



## NEC Policy Brief

### Somalia Blue Economy Assessment, Taxonomy, and Investment Framework<sup>1</sup>

#### 1. Background

The study on the Blue Economy is part of a comprehensive research program for Growth and Economic Transformation Strategy (GETS) in Somalia that aims to develop a road map for strong, inclusive and sustained development. Moreover, the strategy aims to delineate and develop specific recommendations and policy interventions in relation to the Blue Economy, that can catalyze social and economic development, based on global and African Blue Economy best practices.

While Somalia has among the best prospects for the generation of a prosperous Blue Economy in Africa, boasting as much as 3,333 kilometers of resource rich coastline, it has historically taken second stage to land-based natural resource development. Owing to long periods of instability, the potential of the Blue Economy has remained largely untapped to date, and continues to be limited by several structural constraints, such as maritime insecurity and weak regulatory and institutional frameworks.

Yet, the Blue Economy represents one of Somalia's greatest economic assets and this must be brought to the fore. Against this background, the *core objectives* of the study are two-fold. **Firstly**, to undertake a comprehensive assessment of the Blue Economy. To date, no single study has quantified the entirety of Somalia's Blue Economy, and modelled its growth potential, mapping outcomes to improvements in the wider Somali economy and society; and the study aims to fulfil this role. **Secondly**, the study proposes the establishment

of a comprehensive Blue Economy Framework (and investment strategy) that feeds directly into the national development priorities of Somalia.

As such, the study aims to position itself as direct policy tool for Government rather than an academic research piece. It aims to provide policy direction for subsequent administrations, contributing to the 'what' (sectors worth prioritising), 'how' (regulatory reforms and other policy tools) and 'who' (necessary partnerships – domestic and international) of substantive policy decisions. In addition, the research aims to collate various sources of evidence of Somalia's Blue Economy potential and become a reference point for other interested parties and investors.

Overcoming these various cross-cutting constraints could open Somalia to a range of potential sectors for development, encompassing both traditional sectors and new innovative areas for growth, which if engaged properly, could leverage the current and future value of Somalia's Blue Economy towards the wider economic priorities.

#### 2. Recent Economic Developments in Somalia

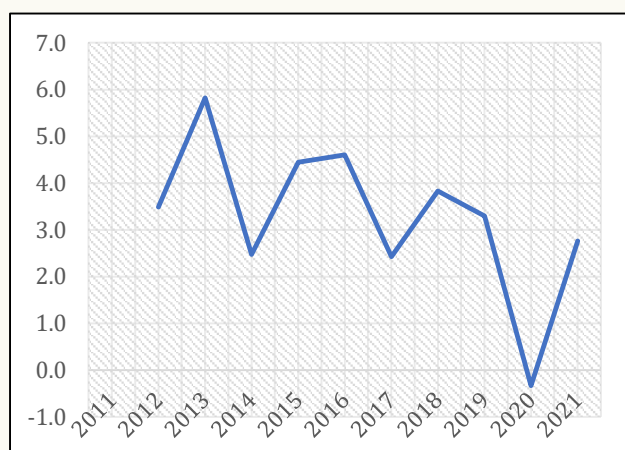
Somalia has faced multiple challenges of severe insecurity, institutional and human resources capacity limits, low levels of productive employment and labor force participation, and high levels of poverty. Economic growth in Somalia declined sharply for many years as agriculture, which accounts for about 60% of GDP

<sup>1</sup> By Dr. Peter Middlebrook, Karar Doomey, Sakawdin Mohamed, Amba Tadaa and Hussein M Siad, June 2022.



and more than two-thirds of export earnings, was subjected to adverse climate and other exogenous shocks, and suffered from insecurity that led to large numbers of Internally Displaced People (IDPs) and forced migration to urban areas.

