



Alternative Livelihoods: Developing and Maintaining Economic Growth in Troubled Territories

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Estimates of ransoms paid to Somali pirates are in the region of US\$70 million for 2009, US\$100 million in 2010 and US\$130 million in 2011. While this is a very small sum compared to the total cost of containing piracy (estimated to be in the region of US\$6.3-6.9 billion annually), these are large figures in the context of the local economy of the pirates' anchorages in the Horn of Africa. Although Puntland's capital, Garowe, and its main harbour, Bossasso, have boomed in recent years, economic growth in the coastal areas remains weak and the government has been unable to offer (and sometimes pay) attractive salaries to its security forces. With the government struggling to project power in the coastal area, pirates provide important local government functions: most importantly employment, but also stability and local investment necessary for their own business. Although coastal towns have not grown rich on the proceeds of piracy (most of the profits appear to be invested elsewhere), the lack of attractive alternative employment makes it difficult for locals to resist the lure of co-operating with pirates. Effective counter-piracy would combine development and law enforcement approaches to change the relative risks and rewards of engaging in long-term hijack and ransom business. Once Puntland starts to exploit its oil resources more revenues will become available to its government and with appropriate international pressure and incentives some of this may be used for counter-piracy initiatives.

Coastal Puntland is economically deprived. Satellite images of coastal settlements along the Indian Ocean coast show dirt roads, mostly small-scale low-quality housing and little in the way of public infrastructure. Most coastal settlements simply have a beach from which small skiffs can be launched rather than –berth, docking, and port infrastructures. Trading vessels are unloaded at sea and hijacked merchant ships are anchored several miles off the coast. The well-known pirate anchorage near Hobyo serves as a good illustration. The local elder Abdullahi



Ahmed Barres' complains: "We have no schools, no farming, no fishing. It's ground zero here" and "The nearest hospital is an eight-hour drive on a rough road."¹

In this context it is hardly surprising that participating (to whatever small extent) in piracy is an attractive business. The heavily armed attack teams are just the tip of the iceberg as far as employment in the broader piracy business is concerned. Hijacked ships are often held for several months (and sometimes more than a year) while ransom negotiations are carried out. Given that it would be much easier to steal a ship moored two miles from the coast than braving the waves on the high sea, pirate groups need to post guards to defend their ships from possible attacks by rival gangs (or even local security forces) – as many as 100 guards are needed for each ship. Once the ships' supplies run out, local traders and businesses provide food and marine diesel to ships in return for a stake in the final ransom. The guards are often addicted to a mildly narcotic plant called *khat*, which provides further business to traders. Clan elders are involved in facilitating the ransom negotiations and get a cut for providing safe anchorage and smoothing local relations. Piracy is therefore a business that involves many people, though a large number of them probably only make a fistful of dollars from their investment or employment.

There are very few alternative livelihoods in Puntland's coastal communities - and certainly none that promise anything approaching the potential gains to successful piracy, both monetary and in terms of status. Somalia does not have a strong fishing culture: Seafood is avoided in the local diet as much as possible. Instead, ownership of livestock and trucks / SUVs confers social status. The transformative power of participating in a successful hijack is easily illustrated by comparing Somalia's *per capita* GDP (estimated around US\$600) to even the lower end of reported pay-outs of US\$15,000 for a member of a pirate attack team – plus a brand-new SUV for the first man on board. The successful pirate thus earns 25 times annual GDP *per capita*: in US terms this is equivalent to a premium of US\$ 1.2 million (United States *per capita* GDP stands at US\$48,000). It is hardly surprising that young men aspire to being pirates.

On the other hand there are massive risks and most recruits and investors see piracy as a way of getting the funds to establish themselves in legal businesses rather than thinking of piracy as a



long-term career or investment choice. Many (and possibly most) aspiring pirates perish at sea or more recently in fire-fights with armed guards and (occasionally) the naval forces - or end up in prison in the Seychelles or Kenya. A recently interviewed “pirate king” said that six of his attack teams had failed to return in a row. Many investors see their entire capital disappear in unsuccessful raids, when a ship is liberated or when the owner abandons ship and crew rather than paying a ransom. Thus piracy is a high risk – high return business and comparable to the pay-offs in other organised crimes such as drug smuggling and money laundering.

There is very little positive evidence that one can combat organized crime purely with a strategy of alternative livelihoods. Pay-offs in legal business simply do not come close to the rewards for successful high-end criminals. The best a development strategy for Puntland’s coastal settlements can hope to achieve is offering locals a better deal than that offered by the pirates. This would mean that the local communities would help rather than hinder local law enforcement efforts. And a development strategy need not be particularly costly. While there is evidence that pirate ransoms are being invested in Puntland (and increasingly in Galmudug), it appears that most of the investment is in the inland cities and Bossasso.

Analysis of satellite images of the coastal villages show that hosting pirates has not brought visible prosperity: there is little new building activity and little new public infrastructure (except piracy-relevant telecommunications facilities). A further indicator of continued economic deprivation is that none of Puntland’s coastal settlements on the Indian Ocean generate sufficient light emissions to feature on the global nightlights charts published by the National Oceanographic and Atmospheric Administration’s Earth Observation Group.² A small amount of investment in these communities would go a long way.

A second and vital aspect of a land-based counter-piracy strategy would be to strengthen law enforcement through local security forces. Local forces, although not particularly well resourced, are surprisingly effective when they are working with local communities. In Somaliland the combined political will of government and local businesses to improve the international perception of Somaliland has meant that pirates are not finding havens to conduct ransom



negotiations on Somaliland's coast. Similarly, grass-roots anti-piracy sentiment in Eyl has allowed Puntland's authorities to drive pirates out of this former pirate stronghold. However, pirates were able to take the ships to alternative anchorages further up and down the coast, where local communities chose to shelter them in return for their business.

With the Puntland authorities keen to exploit oil resources in their territory, both the political will and financial means to strengthen law and order are likely to improve considerably. The international community can lean on the Garowe authorities to try to project power into the coastal areas and counter piracy. In combination with a development strategy that makes impoverished coastal communities better off, land-based counter-piracy is likely to be both more effective and considerably cheaper than the current naval and private sector response, which can, at best, control the symptoms of economic underdevelopment and weak governance on land.

While "rehabilitating the fishing industry" is often mentioned as a possible option for a development strategy, it is important to understand that Somalia has a pastoral rather than a fishing culture. Many inhabitants of coastal villages were forcibly settled there and have no connection to the sea or aspiration to fish. Further research is therefore needed to explore how the communities would choose to develop local economic prosperity and to what extent their young men are simply seeking to escape from rural life altogether. Only with this information can we offer these communities attractive alternative livelihoods.

In conclusion, developing an economic development strategy is an important part of a land-based approach to piracy, but one that will only work in combination with effective law enforcement. There is likely to be a window of opportunity regarding the latter with Puntland's government keen to lose the label of "pirate state-let" and likely to be in a much better financial position when it starts to benefit from oil revenues. However, simply depriving some of the poorest communities in the world of their employment is likely to lead to bloodshed and deep economic misery. The international community has a role to play in offering alternative livelihoods to those who currently have little option but to take pirate money.



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For more information, see the conference website at www.counterpiracy.ae.

¹Jean-Marc Mojon, In the Heart of a Somali Pirates' Lair, AFP 2 September 2, 2010.

²Anja Shortland: “Treasure Mapped: Using Satellite Imagery to Track the Developmental Effects of Somali Piracy” Chatham House Programme Paper, January 2012.