

# What it takes to build a state

## Lessons from Somaliland

MARIE-NOELLE NWOKOLO



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### The Brenthurst Foundation

The Brenthurst Foundation is on the frontier of new ideas and innovative actions for strengthening Africa's economic performance. Our activities are focused in three areas: encouraging key decision-makers and experts to share experiences and insights at private meetings and seminars; delivering relevant, practical policy advice to governments; and generating new thinking and thought-leadership to address Africa's development challenges.

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### Executive Summary

The self-declared autonomous state of Somaliland in the Horn of Africa is a practical demonstration of building a state from the bottom-up. It is also a demonstration of the benefits and limitations of outsider influence in domestic economies. Over the past thirty years, Somaliland has transformed itself from a war-ravaged state to one of Africa's bastion of democracy, even if unrecognised. While Somaliland's status is crucial to its success story, the opportunities from strategic engagement with outsiders, such as with Berbera Port, will be instrumental to its continued success and ability to deliver for its growing population, not least the burgeoning young demographic. For all the pomp and pageantry around Somaliland, the story that should be taken away is that building and developing states is hard work and requires a concerted effort to make the right choices and pursue the right opportunities.

## Introduction

After 90 minutes of swaying and swirling across the mountainous terrain of Berbera, the car comes to a screeching stop. The village of Tuuluda Bixin-duule is finally within sight. The town looks small – a cluster of tin-roofed concrete block houses and several colourful *Buuls* (traditional nomadic houses) sprawled over the land. The polling station is swarming with women, men, and children. The commune's 900-plus registered voters are out to cast their vote, and many have makeshift tarps, cardboard, and pieces of cloth over their heads because it's at least 38°C (and feels like 44 °C).



Grunts and groans about the heat and the slow movement of the queue ricochet in the air. (This could be Accra, I thought.) But the people persist. The occasion demands it. This is the thing about Somalilanders; they will make their voice and preference known, come what may.

The scene described above played itself out in May 2020, the 30<sup>th</sup> anniversary of Somaliland's independence and the 20<sup>th</sup> anniversary of the state that broke away from Somalia in 1991 being a multiparty democracy. They were there to select their parliamentary and local district candidates of choice.

In a village so disconnected from well-functioning amenities, roads, and bustling economic activity, the vibrancy around casting a ballot was intriguing. There were many questions including, "On what basis did candidates' campaign?" and "what could the residents of Bixin-duule expect to receive?"

There are many answers; it turns out. Of the lot, one loomed large – the devastating memories of the not-so-distant past political turmoil and destruction that led Somaliland to declare itself independent from Somalia. It was only three decades ago that the military government of

Mohamed Siad Barre in Mogadishu used warplanes to bomb the capital of Somaliland, Hargeisa, into the ground. After the war ended in 1991, Somaliland's leaders got together and declared their independence from Somalia.

This sour past has created a contested present that many have not forgotten. But, for Somalilanders, that decision to dissolve the union was an active demonstration of what type of governance they wanted and deserved for themselves and will stand by, even today. This is, in part, a key reason why people started queuing at 04h00 on election day.



## Brief Overview of Somaliland's Historical Antecedent

When you visit Hargeisa, the capital of Somaliland, a Mig-17 fighter bomber is on display on a monument commemorating the country's 18 May 1991 declaration of independence from Somalia. The bomber was one of those used by South African and Zimbabwean mercenaries under Siad Barre's command to decimate the city, leading to many thousands of civilian casualties, the creation of what became known as a "roofless city", and, more thankfully, its extensive global diaspora network which currently acts as the economic anchor of Somaliland.



Before this, Somaliland was a British protectorate secured until 1960, when it declared independence and subsequently joined Somalia. Given the instability and tyranny of Siad Barre's rule, the state decided to reassert its autonomy – a decision they are still paying for today. Over several months between 1991 – 1993, they deliberated, discussed, and debated what the terms of their state would be in the Burao, Berbera, Sheikh, and Boorame peace conferences. A process which comprised a number of regional peace and reconciliatory talks mediated by traditional elders, and which

subsequently led to peace accords that spread throughout the former British Somaliland and its mostly Isaaq and Darod clan groupings.<sup>1</sup>

Still, Somalia is set on not recognizing Somaliland as an independent state, and worse, the international community, fearing encouraging dissidents or secessionist movements, is caught in a self-inflicted diplomatic bind - choosing to turn a blind eye to Somaliland's plea for a recognized status and propping up the government in Mogadishu. In essence, the international community and accompanying band of donors reward failure in the south and ignore success in the North.

