international standards and design. A flight from Berbera to Salalah, Oman, for example, takes less than two hours implying that meat of livestock slaughtered early morning in Berbera

can arrive at Salalah even before supermarkets and butcher shops open for business the same day.

6. Capitalize on growing trends for organic, free-range meat. Most of the Somali meat products are organic and free range but have never been marketed as such. In line with global trends, naturally raised, free-range, organic animals are a fast growing segment of the end market in the Gulf States. However, to enter these niche markets, third party verification is often needed to verify age, source, natural raising conditions, organic feed, humane handling, and to ensure the animals are non-hormone treated (NHT).

7. There is a need for Somali exporters to build stronger direct links to other Middle East buyers besides traditional buyers at ports:

The traditional forms of wholesale and retail markets remain important components of the marketing chain from farm to consumer. However, the modern developments in the establishment of integrated food marketing systems in the major end markets require more sophistication of Somali livestock traders to be able to enter markets such as those highlighted below:

- *Expansion of supermarkets:* Super/hypermarkets in the Middle East are a growing sector of the market providing a wide variety of chilled and frozen meats and some fresh meat. They are mainly frequented by the relatively well-off expat community but also by a small

proportion of the wealthy, local Arab population. Expanding business links between Somali livestock exporters and these end markets offer opportunities for growth.

- *Caterers:* The catering sector consists of catering firms providing meals for various industry camp workers who need relatively cheap frozen meat, poultry, and beef.
- *Large hotel and restaurant chains:* These businesses particularly in the tourism sector, use quality meat, mostly in the frozen and chilled form.
- *Fast food industry:* There is growing fast food industry in the Middle East demanding manufactured meat.

8. Business opportunities for support services at every level of the value chain. All market trends indicate the demand for Somali livestock will continue to increase. Due to the limited current infrastructure of the sector, there exist huge business opportunities in all major support services at every level of the value chain. This includes but is not limited to:

- Banking services
- Veterinary services
- Vessel and air freight services
- Insurance
- Feedlot
- Transport
- Quarantine
- Abattoirs
- Tanneries
- Dairy production
- Cold chain services/storage

CASE STUDIES

#1: Organic, Free-Range Somaliland Business

Abdirisq Noor saw a fundamental problem with Somaliland livestock: branding.

“You can taste the difference in Somali livestock meat. It’s fresh, it’s grass fed, it’s organic,” he explains. “But until now, no Somali has branded their livestock meat as organic and free range.”

Somaliland steak starts with nomadic pastoralists who sell their livestock herds to traders, who then ship the animals to buyers overseas. Traders often accept low prices, since Somali animals are low-weight compared to international norms. Many importers then fatten the animals before re-selling them to consumers in their countries at a premium price.

Anaam Livestock Farm is a first of its kind in Somaliland. Nowhere else has a business tried to modernize the livestock trade by combining fattening, animal health, and distribution in the same place. The end market requirements for well finished animals have encouraged the development of feedlots to address this requirement. Somalilanders, in partnership with a Malaysian meat importer, are building a US\$2.5 million state of the art quarantine/feedlot at Burao.

#2: Horumar Camel Dairy Farm Meets Local Market Niche

with Innovative Outgrower Scheme and Hygiene Promotion

For centuries, camel milk has played an integral part of every Somali’s diet. Herders and pastoralists are known to survive on just camel milk as their daily diet. As Somaliland’s population settles in cities such as Hargeisa, Borama and Burao, urban dwellers have access to fewer sources of the nourishing drink due to erratic availability and lack of dairy sanitation. When Yusuf Mohammed Ali Qoys returned to Somaliland in 2007 he purchased 60 lactating camels and established Horumar Camel Dairy Farm in Burao city, located in central Somaliland. Back then, Horumar’s camel herd supplied 20-30 liters of fresh milk per day with revenues averaging US\$175 every week. Thanks to the strong demand for camel milk in urban areas, Horumar quickly recognized the supply constraints and the opportunity to ramp up operations and bring urban dwellers a reliable and trusted product. In 2012, with a \$200,000 investment, Yusuf purchased milking camels and calves and now has nearly 90 total camels producing nearly 100 liters per day worth US \$120 in daily revenue. To maintain a safe level of milk hygiene standards, Yusuf also used part of the grant to purchase a generator, milk analyzer and cold chain equipment including portable solar refrigerators to keep the milk fresh over long distances and for a longer time period. Thanks to these initial investments, Horumar Camel Dairy Farm is now supplying a larger segment of urban consumers and households in the Burao area with fresh camel milk, and using the portable solar fridges to collect milk for nomadic camel herders that often had such direct access to the Burao market.

#3: Fodder and Fattening Farm in Burao Expects

Major Growth in next 2-5 Years

A Somaliland diaspora who moved backed to his family's farm to restart fodder production and fattening activities has seen begun to reap benefits after one season. The business plan involves raising, fattening and trading livestock together with manufacturing and producing fodder on a 1500 acre working farm located in Beer which is 30km from Burao.

An investment of \$90,000 is expected to generate a turnover of \$391,000 in the first year (after two growing / selling seasons), with \$815,000 expected in the second year of operations. The business will therefore contribute to the economic development of the region through export earnings as well as payment of taxes to boost central government revenues. The business will also purchase its initial herd from local farmers, hence boosting the local economy as well. According to the business expansion plans, the farm will steadily generate more employment in the coming years for both casual laborers and full-time skilled laborers such as management staff (Finance, Marketing, Operations and Buying), trained tractor/truck operatives, onsite supervisors, and qualified veterinary surgeons recruited from the local Sheikh Technical Veterinary School.



Along the seasonal Togdheer River outside of Burao, local and diaspora investors are expanding fodder farms to support the export-oriented livestock fattening sector.



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4 / AGRICULTURE SECTOR

OVERVIEW

In Somaliland farming contributes between 8% and 15% of the GDP, as livestock production and exports are the backbone of the economy and the biggest hard currency earner for the country. Due to the importance of livestock, Somaliland Government treats it as a different sector and has a separate ministry dedicated to livestock. This section of the Investment Guide discusses only farming and allied areas to cultivation in Somaliland.

It is estimated that less than 10% of the land is suitable in agriculture. Despite being erratic and often scanty there are nevertheless two main rainy seasons. These are Gu or spring (April and June) and Deyr or autumn (September and October), in between these two rainy seasons there is also Karan (late July through September) most occur in the western regions.

The farming in Somaliland is predominantly subsistence in nature. The principal grain crop grown under rain fed conditions is sorghum, followed by maize; and both crops are grown primarily for household consumption by small-scale farmers. Fruit and vegetable crops, which are relatively small, are grown mainly for commercial purposes and the principal commercial crops are tomatoes, lettuce, onions, watermelon, peppers, cabbages, oranges, lemons, and papaya. Rain-fed farming accounts for 90% of the total area cultivated, while the area under irrigation constitutes only 10%, supporting about 4,000 farm families. The sector is dominated by smallholder

farmers who own farms ranging from 2 to 30 hectares in area. The average farm size is approximately 4 hectares. During the dry season, irrigated farms make good profits, because the supply in the vegetable and fruit markets is low in this period. The shortfalls are usually filled by imports from neighboring countries such as Ethiopia and Somalia. In recent years, cultivation of watermelon has emerged as an important source of income for the farmers. Presently, watermelon is the only fruit crop that is exported successfully to Djibouti.

In Somaliland there are a number of major players in the agriculture sector and these are noted below:

- 1. Producers (Farmers)**
 - Staple food producers
 - Fruits/Vegetable producers
- 2. Input & Service Providers**
 - Sellers of seed, fertilizers, pest/insecticides, tools, equipment, machinery
 - Tractors and machinery hire service providers
 - Grain mill operators
- 3. Marketing Service Providers**
 - Grain market sellers
 - Green market sellers
- 4. Institutional**
 - Ministry of Agriculture
 - Local governments
 - Chamber of Commerce
 - Local and international NGOs
 - Academic / research institutions
 - Technical advisory support organizations
 - Cooperatives and farmer's associations

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The demand for agricultural products such as grains, fruits and vegetables is expected to grow substantially due to the population growth and the improvement in standard of living.

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ROLE OF THE MINISTRY OF AGRICULTURE

Currently the Ministry of Agriculture has limited capacity to provide effective extension services to farmers. Extension services are mainly provided by local and international NGOs and development organizations.

However, the Ministry is a supportive and collaborative partner for private and public sector stakeholders working in the agriculture sector. It is mandated to develop and implement agricultural sector policies, rules and regulations in order to improve agricultural production. In 2013, for example, it has drafted a Seed Testing and Certification Policy; and signed an agreement with Amoud University’s Faculty of Agriculture to be recognized as a center of research for horticulture crop testing in Somaliland. See case study at the end of this chapter.

LAND TENURE AND OWNERSHIP

According to the constitution of Somaliland all land belongs to the community and thus to the State of Somaliland. However, since the collapse of the Somali state, land has been carved up by different people and large communal areas are now being claimed by individuals. Challenges arising from lack of proper land tenure regulation may be exacerbated further due to population increase and demographic change. The government has been developing policies to support land ownership.

The Ministry of Agriculture promotes the land registration policy, based on the Cadastral Survey, and the issuance of land ownership and land use certificates for individual farmers or owners has been encouraged. The tax environment of agriculture based land is not fully developed. The government does not charge levies to individual owners of land and as a result individuals can claim pieces of land and leave it uncultivated. In most cases, disputes of land used for agriculture is resolved through communal arbitration in the form of traditional mediation or religious edict.

Perhaps a growing concern for the government which underlines the need to address the issue of land ownership is the fact that an increasing number of people are abandoning nomadic pastoralism and where possible taking up rain-fed farming, mainly, due to the following advantages over livestock production:

- It tends to recover more quickly than animal rearing after long droughts.
- It permits a larger demographic density than pastoralism.
- It has a less precarious and harsh lifestyle than the nomadic pastoralism.
- Grains are more convenient as they can be quickly sold to purchase small household items.

CONSTRAINTS

- Poor capital investment in agriculture infrastructure and appropriate technologies.
- Lack of land surveys to identify appropriate crop based on soil and weather analysis.
- Many farm assets such as irrigation infrastructure and equipment that were destroyed during the civil war have not been rehabilitated.
- Farmers lack many basic skills and there are considerable crop losses to pests and diseases
- Absence of agriculture market information systems.
- Insufficient rural credit and finance services for agricultural inputs and equipment.
- No value-adding or processing facilities are available to stimulate increases in agriculture production.
- Limited data available in appropriate seed varieties for different soil and climatic conditions.
- Poor irrigation schemes in the districts to improve crop production.
- Production expansion and diversification are constrained by lack of storage facilities (especially in urban locations) and poor feeder roads

These constraints offer opportunities for potential investors in this sector.

MARKET DEMAND AND PREFERENCE

While farmers have access to market prices, they tend to lack other vital market

information. The land use planning maps of Somaliland which analyze optimal growing areas for certain crops are not regularly updated and the limited research that has been done to date has not been disseminated to agricultural communities. There exists no database of agricultural market information such as yearly yield, demand, weather patterns, disease, and sales of the previous year's crops that farmers can use to engage in pre-planting decision making or medium-term planning for investing in new varieties. Despite this the demand for agricultural products such as grains, fruits and vegetables is expected to grow substantially due to the population growth and the improvement in standard of living. For example, it is estimated that from Ethiopia alone, Somaliland imports between 61,000 and 95, 000 tons of vegetable annually.

With insufficient agricultural extension services and few business service providers in rural areas, farmers tend to have limited understanding of basic agricultural business knowledge. They tend to produce the same crops as their neighbors, selling at the same time, to the same traders – with little understanding of how the increased supply with market demand remaining the same will cause prices to decrease and little understanding of the market viability of value-addition opportunities, post-harvest handling and storage, diversification or new market options.

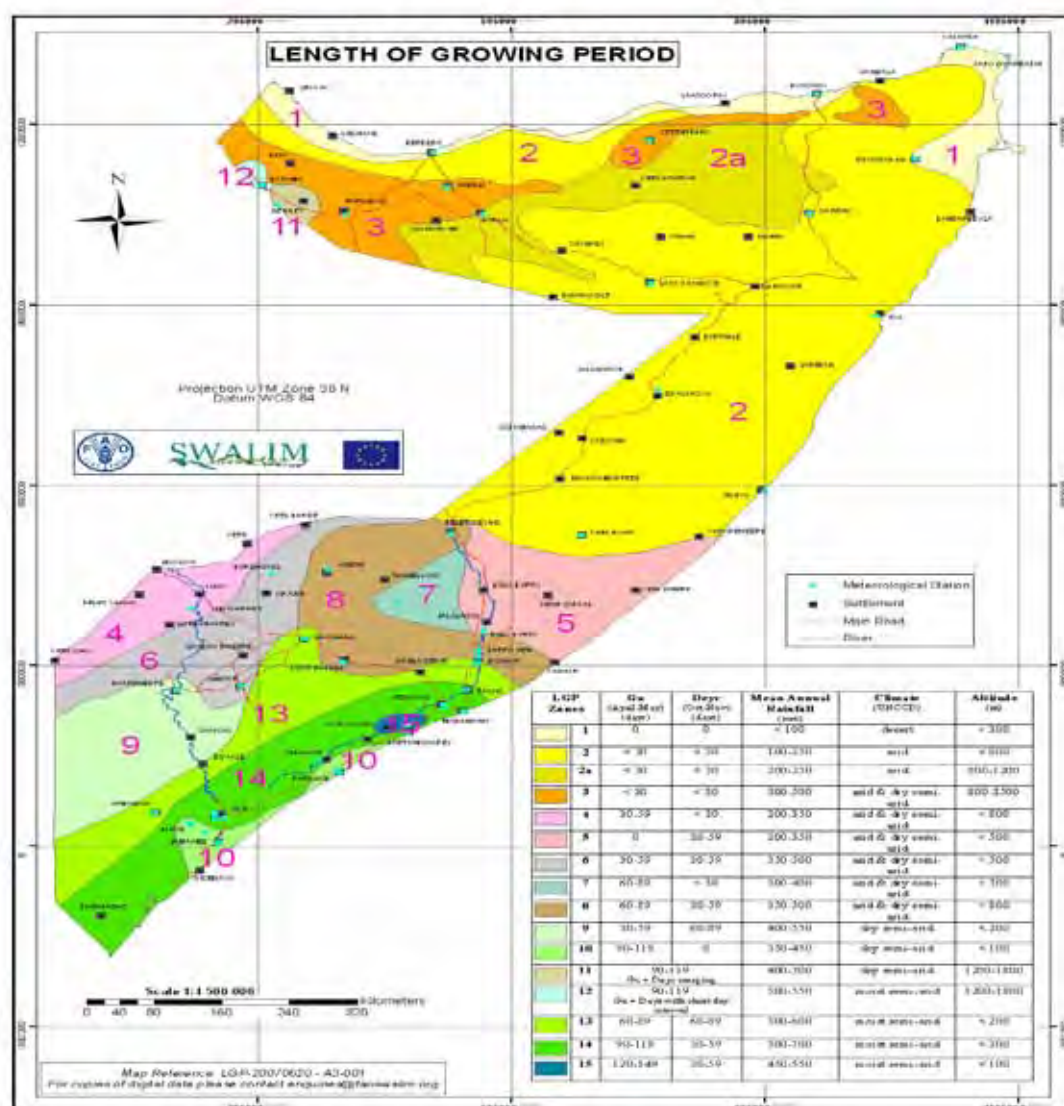
Tastes and preferences in major consumption and population centers have shown an upward moving trend away from the traditional mix of food intakes.

