

Capacity Building in Somalia through Sustainable and Impactful Business Investment

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Introduction

The concept of sustainable development is far from new yet defining the scope and scale of it, and how to measure it, can be challenging. It variously includes:

- creating opportunities now without compromising future generations;
- meeting development needs in a manner that is both socially and ethically focused;
- the outcome of public-private partnerships.

While discussion may be had about the weighting of the different aspects of sustainable development, what is clear is that it cannot be achieved overnight; it requires focus and insight into social, environmental and economic need, long term vision, and an understanding of stressors on available resources. Sustainable development means making choices and determining a course of action within the finite limits of resources at our disposal.

When preparing a business plan for sustainable investment in capacity building, the return on investment (ROI) is of greatest importance. However, ROI is not just the economic return but also the social and ethical benefits. An ROI assessment must consider the multiplier effect in the community as a result of the investment and whether it will yield returns to reputation, brand, employee engagement and generate future investment opportunities. In Harvard Professor Michael Porter's definition, it is about creating shared value; 'expanding the total pool of economic and social value.'¹

Seeking a Sustainable Somalia

In the context of Somalia and the need for business to invest to support the country's growth and bolster counter-piracy efforts, it is not a simple equation of business investment creating growth. The economic, social and political environment must foster investment that brings returns and creates shared value for Somalia and its population. In turn, investment by the

business community – whether stand-alone or in partnership – needs to look to the long term, to contribute to sustainable development and to demonstrate impact and value for money.

The latter is important not only to shareholders but to the broader business community to understand the investment potential. The UK Department for International Development (DFID) in its Operational Plan Somalia 2011-2015 (updated 2012) suggests that ‘the success of DFID’s investment in Somalia will be assessed both on the basis of its direct returns (such as numbers of jobs created and lives saved) and of wider, longer term security and economic gains. It can be expensive to provide aid in a conflict environment. But the potential benefits – to the UK, the region and Somalis – of increased security are also high.’²

Many cite public-private partnerships (PPPs) as the ideal mechanism for capacity building as the combined expertise and input from the two sectors creates a well-balanced and synergistic entity. Conversely, PPPs can be short-term focused, outcome-led and administrative-heavy, working in isolation from other initiatives as they strive to meet the needs of multiple stakeholders. Exit strategies can also be ill-defined. As highlighted at the 2012 counter-piracy conference, clear rules of engagement are required for PPPs to be significantly effective and impactful.³ Impact comes with long-term, focused investment that responds to economic and social need and any changes in society.

There is no doubt that business investment in Somalia is sorely needed, not in one-off projects that have limited scope, time or resources to make a difference, but considered, focused business investment that delivers shared value. Business has the opportunity to create stability, jobs and wealth creation and attract further foreign investment. Bespoke projects that meet a distinct need can then follow.

A report by the International Finance Corporation on scaling up private sector models for reducing poverty notes: “ Private sector development has an indisputable role to play in poverty alleviation across the globe.....Private companies can impact the process of development through their core business activities—in the workplace, the marketplace and along the supply chain; their social investment and philanthropy activities; and their engagement in public policy dialogue and advocacy activities”.⁴

The issue is how to ensure investment is scalable, replicable, sustainable and embedded within the emerging social and economic infrastructure, avoiding the risks associated with short term interventions.

Toward a Stable Investment Landscape – Partnership Solutions in the Journey of Development

A stable investment landscape is a key feature. The International Monetary Fund has contributed to this with its announcement that, after 22 years, it now recognizes the Federal Government of the country and is able to offer technical assistance and advice. Although the Government is unable to borrow funds due to its current arrears, the news sends positive signals to the international business community.⁵

Organizations such as One Earth Future (OEF) Foundation and Oceans Beyond Piracy (OBP) further contribute to the development of a positive landscape. The Investing in Somalia Program, launched by OEF in April 2012, has helped establish a platform to track and assess economic development in Somalia, to facilitate international funding and coordinate support from a range of stakeholders. Initiatives such as the joint industry contribution to support community projects in Somalia launched by Shell, BP, Maersk, Stena and Japanese shipping companies NYK, MOL and K Line generate further confidence. The partnership unveiled a joint collaboration with the United Nations Development Programme (UNDP) to support job creation and capacity building projects in Somalia. This partnership is a first step in a project launched in February 2012 that is designed to help rebuild a stable Somalia and to lessen the risk of piracy to seafarers in the Indian Ocean.

Shell⁶ says that for them, and others in the initiative, the pivotal reason for investing in Somalia was the “wish to achieve better security in the long term for those of our seafarers who transit the Indian Ocean. The initiative was developed and designed to make a positive contribution to the rebuilding of a stable and prosperous country with the longer term goal of reducing the risk of piracy to seafarers transiting the Indian Ocean. Piracy is a threat to vessels transiting the waters off the Horn of Africa and as the root causes of Somali piracy are on land, the ambition is that, by contributing to capacity building and job creation in Somalia, we will begin to address the root causes.”

