



National Economic Council of Somalia

Establishment of a Somali blue economy framework for Somalia

FINAL REPORT

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ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
BE	Blue Economy
CBS	Central Bank of Somalia
EEZ	Exclusive Economic Zone
GDP	Gross Domestic Product
FAO	Food and Agriculture Organization
FGS	Federal Government of Somalia
IMF	International Monetary Fund
MPMT	Ministry of Ports and Maritime Transport
NDP	National Development Plan
OECD	Organization for Economic Cooperation and Development
SIF	Somalia Infrastructure Fund
UNCTAD	United Nations Conference on Trade and Development

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EXECUTIVE SUMMARY

Somalia as a country has the longest coastline, and is endowed with massive blue resources including both marine and non-living marine with potential for blue economy growth. If properly harnessed these can greatly contribute to the socioeconomic growth of Somalia, more importantly the development of the country's security structures and the generation of much needed revenue to support the rebuilding of Somalia.

Establishing an innovative investment strategy in key blue economy sectors highlighted in this paper could help the country realize its economic and social transformation goals. To achieve the goals of National Development Plan, include economic growth and poverty reduction, along with its vision of growth and economic transformation strategy, and diversifying the economy beyond traditional or rural subsistence based economic activities is crucial. This is especially important in the context of the growing challenges from environmental and climate shocks (flooding and locust) that the country has been experiencing without any accompanying significant economic improvement in the resilience of major sectors of agriculture and livestock.

As a result, the Blue Economy Investment Strategy paper takes a look at and draws upon the experience of countries such as the Seychelles and other nations within the continent that have successfully developed activities related to the study's thematic areas as well as reviewing data from a variety of sources such as, but not limited to, research studies, policy reports from governmental and non-governmental organizations, as well as commissioned studies and data.

Additionally, the Blue Economy Strategy Paper complements the work undertaken in other studies in the development of the Blue Economy Framework in Somalia, such as:

- Valuation of the potential revenue generation from activities in key selected sectors;
- Assessment of the potential costs in each sector;
- Identification of potential financiers for each sector.

Since the establishment of a Blue Economy Framework in Somalia will ultimately be dependent on an effective and comprehensive financing strategy given limited fiscal space. This policy paper aims to provide a roadmap to various stakeholders in the policymaking arena for the Somali Government. It provides a practical assessment of the opportunities available to Somalia for the generation of revenue and overall sustainable blue growth, and focuses on innovative financing options that will enable policy makers to advance blue economy strategies in selected sectors. Furthermore, the paper discusses some of the necessary policy recommendations that should be considered in order to create the enabling environment for investing in Somalia's blue economy for sustainable development and inclusive growth.

I hope this paper which is part of the larger expert paper on Establishing a Blue Economy Framework for Somalia will serve as a building block for further development of policies on financing blue economy sectors in Somalia and to support investment in the blue economy.

1. INTRODUCTION

Somalia's coastline consists of the Gulf of Aden to the north, the Guardafui Channel to the northeast, and the Indian Ocean to the east¹. The total length of the coastline is approximately 3,333 km. This vast coastline size makes the country the largest in mainland Africa and gives the country considerable marine resources. Its maritime zone possesses one of the most important large marine ecosystems².

The country remains poor by world standards; its growth is constrained by many factors including international debt, unequal global prices for all of the things that the country exports against the costs of most of the goods that the country needs to import; coupled with persistent food insecurity, and significant unemployment rates among youth. The country still faces the need to provide the additional services and opportunities required by a rapidly increasing population and especially by those in fast growing coastal communities, towns and cities (Roberts, Moge & Hurlburt, 2018)³.

Despite all of these economic and social challenges, (according to the Regional State of Coast published by Nairobi Convention in 2015), Somalia's Blue Economy (BE) offers significant potential for economic growth, recovery and stability, although it remains significantly fragile and affected by persistent civil strife. Somalia's marine resources are under threat from the constant threats found elsewhere in the region: illegal fishing and hazardous waste dumping, mangrove destruction, and climate change (UNEP Somalia Website). A report from UNEP Somalia reiterated the possible benefits to be found in Somalia's oceans—conservative estimates put the annual yield of marine fishery resources to be between 180,000 and 200,000 tons⁴. Its coastline, home to important coral reefs, seabird colonies, and turtle nesting beaches could potentially be the least spoiled in Africa.

This calls for the need to make all necessary efforts in taking advantage of these resources in the ocean and also protect them for future conservation for generations to come. For these to happen, it is imperative to have a concrete set of strategies and plans for carrying out tasks of ensuring the development of Somalia's blue economy. Like any development, there must be investment capital in turning a vision, strategy and plans into actions with measurable outcomes. This paper, provides an overview of Somalia's blue economy in general, and more in-depth discussions on the importance of establishing a blue economy investment strategy that is geared to drive financing efforts of creating economic growth.

The paper will provide a synthesis of information available relating to key selected sectors and establish a framework to be considered in investing in Somalia's blue economy. In particular, it focuses on the financing needs and gaps that exist, and encourages Somali policymakers and the federal government to develop a strategic framework that will guide future actions and investments that will lead to the growth of

¹ "Africa: Somalia - The World Factbook". Central Intelligence Agency. 7 Feb 2020.

² The Somali Current Marine Ecosystems—in the Indian Ocean (UN Environment (UNEP) embarked upon a desk study of the state of Somalia's environment in 2005 at the request of the Somali government.

³ <http://dx.doi.org/10.18289/OEF.2018.032>

⁴ <https://www.nairobiconvention.org/CHM%20Documents/WOD/2019/WOD%20publication.pdf>

Somalia's ocean economy. Harnessing opportunities found in Somalia's long ocean requires political will and active promotion of investment. It requires long-term engagement efforts instead of short-term commitment or focus. Somalia's location at the center of the global gate to Africa and trade routes provide an undeniable advantage that can significantly help rebuild the economy to provide improvements in the livelihoods for the Somali population.

1.1. BACKGROUND AND CONTEXT

After decades of civil war and state collapse, Somalia has been making rapid progress towards peace, stability, and economic development. The country still faces a complex political, security and development environment, and much of its recent past has been marked by recurring violence, poverty, famine, and dependence on international aid. Despite progress made on the political and economic front in the past few years, most Somali citizens still live in a difficult situation with high levels of poverty, high levels of insecurity and high levels of vulnerability to disasters and marginalization. For Somalia to move away from the fragility, there is a need to make all the necessary efforts on maximizing rates of investment return to growth, revenue and jobs creation.

The investment opportunities found in today's Somalia in general vary in type, size, scope, sector, purpose, and structure. Rebuilding stronger government institutions that provide services is of key importance for the Somali people and the government alike. This includes, building more resilient economic activities that are not susceptible to economic shocks. Therefore, it is imperative that Somalia's Blue Economy Framework (BEF) is structured in such a way to reflect on implementable and achievable development objectives that focus on poverty eradication and economic growth in line with Sustainable Development Goals (SDGs). Somalia's policy leaders must focus on the development of BE that puts more emphasis and importance in helping Somalia rebuild stronger economy, generate much needed revenue for development, job creation and promoting value chains. To make these happen, there has to be an alignment of other national existing policies and the national development plan.

In addition, for Somali leaders and policy makers to seize the extraordinary opportunities to chart new economic progress, to consolidate key gains, and accelerate progress towards the country's long-term recovery, the Somali government must embrace a long-term commitment to support sustainable and equitable economic growth of ocean-related sectors and activities based on Somalia's realistic competitive advantage. It is encouraging to see many policy makers and business enterprises focusing on Somalia's oceans related economic activities, and its future potential for hydrocarbons development with exploration expanding, but there has to be more commitment and actionable political support that is required in establishing a BEF for Somalia.

Similarly, much work needs to be accomplished in the institutional capacity development of the key sectoral blue economy. The establishment of a BEF for Somalia requires political will, investment in developing the capabilities and capacities of key government and private governance institutions. Such institutions will lead policy and

oversight if implemented properly to improve how resources invested in blue economy development are managed and utilized properly according to intended purposes.

This study focused on establishing a Blue Economy Framework for Somalia on 5 key selected sectors:

1. fisheries;
2. offshore oil and gas;
3. salt and mineral extraction;
4. renewable energy sources; and,
5. marine transport.

The study is guided by the country's urgent need for development and reduction in poverty, as well as by the need for a multi-dimensional approach to transitioning the country from aid dependence to sustainable social and economic development in order to attain improvements in security and the rule of law. With this in mind, one of the key areas is to revitalize, invest and finance as a matter of urgency to the country's "blue economy" This will undoubtedly contribute in moving the country ahead for a sustainable development, especially for revenue generation, and economic transformation that will transform the country from the traditional economy into the knowledge and productive economy. With its large coastline, a robust BE is anticipated to create employment for youth and make available entrepreneurial opportunities for new enterprises, attract international investment, and inject new technologies into the sector (Somali NDP 9)⁵.

1.2. BLUE ECONOMY INVESTMENT AND DEVELOPMENT GOALS

According to the ninth National Development Plan for Somalia (2020-2024) the effort of diversifying the Somali economy is of the key major promising sectors and highlights fishing, off-shore oil, and gas as well as port construction. Enhancing investment in these key promising sectors has long been on the national development agenda for the successive Somali governments. There were a number of industry-specific legislation and investment initiatives in existing sectors such as fishing and port-rebuilding. Furthermore, both the Somali Federal Government (FGS) and the Federal Members (FMS) have long considered Somalia's blue sectors as major source of revenue-generating sources for the contribution of economic development. The FGS and FMSs have agreed on sharing revenues generated from natural resources and fisheries. Among other development goals, the Somali government lists sustainable development of marine and offshore natural resources as major economic development pillar with strategies and interventions across economic sectors.