Fruits and vegetables, in particular, are now becoming an essential part of the major meals (almost half of the fruits consumed in Somaliland come from Somalia while more than half of the vegetables come from Ethiopia). The reason is that many people have returned to Somaliland from abroad, and others have moved from the nomadic lifestyle and settled in the townships. Market demand is very high, especially for

vegetables and fruits.

Rainfall Quantity and Pattern of Rainfall

Presently, there are limited rain harvesting mechanisms or water conservation mechanisms practiced by the Somaliland farmers and hence most of the areas under cultivation produce only one or two crops per year. The map below gives details of rainfall in Somaliland:



OPPORTUNITIES FOR INVESTORS IN AGRICULTURE SECTOR

Many problems have been listed above for this sector. But it is in the solution to these problems that opportunities exist for Investors. Local demand can be met through increased agricultural investment; and regional markets such as Djibouti and Ethiopia offer opportunities as well. It must be noted that with appropriate technology and adequate investments, this sector in Somaliland can generate high returns to the Investors. Needless to say, that the land available for cultivation and activities relating to farming are virgin and hence anything that is cultivated will be treated as organic. The following opportunities have been identified in this sector:

Farming:

- Dry land and flood/spate irrigated farms for staple food commodities
 - Partnerships with local farmers
 - Leased land farming in collaboration with Government of Somaliland
- Irrigated farms for vegetables and fruit produce
 - Opportunities exist for import substitution and huge demand exists for exports throughout the region.
 - Demand for fresh fruits and vegetables is ever increasing in major towns of Somaliland.

- Floriculture for exports to Europe and Middle East
 - Ethiopia is generating huge amounts of Foreign Exchange by exporting flowers in spite of being landlocked.
 - There is a great opportunity for Investors to set up greenhouse farming in Somaliland.

Inputs Suppliers

- Buy, sell and acquire agricultural machinery, and setting up Agriculture Equipment Banks to offer equipment on rent/lease to local farmers and future investors.
- Sell inputs, such as seeds, fertilizers, pesticides, water pumps, irrigation pipes, tools and equipment.

Agricultural Extension Services

- Consultancies in production systems
- Area/Farm extension services
- Training

Agricultural Products Processing

- Grain harvesting/storage and grain mills
- Oil pressing units
- Fruit/vegetable processing units

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Frankincense has been harvested in the eastern parts of Somaliland for hundreds of years. There is ample opportunity to expand processing capacity to meet local and export market demand.

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CASE STUDY

#1: Greenhouse Horticultural Production (Annaya Town, North Of Hargeisa)

PROJECT BRIEF

The first greenhouse high tunnel investment in vegetable and fruit trees production in Somaliland. It is well suited to produce vegetables in the off season when the prices are high. Vegetables, such as tomatoes, are cultivated. This high tunnel greenhouse with the measurements of 30m length, 8m width and 4m height (at the center) has been constructed with drip irrigation technology. There are two harvesting seasons in a year.

VEGETABLES	NUMBER OF PLANTS	PRODUCTION QUANTITY (KGS)	TOTAL PRODUCTION QUANTITY (KGS)
1st Season: Tomatoes	1,200	10	12,000
2nd Season: Tomatoes	1,200	10	12,000
TOTAL ANNUAL PRODUCTION			24,000

Sales = 1,200 plants X 20kg X 0.50\$/Kg = \$12,000*

**The market price per Kg is actually between \$1.00 to \$0. 50.-*

COST OF PRODUCTION

Seeds, fertilizers, pesticides, insecticides	300
Water	200
Tools & equipment	250
Labor	1,800
Direct costs	2,550
Gross Profit	9,450
Depreciation of Greenhouse (incl drip irrigation) (8,100) 3 years	2,700
NET PROFIT	6,750

The greenhouse has been erected on land with good quality soil. Only one permanent laborer and two casual laborers are required for this work. This is a single pilot project with limited land availability. An average Somaliland farm can accommodate over 10 similar greenhouses. However, increased capital investment will increase management, maintenance and labor overheads, though economies of scale can be expected.

FINANCIAL SUMMARY

Total Annual Sales \$ 12,000.

- Gross Profit Margin = $\$9,450 / \$12,000 = 79\%$
- Net Profit Margin = $\$6,750 / \$12,000 = 56\%$

PROJECT DESCRIPTION

The high tunnel greenhouse is designed as a single pilot unit for off-season vegetable farming in a farm located at Annaya, north of Hargeisa. Now only off-season tomatoes are cultivated. The estimated yield potential of this greenhouse will be a total of 24,000 Kg per year. There is a lot of demand for fresh tomatoes in the local market. The use of hybrid seeds provides higher yield that can lead to lower unit cost. Off-season cultivation of high value vegetables will fetch the best price and provide a continuous supply to the grain markets. Higher prices can be obtained by producing the right crops, at the right times and of better quality. The investment in this technology lowers the chances of crop failure.

MARKET OPPORTUNITIES

The population of Hargeisa, the capital, is estimated at 500,000 to 1.2 million, and is growing. The climate of the country is suitable for greenhouse vegetable farming. There is great demand of vegetables all year round and the price is high at the start of the growing season and at the end of that season. If modern techniques are applied to grow off-season vegetables, high prices can be realized with higher profit margins.

BUSINESS PLAN

With this modern and cost effective farming technique, the yield production will be greater. Also vegetables will be grown which have the highest demand in the markets.

TOMATO GROWING PROCESS

The following production flow is based on the production of tomatoes.

- Preparation of seed beds in the greenhouse 7 rows each 2 lines.
- Using fertilizer in the soil to maintain its fertility.
- Sowing seeds directly in the soil.
- Drip irrigation maintaining f moisture level in the soil.
- Protection from the pests, diseases and weeds by using pesticides/sprays of chemicals, and trimming, all locally available at Hargeisa agro-processors.
- Picking/harvesting at various times.
- Post harvest treatment for picking/plucking, packing and storing.
- Transportation to the green market or consumers

MARKETING CHANNELS

As the tomatoes from this greenhouse are of such good quality, the products will be directly delivered to the main consumers or wholesalers.

CASE STUDY

■ cont'd

LABOR REQUIREMENT

This pilot project needs only one permanent labor per year, and two casual labors for 6 months only.

NO.	DESCRIPTION	NUMBER	MONTHLY SALARY (\$)	ANNUAL SALARY (\$)
1	Permanent Labor	1	100	1,200
2	Casual Labor	2	50	600
			TOTAL	1,800

The above noted casual labor will be required only during the picking season (twice for 3 months).

PROJECT FINANCIALS

Operational Data

The greenhouse is into its second growing season. The total cost of the greenhouse and the drip equipment installed was \$8,100. The framework for the greenhouse was locally manufactured. The plastic sheet, drip irrigation equipment, Anna F1 hybrid seeds and fertilizers were imported from Kenya. Water from a shallow well operated by a windmill at the farm is used to store in an above ground water for the drip irrigation system.

Product sales

The expected sale of the tomatoes is given below:

VEGETABLE	NO. OF PLANTS	PRODUCTION PER PLANT/ SEASON (KG)	NO. OF HARVESTING SEASONS PER YEAR	ANNUAL PRODUCTION (KG)	SALES PRICE/ KG (\$)	TOTAL ANNUAL REVENUE (\$)
Tomatoes	1,200	10	2	24,000	0.5	12,000

Raw Materials

This greenhouse with good quality soil also requires fertilizers. Hybrid seed of Type Anna F1 tomatoes will be grown. The inputs and other material costs are detailed below.

1	High tunnel greenhouse with drip irrigation	\$8,100
2	Seeds, fertilizers, pesticides, insecticides	300
3	Water	200
4	Tools & equipment	250
TOTAL		\$750

Fixed Cost

The investment in the fixed assets was \$8,100.

Working Capital

The working capital for the year is \$2,550.

Total Investment \$10,650

***The sales returns within the year should be taken into consideration.*



PHOTO: Annaya Greenhouse

CASE STUDY

#2: HORTICULTURAL PRODUCTION FARM WITH EARTH DAM (BALI) AT ALLAYBADAY

Mr. Ahmed Qase has invested in a horticulture farm. Allaybaday is renowned as a horticultural production area irrigated by over 100 Balis (earth dams). This farm is over 50 Ha and was established over 20 years. It has a large Bali (earth dam) 350 meters long, 150 meters wide and 6 meters deep. This Bali holds water mostly all the year round. This gives a chance to grow fruit trees and vegetables throughout the year. About 15 hectares are for the cultivation of vegetables in a rotation of 5-10 hectares at any given time. Fruit trees grow on 2 hectares. About 20 hectares of land is for rain-fed staple crop production of sorghum and maize. The rest of the land is used for grazing of livestock.

Ahmed Qase owns and operates two tractors, and a 6 tonne truck used for the transport of the farm produce to the market. During the dry season (Jilal) the truck is used as a tanker for the delivery of the water from the dam in the rural areas.



Local Market Days are hosted during harvest season for farmers and vendors to showcase various vegetable and fruit varieties.

FIXED FARM ASSETS		COSTS (US\$)
Land		
Bali (earth dam)		\$ 80,000
Machinery – tractors 2 X \$8,000		16,000
Water pumps 3” 2 units @ \$300		600
Irrigation pipes 3” 1.000 meters @ \$2		2,000
Transport 6 tonner & tank		6,000
Manager vehicle		5,000
FARM PRODUCTION		
FRUITS		
Citrus	[300 plants x 400 fruits x \$0.15]	\$18,000
Papaya	[100 plants X 20 fruits X \$0.70]	1,400
Mango	[10 plants X 1,000 fruits X \$0.10]	1,000
VEGETABLES		
Tomatoes	[40 t X \$ 750]	30,000
Onions	[60 t x \$ 350]	21,000
Hot Pepper	[6 t X \$ 750]	4,500
Green Pepper	[3 t X \$ 1,500]	4,500
Cabbages	[12t X \$500]	6,000
Lettuce	[5,000 heads X \$0.10]	500
Watermelon	[6,000 pcs X \$1]	6,000
STAPLE CROPS		
Sorghum	[500 bags(50kg) X \$18]	9,000
Maize	[200 bags(50kgs) X \$20]	4,000
TOTAL SALES		\$105,900

CASE STUDY

■ cont'd

COST OF PRODUCTION		
Tractors (Fuel & Lubricants)	[(30HaX\$19)X2seasons]	570
Tractors operators	[2 X \$200 X 2 months]	400
Canals excavations	[1 canals X 300]	300
Seeds, fertilizers, pesticides, insecticides		2,800
Tools & equipment		300
Water pumps (Fuel & Lub.)	[10 liters x 300days@1]	3,000
Cultivation (weeding)	[2,250 man-days X \$10]	22,500
Harvesting fruits	[180 man-days X \$10]	600
Harvesting vegetables	[600mandays X \$10]	6,000
Harvesting & Threshing(sorghum/maize)	[600mandaysX\$5]	3,000
Packaging, bagging	[2,000 bags X \$0.3]	600
Farm Labor	[4 X \$150 X12 months]	7,200
Foreman	[1X \$200 X 12 months]	2,400
TOTAL DIRECT COSTS		\$49,670
GROSS PROFIT [TOTAL SALES - TOTAL DIRECT COSTS]		US\$ 56,230

OVERHEAD COSTS		
Transport truck - depreciation	[20% per annum]	\$1,200
Tractors - depreciation	[20% per annum]	\$3,200
Management vehicle - depreciation	[25% per annum]	\$1,250
Management	[\$600 x 12 months]	\$7,200
TOTAL OVERHEAD COSTS		\$12,850
NET PROFIT		US\$43,380



CASE STUDY

#3: INVESTING IN SEED TESTING AND EXTENSION WITH AMOUD UNIVERSITY, AWDAL REGION

In 2012, (Gu and Deyr growing season), USAID supported Amoud University and the Somali Agricultural Technical Group (SATG) with conducting a series of trials and demonstration plots on vegetable crops (tomato, onion, watermelon, cabbage, lettuce and peppers) in various agro-ecological zones in the Awdal region. Superior varieties and best vegetable production practices were identified. These are being demonstrated in farmer fields in Amoud, Baki and Ruqi of the Awdal region in 2013.

There is the potential to provide such types of technical support to a broader range of implementing agencies operating in Somaliland, and to establish sustainable, long-term programs for agricultural R&D, which can be used by agriculture investors.

Through improved agronomic practices that were taught to contact farmers such as proper seed spacing and disease pest management, as well as soil analysis and weekly record-keeping, superior varieties that have now been tested for two seasons are showing estimates of 30 to 150% increase in yields compared to average Awdal farmer yields.

More information can be found at the Agriculture Investment section of the Investment Guide web portal: www.SomalilandInvest.net.