Figure 1: Annual GDP Growth Rate, 2011-2021]



Source: National Bureau of Statistics (NBS) of Somalia, 2021

In 2012, Somalia launched modest reforms that were limited by implementation weaknesses, owing to persistent human and institutional capacity limitations. The reforms were ineffective as they lacked national ownership, depended heavily on external partners' technical and financial support, and were constrained by political instability. The Somali economy thus grew at an annual average rate of 3.3% during 2011-19, while it contracted by -0.3% in 2020, and rose by 2.8% in 2021 (figure 1). Inadequate resources mobilization and limited prioritization and misuse of public expenditure also impacted adversely on recovery. In addition, weaknesses in the external accounts led to unsustainable large trade and current account deficits, which were covered by remittances and international humanitarian assistance.

Considering the weaknesses in Somalia's state-building capacity; urgent measures to enhance national security, ensure political stability, and unwavering commitment for economic reforms

are required for growth and poverty reduction. The objective of the GETS vision is to inform the economic policy dialogue and broaden debate in Somalia regarding the types of effective measures and reforms that should be formulated and implemented to stimulate inclusive growth and poverty reduction.

**The GETS framework has three pillars:** the first relates to growth-creating productive socio-economic activities and macroeconomic imperatives; the second relates to building the capabilities of the nation to strengthen agricultural productivity, food security and building climate change resilience; and the third focuses on the development of the blue economy and natural resources, owing to its importance to generate financial resources. Several cross cutting issues, such as gender empowerment and a national communication strategy are addressed within the GETS framework.

### 3. Scope of the Blue Economy Assessment

The overall study of the Blue Economy in Somalia is comprised of three separate but related studies. Paper 1, provided here, focuses on Sustainable Management and Investment of the Blue Economy and the development of a Blue Economy Governance Framework. It is complemented by Paper 2, on the potential and challenges of Oil and Gas and Alternative Energy Generation and Paper 3, on the development of a Blue Economy Investment Strategy. All 3 papers together form the basis for GETS Pillar 3.

The scope of the Somalia Blue Economy Assessment (Primary and Secondary Sectors in all 3 Papers) as well as their value to Somalia, is identified in the table below. This forms the bases for the Blue Economy Study, with a detailed assessment (current state of development and prospects for growth) established for each sector.

Table 1. SECTORS AND ACTIVITIES RELATED TO SOMALIA'S BLUE ECONOMY

Type of Activity	Related Sectors	Potential Value to Somalia
<b>Harvesting and trade of marine living resources</b>	✚ Fisheries	➤ Employment/livelihoods ➤ Nutrition & food security ➤ Economic Growth
	✚ Secondary fisheries (e.g., processing, boat construction, equipment)	➤ Employment/livelihoods ➤ Industry, ➤ Trade ➤ Private sector development
	✚ Aquaculture and Mariculture	➤ Employment/livelihoods ➤ Nutrition & food security
<b>Extraction and use of marine non-living resources</b>	✚ Salt Production	➤ Employment ➤ Industry ➤ Private sector development
	✚ Extraction of minerals	➤ Government Revenue ➤ Employment ➤ Industry ➤ Economic Growth
	✚ Freshwater generation	➤ Safe drinking water ➤ Private sector development
<b>Energy Generation</b>	✚ Oil and Gas Reserves	➤ Government Revenue ➤ Energy security ➤ Trade ➤ Economic Growth
	✚ Generation of renewable energy	➤ Energy security ➤ Industry ➤ Private sector development
<b>Commerce, trade &amp; other services</b>	✚ Ports and related services	➤ Government Revenue ➤ Trade
	✚ Maritime transport	➤ Government Revenue ➤ Trade ➤ Employment
	✚ Shipping and shipbuilding	➤ Employment/livelihoods ➤ Industry
<b>Indirect contributions to economic growth</b>	✚ Sustainable Coastal development	➤ Sustainable urbanisation ➤ Climate resilience ➤ Economic Growth
	✚ Coastal Resilience and Disaster Risk Reduction	➤ Climate mitigation ➤ Resilient Growth ➤ Sustainable Resources
	✚ Carbon sequestration	➤ Climate mitigation