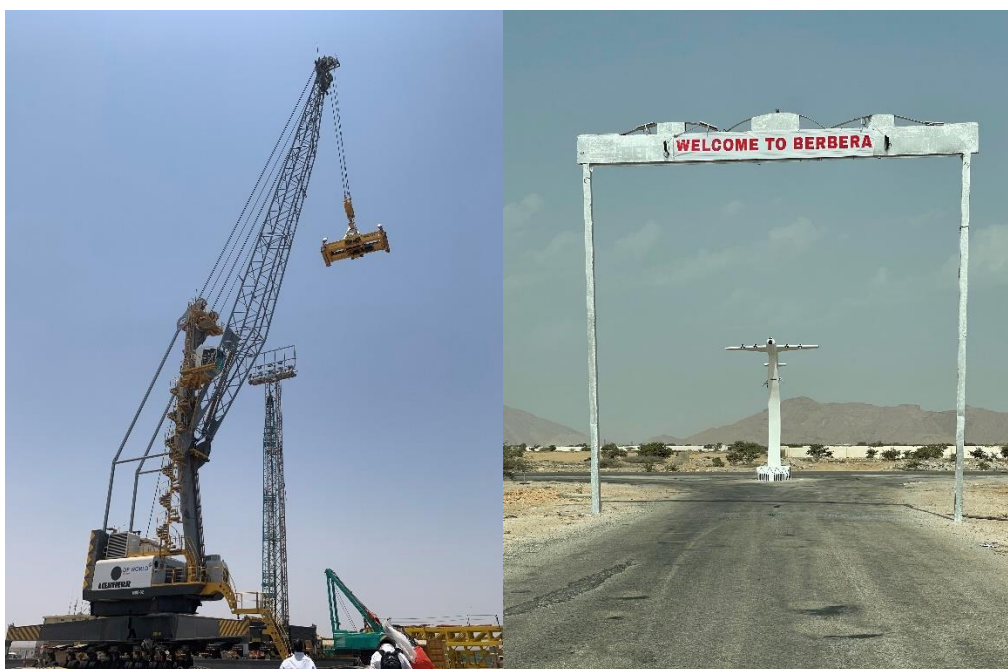
## **Making Do: leveraging the private sector for key infrastructure**

As a result of its circumstances, growth in Somaliland is mainly private sector-led, and its public services are telling of the reduced capability of the state. Roads are in poor condition, free-roaming livestock parade the streets of Hargeisa, and cars honk unnecessarily and loudly as they speed past, lifting clouds of red dust. Much of its income comes from remittances estimated at a yearly value of \$700 million-plus. In 2018, the national budget was

US\$382million<sup>ii</sup>, making remittances the single most significant inflow: larger than aid and humanitarian assistance combined.



It is why investments and developments like the involvement of the Dubai Ports World's \$442-million expansion of the Berbera Port facility on the Gulf of Aden are critical. The added development of the special economic zone and the 250km road infrastructure between Berbera and Ethiopia to route some of Ethiopia's exports, primarily dependent on the Port at Djibouti, through Somaliland, is impressive. The impact, also, of the Hargeisa bypass constructed and funded by the United Kingdom's Foreign Commonwealth Development Office (FCDO) and TradeMark East Africa (TMEA) is a necessary investment, linking the port to the vast Ethiopian market of 115 million people. The upgrade of the Port facility and road infrastructure will increase its capacity and position it as a significant regional transshipment hub and trade corridor.





Around five years ago, Berbera Port was docking an average of 30 ships each month and unloading some 10 000 containers a year. Today, 500,000 move through the port each year, and general cargo volume has doubled to two million tons. By 2026, the Port is expected to handle an estimated two-million containers and four million tons of general cargo when it is completed in 2026, rivalling some of Africa's more efficient ports, Mombasa, and Djibouti. In addition, the 270km of shiny road from Berbera up to the border of Ethiopia in Wajaale has also given a facelift to what was previously an expensive, organ-shifting, dusty, bumpy ride, cutting travel times between Berbera and Hargeisa in half.