The Somali Federal Ministry of Fisheries and Marine Resources (SFMFMR) vision statement of the SMFMR states: 'Sustainable fisheries development for economic growth and food security in Somalia' (SFMR, 2021)⁶. It outlined in its Somali Fisheries Development Framework 2018–2020 of the Eighth National Development Plan (NDP8), the vital needs to revitalize the Somali BE. This long-term perspective focuses on a more

⁵ <https://mop.gov.so/wp-content/uploads/2019/12/NDP-9-2020-2024.pdf>

⁶ <https://mfmr.gov.so/en/>

sustained effort towards the economic contribution, and aims to widen the scope of development to include social and humanitarian development. The SFMR mission statement also emphasizes the “provision of an enabling environment for the promotion of sustainable development of the fisheries sector and development of Somalia blue economy for socioeconomic development and food security”⁷.

The achievement of the national development goals will therefore definitely require to effectively fulfil the vision and mission of SFMR. Therefore, the federal government of Somalia has (among other things) to harness and leverage of its promising blue economy sectors. The opportunities around Somalia's blue economies are enormous with significant potential to create jobs and improve livelihoods. To ensure the successful establishment of a Blue Economy Framework for Somalia and help realize key national development pillars, there must be long-term and visible commitment to support sustainable and equitable economic growth on the key priority sectors highlighted above.

1.3. CURRENT EFFORTS AND BLUE ECONOMY INVESTMENT POLICY REVIEW

The concept of the blue economy is new to Somalia, and discussion about investing in the blue economy has not started until recently. Since the starting of the Somali institutional rebuilding, the country has made many critical efforts in improving the current investment environment and the development of key policies. These efforts which are currently under way are far from over. The government has recently started recognizing the role of the blue economy in promoting socio-economic development through better stewardship of the sea and related resources. This involves the utilization of maritime and marine resources to support inclusive and sustainable economic growth as well as creating employment opportunities. In reviewing existing published articles, government reports, regional reviews, project reports and outputs, policy documents as well as a range of other gray literature that were likely to be useful; we found that Somalia has policies focused on the promotion and protection of investments in general and in certain cases Blue Economy sectors such as fishery laws.

There are efforts of developing BE policies that will be in line with key national and international development and policy frameworks. As of now, Somalia does not have a specific organizational framework or comprehensive regulations relating to granting permissions, leasing, evaluation, and monitoring of offshore activities, such as exploration, transport, storage, etc. There have been informal uses of ad hoc methods to attract investment. The country needs to evolve a seamless governance structure for the proper basic management strategies of all ocean resource-minerals, deep-sea fishery resources, offshore energy development etc. This will enable coordination across ministries and state governments and take into consideration international experiences with different regulatory and governance approaches.

Similarly, the country has a variety of investment laws, the development of detailed investment policies and data in the major sectors of the Blue Economy, which are practically non-existent. Most domestic investment laws are dependent on Somali

⁷ Ibid.

customary laws -which are not directly applicable. Somalia's various business laws do not cover inward and outward investment by private companies. Some of the current investment regulations are outdated, having been developed before 1991.

The FGS has revised some of the regulations and has begun developing modern business and investment legislations to conform to the global business environment. Some new pieces of legislations recently approved and signed into law include: telecommunication, petroleum, company, public finance management, and anti-corruption laws. Several more business-related laws are currently under review.

The provisional constitution establishes a judiciary system that is independent of the executive and the legislature, however, the necessary laws to operationalize this structure are not in place and the legal system revolves around the executive. Somalia's legal system is based in Islamic law, which includes mechanisms for addressing commercial disputes. However, due to the prolonged absence of a functioning judicial system, businesses and individuals often resort to Somali customary law. This informal system provides a framework for settling disputes, including business disputes, through clan and religious leaders.

In relation with current environment of BE in Somalia and political commitment, the country's leadership have embraced the concept and advocated for setting the environment that support initial BE efforts. However, efforts have been slow. For example, it has been nearly four years since, the President of Somalia stated clearly that:

“The country, with a coastline of more than 3,300 km and an upwind zone, offers endless potential for ocean-based industries and investments. We have an abundance of untapped reserves, from fisheries and marine resources to offshore oil and gas, and various minerals resources. My administration recognizes that this largely unexploited resource-based can have transformative outcomes in addressing poverty, food insecurity, water shortages, energy needs, and unemployment challenges. We are therefore developing a comprehensive strategy to tap and harness the full potential of sea-based economy in an environmentally sustainable manner” (African Review, 29 November 2018)⁸.

Besides the good intentions of the Somali political leaders and key government ministers as well as international development partners, blue economy in Somalia remains vulnerable, burdened with an under-skilled workforce, and still heavily reliant upon old techniques and tools. As the rest of the general economy of the country, blue economy sectors are underdevelopment and/or emerging. Further, investment in blue economy sectors is limited to small scale fisheries and port construction, undiversified in nature and lacks coordinated/ targeted strategies.

Overall, the FGS, as a key participant and important strategic partner of the Nairobi Convention, is engaged in and is readying itself for a sustainable blue economy. The country has initiated some of the preparatory works at the national level such as the completion of the Ninth National Development Plan which is an important document and

⁸ <https://www.africanreview.com/finance/economy/somalia-is-ready-for-a-sustainable-blue-economy>

has large portions of initiating Somalia's blue economy sectors both the traditional or more established and the emerging sectors. The country also has initiated very first step of gathering input and establishing baseline reporting for the development of National Blue Economy Strategy for Somalia. So far, it looks all the efforts have been focused on overall BE not on investment financing strategy. Also, there is no efforts of integrating all these plans and efforts into concrete actionable plans. There hasn't been any mapping of ministries and divisions that are engaging blue economy investment, no financing strategy, and BE action plan. Somalia has been playing a more visible participatory role in the regional discourse for sustainable blue economy, but discussions has been limited in the national level, there has not been collective focus or engagement from academia, NGOs, private sector, and development partners.

2. ESTABLISHMENT OF INNOVATIVE BLUE ECONOMY STRATEGIC FRAMEWORK FOR SOMALIA

Implementing the Growth and Economic Transformation Strategy (GETS) along the overall Somalia's National Development Goals and shepherding the complex transformation called for here requires investment in innovative, multiple yet robust planning processes over Somalia's blue ocean space (e.g., van Tatenhove 2011)⁹. To start with, the establishment of innovative blue economy investment strategy requires getting the initial buy-in for multi-ministerial agencies. This entails a multi-stakeholder policy process that brings together all key actors and stakeholders together under a common goal of innovatively investing in Somalia's blue economy. Multi-stakeholder processes require an agreed vision and acknowledgement by all key government sectors that an agreed investment strategy, solution and methods of implementation is in the best long-term interest for the country and in their respective intuitions¹⁰.

Country and ministerial level priorities for development and engagement (e.g., the Intergovernmental Authority on Development (IGAD) recently inaugurated National Validation Workshop on the Baseline Assessment Report of the Contribution of Blue Economy to the Sustainable Economic Development of Somalia, November 10, 2021)¹¹ and the latest multi-institutional efforts in developing National Blue Economy Strategy for Somalia as well as Somalia's participation and engagement of various regional conventions and actors, such as the Nairobi Convention and IGAD, are further examples of national commitment and ongoing contribution in this planning approach. It is more important that all of these efforts are collaborated and coordinated into useful and actionable implementation plan.

2.1. ADDRESSING INSTITUTIONAL ISSUES AND CAPACITY LIMITATIONS

After more than three decades of civil war followed by continuing fragility, several constraints were identified. These include a lack of sound institutions and competent personnel, which contributes to the poor state of administration and management of

⁹ van Tatenhove, J. P. M. (2011). Integrated Marine Governance: Questions of Legitimacy. MAST, 10(1), 87-113. http://www.marecentre.nl/mast/documents/PagesfromMAST10.1_Tatenhove.pdf

¹⁰ Ehler, C. and Douvère, F. (2009) Marine spatial planning: a step-by-step approach. Paris, France, Unesco, 99pp. (IOC Manuals and Guides 53), (ICAM Dossier 6). DOI <http://dx.doi.org/10.25607/OBP-43>

¹¹ <https://igad.int/divisions/agriculture-and-environment/2886-igad-sustainable-development-through-blue-economy-4>

public resources in the country. Consequently, public institutions rely on donors' assistance, which has largely failed to meet long-term domestic needs. Key government institutions are continuing to reform and building capacity with some visible outcomes and successes. There have been numerous legal and policy reforms undertaken by the government, including the design and adoption of a new Federal Democratic Constitution, and, more recently, Financial Integrity Regulations Act. However, capacities of implementing coordinated investment strategies are limited due to lack of close collaboration between key sectors, and if there are, it is severely limited on fund sharing collaboration rather than planning and implementation levels as well as knowledge transfers.

Many blue economy sectors, such as fishing and ports, have also suffered the consequences of the long years of civil war in Somalia. The challenges of low human and institutional capacity that exist in the public sector also apply to the blue economy. Combined with a lack of reliable and consistent information, these factors have contributed to a sluggish recovery of the economy.

A successful implementation of the blue economy investment strategy also requires a holistic approach, close collaboration, knowledge, and information sharing, as well as proactively address the absence of specific baseline policies and the limited technical capacity. The institutional challenges facing the blue economy investment strategy falls within three broad parts: 1) institution policy, 2) resources management, 3) and capacity integration.