Shell believes that although naval forces, governments and industry organizations have responded with increased naval capabilities and systems offshore, such measures do not address the root causes on land: “It seemed appropriate for industry to get involved as a collective effort in tackling the root causes and promote a long-term, sustainable solution to the Somali piracy problem. This is an issue that concerns the industry as a whole. For Shell it was important to set up in response an industry initiative that had the potential to grow in a sustainable fashion rather than start a single company project which could not have the same potential impact.”

In developing the project, Shell and its partners recognized the importance of understanding the conditions for investment with the need to identify an appropriate organization to deliver the program on the ground: “From the beginning, it was important for us to work with industry partners to make this a collaborative initiative. It was a necessary condition to find an organization with the relevant competences and experience in the area that we wished to invest in i.e. job creation. As for any investment, the criteria were that the money be invested in a way which is compatible with our Business Principles and those of our partners, and that the impact of our investment be as high as possible – in this case that the funds be used in as efficient and effective a manner.”

Shell added, “Finally, it was important the money be invested in capacity building aimed at growth and alternative livelihoods rather than judicial measures. The latter is important, but in Somalia, it is better left with governments and non-industry players.”

For the investment to be sustainable and impactful there was a business imperative to align the project goals and governance with the corporate principles of Shell and its partners. This reflects the requirement to develop a shared value for the partnership.

A Future in their own Hands

Business sector investment in Somalia does not come only from foreign investment but from the Somali people themselves.

The EU Strategy Paper for Somalia 2008-2013 recognized that ‘the private sector has survived and to some extent flourished in the near anarchic environment of the past decade.

...The private sector has, to a significant extent, mitigated the impact of state collapse and war on the Somali people. Prior to 1991, the economy was led by the public sector, but with government collapse the pattern has been reversed. Private investment in commercial ventures, such as money transfer services and transport and communications, has been robust, and this in turn supports other economic activities, notably those of traders doing business with the Middle East and Asia.’

The report recognizes that ‘for further growth and inward investment, legal and regulatory frameworks have to be developed’.⁷ The entrepreneurial spirit of the Somali population is well known; the strong private sector is evident in money transfers with an estimated \$1bn-2bn per year in remittances.⁸

One Earth Future Foundation through its Shuraako program is working with United Nations Office on Drugs and Crime (UNODC) to connect remittance companies together to establish an Association and an Internal Code of Conduct for their operations. If this can be integrated into the mainstream banking process and financial institutions then it will add to the sense of confidence and institutionalized management of private sector funds. The Economist in its article “Commerce Amid Chaos” notes that the ‘the biggest of the banks, Dahabshiil, moves a “large share” of the \$1 billion or more that Somalis abroad send to relatives back home each year. “We now operate under full banking licenses.”’⁹

So the Somali private sector can provide the bedrock for long term, sustainable foreign business investment. If managed well, this reciprocal relationship can further flourish.

Creating a Climate for Investment

When we discuss the need for business investment in Somalia to be long term, sustainable and impactful, it is important to understand the preconditions for foreign private sector investment. We need to identify mechanisms that if not met, at least manage such preconditions to further create an environment for sustainable development. The motivators of private sector investment, and by implication the value to the business, should also not be ignored.

The lessons learned from private sector partnerships such as the Joint Industry Initiative must be examined, analysed and shared, encouraging other private sector partners to join.

As Shell notes: “The program we are funding has been designed to support long-term sustainable growth in Somalia: it is about stimulating local economic growth and supporting long-term employment opportunities through micro grants and microfinance opportunities, skills training opportunities and the provision of employment advice that will make an impact in the medium term. The partners will do their very best to make the program a success. Such success will hopefully act as a catalyst for other companies to make a contribution and for capacity building in Somalia to be sustained.”

As the social, economic and political infrastructure in Somalia continues to develop and the thriving Somali private sector continues to expand, a climate for business investment is created that is long term, sustainable and impactful - to the benefit of all.

Endnotes

¹ Creating Shared Value. How to Reinvent Capitalism and Unleash A Wave of Innovation and Growth, Michael Porter & Mark Kramer, HBR, Jan-Feb 2011.

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67414/somalia-2011.pdf

³ Public-Private Partnerships (PPPs): Supporting Programs to Counter Piracy: The Efficacy and Implementation of Successful PPPs, and their Contribution to the Long Term Alleviation of the Root Causes of Piracy in Somalia.

⁴ International Finance Corporation, Scaling Up Private Sector Models for Poverty Reduction, 2004

⁵ <http://www.imf.org/external/np/sec/pr/2013/pr13119.htm>

⁶ Author interview with Sophie Fallou, General Manager Shipping Strategy, Shell Trading and Shipping Company, June-July 2013.

⁷ The Joint Strategy Paper (JSP) for Somalia (2008-2013) presents the strategic framework for the co-operation of the European Commission (EC) with Somalia under the 10th European Development Fund (EDF).

⁸ The Guardian. Somalia's Private Sector Can Help Rather than Hinder Development. Samuel Carpenter, May 2012. <http://www.guardian.co.uk/global-development/poverty-matters/2012/may/23/somalia-private-sector-development>

⁹ The Economist. Commerce Amid Chaos, Feb 10 2011. <http://www.economist.com/node/18119051>

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