Somaliland's unique identity as a *de facto* sovereign state has major implications for its ability to attract foreign direct investment or access international capital markets – a major source of finance for many countries. Yet, its ability to create a modern state with complex financial systems and interconnectedness is telling – much unlike its southern neighbor and donor darling, Somalia, which has been unable to create a moderately peaceful nor stable system of governance for its people. Nevertheless, in order to increase the standard of living for its population, Somaliland has had to find ways to create and expand economic gains. For them, rebuilding of the Berbera Corridor is a vital state-building project which tremendous economic potential.

This public-private-partnership (PPP) with DP World has brought the efficiency of business to public service. It allowed, among other things, the ability to retain ownership of the asset while contracting the private sector to do the specialized tasks of building, maintaining, and operating the infrastructure. However, the current model still had its fair share of critics – mainly politically influenced – including allegations of bribery to authorise the project; alleged lack of transparency around the deal; and concerns over land ownership in the Berbera.<sup>iii</sup>



Nevertheless, the goal was never to not do it, as Somaliland's opposition parties (Wadani and UCID) were just as stern as the incumbent government in issuing warnings to neighbouring Somalia<sup>iv</sup> when it attempted to invalidate the deal by lodging official complaints with the Arab League and African Union.<sup>v</sup>

The most pertinent lesson from Somaliland's approach to investing in the Berbera Port and trade corridor is around financing. It is often said that it is best when infrastructure is financed by those who will operate it, with a system for recovering costs. Why? Because it offers the clearest incentive to build and run infrastructure as cheaply and efficiently as possible, rather than a sole focus on the immediate profits of the deal without much consideration of the other partner or the longer-term relationship.<sup>vi</sup>

The Somaliland government's approach to the development of the Berbera corridor is instructive. It shows that a proactive approach (courting DP World), clear and committed political leadership, capitalizing on access to a big regional market, and a continuous reduction of red tape for investors is key to success.

Another key lesson is the need to match hardware with software, without which the former has much less value. The port and the road are necessary infrastructure but to achieve the desired economic impact, the country's leadership must think in terms of how infrastructure can be integrated to support economic growth. Here, the most immediate and transformational challenge Somaliland faces is the transformation of its economy from one based on pastoral livestock herding to one capable of generating employment and income to deal with the digitally-connected but out-of-work growing population, a potential threat to its stability. The transport corridor and the accompanying development of an export processing hub could stir up the Somaliland economy and provide employment through, for instance, the building of value and supply chains around the processing, chilling or freezing of meat, fish and fruit, and exporting them.

Success requires more than just financing for development and large-ticket physical infrastructure projects. The experience of more prosperous countries highlights the importance of creating a more integrated policy environment where the system (state machinery and business environment) works, and people can get things done efficiently.

Somaliland's journey has since not been easy. Yet, the challenges facing Hargeisa, the capital city, are not that different from those facing the capitals of many African countries. And the solutions – political will, decisiveness and commitment – are not that different. Somaliland has the advantage of a history built on these solutions, after all, this is what it took to put Somaliland back after the horrors of the late 20<sup>th</sup> century. Politics, history shows, lies at the core of developing an overall prosperous policy environment.

## The structure of politics

Somaliland's governing structure encompasses an elected president as head of the Executive, a bicameral legislative body with a House of Representatives, elected by the people, and an Upper House of Elders (*guurti*), elected by clans and visionary elders. Since signing the peace treaty in 1991, Somaliland has maintained this structure and managed to build a functioning 21<sup>st</sup>-century state – albeit unrecognized – with relatively minimal help and in some cases "against active opposition from the world's self-appointed nation-builders and doers of good".<sup>vii</sup> This success is not one that *just* happened. Rather, it is the fruit of a stable political coalition that combined power groups from its society's informal and formal institutions. To give credit where it is due, Somaliland has done well for itself.

Its development trajectory, however, has reached an inflection point where strategic leadership is needed to manage better internal political coalitions and vested interests and secure access to vested and engaged capital to fund its infrastructural development, among others. For this, they need to get the politics right.

A characteristic feature of many African countries is the close relationship between businesses and states. When managed properly, it can create the basis for economic growth – Botswana is an example of this. However, when mismanaged, countries could be caught in vicious webs of patrimonialism, patron-client networks or state capture – as is the case in places like South Africa and Nigeria.