Although some sectors such as fishing, marine transport, and ports have been existing for a long time, the blue economy concept is relatively new to Somali government institutions. Bringing these sectors and their related development and operational activities under a single space for policymaking and decision-making has been and continues to be a challenge. As shown in figure 1, improved Government capacity to deliver quality public services would require:

- 1) A clear *institutional policy* framework and well-designed implementation strategy is critical;
- 2) As government institutions lack strong economic foundations, financial support and technical know-how to design and implement the necessary policies, there is a need to ensure business continuity and *managing/protecting current existing revenue sources* for institutions to rapidly mobilize and maintain domestic resources for a successful blue economy development and investment strategy implementation. And finally;
- 3) *Institutional capacity* development integration between ministries and other government entities is almost not existence and challenge.

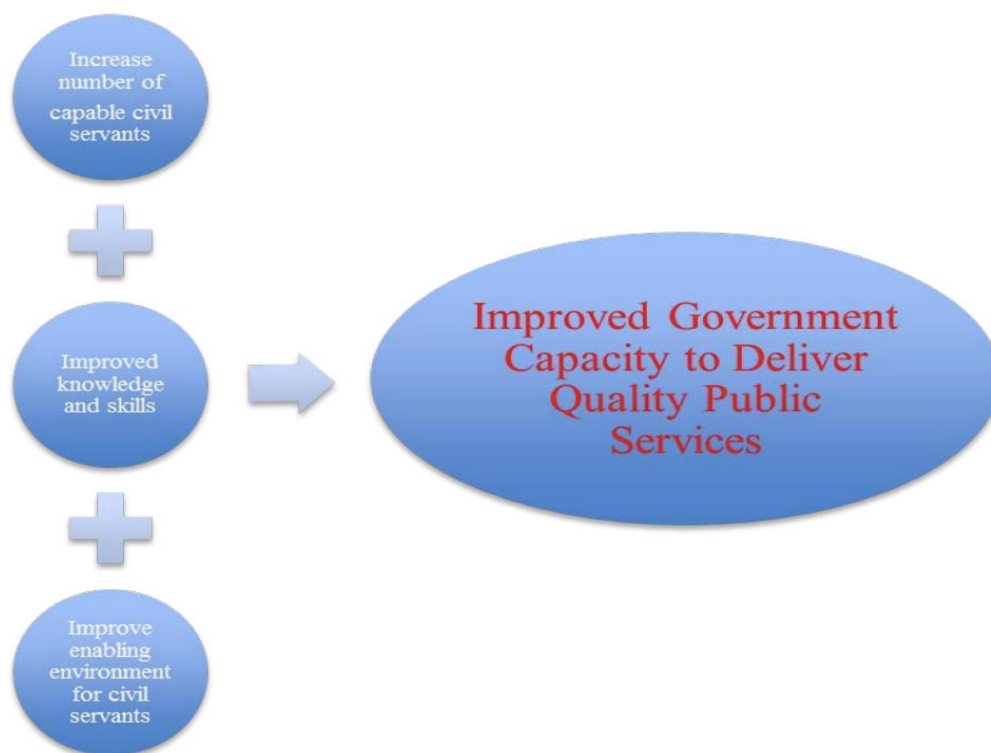


Figure 1 :A multi-pronged approach to Capacity Development in Somalia.

Source : <https://mptf.undp.org/document/download/15358>

To build capacity for BE sectoral development and make an investment in the sector successful, the Somali government does not only need skilled capable human capital, but a multi-pronged approach as suggested earlier by Somalia Capacity Development – Strengthening Institutional Performance (SIP) program reports (See Figure 1). Government institutions need to recognize the importance of collaboration by creating mechanisms or platforms that facilitate knowledge sharing.

2.2. CREATING THE RIGHT INVESTMENT ENVIRONMENT

Besides right policies and legislations, right infrastructure and security are two other major important factors in creating the right investment environment. Foreign Domestic Investment (FDI) is likely to be restricted by significant constraints to doing business and poor infrastructure quality, particularly in emerging non-traditional sectors such as offshore oil & gas, renewable energy, salt, and mineral extraction. To accelerate investments in the blue economy, an ideal business environment, regulatory framework, skills development, and quality infrastructure are necessary.

Bringing Somalia's road and transport infrastructure up to good working conditions is estimated to cost the country \$1.1 billion only on roads and another \$322 million on ports and aviation transport infrastructure over a period of 10 years (TSNA 2016)¹². As a result, it is anticipated that there will be a financing gap as the government is

¹² Somalia Transport Sector Needs Assessment (TSNA 2016).

https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Somalia_Transport_Sector_Needs_Assessment_and_Investment_Programme.pdf

expected to finance only about a fraction of the amount of investment required. For example, unmet investments in critical infrastructure may contribute to the inefficiencies in operations in many revenue generating ports, which affect growth and development. Effective infrastructure is vital to the development of the private sector, for human growth, and for regional integration. Positive investment climates are characterized by good infrastructure, since it reduces the costs of doing business and enables access to both product and factor markets¹³.

In addition to the lack of infrastructure for storage and processing capacities, advancing the blue economy requires an enabling policy environment, which can attract and facilitate investments. For example, Somalia's offshore oil/gas extraction and fisheries sectors have great potential for both income generation for the country and coastal communities as well a revenue generation through licensing. However, Somalia has not yet been able to benefit from this potential due to a lack of agreement between government authorities¹⁴.

2.3. INNOVATIVE BLUE ECONOMY INVESTMENT STRATEGY AND FINANCING NEEDS

On many fronts, the Somali economy is undergoing a fundamental transformation that holds the key to achieving sustainable long-term growth and poverty reductions in the near future. It is well noted by the IMF/World Bank debt relief documents, that this transformation would require significant investment and innovative financing strategies. This is critically important as Somalia moves from traditional rural land-based economy to more knowledge-based economy, such as telecommunication, digitalization financial sector, banking and mineral oil extractions etc.

Somalia's new promising economic sectors such as BE targeted sectors would be dependent on how well the country addresses its capacity limitations and financial gaps that exist while prioritising above all the other important and immediate demands such as security and responding national disasters. Further, there is concern regarding the management of natural resources being hampered by insufficient financing, capacity, and legal and institutional frameworks. This must be addressed as well for a successful establishment for innovative investment strategies. At the present time, most of development and financing come from the limited domestic resources and international development aid which has been in decline more recently. Therefore, it is imperative for the country to seek and develop new innovative investment strategies that can ensure the advancing of blue economy can take hold.

In order to transition Somalia from the traditional rural land-based economy to a growth blue economy, it is necessary to have in place, among other things, reliable long-term investment funding mechanisms to support targeted priority BE sectoral activities, such as addressing key barriers or limitations, attracting new funds, enhancing regulatory and ocean enforcement, conservation and sustainable management initiatives for marine and coastal resources. There are a variety of innovative blue economy financing sources

¹³ Ibid

¹⁴ https://www.crc.uri.edu/download/SOM14_polpaper.pdf

(such as Blended Finance, Blue bonds, Development impact bonds, Debt swaps, Crowdsourcing-Diaspora financing, and contingently recoverable grants)¹⁵. Currently these BE financing sources are used worldwide, some in the developing and neighbouring Indian Ocean countries. All of these sources of funding could be applied to a wide range of initiatives such as fishery improvement projects, ports performance improvement and expansion projects, rebuilding and restoration of marine projects, human capacity development and increase in BE knowledge, and projects linking coastal and marine ecosystems to climate change adaptation.

International development finance can play a significant role in assisting developing countries such as Somalia in rebuilding their economies after long years of civil war to set up the necessary conditions for more effective blue economy. The mobilization of resources could be focused on supporting the development of emerging sectors (such as ocean-based renewable energy, salt, and mineral extraction) by bridging the gap between the high costs and uncertainty associated with these emerging sectors and the likely delayed financial returns that may discourage business investment.

A blue economy investment strategy presents a guiding opportunity to potentially leverage additional resources for investments in economic growth areas in the Somali ocean and develop coastal communities while protecting the ecosystem and utilise a wide variety of new and innovative financing models, for which both the public and private sector can partner to pool finances and share skills, expertise and approaches. For this to happen and to take advantage of the available funding sources as well as match those funds with high value and return projects, policy makers must take seriously investment strategic actions such as:

- 1) Establish Multi-Agency Task Force to study the range of possible sources of sustainable finance that could be deployed to support Somalia's blue economy. Given the gaps and involvement of several Ministries, Departments and Agencies working in this domain, there is an urgent need for a unified and coordinated effort to address the issues. This is specifically important as capacities are limited and some government entities are more advanced or resourced than others; and will facilitate the replication of those successes and working practices across ministries.
- 2) Reform the current governance framework and operational structures (if necessary) to facilitate the development of a blue economy financing fund. As of now, various FGS entities collect a range of fees and limited taxes from marine related activities, and there is the possibility of royalties, bonuses, and other fees from offshore oil & gas activities. These funds are largely channelled into the consolidated federal single treasury account to be dispersed to fund various activities at the national level and some are shared with other federal member states. Consideration should be given to establishing a dedicated 'Blue Economy Development Fund' to support specific initiatives aimed at developing the blue economy for Somalia. To achieve this, a number of institutional and operational reforms will be required.

¹⁵ Blended Finance & The Blue Economy. <https://sdginvest.jointsdgfund.org/>

Finally, all the widely used current financing BE sources and projects can be combined into or follows more into general three investment structural framework such as direct investment, indirect investment, and co-investment (*more discussion on these please see annex 1*). Various Blue Economy projects have been successfully implemented or funded by other countries such as Tanzania, Bangladesh, and Kenya through the creation of Blue Economy Funds, either as an administrative arrangement between participating ministries/departments or as a stand-alone budget item under the administrative control of a Governing Council¹⁶. The objective would be to initiate and support cross cutting projects that are essential for Somalia's long-term development and stability. A range of generic investment structures can assist in building an investment framework that would facilitate future investments into the Blue Economy sectors. While these are generic options, once a particular investment structure has been chosen, it can then be developed further with time. For structures to achieve certain key objectives, they must be able to:

- Attract investors and provide the funding needed.
- Provide leverage to investors and other stakeholders.
- Give a reasonable timeframe for implementation.
- Avoid duplication and competition of local existing players already in the market.

