Contributing to inclusive growth and stability in the Horn of Africa, with a focus on Ethiopia and Somaliland

The political economy of Berbera port and corridor
• This presentation gives information needed to carry out the case study exercise

• More is provided in:
  • The factsheets
  • The interview in the next video
The Horn of Africa

- c130 million people
- Not all negative, especially: Ethiopia’s economy; some stability now in Somalia; Somaliland 20+ years of stability; fragile peace Ethiopia/Eritrea; wider East Africa fairly dynamic
- **BUT**: Poverty severe and widespread; distressed migration (in-region, middle-east, Europe); droughts/climate change; weak states / radical Islam; threat to shipping; Yemen civil war; external interests (US, China, UAE & Saudi / Qatar & Turkey…); military bases in Djibouti (US, China, France), Eritrea and Berbera (both UAE bases)
Ethiopia

- 110+ million; the giant; landlocked; ethnically diverse; turbulent history (Empire, Derg to 1991); Federal; authoritarian; unrest from 2014; now reformist but fragile (2018 new PM); 1.4mn IDPs in 1st half 2018; unrest may threaten economy; policy now to integrate and stabilise the Horn
- Leadership of ethnic Somali Region replaced in 2018; exiled ONLF returned; much uncertainty
- Economy dynamic; active state; MDG scores well; growth of manufacturing and exports; FDI, much from China; heavy spending on infrastructure; foreign debt high; 95% of trade via Djibouti
Somalia

- History: squeezed between Arabs and highland Christians; Somalis divided between Somalia, Somaliland, Ethiopia, Kenya, Djibouti; clans are central; commercial networks across Africa and the world

- Somalia/Somaliland unified 1960; civil war 1980s (Somaliland seceded 1991, but unrecognised); Somalia state failed; arena for Al Shabaab; outside powers engaged (west, AU troops); Federal Government still weak
Somaliland (1)

- Internal conflict post-1991 secession; 1997 political settlement; 20 years peace, democratic order, some economic growth; economic rents to business people (clan-linked) who fund politics.
- The political settlement (see online text-box):
  - Three parties: clan elders; large-scale business; Somali National Movement (militia)
  - Each party must benefit if settlement to last
  - Benefits are control of politicians; jobs; monopolies; rents from govt revenues (but at 8% of GDP these are low)
  - Settlement is evolving but remains fragile
Somaliland (2)

- Politics is transactional (deal-based): ‘exchange of political services or loyalty for payment or licence’ (de Waal); makes sustained multi-actor initiatives for wider interest difficult to achieve
- Berbera port is central: large source of rents and main source of government revenues; 1990s local clan was given control, but in 2018 Dubai Ports World (UAE-based) took over
Somaliland (3)

- Economy: pastoralism major sector (stress from droughts, Saudi import bans); remittances; formal business vigorous; concentrated into few hands; monopolies
- Government: weak capacity; very low revenues (7-9% of GDP)
- Poverty multi-dimensional; limited access order/exclusion (clan, income, gender, youth, disability); joblessness
- Priority for climate resilience is diversification of macro-economy and livelihoods
Berbera port and corridor

- Now started; Phase 1 of port due by October 2020 (triple throughput), road upgrade by 2020/21; Free Zone
- Massive project; on port, up to US$440 million; on road Abu Dhabi US$90 million, UK likely US$15-20 million, possible EU/Germany
- Ethiopia: this is a Federal / highland project; not consulted Somali region, few/no plans to value-add there; dry port constructed (Dire Dawa) outside main Somali area
- Single greatest developmental potential in Somaliland, could stimulate Ethiopia SNRS; but potential will not be realised without policy/institutions/investments
- May impact on stability of Somaliland and SNRS (‘Others benefit; we are left with dust’.)