### **Navigating the slippery slope of state-business relations**

Literature around the importance of state-business relations cannot be overstated in a world where people know that 'the market' can fail, just as much as the state can fail. However, the importance of these two pillars, civil society organisations (CSOs) included, in creating conditions for growth makes it beyond necessary that they cooperate. An antagonistic relationship leads to low growth and failure.

Done well, the process evolves like this: close and inter-linking associations amongst the political and economic elites offer the opportunity to focus rents and political interests in productive activities, and to build trust and drive local economic growth as was achieved in East Asia in the late twentieth century and early 21<sup>st</sup> century. As gains are made and the economic pie starts to grow, it becomes imperative that the benefits get distributed widely to ensure that the general population sees and feels the advancement. As their wealth increases, the political sphere expands and new actors with newer ideas come in and alter existing political coalitions and the balance of power.

As such, states are constantly evolving as power changes hands, or, at worse, is consolidated among a small group. Where elites restrict access to economic gains and power and instead amass more control for their singular use, including oversight of governing bodies, progress halts, and vice versa. When done wrong, the political implications could be detrimental to broad-based development, as we see in places like Nigeria.

While necessary for success, the design and nature of state-business has proven to be a tricky and slippery interaction with the potential to be problematic.

One would desire, based on successes in places like Singapore, a situation where both state and business community are equally autonomous and an organized business community can engage in constructive contestation which is likely to lead to beneficial policies for the broader population.

In Somaliland, too, managing the power and authority of clans and clan-based networks that dictate who gets what and does what is vital. While Somaliland has crafted for itself a stable, secure, democratic and functioning society with minimal aid and outside interference - a feat only about two other African countries can boast of – it still has ways to go.

Indeed, there are lessons to be garnered from others who have endeavoured to rebalance elite interests in promoting reforms. Botswana's transition from a neglected poor country to one of economic success after independence offers some lessons on managing political coalitions and domestic vested interests towards growth and development.

One of the main reasons why **Botswana** did not fall (at least not immediately) into disappointing 'resource-curse' traps like Nigeria or D.R. Congo was the ability of the Botswana Democratic Party (BDP) to build on existing economic interdependencies, be strategic in the management of its resource wealth, and most importantly, to bring together rival groups into a coalition that was focused on delivering results.

As power structures changed over time, so did the constant negotiations and renegotiations with(in) power groups and among political coalitions to ensure that the equilibrium needed for growth was stable. Through constant iteration, the BDP was able to achieve a political settlement that allowed for growth. This dance – a difficult and intentional process – was necessary.

Today, there is still so much Botswana has to do for itself – a lot of it still involves managing vested interests, power dynamics and political coalitions around sources of growth.

The lesson thus is to prioritize unity of effort, capacitate and harness the country's greatest asset – people, especially returnees; and adopt a laser-like focus on what it takes to foster innovation and entrepreneurship and private sector activity. In addition, clever thinking around optimal ways to order political systems is critical. In this case, leveraging clan-based networks into productive units around service delivery, governance accountability, infrastructure development, and maintenance.

Still, Somaliland has crafted for itself a stable, secure, democratic, and functioning society with minimal aid and outside interference -a feat few African countries can boast of. The crossroads they find themselves in today does not require more interference but rather strategic and clever thinking with specific outcomes that economically and socially empower its citizens. The evidence of growth in Somaliland's democracy will be evidence of a more prosperous and inclusive society.

The challenges for Somaliland are enormous. It cannot be caught up in nor distracted by the hype and hoopla around being the "unique case in the Horn" and the seemingly rising interest of donor governments looking to open shop and engage on piecemeal projects. Instead, Somaliland's leaders and advocates must be committed to doing more of what has worked and is working, getting the basics necessary for growth, and formulating strategies on how external strategic partners could best assist local operations.

## Doing (more of) the right things

Somaliland is not without issues – but it has done a few things right that it needs to do more of and others could learn from. Five stand out in this regard.

### **Leverage the best and brightest of your talent – locally and globally**

To vouch for itself and its future, Somaliland needs to create better opportunities to harness its youth population and cutting-edge technological innovations to create jobs and upskill its population. The availability of relatively inexpensive and fast internet offers a chance to equip the youth with 21<sup>st</sup>-century skills to acquire and subsequently work across the world to increase their competitiveness in the global system.