3. ASSESSMENT OF POTENTIAL COST AND REVENUE

There is no doubt at all, Somalia's blue economy has real potential to generate new resources opportunities for sustainable economic growth and potential immediate funds to aid the closing of government expenditure gap. Somalia's blue economy also provides an opportunity to "build back better" as Somalia's already established ocean sectors such as small-scale fisheries and ports work to recover from the COVID-19 pandemic. This requires an overall blue economy investment strategy that supports and advances the economic and social well-being of the country as it rebuilds itself after long years of civil strife; especially, as it pertains to the rebuilding of the economic and financial institutions.

Presently, there are no available data or studies as well as reports that indicate potential costs and revenues generated for all the key selected Blue Economy sectors of Somalia. This is due to the fact that some of the sectors are still emerging than the others such as more traditional fisheries and marine transport sectors. Potential wealth value generated from Somalia's ocean economy has not been quantified for economic values particularly the emerging sectors of renewable wind energy or the Offshore Oil and Gas.

There are no comprehensive statistical data about the contribution of the blue economy to Somalia's GDP except for a few spotty facts for certain traditional sectors. Some BE sectors dominate the structure and the contribution level of Somalia's GDP than the others as indicated in various World Bank/IMF economic outlook reports (August 2019). Agricultural and livestock production, for example, are often cited as the most important economic sectors that contribute significantly to GDP. About 65% of the

¹⁶ <https://www.worldbank.org/en/programs/problue>

GDP is generated by agriculture, and 65% of the workforce is employed by agriculture sector. About 40% of GDP and more than 50% of export earnings come from livestock.¹⁷

This section of the investment strategy paper focuses on the five key selected sectors that our blue economy strategy can foster more economic prosperity and growth transformation in Somalia's ocean sectors. Each section highlights known potential costs and revenue generation opportunities where it exists and identifies potential wealth values of similar economies, some sectoral investment challenges if any, suggests ways that a blue economy investment strategy could help address these challenges, and discusses ideas that would help guide the implementation of this strategy.

Globally, the case for investing the Blue Economy has been made by many reputable intuitions and experts worldwide. Continentally, many African countries are engaged one way or the other, efforts of sustainable development of their prospective countries' natural resources. In the African continent which Somalia is an important part of the larger emerging continental blue economy setup, there is a need for financial resources to transform Africa's natural resources. According to Economic Commission for Africa's (ECA) policy report on Africa's Blue Economy, the overall potential wealth that can be generated from the ocean is conservatively valued at \$ 24 trillion, of which it is estimated that goods and services provide \$2.5 trillion annually.¹⁸

Currently, on the African continent, the BE sectors and its components generate 296 billion dollars and 49 million jobs. It is estimated that by 2030, USD 405 billion will be generated and 57 million jobs will be created, while in 2063 estimates are \$576 billions of value and 78 million jobs (see below). This would be equivalent to about 5% of the active population in 2063¹⁹.

For the case of Somalia, with its longest coastline in Africa, the estimated share would be in the range of the trillions of wealth valued potentially generated from the ocean is significant. As the country recently was highlighted by global media report as one of the five countries labelled as the 'new frontier of African renaissance', most of the sectors in blue ocean economy have enormous economic potential across the continent and Somalia is one of the countries that is poised to benefit and for growth.²⁰

¹⁷ "Guide to African Markets". [British Chambers of Commerce](#). 2007. Archived from [the original](#) on 25 October 2013. Retrieved 20 August 2010.

¹⁸ Economic Commission for Africa, Africa's Blue Economy: Policy handbook (Addis Ababa, 2016), p4.

¹⁹ https://www.au-ibar.org/sites/default/files/2020-10/sd_20200313_africa_blue_economy_strategy_en.pdf

²⁰ Africa's blue economy: five nations poised for growth. <https://www.raconteur.net/global-business/africa/blue-economy-africa/>

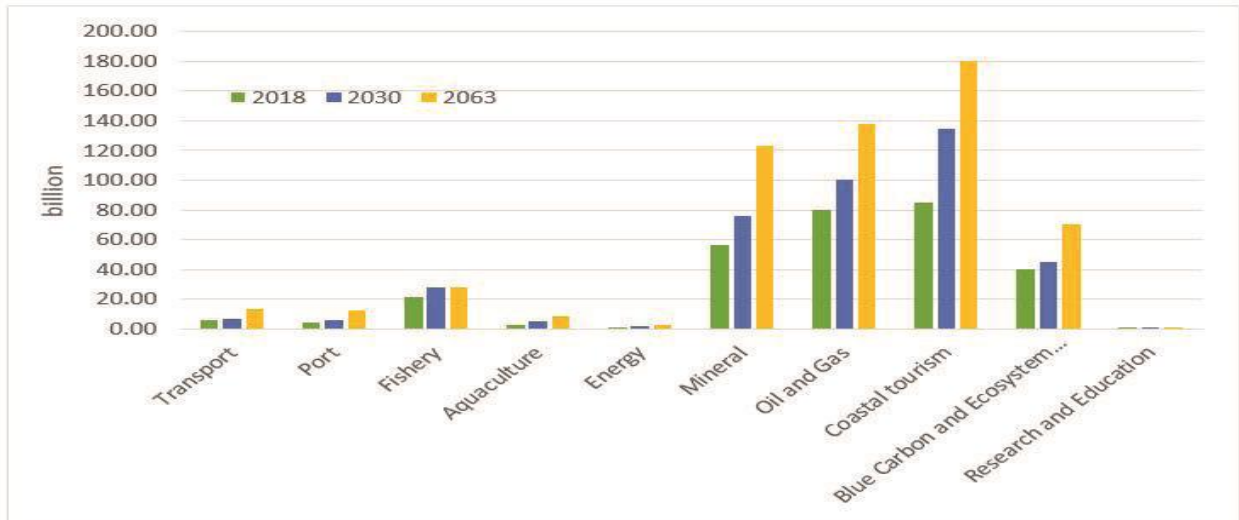


Figure 2: Value created by BE sectors (value added) and components (value of services) in Africa
 Source: Africa Blue Economy Strategy

3.1. FISHERIES

Somalia’s fisheries are one of its most important blue economy resources. Nevertheless, their potential is far from untapped. According to the World Bank’s collection of development indicators, compiled from recognized sources, the total production of fisheries in Somalia was 30,000 metric tons in 2018, is expected to remain constant throughout 2063 due to and because of overfishing, overcapacity, and poor governance (Figure 3).

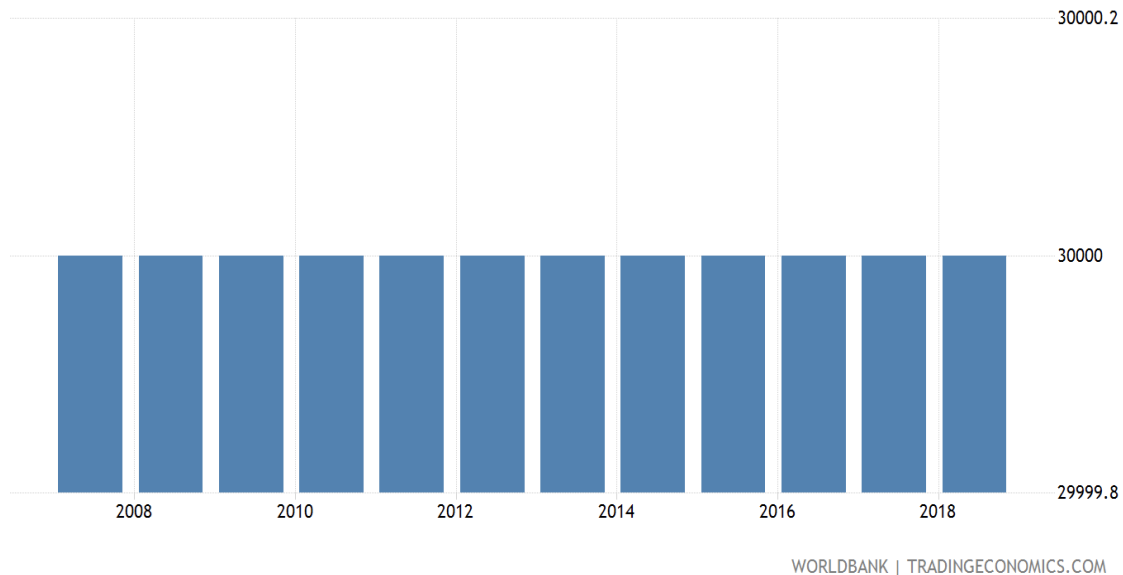


Figure 3: World Bank - Actual values, historical data, forecasts, and projections on Somalia's total fisheries production (metric tons) as of February 2022

Similarly, other prior data sources report that foreign and domestic vessels caught about \$260 million worth of fish in Somali waters in 2014. Somalia is ranked 17th out of 38

African nations reporting fish catches²¹. Most of the historical data suggest that despite rich biodiversity and an extensive coastline, exports of fishery products only accounted for about 3% of total exports and contributed about 2% to GDP in 2012. Between 1981 and 2014, Somali domestic fishing vessels caught 1,182,995 metric tons.²²

Comparatively, the Somali Sea welcomes millions of tons of migratory fish species each year, making it one of Africa's most profitable fishing grounds. Further, the country has over 10,000 km² of inland water area with two permanent rivers of Shabelle and Juba, which can be used for aquaculture. Most of the current studies done by SATG-Filsan highlight that this key sector of Somalia's blue economy – fisheries remain underutilized. SATG's research shows that Somali household consumption of fish is among the lowest in Africa, with 0.3% of the population of Somalia dependent on fishing for their livelihood. Only an estimated 2% of the total GDP of the country has been attributed to the fishing industry. At present, fisheries produce between 25K and 30K MT per year. It is estimated that less than \$50 million worth of fish is harvested, and the economy of Somalia does not formally account for much of it²³.