Impacts

Comparative yield of tomato varieties for two seasons in Amoud, Baki and Ruqi demonstration plots (SATG FILSAN 2013)

SEASON 1 (SUMMER: JULY-AUGUST 2012)			SEASON 2 (WINTER: DECEMBER-JANUARY 2013)		
Variety	Mean yield of three sites (t/ha)	Rank	Variety	Mean yield of three sites (t/ha)	Rank
Roma VF	13.4	1	Roma VF	24.5	1
Local	12.0	2	Local	21.4	2
Roma	11.4	3	EW 25520	19.8	3
AVTO 0101	10.4	4	Roma	19.3	4
AVTO 9802	7.3	5	EW 15044	17.1	5
			AVTO 0101	15.9	6
Seasonal Mean	10.9		Seasonal Mean	19.7	

Comparative yield of onion varieties for two seasons in Amoud, Baki and Ruqi demo plots (SATG FILSAN 2013)

SEASON 1 (SUMMER: JULY-AUGUST 2012)			SEASON 2 (WINTER: DECEMBER-JANUARY 2013)		
Variety	Mean yield of three sites (t/ha)	Rank	Variety	Mean yield of three sites (t/ha)	Rank
Texas Early Grano	31.2	1	AVON 1013	47.8	1
Bombay Red	24.4	2	Bombay Red	40.7	2
Baftin (Yemen)	23.9	3	Texas Early Grano	36.7	3
AVON 1111	17.3	4	Baftin (Yemen)	32.8	4
Red Creole	15.8	5	Red Creole	27.9	5
Seasonal Mean	22.5		Seasonal Mean	37.2	

Comparative yield of watermelon varieties for two seasons in Amoud, Baki and Ruqi demo plots (SATG FILSAN 2013)

SEASON 1 (SUMMER: JULY-AUGUST 2012)			SEASON 2 (WINTER: DECEMBER-JANUARY 2013)		
Variety	Mean yield of three sites (t/ha)	Rank	Variety	Mean yield of three sites (t/ha)	Rank
Crimson Sweet (Giire)	41.8	1	Charleston Gray	33.5	1
Charleston Gray	39.8	2	Crimson Sweet (Giire)	29.3	2
Crimson Sweet (Zorzi)	35.1	3	Crimson Sweet (Zorzi)	35.4	3
Sugar Baby	26.7	4	Andaman	23.8	4
Seasonal Mean	35.9		Seasonal Mean	27.9	



PHOTO:
An Amoud University agriculture extension worker provides agronomic advisory services to area farmers that are testing high-performing horticulture seed varieties in the Awdal Region.



An Investment Guide to Somaliland
Opportunities and Conditions

2013 - 2014





5

5 / ENERGY SECTOR

OVERVIEW

This Chapter of the Investment Guide focuses mainly on the status of and investment in the electrical energy sector, and does not cover oil, natural gas and other hydrocarbons.

Currently, the principal sources of energy in Somaliland are of two main origins: Imported petroleum and local biomass resources. Petroleum is imported in the form of refined diesel, petrol, and aviation gas, all of which are used for transportation and electric power generation. Other imported petroleum products including kerosene and natural gas which are used for cooking by certain segments of the urban community. Kerosene, in addition to cooking, is also used for illumination by a large number of consumers.

Somaliland power producers now use imported diesel fuel as the only source of energy to generate electricity. It is estimated that collectively, companies burn more than 90-100,000 liters of diesel fuel every day in Somaliland. Independent Power Producers (IPPs)⁴ also struggle with heavy operational and maintenance costs of diesel generators. The electricity tariff rate in Somaliland is probably the highest in Africa at approximately \$1.00-1.40 /kWh⁵. As global consumption, fuel costs and unstable imported fuel supply problems continue to rise, electricity costs will also rise. This level of cost is already restricting business development in Somaliland, and as it increases, at a certain point it will be too expensive for the majority of business and ordinary consumers in Somaliland. For power producers, it is becoming difficult to stay profit and be sustainable. As a result, the Government is prioritizing energy investment from private and public

sources, and is confident that major investment opportunities exist to upgrade, diversify and modernize this important sector.

It has been estimated that the capital investment required by Somaliland's energy sector is US\$15.17 million for 2012-2016, of which \$5 million is expected to come from the private sector (National Development Plan 2012-2016). Key priority challenges that investors, policy-makers and donors need to address in the sector include:

- The need to invest in the outdated power plants and limited power distribution network;
- The need to diversify away from the dependence on imported fuel for power generation – which has resulted in higher electricity costs in Somaliland.
- The development of necessary skills and technical resources to utilize alternative energy sources for power production.
- The development, review, passage, enforcement, and wide dissemination of key pieces of energy legislation.
- The need to promote energy saving culture and invest in energy efficient technology.

Since the declaration of independence in 1991, Somaliland's electricity system was rebuilt and is now operated almost entirely by independent power producers each supplying areas in its neighborhood. Some of these are “dedicated” IPPs who sell electricity as a central part of their business model, but many others need electricity generation for their own business activities and sell excess

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The Government is prioritizing energy investment from private and public sources, and is confident that major investment opportunities exist to upgrade, diversify and modernize this important sector. ”

electricity to nearby customers to supplement their own income and recoup costs. Both kinds of IPPs have fully vertically-integrated systems; they have built and maintained infrastructure to generate, transmit and distribute electricity in the areas in which they operate.

In Somaliland, each area’s electricity infrastructure has been developed by the IPP working in that area. Until now, grids have not been connected, and the systems have not been unbundled, due to the high fixed cost of building new infrastructure. In each of those areas, almost all power distribution is via diesel generators for which fuel is expensive and of variable quality.

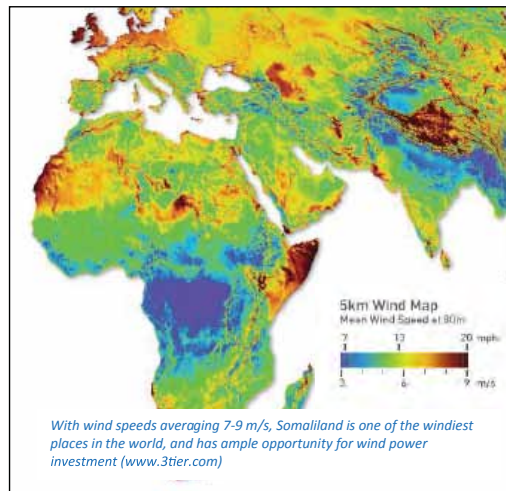
While over 20 IPPs operate in Somaliland, there has been significant consolidation of IPPs in recent years with many IPPs coming together to form one large company in order to deal with duplication and inefficiencies. This is a trend that is emerging in Hargeisa, Somaliland’s capital, as well as other cities. Larger players have used this opportunity to pursue outside funding which is considerably more difficult for smaller players.

There is a clear need for investment in the energy sector, to reduce costs and prices, and to keep up with Somaliland’s rapid economic expansion.

CURRENT GENERATION AND NEW INITIATIVES

Electricity-generating technologies in use or proposed for use in Somaliland include diesel engines, heavy fuel engines, windpower, and solar power. Diesel engines currently supply nearly all of

Somaliland’s electricity, although operating them is costly owing to frequent breakdowns, high maintenance costs and expensive fuel. All of these technologies may play a part in Somaliland’s future diversified electricity supply.



To address some of Somaliland’s energy challenges initiatives by the private sector, government, and international agencies operating are currently underway to change Somaliland’s energy system. Various Somaliland ministries are participating in training and education programs to improve understanding of different technologies and their continued use. Also, a few pilot projects are underway, including (i) the installation of modern automatic wind data monitoring stations in four cities in Somaliland to begin to develop a real-time wind map for potential renewable energy investors. In Hargeisa these stations monitor wind parameters at 36m and 25m heights, while in Borama, Berbera and Burao, the masts are 25 meter high; (ii) the development of pilot wind power plant at Egal International Airport in Hargeisa which will be managed as a public-private partnership; and (iii) and a commercial wind farm in Berbera to support the



development of the cold chain industry for the fishing sector.

Non-governmental groups are also getting involved. Some non-governmental organizations have installed solar power and are distributing power to the areas around their premises. Private actors are also trying out roof-mounted solar panels while investigating potential for wind turbines of various sizes (from 20kW to 1.5MW).

ELECTRICAL ENERGY LAW

In June 2013, the Ministry of Mining and

Energy submitted to Parliament Somaliland's first Electrical Energy Act. Once the law is passed by the Somaliland Parliament, it will be available on the Parliament's website: <http://somalilandparliament.net>.

Under the law, most of the responsibility for managing and regulating the energy sector is vested with the Somaliland Energy Commission. The Energy Commission will implement and enforce the Somaliland energy law and regulations. Its role, similar to other energy commissions in the region, will focus on:

- Managing issues of licensing power providers;
- Monitoring the performance of power producers;
- Protecting electricity consumer rights (pricing, safety, fair treatment, complaint handling procedures);
- Promoting renewable energy power through appropriate market incentives and other support structures necessary to encourage the renewable energy commercialization and investment facilitation.

This Commission is responsible to establish pricing standards that are fair both to the customers and the suppliers of retail electrical energy while also simultaneously ensuring fair competition between suppliers. The Commission is the entity responsible for issuing the operating licenses that all energy enterprises will require in order to operate. In addition, the Commission is responsible for the establishment of electrical codes and standards that are used throughout Somaliland along with the inspection and enforcement of those standards and codes.

Energy enterprises involved in the delivery of retail electrical energy are regulated by the Commission which is also responsible for establishing the pricing for customers. Enterprises are entitled to challenge the price tariff for units of retail electrical energy by raising an application for the review of their tariff to the Commission. There is an exception within the law for those enterprises who operate in a competitive environment.

INVESTMENT AND FINANCING IN ENERGY

For investors in the energy sector, a major challenge is raising funds to buy new equipment which can be prohibitively expensive. This is a significant barrier to entry and a major challenge when financing new IPPs (for whom equipment would be the majority of their holdings) and business expansion outside of an enterprise's core area (e.g., where manufacturers purchase energy-generating capacity, to lower their electricity-purchasing costs and may sell excess power to nearby businesses or houses). For most IPPs in Somaliland, new technology procurements are done using equity (owner's funds) without any access to debt or other funding sources. The current situation, whereby investors do not have access to debt and have to use 100% equity to finance projects, increases the investor's risks and lowers potential returns. However, options are increasing for Somaliland energy financing:

- Dahabshiil has indicated that they are interested in the energy space and may be open to investments beyond the fossil-fuel sector.
- Salaam Financial Services is piloting with new investor crowd-sourcing initiatives, especially targeting Somali diaspora, and exploring infrastructure projects such as wind power. See case study later in this chapter.

CAPITALIZING ON A GROWING RENEWABLE ENERGY SECTOR.

A nascent sector is developing for sourcing power-production equipment from Somaliland-based distributors and installers. Because power production is capital intensive (a significant barrier to entry) this means starting with smaller investments, including renewable energy (RE).

For example, Golis Solar a local installer of small wind turbines and solar projects, has been described as being “in business big-time!”, having installed more than 100kWp solar in 2012, and had significant sales of solar power kits for rural electrification. They have also imported and distributed wind turbines (all smaller than 500 watts), and have recently installed Wind Data Monitoring Stations for future wind farm evaluation. In 2013, Golis Solar installed eight 20kW wind turbines units of 20kW each in Hargeisa and Berbera.

Kaafi, another Somaliland company, sells both solar and windpower kits. Participation in the sector is expected to increase as households and businesses identify that they can significantly reduce their electricity costs by shifting to alternate sources of power.

SHAREHOLDER ARRANGEMENTS

Investors in energy projects can structure their investments in a number of different ways – each of which has different risks and returns:

- **Direct ownership:** An investor buys electricity-generating equipment (e.g. a diesel engine) directly, and they would own all of the costs and benefits (100% of power sales). This means that if an investment is profitable, they gain all of those benefits, but if it is loss-making, they are entirely responsible for that loss. This is a high-risk, high-return strategy and is the predominant form of investment in Somaliland’s energy sector.
- **Pooled Fund:** In this structure, many investors pool their money together for multiple energy investments. There is risk-sharing because if one investment fails, the losses are distributed across the entire group; of course, revenues also must be shared with the entire group. It is important to ensure that clear rules are established before investment and that the fund is managed by an independent party.
- **Collateralized ownership structure:** This is similar to a pooled fund, but investors are able to choose their level of risk which is typically split into A, B, and C “tranches”. For each payment date (e.g. quarterly), A (which is low-risk but low return) it receives a

“ Somaliland is very windy. Wind speeds easily exceed 7-9 meters per second, and some estimates suggest that 50% of Somaliland has wind speeds suitable for electric energy production – over 6 meters per second – at a cost that is competitive with the energy generated from diesel power plants. ”

low, specified return and is fully paid back before any other groups; B is then paid back at a higher rate; any remaining amounts are paid to tranche C (high risk, high return). While this requires some management and oversight (which have associated costs), it can also help to match investors more properly to their risk-comfort level and is something to investigate for the future.

Both companies and pooled structures can sell bonds (e.g., “energy bonds”) as a source of debt financing to provide funds for individual energy projects. They have not yet been used in Somaliland, but should be investigated and can be structured to be Sharia-compliant for interested investors. Local group Transparency Solutions is investigating the use of Diaspora bonds to encourage investment in the energy sector. See case study at the end of this chapter.

ENERGY TECHNOLOGIES

The government, private sector, and supporting institutions are all currently working to improve the enabling environment for investment in the Somaliland energy sector. Government action includes capacity building (for the Ministry of Mining and Energy; and the eventual development of the Somaliland Energy Commission), drafting of Somaliland Energy Law and Regulations, building a Somaliland energy center, investigating regional needs, and collecting/disseminating energy-related information and data. The government and supporting institutions are also aiming to improve the awareness of

different technologies to encourage appropriate development by the private sector.

Below are some considerations to keep in mind for the technologies proposed or considered for use in Somaliland. No matter what type of generation, operators should have the capacity and intention to monitor fuel consumption, power production, and power use in their grids. This will allow them to accurately forecast future needs, on a daily (fuel) level as well as a long-term (new equipment) level, to identify inefficiencies, and calculate accurate financial information on the cost of generation and how to price their electricity.

Diesel engines (overwhelming majority of electricity)

Diesel engines are generally useful when powering off-grid applications with limited needs in terms of time and total power. While they are cheap, quick to deploy, and very useful for providing strong power supply, they also consume significant amounts of fuel and must be well-maintained to operate at full efficiency. As Somaliland has experienced, fuel costs can be very significant and operating diesel engines without repairs or spare equipment can quickly lead to broken machines – a very expensive electricity situation.