While each sector is developed individually, the Blue Economy framework recognizes that sectors are ultimately interdependent in significant ways. For example, on the one hand, sectors compete directly for prioritization, over

natural resources, financing and political attention. On the other, there are significant degrees of complementarity, with many diverse sectors likely to benefit from the same foundational enablers. As such, one key intention



of the Blue Economy framework is to identify measures that provide cross-sectoral support and make progress towards improving the conditions of these enablers. These represent significant value for money interventions with multi-sector spin-off benefits, and include:

- Maritime Security and Policing
- Achieving Equity
- Environmental Sustainability
- Access to Data and Knowledge
- Blue Economy Governance and Management

Finally, and critical to the success of any Blue Economy Investment Framework in Somalia, the study identifies primary sources of financing that can be mobilized. It is expected that the early phase of investment (anchor) will be largely public flows, but that ancillary and spinoff investments will increase for everything from value chain development to sustainable monitoring of assets and resources.

#### 4. Policies and Reforms Recommendations for the Blue Economy

Based on assessment of the Somali Blue Economy, specific sectors as well as cross-cutting factors, the study identifies the following core recommendations to the Government of Somalia, to advance the Blue Economy.

**Measure Ocean Wealth and Map Risks:** The research provided here in Paper 1, goes some way towards mapping the ocean wealth in Somalia, drawing on existing secondary data available for certain sectors, e.g. fisheries. However, for many sectors identified under the Somalia Blue Economy Framework, there is a significant absence of existing data to cost the sector's potential, e.g. mangrove carbon credits. Steps must be undertaken to map the value in understudied sectors. Similarly, while climate change and disaster frequency has been assessed as a cross-cutting factor, further quantification of these risks would be a valuable

addition to inform the development of a Blue Economy strategy.

**Establish an Integrated Blue Economy Governance Framework:** An initial mapping of key stakeholders governing Somalia's Blue Economy is provided in Chapter 3, presented in the Existing Blue Economy Architecture infographic. However, while many of these MDAs operate around clear mandates, e.g. Ministry of Fisheries and Marine Resources, other mandates are less easily prescribed to a single MDA. A clear Blue Economy Governance Structure, built around a 'Blue Economy National Investment Advisory Board' is essential for further progress.

**Costing the Blue Economy Investment Framework:** Chapter 6 provides a Blue Economy Investment Framework, informed by emerging sustainable finance instruments and modalities, and with clear recommendations that are forward thinking. However, in order to have value beyond the current assessment, this investment framework must be fully costed.

**Develop a Blue Economy Investment Roadmap:** Somalia's Blue Economy vision should be articulated within a clear roadmap of priority actions, that respond to different elements of the Somalia Blue Economy Vision (e.g. equity, ecological sustainability, economy growth). Drawing on the GETS and NDP priorities, each activity should be scored and categorised around simple criteria, e.g. ease of implementation, potential benefits, synergies with other actions, etc. This roadmap will form the basis for policy makers to begin implementing the Blue Economy.

**Develop a Blue Economy Financing Strategy:** Many other masterplans in Somalia are never implemented due to lack of available resources or the absence of bankable public investment plans. In this case, to finance the Investment Road Map, a Financing Strategy will need to be developed covering both public and private flows and a range in instruments that can be



deployed in the context of the under-developed Somalia financing and capital market.

**Implement and monitor the Somalia Blue Economy Roadmap:** The Blue Economy Roadmap is implemented through strategic selection of necessary policy and fiscal measures. Implementation of the Roadmap must be

coupled with regular monitoring and evaluation of ocean wealth and assessments of risks.

Alongside these general recommendations, up to 40 sector-specific recommendations are developed and included in the study, that can be referenced by any guiding coalition developing the Somalia BE masterplan.