In terms of potentialities of the sector, the eastern coast has a potential production of 340-420,000 tons per year, while the northern coast has a potential production of 40-80,000 tons per year. Studies in the sector also indicate that there are a number of constraints in the fisheries value chain, which drive potential investors and jobs away.²⁴ More reliable AfDB Transport Sector Needs Assessment and Investment Program report which fed into the preparation of all of the pipeline of projects for the AfDB SIF and provided input for Somalia's National Development Plans 2017–19; points out, Somalia's exclusive economic zone (EEZ) has potential to provide fish hauls of up to \$2 billion per year (range of \$400 million - \$200 billion annually). This would amount to 7 to 34% of Somalia's current nominal GDP.

Valuation, potential costs and revenues: the sector has the potential to expand the fisheries industry and overall boost establish blue economy of Somalia; also investing in the fisheries sector can help increase fish exports, provide employment and food security, as well as make the industry more climate-resilient. Along other advanced technical expertise and high infrastructure, costs have been limited and cited as major constraints to investments in fisheries sector and led slow development in the field. To any development coupled with the huge export potential, the sector requires and needs cost to be invested.

Revenue generation opportunities in the sector is enormous and currently plays role in contributing to the government revenue structures. A total of \$1.05 million was raised from the sale of foreign vessels licensed to fish for tuna and tuna-like species in Somalia's EEZ in November 2018. The World Bank and the UN Food and Agriculture

²¹ Building The Somali Blue Economy: Three Reasons for Optimism.

<https://Securefisheries.Org/News/Building-Somali-Blue-Economy>

²² <https://www.nairobiconvention.org/somalia-country-profile/somalia-ocean-economy-2/>

²³ Fisheries in Somalia. <https://satg.org/fishery-in-somalia/>

²⁴ https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Somalia_Transport_Sector_Needs_Assessment_and_Investment_Programme.pdf

Organization (FAO) praised the agreement and lauded as a great achievement for development in the sector and economic growth. This has improved domestic revenue generation and continues to do so. At the present time, the number of licensed fishing vessels increased from 31 in 2018 to 50 licenses in 2021 with a total of \$2.7 million revenues from license fees alone. This is an increase of 61% on the number of licenses issued, and \$1.65 million increase on the revenue side. Conservatively, the potential revenue generated from licenses could double for the short term.²⁵

3.2. OFFSHORE OIL & GAS

As result of or the direct consequence of not having proper petroleum oil governance regime in Somalia, the sector has attracted many outside investors both small and medium enterprises. Because of Somalia's post-conflict/ fragile state statuses and its lack of government's capacity of risk management, the country's extractive sector has been making the news and become the first sector to generate interest from investors. Because of the lack of risk management capacity, the sector delivers high returns on investment, hence encouraging companies to take more risks. Despite the risks, the sector has potential and there have been numerous studies lately that show the sector as possible revenue generation if managed properly.

Based on both published and unpublished reports as well as presentations from various sources, there were 206 oil blocks available for exploration in offshore Somalia. According to the Somali Ministry of Petroleum and Mineral Resources, 50 of the 206 confirmed blocks total an area of 173,000 square kilometres. According to estimates, offshore Somalia may contain 110 billion barrels of oil, placing it in sixth place among the world's oil reserves²⁶.

Valuation, potential cost and revenue: no quantifiable valuation statistics were available at the time of the study. More in-depth assessment of the sector will be discussed in paper 2 of the blue economy study about the offshore oil & gas potentials in Somalia. However, most recent studies done by Dr. Pedro H. van Meurs on Somalia's fiscal terms indicate immediate revenues composed of signature bonuses of \$2 million for most of the blocks conservatively put – where some of the most attractive blocks could have a higher bonus amount in excess of the \$2M. With this rate, conservatively it is estimated government's take of signature bonuses for 50 – 206 blocks could generate revenue of \$100 - \$412 million or more. In addition, based on the current fiscal terms, there will be other sources of revenues consisting of royalties, production sharing, corporate income, and other taxes as well as training obligation fees for social development purposes that can be realized from the sector.

In terms of cost, many experts indicated potential cost of \$150 – \$200 for deep offshore drilling per well and argue it is investment cost that only large oil firms can afford as opposed small firms that only do farm outs. Regardless, Somalia's fiscal cost in

²⁵ https://www.crc.uri.edu/download/SOM14_polpaper.pdf

²⁶ Federal Ministry of Petroleum and Mineral Resources presentation at African Oil Week, November 2018.

the sector would outweigh over the years the potential revenue generated in times of high need based on the investor interest.

3.3. SALT AND MINERAL EXTRACTION

As with other marine minerals such as offshore oil and gas, Somalia's Salt and Mineral Extraction sector has the potential to expand the extractive industry and help reduce over dependence on other sectors such as fisheries, offshore oil and gas, provide employment and generate revenue for the government. This is a sector that is currently not well studied in a large scale or for a valuation but continues to generate interest.

An indicative valuation for this sector cannot be provided by this analysis. While the potential value of salt and mineral mining is unknown, analysts estimate it to be significant. Despite the lack of data on mineral production, it is believed that the mineral sector of Somalia produces a small quantity of salt and gemstones. Information about Somalia's Salt and Mineral Extraction sectors of the blue economy could have been found in two distinct sources—both domestic and outside more advanced international data sources, none exist now.

Potential Cost and Revenues: Considering the limited availability of data, we have examined data from neighbouring countries, whom currently having mining success. Similarly, Somalia can generate a substantial amount of revenue from ocean mining, and thereby generate employment opportunities for coastal communities. The country still needs a strong mining policy framework and updates of its ancient mineral data. It is estimated that the sector can generate significant revenues, which can be shared between the federal government and regional federal member states. This will enable local communities to develop their own assets and infrastructure and continue to invest in them.

In neighbouring Kenya for example, the quantity of mineral production increased in coastal counties such as Kwale on the south coast (Kenya Economic Survey 2015). Between 2010 and 2014, the total quantity of mineral production in Kenya increased from 1.4 million tonnes to 1.7 million tonnes. In addition, the value of mineral production increased from \$50 million to \$70 million.²⁷ This is an indicative that Somalia's total value of mineral production could be higher than Kenya's or at least similar at his early infancy stage.

3.4. RENEWABLE ENERGY

Growth in the Somali ocean economy will likely be driven primarily by key sectors such as fisheries, ocean mining, and offshore oil and gas. A similar growth potential exists in marine renewable energy. There are no specific projections for production and revenues yet, but perhaps by the end of the decade, marine renewable energy (a high-value BE sector) will be expanding, and investment in the renewable energy sector (which includes solar and wind) will increase. Various solar projects have been undertaken and the private sector is highly interested in the business. As per experts interviewed and literature reviews, the geographical location of Somalia facilitates the

²⁷ <https://www.mining-technology.com/features/featurekenyas-mining-industry-set-for-a-boom-4958923/>

exploitation of three different forms of renewable energy: solar, wind, and ocean current.²⁸ It is important to note, this is a nascent and high-value sector which currently has no cost or revenue but remains a highly potential sector.

Potential cost and revenues: the most recent cost assessment done (TSNA 2016) indicates the sector is highly significant and may have costs associated with both the transportation and logistics sectors. Globally, it is estimated by the IEA's Ocean Energy Systems that there will be 300 GW of wave and tidal developed by 2050, which will result in 680,000 jobs, \$42 billion in investment and a reduction in carbon emissions of 500 million tonnes of CO₂.²⁹ Many countries around the globe have made some sort of investment in the sector. There has been a well-documented growth of offshore wind which has resulted in major cost reductions in the oil sector thus prompting governments and oil companies to invest in the sector. According to experts, offshore wind energy will continue to be one of the fastest growing energy markets in the world and is estimated to reach 340 GW (valued at \$1 trillion) by 2030.³⁰

Given that Somalia is one of the highest combined wind power and solar energy potentials on the planet³¹, the country is posed to generate significant revenue from the sector and its share of the global offshore wind energy value is huge.

3.5. MARINE TRANSPORT – SHIPPING AND PORTS

Like fisheries, Somali's shipping and port facilities have long been considered an area of opportunity for economic growth and crucial component of government revenue sources. It is estimated that about 55% of the Somali population live around coastal areas and regions. Many of these local communities depend on among many other sectors shipping and port facilities for their livelihoods. The increase of the local population numbers living in the coastal areas would mean any investment in sector will impact larger number of recipients and will offer expanding blue employment opportunities in these coastal communities such as Bossaso, Barawe, Kismayo, Merca, Mogadishu, Gara'ad, Hobyo and many other similar locations. In addition, not only the Somalia's shipping and ports offer significant investment potential, but the sector can also provide favourable ease of access and travel operations in other blue sectors including fishing.