Heavy fuel engines (being proposed)

Heavy fuel engines use fuel with longer hydrocarbon chains than diesel – either heavy fuel oil or marine fuel oil. The engines are generally more expensive to purchase than diesel engines, but the fuel is cheaper per gallon or liter. However, similar to diesel engines, heavy fuel engines need regular maintenance or their

production will drop dramatically and as a result will produce significant local air pollution (thick black smoke). While heavy fuel engines present an opportunity to reduce diesel consumption, the problems related to diesel – namely significant fuel costs, lack of replacement parts, lack of adequate maintenance – are the same issues which plague heavy fuel engines.

Windpower

In Somaliland, solar and wind energy applications and testing started in the mid 1980's in Hargeisa and Borama. By the end of 1980's a total of 120 solar pumps ranging from 200-2.8kWp were operational from Borama to Erigavo and Las Anod. Over 300 solar and wind power sites for clinics and veterinary application were installed and there were a number of windmills and wind generators for boreholes.

Somaliland is very windy. Along the coastal areas, wind speeds easily exceed 7-9 meters per second, and some estimates suggest that 50% of Somaliland has wind speeds suitable for electric energy production – over 6 meters per second – at a cost that is competitive with the

energy generated from diesel power plants. An even larger area has wind speeds high enough to displace current power for water pumping or for rural electrification – over 5 meters per second. This provides a huge opportunity for Somaliland to deploy windpower, which can be installed quickly, has no fuel costs and low maintenance costs, and has very quick payback period.

Initial capital costs of wind turbines are higher than diesel power (windpower is more expensive up front). Approximately 75% of the total cost of energy for a wind turbine is upfront costs - cost of the turbine, foundation, electrical equipment, grid connection, and labor. Despite this higher upfront cost, ongoing costs are very low - operations and maintenance are minimal (less than three per cent of purchase cost per year) and fuel costs are zero. This means that there is no risk of fluctuating fuel costs in the future. Note, though, that wind is best combined with other sources of power or battery storage, for when wind speeds are low, a back-up power source is essential for any intermittent fuel source.

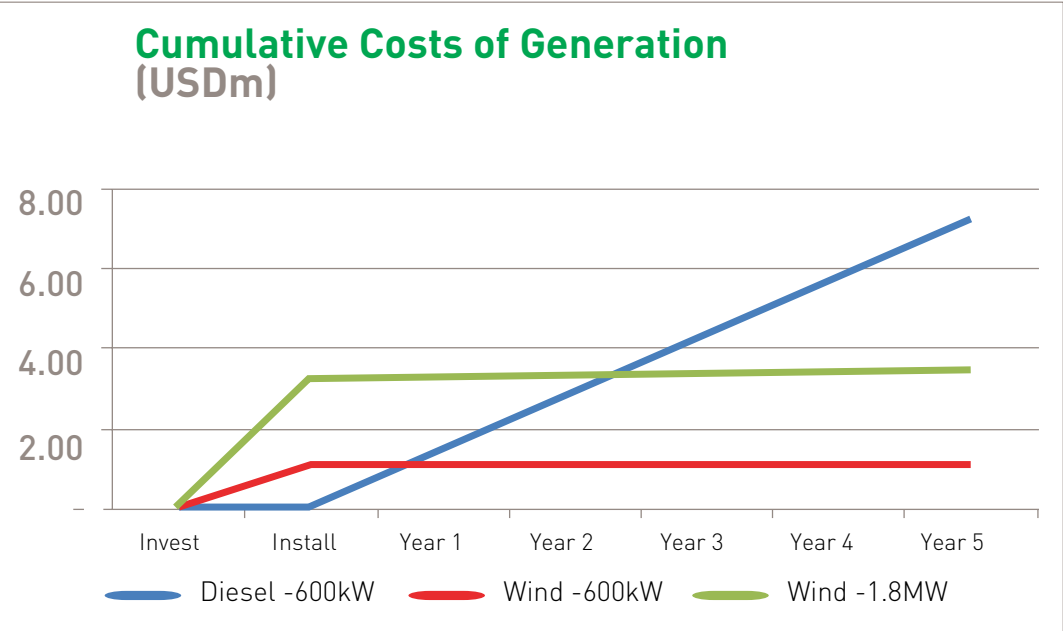
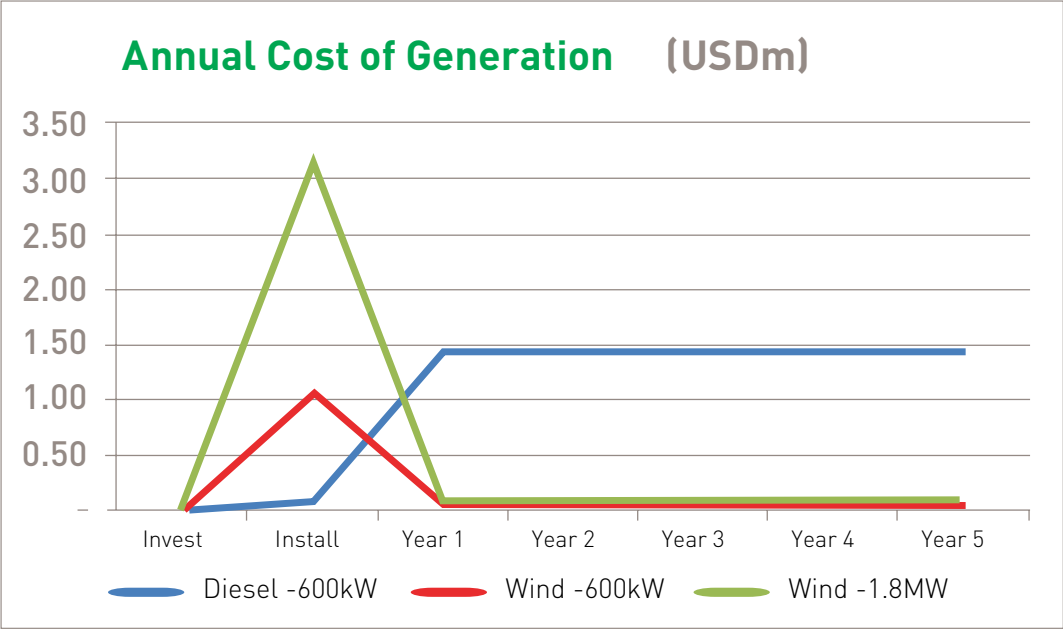
CASE STUDY: SOMALILAND DIESEL VERSUS WINDPOWER FINANCIAL MODEL

Windpower provides an opportunity for Somaliland to dramatically reduce its fuel imports, and lower its overall cost of electricity.

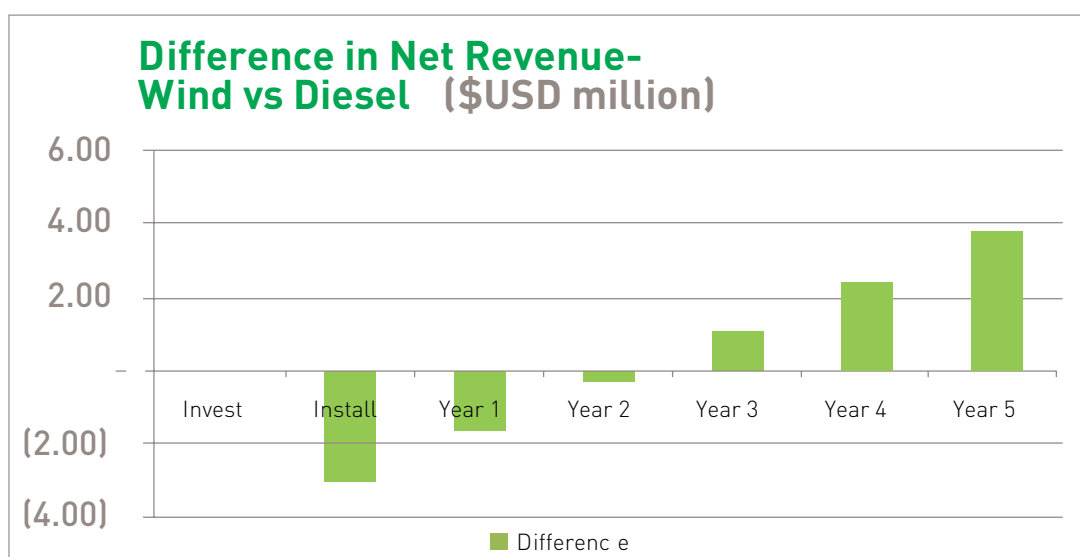
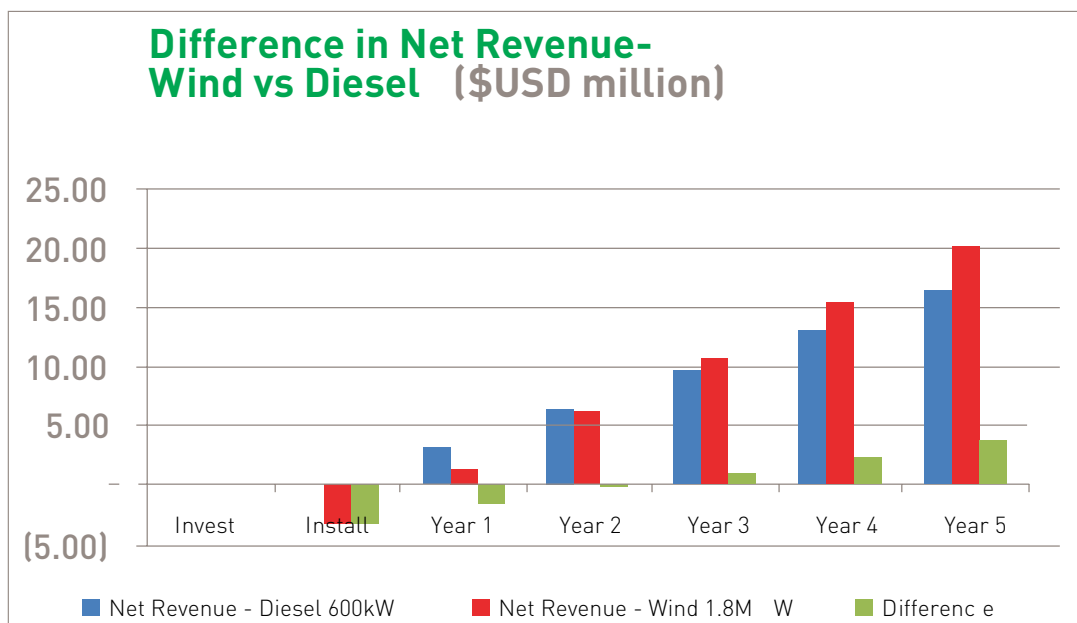
Because Somaliland's present electricity costs average \$1.00/kWh, it means that investors and developers in Somaliland who switch electricity sources away from diesel are avoiding higher costs – meaning very short payback periods. A reader can download the “Somaliland Diesel vs. Windpower Financial Model” from the Energy Investment section of the Investment Guide web portal: www.SomalilandInvest.net.

Comparing the long-term financial impact of different energy investments is crucial, to see the different returns generated by windpower investments versus other investments, such as diesel. Purchasing diesel engines is cheaper than wind turbines, but diesel is much more

expensive to operate (fuel cost and maintenance). This means that costs are equal in one year and then wind is cheaper. The graphs below show the costs of diesel and wind on an annual basis, and over time:



As a result of the different capital and ongoing costs of wind versus diesel, there is a significant difference in net revenue over time. When net revenues are added up over the years, wind becomes more profitable than diesel within three years on a net basis. Estimates show that investors in wind can begin making more money than investors in diesel generation within three years of investment and installation.

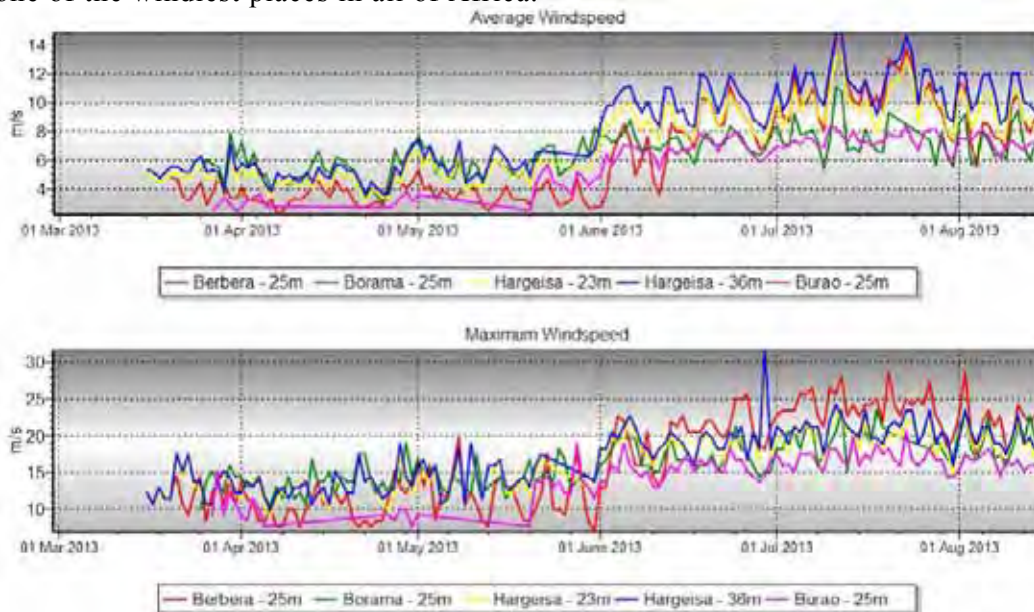


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Estimates show that investors in wind can begin making more money than investors in diesel generation within three years of investment and installation.

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In March 2013, four wind data monitoring stations were erected in Hargeisa, Borama, Berbera and Burao. Wind speed, direction and temperature data are being collected on a daily basis by the Ministry of Energy’s Inspectorate Unit and can be viewed in the Energy Investment section of the Investment Guide webportal:<http://www.somalilandinvest.net/Energy/WindDataMonitoring>. Sample output data at the time of the Investment Guide development is shown below, showcasing Somaliland as one of the windiest places in all of Africa.