In the same vein is the need to focus on education. With an illiteracy rate of 43% (debatable because no official statistics exist), the economy will struggle to achieve the high levels of productivity and competitiveness needed to thrive in a global landscape. Therefore, much effort needs to be put into forming partnerships with high-performing international institutions to ensure that their educational institutions' curricula and teaching abilities are up to par – across the country.

Leveraging global talent is equally necessary. The wars under Mohamed Siad Barre's rather punitive regime led to a mass exodus of many of the country's talent, many of whom have maintained close ties – financially- and often return home. In the government offices of Hargeisa, one may meet foreign-educated returnees who make up a visible presence among civil servants, political and business leaders, heads of community organizations and entrepreneurs. This presents many opportunities that places like Singapore can attest to. In the mid-twentieth century, Singapore, for instance, made sure that it filled the government with the best and brightest, competitive compensation and backing of leadership to do their job well. The injection of the diaspora and returnees is part of a strategy to build human capital and leverage intellectual remittances – brain gain –in the form of skills, knowledge and technology.

### **Ruthless prioritization of enabling infrastructure**

As with the Berbera Port and complementary infrastructure, the notion that countries must 'build and they will come' may not always be the most useful. A seemingly more beneficial approach is identifying where economic opportunities and competitive advantages lie, and

courting investors that would best meet your goals and amplify your reach. For example, part of Somaliland's focus on gaining international recognition has meant creating the logistical and infrastructural framework to make it a more business-friendly environment. The objective is not another white elephant project isolated from the existing economic economy but one that makes current operations more efficient and profitable.

### **Innovating around remittances**

Somaliland needs to find a creative way to tap into remittances. For several years, remittances have been the flow that fills the gap in the country's balance of payment but is never really put to productive use in the economy. If they are serious about building a well-functioning and diverse economy as an unrecognized state, there is much room to define what could be done. Finding ways to divert remittance into productive financing vehicles for investment in infrastructure would be one way to go about it.

### **Be strategic about international relations**

Somaliland has made several efforts to be present at international engagements. While those are valuable, a more targeted and rewarding attempt would be to adopt an approach of strategic and targeted engagements. While it may not have ambassadors to several countries due to lack of diplomatic recognition, it can still meet with top executives in sectors and industries where there is a compelling case for investment. Over time, knowledge will be built around the ebbs and flows of investor needs and how to marry the needs of the domestic economy with those of outsiders. Over the past few years, for instance, the Somaliland-Taiwan relationship has brought legitimacy, investments and access. Such strategic engagements allow for more in depth cooperation and in this case, presents the opportunity to learn how to lobby for oneself and gain access to global systems without formal recognition, as Taiwan has been able to do. The goal is to use international relations – global politics and world economic orders – to their desired advantage.

### **Prioritize and manage domestic politics**

Somaliland's claim to fame is largely around the vision of its traditional elders in the early 1990s to come together, no matter how hard, to map out, clarify and agree on the future of the state. The series of local reconciliation and peace conferences held in Burao, Berbera, Sheikh, and Borame make up the main differentiator. While vested interests and the political playing field have evolved, these meetings – nature and make-up – offer important lessons on including

and appealing to the domestic populace and key figureheads who play an influential role in society. While this bottom-up development model has helped create a functioning democratic state at the macro-level, it has reached an inflection point. It requires, today, a more intentional approach to delivering better social and economic outcomes for its people, among others.

Nevertheless, excluding traditional systems may, in fact, not be a feature to embrace. Instead, a more complementary combination of unconventional (Western or otherwise) and conventional methods of governance, state-building and peacebuilding that serves to create a more cohesive social compact would be desirable. Success, of course, did not come from merely having lots of stakeholders at the table but rather fundamentally from setting clear targets and the vision – *to achieve peace* –and making the difficult decisions, including trade-offs, that would allow the vision to become a reality. The benefit of best practice is that Somaliland, like other African countries, can pick and choose what would be beneficial. Do more of what has worked well for the population.

For all the pomp and pageantry around Somaliland, the story that should be taken away is that building and developing states is hard work and requires a concerted effort to make the right choices and pursue the right opportunities.

It all starts with queues of eager voters willing to sit out soaring temperatures because they believe in their country.

*Marie-Noelle is with the Brenthurst Foundation. She recently travelled between Berbera, Hargeisa and Wajaale as part of a mission to understand Somaliland's lessons for peace- and state-building.*

## Endnotes

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