Somalia is at the entry / departure point of one of the most important international commercial shipping lanes (the Suez Canal and via the Cape) in the world. Globally, 80% of global trade by volume is carried out by sea and handled by ports worldwide and trade by sea is expected to grow significantly. Somalia currently has 4 major ports and few are getting built. Most of the shipping and port facilities handle much of the country's cargo and banana/livestock exports as well as seafood. Despite having the longest coastline, shipping and marine transport within Somalia is limited

²⁸ <https://hakimabdi.com/blog/oil-and-opportunities-for-development-in-somalia>

²⁹ European Union, 2020. The EU Blue Economy Report 2020. <https://op.europa.eu/en/publication-detail/-/publication/83843365-c18d-11ea-b3a4-01aa75ed71a1>

³⁰ Ibid

³¹ <https://www.usaid.gov/powerafrica/wherewework/somalia>

while most of Somalia’s sea trade is handled by foreign vessels. Hence, despite its current limitations, the sector in general remains to be of key economic potential and backbone for international trade and more importantly so as Somalia engages oil exploration and experiences an increase in oil exploration equipment.

With its current strategic location, there are significant benefits to having viable maritime connectivity throughout the world. Regarding global trade and connectivity, Somalia's ports and maritime shipping can provide the country with improved returns on investment. Ports and shipping industries should integrate the private sector more, so that investment costs and risks can be shared, and technical and human resources can be leveraged.

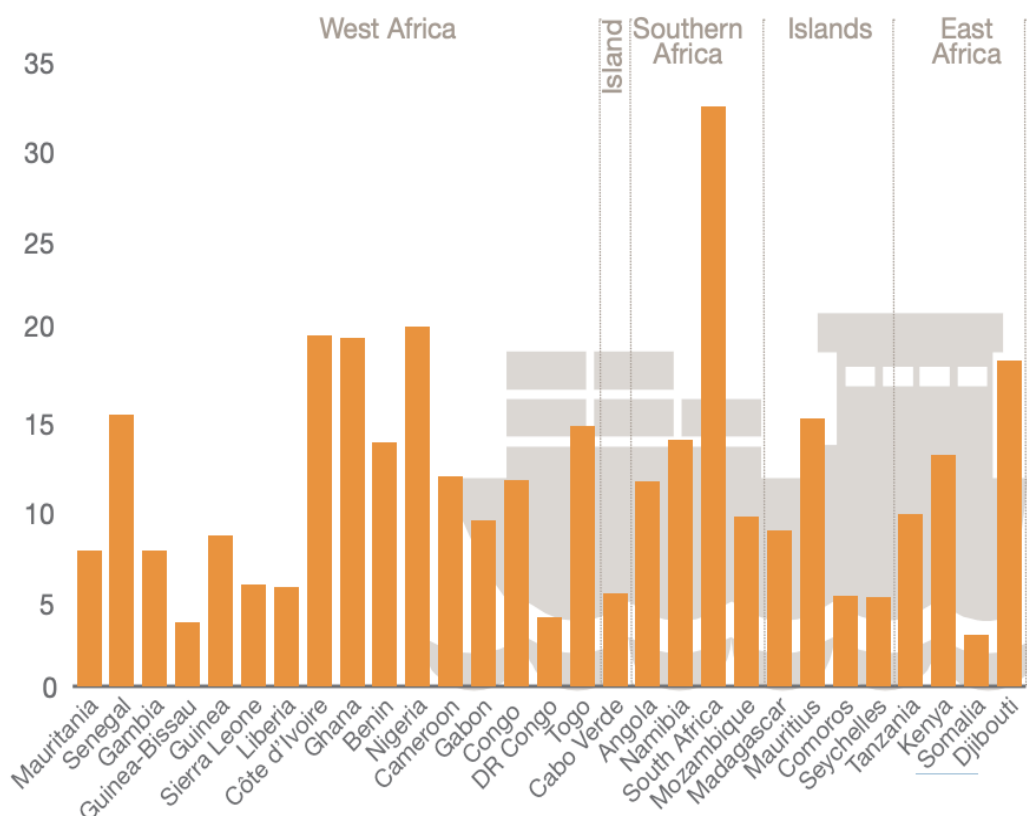


Figure 4: UNCTAD’s Liner Shipping Connectivity Index.

Source : <https://www.pwc.co.za/en/assets/pdf/strengthening-africas-gateways-to-trade.pdf>

An analysis by PwC's Capital Projects and Infrastructure (CP&I) using UNCTAD's Liner Shipping Connectivity Index (LSCI) indicates Somalia ranks poorly in interconnectivity alongside other African countries - almost the lowest on the continent (Figure 4). However, this is indicative of areas of improvement that can be targeted for future revenue potential.

Valuation, cost and revenue contribution: Somali specific data on valuation of ports and shipping sectors is scarce and very limited. However, most of the available literatures and figures indicate that Somali ports are thriving, and more ships are calling at the ports of Berbera, Mogadishu and Kismayo. This is an indication of the future potential revenue

opportunities that may lay ahead. These ports are currently accessed by six of the world's major carriers (CMA CGM, MSC, PIL, Emirates Shipping, Simatech and X-press Feeders) with vessels ranging from 1100 to 2700 TEU. Some of the ports are already attracting global investors including the likes of DP World promising to develop a new modern multipurpose port and inject more investment funds to the tune of \$442 million USD³².

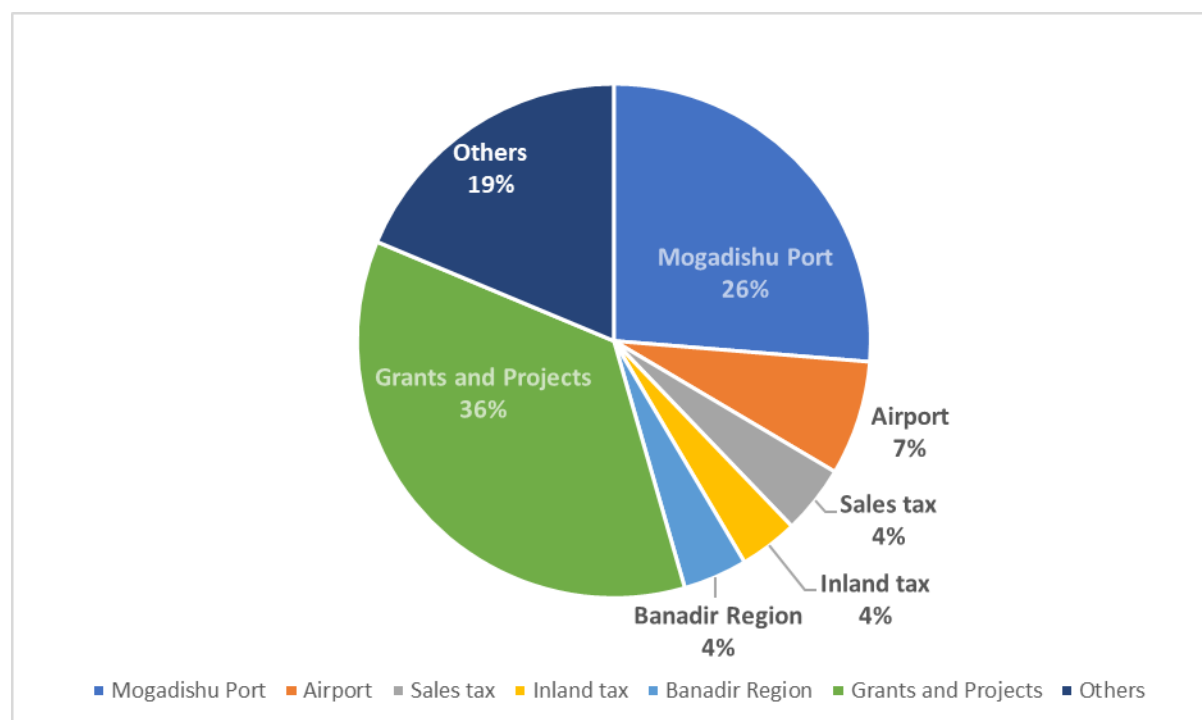


Figure 5: Total Revenues Collected by Source in 2020 and 2021 .

Source: Somali Federal Ministry of Finance.

In the present time, Mogadishu Port alone contributes most important domestic revenue. Annually, on average of \$98.6 millions of USD are collected for a revenue according to data from the Ministry of Finance (Figure 5). Port fees are major revenue source and a lifeline for the Somali Federal Government. A total of \$92.8 million USD was collected in 2020, and despite of the COVID pandemic still revenue from the Mogadishu Port rose to total collected revenue of \$104.3 million in 2021³³. Mogadishu Port revenue remains to be a primary source of revenue in time of doing this study. Many experts interviewed indicate, existing potential for revenue increase. Given that applied rates for goods such as cars and electronics are currently extremely low, customs revenues from ports are likely to carry the greatest potential in the immediate time.

4. NEXT STEPS – CONCLUDING RECOMMENDATIONS

³² <https://www.pwc.co.za/en/assets/pdf/strengthening-africas-gateways-to-trade.pdf>

³³ Somali Ministry of Finance. Total Revenues Collected by Source 2020 and 2021.

While Somali institutions have been making modest progress in setting up basic institutional capacity development, reforming the economy for growth, attracting finance and investment from small risk-taking firms for some limited blue economy sectors such as fisheries, offshore oil & gas extraction. Capitalizing on the transformative potential of the blue economy for Somalia will need financing and investment at scale, across a much wider range of sectors and blended funds and in many of the emerging and new blue economy industries that offer the potential to transform Somalia's long-term growth prospects. The development of this approach will require a number of key policy recommendations.