CASE STUDY: SOMALILAND INSTALLS FIRST PILOT WIND FARM

With the support of USAID, the government of Somaliland installed the first wind farm in the region in 2013, which will power the Egal International airport in Hargeisa. The five 20kW turbines will be managed under a public-private partnership (PPP) structure, and will showcase the potential of wind power for investors; while be used as a place for power companies, Ministry engineers, and electrical engineering students to learn more about renewable energy.

CASE STUDY: TRANSPARENCY SOLUTIONS - INVESTING IN SOMALILAND WINDPOWER THROUGH INNOVATIVE INVESTMENT FUNDS

Transparency Solutions Ltd (TS) is a multi-disciplinary consultancy with an overall goal to build projects and long lasting relationships between Somali Diaspora and their homeland; promoting stability, prosperity and community cohesion through the identification of viable investment projects that spur economic development and poverty reduction. In early 2013, the company launched the website for Somali Star Investments which offers a package of customized financial instruments including share offerings, Diaspora bonds, and other debt/equity instruments unique to Somalia/Somaliland. This first-of-its-kind investment vehicle will provide a way for people with available funds, to invest in renewable energy projects, infrastructure and other business sectors.

In early 2012, a strategic and innovative agreement was reached between Transparency Solutions, Homestrings.com (Financial consultancy and investment crowdfunding portal) and Salaam Financial Services (Financial Institution) in working together in identifying and assessing infrastructure projects and businesses opportunities that demonstrate and support positive developmental impacts such as job creation and economic growth.

- Transparency Solutions plans to develop a 20MW wind farm project in Hargeisa. TS will take the lead in structuring the financial instruments for interested investors (Diaspora or local Somalis).
- TS and Salaam Financial will also manage the funds raised, managing investor relations and reporting to investors.
- A power purchase agreement (PPA), a vital and necessary contract, for raising funds from investors will be drafted and signed with all interested independent power producers with stimulating requirement for purchase of electricity generated from the proposed 20MW wind farm.
- Project development of the wind farm will also be designed in collaboration with Africa Enablers after the signing of a Memorandum of Understanding (MoU). Africa Enablers have been pivotal in the development of the renewable wind power industry in Ethiopia through their subdivision LAFTO Wind Turbines designing, developing and commissioning major mega wind farms across Ethiopia.
- An EPC (engineering, procurement and construction) firm and turbine manufacturer will begin operations in late-2013, with the wind farm expected to be installed and operational by mid/late 2014.

For more information, log onto: SomaliStarInvestments.com.

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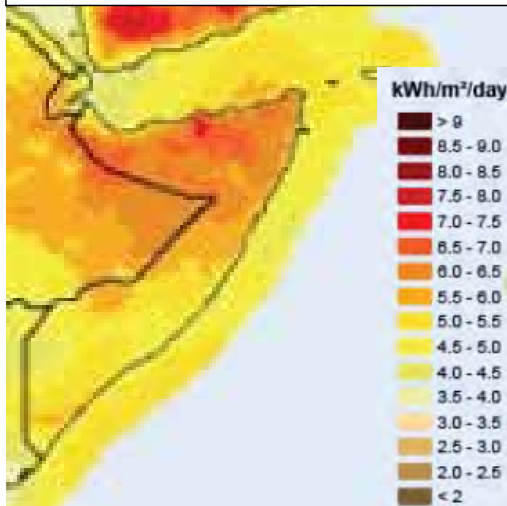
Somaliland has approximately 3,000 hours of clear and consistently reliable sunshine annually...as much as 5.8 to 6.0 kWh/m²/day. This gives Somaliland the potential to generate significant amounts of solar power.

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Solar Power

The solar energy resource in Somaliland is almost uniform with only minor seasonal variations. Somaliland has approximately 3,000 hours of clear and consistently reliable sunshine annually, with a minimum of 8 to 8.5 hours of sunshine hours per day, with specific solar irradiance at ground level of 1kW per m². This means a vast potential of solar energy, estimated by the Somaliland Ministry of Mining and Energy - as much as 5.8 to 6.0 kWh/m²/day. This gives Somaliland the potential to generate significant amounts of solar power, if the costs can be made effective.

Solar Radiation Map of the Horn of Africa
(Direct normal irradiation averaged annual sum).
Courtesy of SomaliStarInvestments.com



Solar photovoltaic (“PV”) power, which uses panels to generate power directly, is ideal for small scale, especially for rural off-grid groups for whom it is very cost-effective. Somaliland has much solar potential; and on average the same photovoltaic panel will produce double the electricity in Africa as in Europe. The cost of PV has dropped significantly in the last five years, and in many developed countries solar power is produced for

\$0.20/kWh or less. This is significantly less than the current cost of generating diesel power, so this represents an immediate opportunity to reduce costs. In addition, solar panels are simple to install and maintain, and produce power whenever the sun shines. However, because they are intermittent (i.e. solar panels only produce energy during the day), solar power must be combined with electricity storage or other power-generation systems, such as diesel-solar combination systems.

ON-GRID SOLAR: Existing Somaliland IPPs have an opportunity to add solar power to their existing grids, lowering their per-kWh cost. They can do this while reducing their diesel consumption during the day, and could do so in a modular fashion. For example, an IPP could install some solar PV panels to test the system and then invest in additional units if they prove to be beneficial.

OFF-GRID SOLAR: Opportunities for solar PV are even greater in areas which currently are not connected to the electricity grid, or have very low electricity requirements. For users who require lighting and mobile-phone charging services, they are often able to get all of the power that they require using a single household-level unit. These systems often include 2 solar panels, a battery, 2 lights, and a mobile-phone-charging connector. Demand for “connective power” by the rural middle class, that is, electricity to power television, radios, and cellular phones, is the key socioeconomic use driving the solar PV in rural Africa. In Kenya, solar electrification has outpaced grid connection, with cumulative sales of solar home systems in excess of 200,000 units and growing at 18% annually⁶.

SOLAR PHOTOVOLTAIC INVESTMENT OPPORTUNITIES – POTENTIAL FOR REGIONAL TECHNOLOGY TRANSFER

All-in-one PV systems (which include panels, a battery, mobile phone charger and efficient lights) are now available in East Africa at rapidly-reducing prices (under \$100 for the whole system), and long-term payment structures are being established to reduce the impact to a family's budget, spreading the cost over months or years.

Eight19 is one such system (www.eight19.com) which provides whole systems and allows users to pay the monthly fee via mobile-phone vouchers. The company is currently seeking distributors in East Africa, and is exploring opportunities to find local distributors. In addition, M-KOPA, a spin-off of Kenyan mobile-phone payment system M-PESA, has developed a similar system which allows solar users to spread the cost of a solar system over time, using a mobile-phone-based system similar to Somaliland's Zaad system (www.m-kopa.com). Opportunities for regional technology transfer offer investors options to expand solar power in Somaliland.

Electricity Transmission and Distribution

In the medium-term, prioritizing short-distance distribution improvements over long-distance transmission is sensible for option for investors because it prioritizes population centers getting regular access to electricity, before connecting the cities and towns to each other.

The Electrical Energy Act currently being debated in Parliament encourages investment in power generation and distribution infrastructure (and potentially transmission in the long term). Well-constructed and operated grids need to be financed to ensure delivery of power from generation to consumption. This is a low-risk, low-return investment, but it is also an area of opportunity for future development as the power grid is improved. Investment in distribution (and eventually, transmission) is a long-term prospect for Somaliland, but is an

important component of a future electricity system.

Cook Stoves

Household hearth fires do not generate or consume electricity, but they are major energy consumers in the form of firewood and charcoal in Somaliland. They require significant human and transport-fuel energy expenditure to collect fuel, and have a significant impact on the health and welfare of Somaliland's citizens, especially the poorest.

High-efficiency cookstoves (HECs) are available which dramatically reduce fuel wood consumption and local pollution, significantly improving health. HEC technology is simple (a clay or metal lining to contain heat and improve airflow) so it could be produced in-country with minimal equipment or energy needs.

INVESTING IN CLEAN COOKING

Afjireh Group was organized and founded in 2012 and received a business license in Somaliland on January 2012. Afjireh Group Gas and Cook Tops has a clear business plan to fill a need in the Somaliland marketplace by importing, selling and distributing propane gas for cooking as well as cooking necessities including the cook stove tops and propane gas cylinders and tanks. Afjireh Group allows customers to both purchase and rent cook stoves and gas canisters and sells fuel for a reasonable fee, which will open up the market share to include a larger number of consumers. The current demand for these services exceeds the capacity of SomGas, the only existing supplier. There is ample opportunity for investor to explore this market further.



An Investment Guide to Somaliland
Opportunities and Conditions

2013 - 2014





6

BAA

6 / FISHERIES SECTOR

1. FISHERIES AT A GLANCE

1.1. Location, Coastal Length and EEZ Area

The Somaliland coast lies north of the equator, between latitude 100N and latitude 110N and between longitude 43.15/E and longitude 490E in the Gulf of Aden. It stretches 850km with an Exclusive Economic Zone (EEZ) area of approximately 70,000 sq.km

1.2. Climate and weather

It is arid and hot most of the time, while precipitation is less than 50mm annually. Water Temperature is 21C in January & 37C in October. Two monsoon winds are experienced annually. South West monsoon blows June to September, while North –east blows October to March

1.3. Major settlements along the coast

There are major settlements of fishing communities along the coast of Somaliland. Starting from west, they are: Loyado, Tokoshi, Zeila, Iughaya, Elsheik, Bulahar, Geri, Berbera, Elgerdi, Karin, Shal’o, His, Mait, Laskorey, Elayo.

1.4. Coast characteristics

The western coast has wide sandy wide beaches, while the eastern coast has relatively narrow sandy beaches broken at intervals by rocky outcrops and cliffs. The continental shelf in the eastern coast is between 5 to 10kms wide when measured at the 200m depth line. The shelf becomes wider reaching around 30-50kms near Zeila town area at the border with Djibouti.

1.5. Fish resources

Somaliland is endowed with a rich coastline along the Gulf of Aden and Indian Ocean. These waters are home to an extensive list of fish species, including various species of tuna, albacore, lobster, swordfish, shark, and many others. Even though no comprehensive data is available, estimates from fragmented assessments point to the existence of large untapped resources in a pristine environment (IUCN 1997/99 and Cesvi 2011).

The average annual value of the potential fish catch is estimated at US\$32 million, assuming a freight on Board (FOB) price of US\$2 per kilogram based on current practices and sales in Gulf markets as reported in a variety of United Nations and World Bank reports (JNA, Productive Sectors Report, Sept, 2007). As per recent estimates, the yearly sustainable catch available to Somaliland fishermen could be around 40,000 metric tons (Shuraako.org).

1.6. Current Fish Production

The estimate catch by local Somaliland fishermen is around 1500 - 2000 metric tons annually. There is officially no production from the offshore fishing sector since the Ministry of Fisheries has stopped licensing foreign fishing vessels since 2012. As a result, there are no foreign vessels legally fishing in Somaliland waters at the present time.

However, it must be noted that fishing boats from neighboring countries like Yemen do still come and fish illegally in Somaliland water. These actions are being

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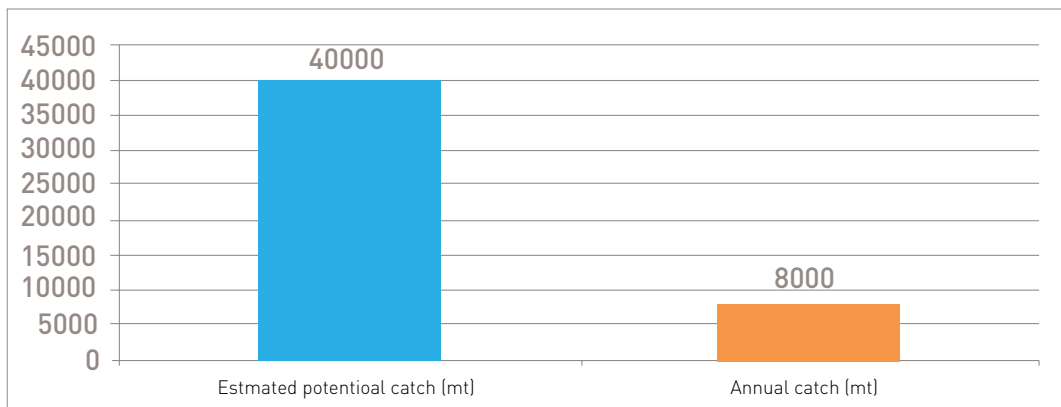
Somaliland is endowed with rich coastline along the Gulf of Aden and Indian Ocean. These waters are home to an extensive list of fish species, including various species of tuna, albacore, lobster, swordfish, shark, and many others.

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taken seriously. The actual number of boats and the quantity of fish they catch annually is difficult to determine; however it is estimated that illegal fish reaches 4800mt – 6000mt yearly. Yemenis are known to utilize wooden or plastic

boats of small sizes (8-11m in length) with carrying capacities between 3mt and 7mt. They tend to be afraid of being arrested and stay far away from Somaliland fishing water in the daytime.

FIGURE 1: Gap in Somaliland fisheries sector to be exploited annually



1.7. Major Fish Species.

Somaliland marine resources are rich in both bottom and mid-water fish.

DISTRIBUTION OF TARGETED FISH SPECIES BY REGION		
REGION	COASTLINE COVERED (KM)	MAIN TARGETED FISH SPECIES
Awdal	230	Sea Cucumber, Shrimps, Crabs and Rock fish, Shark
Sahil	210	Mackerels, Rock Fish, Lobsters, Shark
Sanaag	430	Tuna, Sardines, Anchovy, Shark Fins, Rock fish and lobsters, ⁷

Somaliland’s potential for expansion can be illustrated by reviewing the status of fishing sectors of nearby countries. Yemen, which shares the same sea with Somaliland has been producing 230,000, 180,000 and 174,800 metric tons in the years 2006, 2007 and 2008 respectively (World bank 2009). In the Hadramout region of Yemen which is directly opposite to the Somaliland coast, the average production of fish for the years

2003-2005 was 85,511mt. It’s therefore fair to assume that similar production is feasible in Somaliland waters provided.

2. THE OPERATING ENVIRONMENT

Somaliland’s potential for fisheries investment is substantial but dependent on many factors including the availability of reliable and efficient infrastructure.



2.1. Sea transport

Berbera seaport is an international port which can accommodate at least six large vessels at a time. There are international shipping lines that link the port to all Asian and European ports. The port has modern facilities and the loading and unloading efficiency of the port has improved considerably over the past decade.