Firstly, creating an enabling environment for investment across sectors is number one. One of the crucial roles any of the countries reviewed in this study in promoting the Blue Economy was creating an enabling investment environment for both the public and private sectors. It is almost worthless if there is a general lack of conducive business and investment enabling policies. Long-term financing can only increase and become more reliable if there is an enabling environment for investment in the blue economy. Some sectors such as energy or telecommunication have already done some reforms where better and robust enabling environments for investment are created. There is still room for improvement.

It is critical that the Somali government continues to strengthen its reform agenda in order to remove investment barriers, whether these are regulatory or legal constraints, or other commercial risks. Many recent surveys on the business and investment climate in Somalia indicate policy and data limitations. The government should also strive to harmonize its investment and regulatory policies with those already existing national development plan and national investment strategies. Together with a policy framework that encourages significant investment in Somalia's emerging blue economy, an enabling investment climate can reduce the risks for public and private investors. A good first step would be transparent planning and coordination among key stakeholders and enablers facilitated by government ministries.

Secondly, mobilizing domestic resources and attracting the well-educated diasporic entrepreneurs with blue ideas and capital. As highlighted above, Somalia's oceans present countless new opportunities, and harnessing them would require initial financial investment, capital and creative ideas. Diversity of Somalia's blue economy investment and success of its strategy depends on a range of work force, skills and talent which is a huge existing gap in Somalia.

Currently, Somalia's traditional blue sectors like fishing rely more on manual skills or physical abilities, while other knowledge-intensive sectors such as mineral or off-shore extractive sectors require more advanced knowledge and technological skills that Somalia's diasporic communities can provide. Efforts have already started and have been ongoing in mobilizing domestic (national & local) resources and delivery of development assistance towards stability, and sustainable economic and social development. The generation of new immediate revenue streams and their reinvestment into selected BE sectors are needed. Such opportunities for generating revenue streams exist in increasing the sale of fishing vessel license fees and large fines that can be generated on

imposing illegal fishing. Most recent reports indicate that Somalia loses estimated revenues of \$300 million USD to illegal fishing³⁴, which is more than two times the annual potential earnings from the fishing sector. Imposing large fines on illegal fishing activities can increase licensing fees while could potentially generate new revenue stream from the fines or penalties. Improving and strengthening local resource mobilizations can increase the probabilities of more revenues that could be used for reinvestment for BE sectors for greater sustainable growth.

Thirdly, balancing investment options among competing development needs.

Investing in blue economy sectors is an institutional challenge that requires balancing immediate priorities like security and post-conflict reconstruction needs with longer-term policy and institutional development considerations. When high priority expenditures in security and social services are compared with donor aid and the limited domestic revenue, the funding of blue economy sectors fails collectively. To significantly impact investment in high yield BE sectors, the country needs to develop alternative funding mechanisms and prioritize investment goals.

Setting investment priorities for development and for domestic resource mobilization is central to the pursuit of sustainable development, including achieving the NDP-9 goals. However, when there are competing priorities, it is unlikely to provide enough resources to enable the transition to a sustainable and inclusive blue economy, particularly in the face of economic shocks as a result of the COVID-19 pandemic. So, it is imperative for policy makers to prioritize tapping into any global post-COVID recovery funds and redirect public funds into the development of high-value quick impact blue economy sectors that private sector or foreign investors cannot fund. Focus must be given to investing sequentially and progressively in strategic projects with transformative and sustainable growth potential. Selected investment priority programs need to be simple, selective, realistic, and accountable.

Fourthly, consider establishing a task force to study the range of possible investment options or sources of sustainable finance that could be deployed to support the blue economy in Somalia. Once challenges are addressed, priorities are set and an enabling environment for investment is established, policy makers should consider exploring commonly used investment and financing options including but not limited to diaspora crowd sourcing, blended finance which strategically combines public and/or private development finance flows and it is widely used globally, debt swaps or any of the multi-donor trust funds such as World Bank's "PROBLUE which is an umbrella multi-donor trust fund that supports the sustainable and integrated development of marine and coastal resources in healthy oceans³⁵." There are also limited grants currently used to fund blue economy sectors.

Fifthly, consider improving data collection and measurement. It is a common saying that "what gets measured gets done³⁶" and this is a true need in Somalia's BE

³⁴ Mail & Gurdain Staff Report. Illegal fishing off Somalia nets \$300m a year. <https://mg.co.za/article/2005-09-01-illegal-fishing-off-somalia-nets-300m-a-year/?amp>

³⁵PROBLUE. <https://www.worldbank.org/en/programs/problue>

³⁶ **FORBES. WHAT GETS MEASURED GETS DONE. OR DOES IT?** <https://www.forbes.com/sites/ellevate/2015/06/08/what-gets-measured-gets-done-or-does-it/?sh=2b49f2a213c8>

emerging sectors. What gets measured gets done, managed, monitored, financed and invested. The investment industry in all parts of the world places a great deal of emphasis on measuring both economic and social as well as financial impacts and returns. Measurement and data collection are critical to taking action, making decisions and investing in the Blue Economy.

Finally, despite the odds, Somalia has made steady progress towards debt relief and in attracting limited financing and investment; however, BE investment and financing have been piecemeal and limited to fisheries and port projects, and this has not been enough to realize the blue economy's transformative potential. An increased policy effort by Somali policy makers and strengthened support from international development partners can accelerate blue finance. It is likely that for the foreseeable future, technology and other barriers will limit the ability to attract funding at scale in some new ocean industries.

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ANNEX 1: PROSPECTIVE BLUE ECONOMY MAIN INVESTMENT STRUCTURAL FRAMEWORK CONSIDERED

MAIN INVESTMENT STRUCTURES (MIS)

A variety of investment structures, such as direct investment, indirect investment, and co-investment (joint investment/joint venture), have been studied and researched to be considered in relation to establishing Somalia's Blue Economy Investment Framework. All these investment structures are (currently used and would be well understood by investors and would therefore be able to attract capital for investment. In addition, none of these investment structures have been studied to be immediately applied in Somalia's current context or have been selected or recommended to be selected for the framework. It is something to be considered in relation to establishing the investment strategy framework as a basis to be looked at and considered for further exploration. It is possible to enhance it further by adding some features that could be usefully incorporated into the main investment structure (Associated Structure). This will strengthen and add value to the core investment structure by addressing risks and by enhancing the target outreach and impact of the whole initiative.

Proposed Investment Structures:

Dedicated Blue Economy Investment Fund

Description – This is a central fund structure designed to provide investment opportunities directly into the widest range of Blue Economy businesses across all sub sectors: fisheries, offshore oil and gas, salt and mineral extraction, renewable energy, and marine transport.

Figure 1: Dedicated Fund

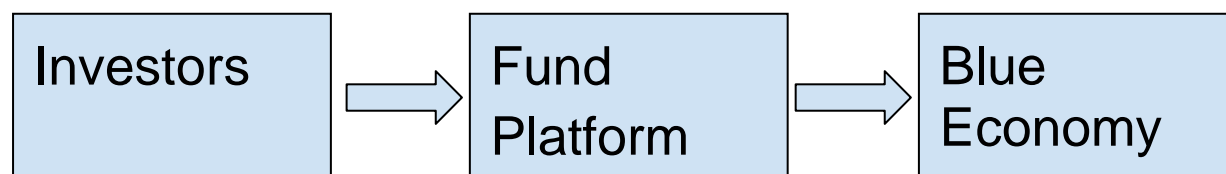


Table 1: Strengths and Weaknesses – Dedicated Fund

Strengths	Weaknesses
Simple fund structure	Sector risk profile and investment size may be too broad.
Depending on the opportunities and needs, support could be provided to sub-sectors over time.	It may be difficult to define Blue Economy opportunities in a coherent way for investors
Transparency - all sub sectors can be covered fairly based on the deals available.	Can become a competitive force (but only if gaps in the market are not identified).
Due to a wider knowledge of blue economy sectors, more effective engagement with diverse blue economy businesses.	For a fund manager, covering a wide range of sectors would be a challenge

Blue Economy Sub Sector Investment Fund

Description – a combination of fund structures that aim to support businesses and enterprises operating within sub-sectors of the Blue Economy based on the sectors that show the greatest funding gaps and offer the best investment opportunity.

Figure 2: Blue economy sub-sector focused theme

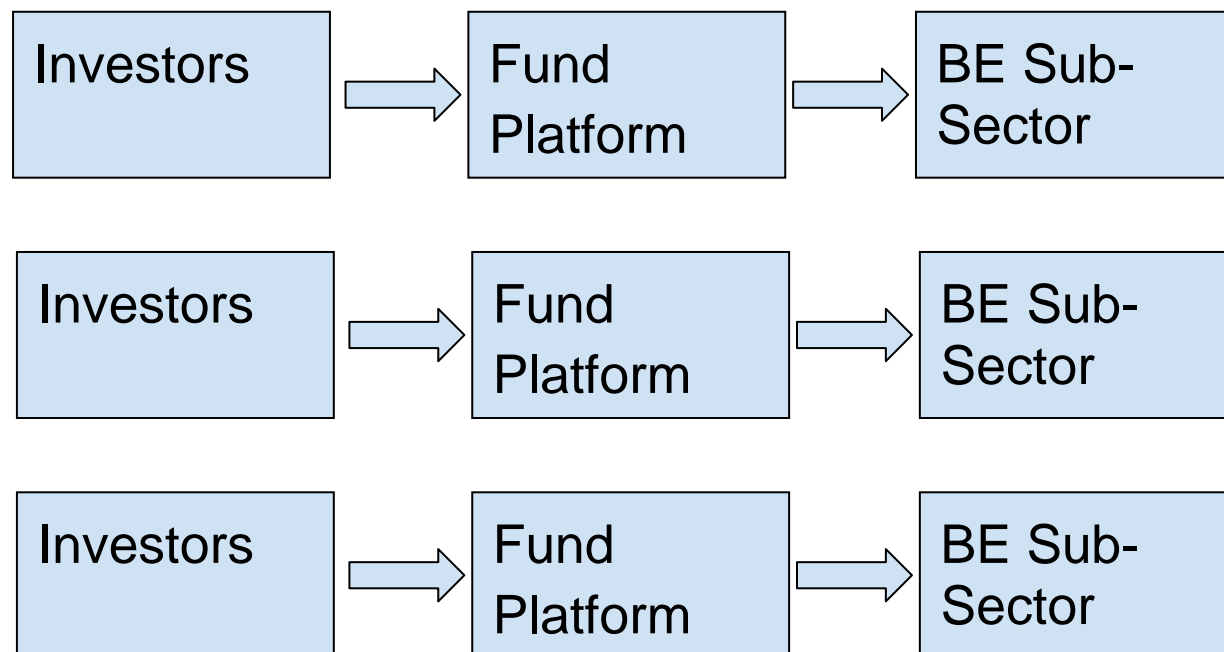


Table 2: Strengths and Weaknesses – sub-sector focused theme

Strengths	Weaknesses
There is a potential for developing and applying deep expertise in sub-sectors.	This may become a competitive force (only if the market gaps have not been identified).
A good focus is possible at the fund manager level.	Inflexible to sectoral changes over time.
Support from the public sector would favor Blue Economy sub-sectors.	