2.2. Cold Storage

There are limited centralized cold storage or ice production facilities in Somaliland

at this time, and major investment opportunities exist to expand this important aspect of the sector.

In 1984, international donors built a cold storage facility center for the fishing industry in Berbera. The facility was designed to store 400 tons of fish. With some help from the private sector, the Government could only keep the center going for a few years before the Somali civil war. Presently, this large facility is not operational.

Currently there are only limited facilities

and equipment available to fishermen seeking to store their fish that tend to be outdated, and do not meet international hygienic standards. However, at least two local companies are in the process of establishing processing facilities. In addition, a Danish non-profit organization is also opening a modern fish processing and cooling facility in Berbera.

In general, the majority of landed fish are brought to the beach and sold to whoever meets the fishermen at the beach landing sites. There are two ice making plants providing ice to fishermen in Berbera, with a combined capacity of around 3 tons per day. However, many companies have announced intentions to establish ice plants in Berbera in the coming year. Artisanal boats tend to use chest freezers and fiber glass boxes which are suitable for fresh fish; however for further transport and processing (such as to Hargeisa and export markets), there is a need to expand investment in blast freezers, block ice machines with ice crushers, and ice flaking machines and/or refrigerated trucks.

2.3. Certified Processing Facilities (e.g. HACCP)

To expand into the lucrative Middle East fish export market and other regional markets, the Somaliland fisheries sector needs to upgrade facilities in order to meet stringent export requirements. For example, Hazard Analysis Critical Control Point (HACCP) ISO Certification is necessary to import to Gulf Cooperation Council (GCC) countries. This certification relates to seafood harvesting, processing, transporting, and distributing.

At this time, there are no certified HACCP fish processing facilities in Somaliland. However, as this important sector grows, investments in existing and new facilities to meet these and other export certifications will assure investors access to new markets.

2.4. Boat Building Infrastructure

In Somaliland today, 6.4m to 8.5m long boats made from fiberglass powered by 15 to 25 Hp engines tend to be the most popular. Their range of operation is limited to several kilometers from the shore. Most of these are locally manufactured. Two private companies, Gamuur, located in Hargeisa, and Marine Products, located in Berbera, manufacture both fiberglass boats and wooden canoes. These boats tend to lack fuel efficiency. Investment opportunities exist to expand local boat manufacturing capabilities, particularly focused on larger vessels that allow for better fuel efficiency, safety at sea, and the ability to handle and store fish hygienically.

2.5. Access to finance

Fish merchants extend credit to fishermen and vendors, most commonly through a barter system rather than cash. There are a number of financial institutions like Dahabshiil Islamic Lending Institution and Salama Bank which are piloting a variety of Islamic finance products.

Due to the limited formal commercial lending in Somaliland, a variety of donors / implementing partners are piloting business matching grants which have targeted a variety of productive sectors

such as fishing. These programs include the USAID Partnership Fund, the World Bank Somaliland Business Fund (SBF), and the SIDA/KPMG Africa Enterprise Challenge Fund (AECF) post-conflict window.

2.6. Services

No marine engine repair workshops exist in Somaliland at this time.

Also, there are limited fishing gear and spare parts stores. Many local businesses buy from neighboring suppliers in Bosaso and other locales. There is a clear demand for more local investment in such aftermarket support services to the sector.

Human resources and skills

There is generally a shortage of local labor with modern fishing skills, particularly:

- Fishing Gear technicians
- Fishing Gear Technologists
- Fish Quality inspectors
- Fisheries and Marine laws specialists
- Refrigeration engineers/ technicians

2.7. Coastal Roads

There are presently no paved roads in the coastal regions of Somaliland. All coastal towns have road links to major interior towns, with Somaliland's longest paved road connecting Berbera to the two largest cities of Hargeisa and Burao.

2.8. Security issues

Somaliland is relatively peaceful, and prides itself on its stable and secure environs. There is a long-standing tradition of peaceful conflict resolution

and very low levels of crime. The issues of piracy over the past decade have generally not affected any Somaliland waters. Also, through international coordinated efforts, maritime piracy in the Gulf of Aden and elsewhere in the Indian Ocean appears to be on the decline. Recent research shows in fact that the heightened security efforts are encouraging Somali pirates to abandon this criminal endeavor. The Somaliland fisheries sector is a secure and growing investment opportunity.

3. THE INVESTMENT CLIMATE

3.1. Local markets

In Somaliland, there is unmet demand for fish in local markets. This fact is evident from the daily sell-out of fish supply in both coastal and inland markets. The growing demand could be attributed to changing consumption patterns, with fish becoming an attractive substitute for camels and goats. Additionally, the return of Diaspora and presence of international organizations/companies has contributed to higher demand, as well as demand for higher quality and more variety of species and product forms. There are a large number of hotels and restaurants being constructed adding to the demand for fish. Demand for fish has also risen, as other protein sources such as camel and goat, have become more expensive. A recent market assessment showed that the price of a kilo of meat (US \$3.67) is three times as expensive as the price of fish. This disparity has caused some consumers to substitute fish as a protein source. Fish

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The average annual value of the potential fish catch is estimated at US\$32 million.

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prices are higher in the inland markets than the coastal markets due to the higher cost of transportation.

Though difficult to obtain accurate data on the actual quantity that local markets can absorb in a month, there is an estimated demand for fish of 280 metric tons per month in major urban markets (Ceerigaabo, Lascaanood, Burao, Berbera, Hargeisa, Gabiley, and Borama). Local fishing companies supply only 90 mt per month which leaves 180-190 mt of unmet demand which periodically comes from Mogadishu, mostly as frozen processed/packaged fish. This analysis is based on the assumption that one third of the households in those towns would buy one kilogram of fish each per week.

3.2. Regional markets

Ethiopia: As a land-locked country with a population of over 80 million, with its increasing business and tourist hub, demand for fish continues to increase in Ethiopia. An all-weather road exists from Berbera to Hargeisa and continues west to Borama. An all-weather road to the border town of Wajale is now being constructed and is likely to be completed by 2014. Some Somaliland fishing companies are exploring this market and have started to export dried or frozen fish to Addis Ababa. This process is facilitated by a company that has installed cold storage facilities in Wajale to hold product for sale to Ethiopian partners.

Djibouti: Djibouti’s fish market represents an obvious target for Somaliland fisheries’ products. The Djibouti population traditionally consumes fish and fish is

relatively expensive. Djibouti City hosts many foreign (mainly European and American) people who are there for different purposes. Fish that is caught from Djibouti sea waters is not sufficient to satisfy the demand for fish in Djibouti. The primary barrier for entry for Somaliland products into Djibouti is the inadequate investment in road transport infrastructure between Somaliland and Djibouti. The lack of any ice production between Djibouti and Berbera makes Djibouti the primary source of ice production, and fuel for the western coast of Somaliland, as far east as Lughaya because the cost of ice and fuel is significantly lower in Djibouti than in Somaliland. Djibouti serves as a port of embarkation for many international industrial fishing vessels that fish in Somaliland waters, both legally and illegally. These fleets currently source products on the high seas from artisan fleets from Djibouti and Somaliland.

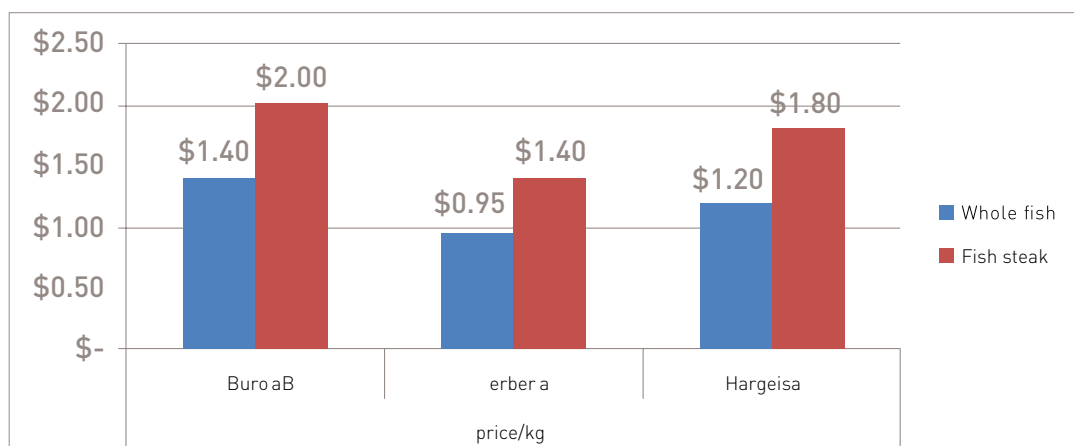
Yemen: Demand for fish is high in Yemen. Some the fish that goes to Yemeni markets originates from Somaliland. Reportedly, the price of fish in Yemen is \$5 - \$9/kg depending on the fish type. The high demand for fish is reflected by the fact that Yemeni markets tend to accept any type of fish and any quantity with opportunities for re-export to Saudi Arabia.

3.3. International markets

Gulf States: Although it is difficult to quantify the volume of demand for fish, there is reportedly a demand for fish in these Gulf States. This could be deduced from periodic visits of business people

from UAE, Kuwait and the Kingdom of Saudi Arabia to Somaliland exploring ways fish export investment opportunities. The international airport in Berbera could be used to serve as a convenient export route for fresh, frozen and dried seafood products to international destinations.

3.4. Fish prices



Source: 2011 Somaliland Private Sector Development Assessment



3.5. Legislation and Policy

Law No. 24 of September 1995 is the main act governing the fishery sector. There is also a fishery regulation that explains the law.

Excerpts from the Fisheries Law of Somaliland (http://www.somalilandlaw.com/somaliland_fishery_law.html#Top)

FISHERY LICENSE - GENERAL PROVISIONS

1. The Ministry may grant fishing licenses for local and foreign fishing vessels.
2. Anyone who is interested in fishing shall have a fishing license. This license shall not concern persons who are not using fishing vessel.
3. The Ministry shall grant the applicant the necessary fishing license granted by this law.
4. The application for fishing license may be submitted and shall state the following:
 - ▶ Name, description of the ship, flag and (port of registration).
 - ▶ Name of the owner, leases, and the captain of the ship.
 - ▶ Side number of the vessel, radio call sign and frequency.
 - ▶ Description of the fishing activities as requested by the applicant:
 - I. The type of fishing.
 - II. The method of fishing and the equipment.
 - III. Location where the production is to be put and the description of the marketing, the last destination of the products and the utilization of the products.
 - IV. Area of fishing.
 - V. The species of fish or the other aquatic animals which may be caught.
 - VI. The description of the crew.
 - VII. The description of any accompanying artisanal fishing vessel that may be carried on board.
 - VIII. Description of any other co-operation with Somaliland.
 - IX. Bank guarantees.
 - X. Any other information requested by the Ministry.
5. The licensed ship shall within 30 (thirty) days notify the Ministry of any changes that have occurred, regarding the transfer of ownership lease, etc.
6. The number of the license, the name of the ship and the registered port shall be clearly written and shown on the sides of the ship.

3.6. Incentives for investors

The government of Somaliland offers foreign investors and Diaspora significant tax incentives. The first three years of fisheries operation in Somaliland are offered at a 0% tax rate. Following that

period, investors are eligible for a 50% reduction on taxable profits making it a lasting attractive option. In addition to that, all equipment for the purpose of fishing, fish processing, and fish marketing can be imported duty free.

CASE STUDY: INVESTING IN SOMALILAND'S FISHING SECTOR

“Berbera had the large cold storage facility but never had enough fish and fishing boats to supply it,” explains Ahmed Osman Ismail, the founder of GETCO, a Berbera-based company with plans to build a small fish processing plant and cold storage facilities capable of storing from 1 to 100 tons of fish.

After extensive market research, Ahmed had been planning to expand his business into fish processing for several years. With a \$200,000 capital investment, GETCO is investing in an ice making machine, cold storage equipment, new boats and a fish processing and packaging machinery.

“We are planning to build our own jetty to give fisherman a faster track to our processing facility,” Ahmed says.

GETCO is slated to create at least 15 full time jobs in Berbera, including jobs for women in the processing plant, drivers, machine operators and security. All employees will be given on-the-job training. GETCO’s business expansion will also give Berbera’s artisanal fishermen new opportunities for their catches.

GETCO will purchase an ice-making machine that can produce 5 tons of ice every six hours that will allow the firm to transport fish to Somaliland’s capital Hargeisa as well as to Ethiopia, GETCO’s biggest potential market.

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Berbera sea port is an international port...There are international shipping lines that link the port to all Asian and European ports.

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4. Investment opportunities

The fisheries sector in the Somaliland offers vast opportunities for investment not only in terms of increased fishing capacity, but also more widely in the development of infrastructure and services that support the sector.

Opportunities in this sector can be found in:-

- Fish processing and packaging plants could be established near ports. There is unmet demand for fish in the local and regional markets. The establishment of such companies opens up real prospects for development of export, particularly to the neighboring countries.
- Quality inspection & certification: the establishment of a national laboratory with the capacity to issue health certificates is another area that offers good investment opportunities. Access to external markets is conditioned by compliance with many international health standards.
- Offshore resources exploitation: The type of industrial fishing most appropriate for Somali waters is purse seining. A typical purse seiner can catch 30 MT a day with a crew of 30. Purse seining does not require a large crew, but the crew members must be well trained in order to safely and effectively operate the machinery. Purse seining uses large nets weighted at the bottom with floats on top.
- Other investment opportunities include:
 - » Ice Making Plants for Fishermen going to High Seas
 - » Cold Storages in Berbera, Hargeisa, Boroma and other major cities
 - » Workshop establishment for the sale of spare parts & repair of marine engines. Trainings and consultancy services

PROFILE: BERBERA MARITIME AND FISHERIES ACADEMY (BMFA)

The Berbera Maritime and Fisheries Academy is registered as an independent non-profit making academic institution. The University (Academy) has a vision to be a leading teaching and research post-secondary institution that will spearhead the development of sustainable fishing and shipping industries in the Somali regions.

Departments of the academy

- Nautical science
- Fisheries
- Marine engineering
- Finance & Administration

Under the fisheries department comes:

- Research and Extension unit
- Fisheries and Marine studies unit
- Vocational Training unit

Programs

In line with its mission, the University focuses on three key programs:

1. ACADEMIC PROGRAM

The University's academic program consists of :-

- A four-year bachelor degree program,
- A two-year diploma program and
- Certificate programs.