Investment Fund with Geographical Orientation

Description – One or more fund structures established to address the funding gap for Blue Economy firms. These funds may serve businesses located in specific geographical locations as a consequence of funding gaps identified in those locations. Funds of this type may be particularly desirable for investors focused on Federal Member States.

Figure 3: Focused fund with geographical orientation

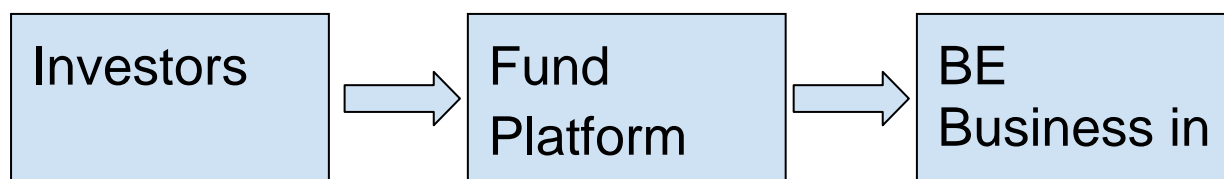


Table 3: Strengths and Weaknesses – Focused fund with geographical orientation

Strengths	Weaknesses
Investor instruments would be tailored to the specific needs of the targeted stage.	It would be considered unfair by participants not residing in the targeted area (if some geographies were left out)
It would enable focused operations to be performed	Could become a competitive force (but only if the market gaps aren't identified).
Allows for closer proximity and greater support for investors through direct presence and clusters.	
Eventually, the geographic focus and location could change.	

Investment Fund with Stage Orientation

Description – A strategic fund structure targeting Blue Economy businesses based on the stage of maturity (for example, start-up, venture capital, early stage, growth, expansion, etc.) based upon where the biggest funding gaps are identified.

Figure 4: Focused fund with geographical orientation

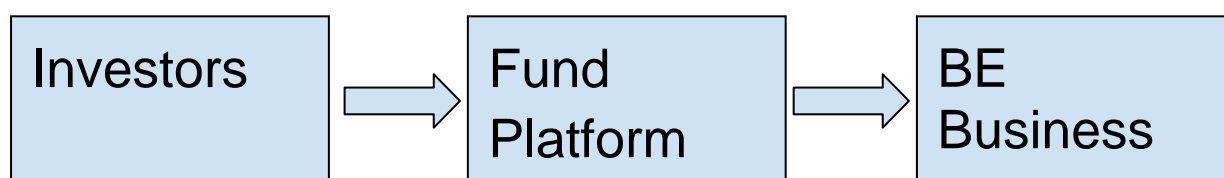


Table 4: Strengths and Weaknesses – Focused fund with geographical orientation

Strengths	Weaknesses
Allows capital to be deployed at the stage where the funding gap is greatest.	Support for other stages would not be possible in the future.
Fairness - all companies would have access at the appropriate development stage.	Could become a competitive force (but only if the market gaps aren't identified).
Investors naturally think in terms of company maturity.	

Co-Investment Fund

Description – A co-investment fund is an investment vehicle that is designed for deploying funds as co-investors alongside other investors. As such, it is a direct investor, but it does not have the same ability to source or structure deals as other funds to the same extent. In this way, it can be operated on a lower budget, however it is dependent upon being able to identify and add value to transactions to which other investors contribute equity.

Figure 5: Co-investment

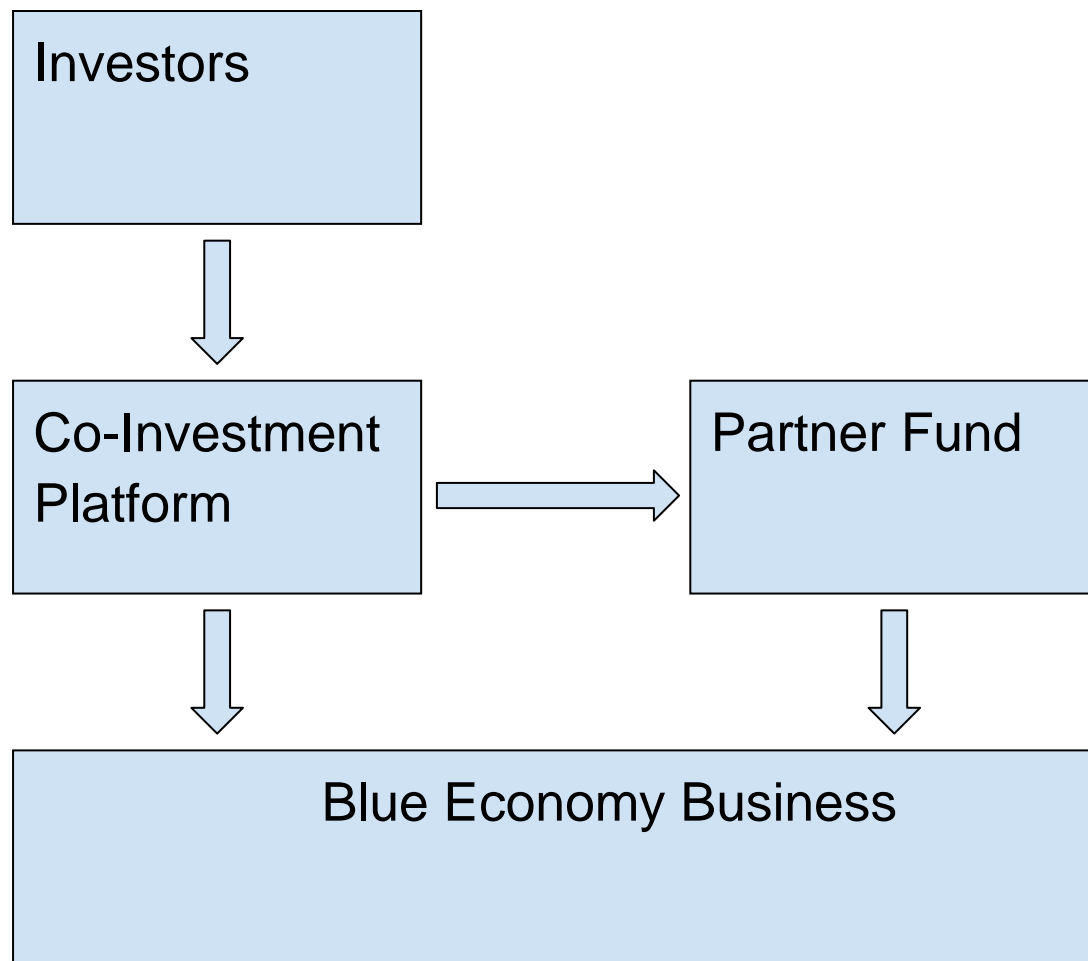


Table 5: Strengths and Weaknesses – Co-investment

Strengths	Weaknesses
An inexpensive way to deploy funds.	Depending on other investors for leads.
Co-investment with any eligible investor is neutral.	

Associated Investment Structures

The associated investment structures considered are the following:

Alongside the main investment structures, there are several features that could usefully be incorporated into the MIS. These would strengthen and add value to the core

functionality of the investment environment by addressing risks and by improving the outreach and impact of the overall initiative.

Technical Assistance

There is a clear role for technical assistance in the main investment structures. Technical assistance would be funded by grants and would be applied to strengthening the underlying businesses to which the MIS funds provided capital (directly or indirectly) and could also be used to strengthen the efforts of the Co-investors. It would therefore have a positive effect on the risk of the underlying portfolio by addressing weaknesses in end recipients of funds as well as strengthening the capabilities of fund managers selected by the MIS to operate in the Blue Economy.

A Match-making System

The match-making system would have a general aim of stimulating interactions between sources of capital and Blue Economy businesses that need access to capital. The system would have activities such as:

- Compiling a database of investors
- Active registration and/or selection of companies seeking finance.
- Presentation of business plans
- Active matchmaking and transaction advice

Shareholder Engagement

The role of institutional investors as major shareholders in Blue Economy businesses is crucial. Shareholder engagement can positively influence engagement on non-financial objectives.

An additional element of the main investment structure should be to provide to the shareholders a general information and data of the full range of Blue Economy sectors such as fisheries, offshore oil and gas, salt and mineral extraction, renewable energy sources, and marine transport.