[The first batch of students (125) was admitted in September 2012]

2. VOCATIONAL TRAINING

Training will be provided in variety of fishing and marine subjects. The University will offer courses to individuals who are already working or want to work in the fishing and shipping industries such as fishermen, seamen, port staff and secondary school leavers. The format and scope of each course will be determined to meet the training needs of each group.

3. RESEARCH

The University will carry out research in a wide range of areas, including: marine ecosystems, population, diversity and dynamics, effect of fishing on stocks and marine food chain, sea food processing and marketing, indigenous fishing and marine knowledge, marine pollution and environmental protection, port management and development, fishing gear technology, marine recreation, deck and marine engineering technology.

For more information, contact: <https://www.facebook.com/BerberaMaritimeUniversity>.



INTEGRATED AND SELF-CONTAINED FISH PRODUCTION APPROACH OF A ZEILA-BASED FISHING OPERATION

Marketing Strategy

The principal market for the fish produced from Somaliland waters in this project profile will be Djibouti City which is just two hours sailing from the fishing base of Zeila. Fish can be kept on ice during production and sold in chilled form to private companies upon pre-agreed prices. Before vessels return, they can buy all necessary supplies like fuel, oil, spares, ice, food and water in Djibouti.

Operating process

An investor will need to buy a relatively large multi-purpose fishing vessel with a fish hold capacity of 8 – 10 metric tons and four small size boats. This large boat can be a base for four smaller vessels and will supply fuel, ice and necessary provisions. It will receive daily catches from other fishing boats that will store fish on ice. Additionally, it can be equipped with modern fishing equipment

and will be able to fish at night as well. Furthermore, the investor can make arrangements with local fishing vessels in order to buy their catches by offering better prices and by providing opportunity to sell fish in the sea without sailing back to home port. With fish supplies from three sources (local people, from small boats and from the large vessels), it is estimated that the fish hold capacity of the mother boat will be filled in 15 days. See details of the specification of boats at the end of this project profile.

Fishing base

The fishing fleet of such a business can be based off the Zeila coast, for example. This coast hosts vast fish resources and provides shelter to fishing boats. The area has an unparalleled advantage which is its proximity to the Djibouti market (20 miles).

Management of the business

As an example, the business could have an office and warehouse in Zeila. The owner of the business would be a manager who is assisted by a logistics officer, salesman and accountant/clerk.

CAPITAL INPUTS

ITEMS	QUANTITY	COST US\$
Mother vessel , FRP, 13m in length, fully equipped for fishing	1	100,000
Small vessels , FRP, 6.4m in length	4	16,000
Fishing gears (Sufficient quantity)		13,000
Miscellaneous equipment for sleeping, cooking, storing,		2,000
	TOTAL	\$113,000

MANPOWER REQUIREMENT

PARTICULARS	NO	MONTHLY SALARY (US\$)	TOTAL YEARLY
Skipper	1	1000	12000
Engine operator	1	800	9600
Skilled fishermen	19	250	57000
Clerk	1	300	3600
Salesman	2	400	9600
TOTAL			\$91,800

In addition to the salaries, free food is provided to fishermen in this business plan scenario

TENTATIVE IMPLEMENTATION SCHEDULE

ACTIVITY	PERIOD (IN MONTHS)
Internet search (looking for appropriate fishing Vessel)	1
Order for the boat and delivery	2 - 4
TOTAL	3 - 5

Purchase and delivery of fishing boats from local manufacturers, office establishment, registration, and visit to the fishing site and to the market will go parallel with the procurements and business development activities listed above.

payment of fuel and ice, and for office expenses.

Preliminary Expenses:

There will be a need for expenses related to registration of the business, establishment of office, recruitment of staff expenses and market exploration (Djibouti).

Working Capital Requirement

An estimated sum of USD 25,000 would be needed for the purchase of fish,

COST OF THE PROJECT

ITEMS	COST US\$
A. Revenue from sale	US\$280,800
B. Cost of production	
Fuel for fishing	15,600
Fuel for trips	1,430
Oil	1,703
Ice	9750
Food	4,387.50
Repairs of engines	3,000
Replacement of fishing gears	4,690
Water	1,200
Cooking fuel	2,555
Purchase of fish	23,400
Salaries	91,800
Sales commission (2.5%)	7,020
Administrative cost	6000
Sub-total	172,535.50
C. Gross Revenue	108,264.50
Depreciation cost	6,250
Sales tax (5%)	3,510
D. Net Revenue	US\$98,504.5

Profitability calculations

Production of the business will come from three sources:

- From the mother vessel
- From the fleet of small boats
- From the purchase from local fishing boats.

Total annual production is estimated at 70.2 metric ton. Only 16.7% would be expected to come from the purchases.

ESTIMATED FISH PRODUCTION PER YEAR

PRODUCT	QTY (TONNES)
Fish mother boat	19.5
Fish from small boats	39.0
Fish from purchases	11.7
TOTAL	70.2

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Somaliland is relatively peaceful, and prides itself on its stable and secure environs.

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Revenue Sales

At a price of US\$4,000/ton, there will be annual revenue of \$280,800.00.

Breakeven point = \$ 66905.0

IMPORTANT ASSUMPTIONS

FISHING OPERATION

Number of fishing days per year	270
No of trips to the market/year	13
Trip length (15 days of fishing; 5 days to market)	20 days

PRODUCTION

Large vessel/day	100 kg
Small vessel/day	50kg
Fish purchases/day	60kg

FISH PRICE

Purchase price	\$2/kg
Sale price	\$4/kg

CREW OF BOATS

No of fishermen per small vessel	4
No of crew of large vessel	5

SPECIFICATIONS: LARGE VESSEL

Length overall	14m
Breadth	3.74m
Depth	1.80m
Fish/ ice hold capacity	8-10mt
Engine power	100 -150 hp
Cruising speed	15 -20 knot

SPECIFICATIONS: SMALL SIZE BOATS

Length overall	6.4 m
Breadth	2.2m
Depth	0.80m
Fish/ ice hold capacity	0.5 mt
Engine power	15hp



Local salt traders in Borama transport, bag and sell raw crushed salt from the historic salt wells of Tokhoshi, near the coastal town of Zeila.



7 /SALT SECTOR

BACKGROUND

Sodium chloride, also known as salt, common salt, or table salt, is an important product in all countries around the world, including Somaliland. Salt is added to food, either by the food producer or by the consumer, as a flavor enhancer, preservative, binder, fermentation-control additive, texture-control agent and color developer. In tanning and leather treatment, salt is added to animal hides to inhibit microbial activity on the underside of the hides and to attract moisture back into the hides. It is also used in food processing including packing, canning, baking, and dairy and grain mill products. Salt is used in industrial applications and processing including oil and gas exploration; in textile dyeing and in processing heavy metals like aluminum, beryllium, copper, steel and vanadium. In addition, salt is used in rubber manufacturing and in paper and pulp industry, and to increase the curing of concrete in cemented casings and to provide firmness to highway bridge foundations. Among the other uses of salt include pharmacological products and veterinary medicines etc. and to melt snow in many cold countries during winter.

Salt is currently mass-produced by evaporation of seawater or brine from brine wells and salt lakes. Mining of rock salt is also a major source. China is the world's main supplier of salt. In 2010, world production was estimated at 270 million tonnes, the top five producers (in million tonnes) being China (60.0), United States (45.0), India (20.0)

Germany (16.5), and Canada (14.0).

In the context of Somaliland and the region the use of salt will be limited to few requirements including table salt, basic food processing, leather tanning and textile due to the country's lack of any meaningful industrial base. However, one area where salt is used in a large proportion is "livestock-salting". This is done once every few weeks when animals are fed with a mixture of salt and saline clay known as "arro" with the aim of reducing worms inside the guts of animals and making their meat lean and tender.

SALT PRODUCTION IN SOMALILAND

Salt brine deposits (from evaporated seawater) in north-western Somaliland near Zeila have been exploited for many years. Salt is produced from salt wells in Lughaya and by some tidal seawater capture in the Berbera area and in other eastern parts of the country. Despite this in Somaliland most of the salt, particularly table salt, comes from Yemen, which also supplies to other countries in the region.

Somaliland's salt producing sites have fast, favourable salt production conditions including highly saline lagoon water, flat land, and sun and wind. Somaliland has the potential to produce salt of very high quality not only for the domestic markets but also for the MENA Region. It is estimated that there are a few hundred participants involved in producing unprocessed sea salt along the Tokhoshi coast mostly for the local market. These raw salt producers use primitive methods

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Somaliland's salt producing sites have fast, favourable salt production conditions including highly saline lagoon water, flat land, and sun and wind.

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of salt production and there is a need to modernize their methods of production. Clearly there are major opportunities for investment in this sub-sector. In this investment sector profile, the discussion is restricted to the potential to produce refined salt using the available salt as feed stock and the tables attached can be used as financial models to encourage potential investors.

Neighboring Ethiopia is a major net importer of salt. The total demand for refined salt in the region is estimated at 150,000 MT per annum. Presently, Somaliland has no salt crushing, grinding, or iodization capacity. However, the first plant is being constructed in Borama. Economic feasibility for typical refined

salt production and marketing is outlined below. In the case study, the plant is for 2.5 MT / hr capacity with an annual capacity to produce 15,000 MT per year of refined salt. Additional facilities like drying and making salt free flow may be possible as the market matures and if there is a potential export demand for this product from neighboring countries¹⁰. A typical plant may have the following machinery.

FEASIBILITY (FINANCIAL) MODEL

The total investment in plant machinery and building may be as mentioned in Table 1 below:

TABLE-1

COST OF PROJECT	
Particulars	Amount (USD)
Land (5000 Sq Mtrs)	
Building (500 Sq Mtrs)	50,000
Plant & Machinery	200,000
Working Capital Margin	100,000
TOTAL	350,000



A local Borama-based company is constructing Somaliland's first processing facility to refine and iodize raw Tokhoshi salt and is exploring opportunities to expand to the export markets of Ethiopia.

List of machinery is mentioned below in Table-2.

TABLE-2

NO.	ITEM DESCRIPTION	QTY.
A.	Raw Salt Feed Section	
1	Feed Hopper	1 No
2	Raw Salt Feed Conveyor	1 No.
3	Raw Salt Crusher	1 No
B.	Wet Section	
1	Slurry formation Tank	1 No.
2	Pumps	4 Nos.
3	Wash Tank	1 No.
4	Elutriation Tank	1 No.
C.	Centrifuge Section	
1	Thickener	1 No.
2	Centrifuge	1 No.
3	Iodization Screw Blender	1 No.
D.	Dosing Section	
1	Dosing Tank	1 Nos.
2	Dosing Pump	1 Nos.
E.	Packaging Section	
1	Packing Machines	2 Nos
2	Pouch Sealers	6 Nos
TOTAL CONNECTED POWER (HP)		50

List of Assumptions is mentioned below in Table-3.

TABLE-3

ESTIMATES OF INSTALLED CAPACITY OF PROCESSING PLANT AND UTILIZATION						
ITEM PARTICULARS	YEAR 1			YEAR 2		
	Units	Qty	MT	Units	Qty	MT
Installed Capacity @ 2.5 MT/ Hr						
No of Working Hrs / Shift	Hrs	6		Hrs	6	
Qty of Salt Processed / day	MT		15	MT		15
No of Work days/Month	Days	25		Days	25	
Qty of Salt Processed / Month	MT		375	MT		375
No of Work Days/Year	Days	300		Days	300	4500
Qty of Salt Processed / Year	MT		4500	MT		4500
Target Production	MT		1639	MT		2484
No of Work days Required to Achieve Target	Days	109		Days	166	
Capacity Utilization %	%		36	%		55

TABLE-4**ESTIMATES OF COSTS, REVENUE
& PROFITABILITY FOR REFINED SALT****ITEM PARTICULARS**

Raw Salt in Bags 45 Kgs Each

Transportation

Cost of raw Salt at plant

Output Qty (Loss of Salt 8%)

UTILITIES & CONSUMPTION

Electricity 10 kW/MT

Water 0.5 Cu Mt/MT

Fuel

Wages & Salaries

Iodization

PACKAGING

1 Kg Pouch

50 Kg Sac (Each Containing 50 Nos 1Kg pouches)

Maintenance

Depreciation

Training

Distribution

Community Contribution

SUB TOTAL

Other Expenses

TOTAL PRODUCTION COST

Sales

Gross Profit



The salt processing plant case study presented here, that utilizes local processed salt from Tokhoshi, has a payback period for the project of about 2 years offering an Internal Rate of Return (IRR) of over 50%.



YEAR 1												YEAR 2											
Units	Qty		Rate	Amount		%	Units	Qty		Rate	Amount		%										
	Bags	MT	USD	USD			Bags	MT	USD	USD													
	39,600	1,782	2.50	99,000	19		60,000	2,700	2.80	168,000	19												
			1.9	188,000	36				2.20	369,600	41												
				287,000	55					537,600	59												
	36,432	36,432					55,200	2,484															
kW		1,782	1.00	17,820	3	kW		2,700	1.10	29,700	3												
Cu Mt		1,782	1.25	1,114	0.2	Cu MT		2,700	1.50	2,025	0.2												
Lit			1.00			Lit																	
MT		1,639	4.00	6,558	1	MT		2,484	4.50	11,178	1												
			0.05	81,972	16				0.06	136,620	15												
Nos		32,789	0.20	6,558	1	Nos		49,680	0.22	10,930	1												
		1,639	3.70	6,066	1			2,484	5.0	12,420	1												
				20,000	4					20,000	2												
				3,000	0.6					4,500	0.5												
		1,639	5.00	8,197	2			2,484	5.50	13,662	2												
				5,500	1					8,000	1												
				503,784	96					876,635	97												
				19,950	4					28,845	3.2												
				523,734	100					905,480	100												
		1,639	400	655,776				2,484	500	1,242,000													
				132,042	20					336,520	27												



As the residential and commercial construction sector expands in Hargeisa, construction companies are investing in local workshops to ensure more local manufacturing.



8

8 / BUSINESS PERCEPTIONS

CHALLENGES FACING NEW INVESTMENT AND INDUSTRY IN SOMALILAND

Introduction

Having fully realized the need to create a conducive environment for sustainable economic growth and recovery, The Government of Somaliland is keen to bring about an investment climate agenda into the heart of its regulatory framework development through the process of prioritizing and implementing appropriate policies and strategies that will keep the country on the path to recovery. This has taken the form of enacting appropriate legislations in finance, banking, energy, investment and trade, and key productive sectors.

However, challenges exist for new investment and local industry in Somaliland. The Somaliland National Industry Association reports that 39 of the 54 small and medium industries registered with them have closed as of 2010. Ongoing strategic assessments identify many new investments that have either not taken off after initial establishment or which have failed and closed down. Many of these were Diaspora Investments that did not have basic market information or strong support when investing in the new businesses. This section of the Investment Guide seeks to provide readers with some lessons learned as new investment opportunities are explored.

Challenges Facing Business in Somaliland

Investors in Somaliland face challenges in terms of access to credit and financial services, poor infrastructure and a developing yet unfinished regulatory framework. At the same time there is a vibrant private sector activity which has the potential to provide plenty of opportunities for investment.

According to the findings of the Somaliland Business Confidence Index (SBCI, 2012) and the industry study (2013), jointly undertaken by the Ministry of Commerce, Chamber of Commerce, and USAID, challenges faced by enterprises which resulted in large number of failure among small industries include

- high energy costs
- shortage of locally available skilled labor
- labor costs and inadequate wages
- erratic and unreliable supply of raw materials and industrial inputs
- tax burdens
- lack of credit and business financing
- competition from cheap imports
- Challenges with property rights and security of land tenure
- Limited assurances of contractual enforcement
- poor infrastructure, particularly main roads and feeder roads resulting high transport costs

It is important to note that in these recent survey amongst local investors, security and safety was not seen a major challenge. Somaliland is generally considered a safe and peaceful place to do business.

“

The growth in the number of business registration translates into the growth of the formal economy and underlines the increased confidence of existing businesses and new investors in the level of security and political stability.

”

To understand the most critical challenges facing the enterprises in Somaliland, respondents were asked to rank each challenge from low to high. Lack of financing is ranked as the most critical challenge (90%) followed by the high cost of energy (75%) facing enterprises in the four regions surveyed (Awdal, Maroodi-jeex, Sahil, and Togdheer regions).

However, with the reformed regulatory framework, the enacted central banking act and the new commercial banking legislation, and new electrical energy law that promotes efficiency and renewable energy investments to lower energy costs, Somaliland has the potential to attract the level of private sector investment that is necessary to give the reconstruction and economic recovery the required leverage to contribute towards the alleviation of poverty, create economic opportunities and generate employment.

FINANCIAL SERVICES

In the context of a post-conflict economic base without international assistance and diplomatic recognition, the state-rebuilding efforts, processes and structures undertaken by the Somaliland governments were initially focused much more on security rather than on building the capacities of public institutions. Improvements in security and law and order across Somaliland have increased the business opportunities open to investors while at the same time having a positive effect on the flow of donor aid intended to support public services in the form social programs aimed at livelihood

activities. However, an efficient financial sector is a crucial enabler of economic growth and considered to be essential for income generation and economic recovery.

Despite the limited commercial lending, the financial sector in Somaliland is arguably the most sophisticated and a well developed sector of the economy. Private sector actors continue to provide innovative and dynamic responses to customer demand. The financial sector is dominated by two large Somali firms, the Telesom/Salaam group and the Somtel/Dahabshiil group, managing a large share of the estimated \$1 billion of annual remittances to Somaliland. Other key financial services actors include close to 20 other smaller money transfer companies. These service providers do not provide the full range of financial services required for dynamic private sector-led growth though. Consequently, private sector-led growth remains highly constrained due to lack of conventional banking system and other supporting financial services to underpin these investments. In this regard there is a great opportunity for foreign banks, financial service providers, and microfinance institutions to come in and invest in this sector.

TELECOMMUNICATIONS

The telecommunications industry is thriving in Somaliland, and with six companies competing for market share and little government intervention, mobile phone rates are some of the lowest on the African continent. Recent estimates place





Multinational companies such as Coca Cola - which opened a factory outside of Hargeisa last year, are leading the way for other foreign investors to explore Somaliland's business potential.

mobile phone penetration at about 20 percent of the population of 3.5 million (~700,000 subscribers). In addition, the sector is driving curriculum development in a variety of universities and training institutes and will continue to be a source of formal employment for youth graduates, and a source of informal employment for small scale vendors of phones, parts and airtime. The main operators include Telesom (part of the conglomerate with Salaam financial services), Somtel (associated with the other large money transfer company Dahabshiil), Telcom, Africa Online, Nation Link, and Soltelco.

TRANSPORT

At present, the transport infrastructure of Somaliland comprises of about 780 km of roads, one major sea port, two major airfields, and four of which have paved runways. There are no railways, pipelines or inland waterways. Since the late 1980s, there has been no major investment in the development of transport infrastructure and limited maintenance of the existing transport infrastructure. Road transport continues to be the principal mode of internal transport due to a lack of railway infrastructure and limited coastal shipping. Air transport has continued to play an important role in small scale industrial development in Somaliland.

Sea Transport and Ports Sector

The Berbera Port: Berbera is a competitively serviced by ships and dhows. It is a deep-water facility, which handles the bulk of Somaliland's seaborne

freight, roughly, 1.5 million metric tons of cargo per annum. Berbera port attained increased importance as an alternative port to Djibouti for serving the Ethiopian market.

There is a web of service industries providing shipping, transport, clearance, and forwarding services to the international trade sector, with a total value of US\$ 1.5 billion (by far the largest sector), through the port of Berbera, including livestock export. Bebera is the main port of Somaliland and it handles roughly 95 % of all imports and exports in Somaliland. Investment opportunities exist in cargo and passenger services to feeder ports.

Road Transport

The secondary road network connects settlements to one another and to the primary road network, and is predominantly earth roads or tracks. Rural/feeder roads are mostly low volume earth roads, which serves as access to the primary and secondary road systems

Recent government estimates suggest that to rehabilitate and reconstruct the primary road from Berbera to Hargeisa and to Wajale with a paved surface standard will cost an estimate of US\$154 million, depending on the design standards adopted and would require 10%, equivalent of US\$15.4 million maintenance and operational expenditure on a yearly basis.

Air Transport/Civil Aviation

Somaliland has two major international airports in Berbera and Hargeisa. The

airport in Berbera can accommodate major cargo and passenger planes. Almost all of the other major urban centers in Somaliland also now maintain at least one unpaved or paved airstrip capable of handling small aircrafts (such as Borama and Burao). With a financial assistance from the Gulf States the rehabilitation and reconstruction of runways is ongoing, including a major expansion of the Hargeisa Airport, expected to reopen before 2014.

Currently, the Berbera Airport is serviced by Ethiopian Airways, African Express Airways and Daallo Express. There are flights from Berbera to Addis Ababa, Dubai, Mogadishu, Nairobi and Djibouti. Hargeisa Airport, as mentioned above is under rehabilitation and hence it operates many small flights of UN and other Development Agencies.

BUSINESS ENVIRONMENT

Business Registration

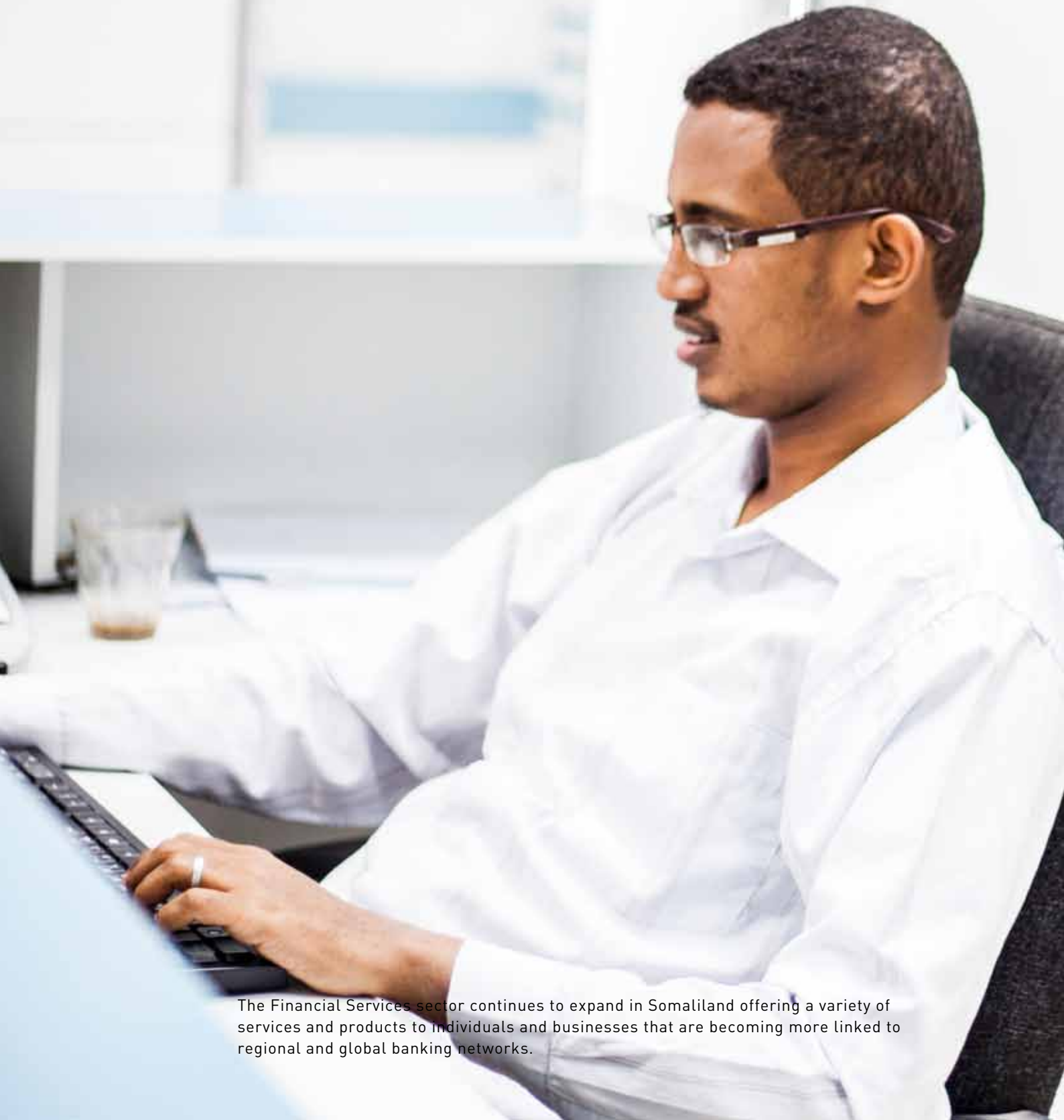
The 2012 Business Confidence survey shows that nearly half of the businesses were established between the years 2000-2009.

Business registration has, however, peaked during the last three years. The growth in the number of business registration translates into the growth of the formal economy and underlines the increased confidence of existing businesses and new investors in the level of security and political stability. This is the result of enhanced enforcement capacity in government departments and

agencies following improved levels of stability and security in the country.

ELECTRICITY

Energy is one of the key drivers in the development of any country's economy. Once the post-conflict situation in Somaliland eased and the country started to stabilize, electrical energy began to play an important role in giving the economy a kick-start and in ensuring its growth and sustained development. The importance of energy as being one of the main challenges facing new investments and industry in Somaliland was highlighted by the large number of industry study respondents who said that it was their number two concern (more than 75% respondents, only second to lack of finance). In order to boost investment and the standard of living, it is vital to improve the electricity infrastructure. The Energy Investment chapter of this Guide offers potential investors options to capitalize on this important sector, while working with public and private stakeholders to reach more customers while lowering prices and ensuring good financial returns.



The Financial Services sector continues to expand in Somaliland offering a variety of services and products to individuals and businesses that are becoming more linked to regional and global banking networks.



APPENDICES

APPENDIX 1

PRIORITIES, RESTRICTIONS AND PROHIBITIONS

Priorities

FDI is particularly welcomed by the Government of Somaliland in the following areas:

- Infrastructure – roads, ports, water supply and airports.
- Power generators – heavy diesel generators, coal power generators and renewable energy
- Export oriented livestock, agriculture and fishery enterprises.
- Modern health care clinics and facilities as well as affordable housing including prefabs.
- High quality education (schools, colleges and universities) is also a priority.

Restrictions and prohibitions

The manufacture of and dealing in narcotic drugs and firearms, including ammunition and explosives is prohibited. Alcohol and pornographic films are prohibited and not allowed into the country.

APPENDIX 2

LIST OF PUBLIC HOLIDAYS

NO.	TYPE OF HOLIDAY	NUMBER OF DAYS
	Islamic Holidays	
1	Eidul-Fitri	2 days
2	Eidul-Adh-ha	2 days
3	Mi'raajul Nebi	1 day
4	1st Muharam (Islamic New Year's Day)	1 day
5	Maulidul Nebi (Prophet's Birth Day)	1 day
	National Holidays	
1	1st January (New Year's Day)	1 day
2	1st May (International Labour Day)	1 day
3	18th May (Restoration of Sovereignty from Somalia, 1991)	2 day
4	26th June (Independence from Britain Day, 1960)	1 day
	TOTAL	12 DAYS

*The dates of all Islamic Holidays vary each year due to the lunar calendar used in Islam.

BUSINESS HOURS

Government working hours:

- 7:00am – 2:00pm

Private Sector working hours:

- 7:00am – 12:00am
4:00pm – 9:00pm

Financial Service Company hours:

- 7:00am – 12:00pm
4:00pm – 5:30pm

Shopping hours:

8:00am – 12:00pm 4:00pm – 9:00pm

APPENDIX 3

SPS REGULATIONS FOR LIVESTOCK SECTOR

SPS Regulations for Live Animal Export to the GCC

- All livestock must be free from transboundary animal diseases (TADs).
- Animals must be slaughtered according to Islamic instructions before meat can be exported to GCC.
- In addition, livestock must be kept in a veterinary quarantine for a period of time before shipping (e.g. three weeks).
- In addition to a health certificate, a certificate of origin is also required

SPS Regulations for meat export

- A halal certificate issued by an accredited company or institution is required for meat shipments.
- Meat of livestock that has been fed protein or fat of animal origin cannot be exported.
- Meat shipments must also clearly state the date of slaughter and the date of expiry.



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KATO

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