
Industry Analysis: Fishing in Somaliland

PHOTO: Shuraako



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Current State of the Market

Somaliland boasts an expansive coastline along the Gulf of Aden and Indian Ocean. These waters are home to an extensive list of fish species, including various species of tuna, albacore, lobster, swordfish, shark, and many others. Table 1 shows recent data regarding the value that some of these species possess. About 60 tons of fish are brought into Berbera port in Somaliland, each year.ⁱ The most common style of fishing in Somaliland is artisanal. This entails fishing in smaller boats, which are between five and 8.5 meters in length, and host around seven crewmembers.ⁱⁱ

While some efforts to take advantage of the offshore resources exist, there is a great opportunity to responsibly expand and improve fishing operations in Somaliland.

Table 1: Fish Caught in the Waters off Somalia (metric tons)

Species caught in Somalia's "EEZ"	Value per ton (average 1997-2006)	Annual landings (average 1997-2006)	Total Annual Value (average 1997-2006)
Yellowfin Tuna	\$2,333	2,168	\$5,707,851
Bigeye Tuna	\$2,913	1,485	\$5,044,167
Skipjack Tuna	\$1,035	1,417	\$1,471,568
Albacore	\$2,516	90	\$263,354
Tropical Spiny Lobster	\$9,959	453	\$4,390,080
Swordfish	\$2,639	393	\$1,245,157
Mixed Group	\$1,051	26,413	\$27,770,359
Total	\$1,416	32,419	\$45,892,437

Source: Sea Around Us Project 2011ⁱⁱⁱ

Industry Opportunities

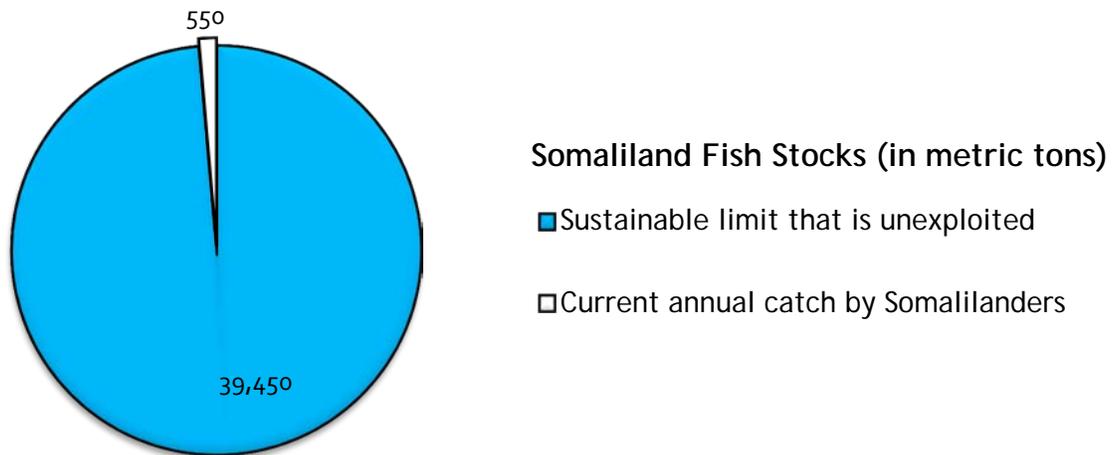
After its self-declared independence from Somalia in 1991, Somaliland has been a relatively stable democracy. The Somaliland government is dedicating a significant portion of its revenues to improve security, and they are seeking to promote investment by maintaining a relatively low level of bureaucratic 'red tape,' and offering tax incentives. These factors serve to make Somaliland a viable region to invest in.

The market for fish within Somaliland is expanding. Between 1,000 and 1,500 kilograms of fish are reportedly brought to Hargeisa, the capital of Somaliland, on a daily basis during high fishing season, and this supply does not satisfy the demand. Fish vendors constantly run out of fish well before the local markets close each day.

No town in Somaliland is located very far away from the coast. Despite this, many markets supplement the local catch by importing fish from Mogadishu and abroad. This additional fish supply arrives by plane, and are generally all in fillets, which demands a higher price. Nonetheless, they sell rapidly, and the demand remains. For example in Hargeisa, 50% of the daily fish supply is brought in from Mogadishu. If fishing supply chains were improved in Somaliland, this would increase profits in the region and better support market demand.

It has been conservatively estimated that the yearly sustainable catch available to Somaliland fishermen is 40,000 metric tons.^{iv} Since the amount of fish supplied to Hargeisa on a daily basis is about 1,500 kilograms^v (or 1.5 metric tons). That equates to only 550 metric tons a year, and this leaves (at the very least) an impressive 39,450 metric tons of fish available for catch that could go towards meeting the demand for fish in Hargeisa, other Somaliland towns, and export markets.

Figure 1: Fish catch versus availability



Risks to Consider

Valid risks and concerns are always present when pioneering any opportunity. The concerns discussed here have deterred others from attempting to develop the fisheries sector, derailed prior attempts to exploit the fish stocks, or have presented themselves since previous attempts were made. Clearly these are legitimate concerns, but when properly addressed, great opportunity still remains. This report addresses the following risks:

- a) Cultural Norms
- b) Infrastructure
- c) Additional Fishermen
- d) Land-Based Threats

a) Cultural Norms

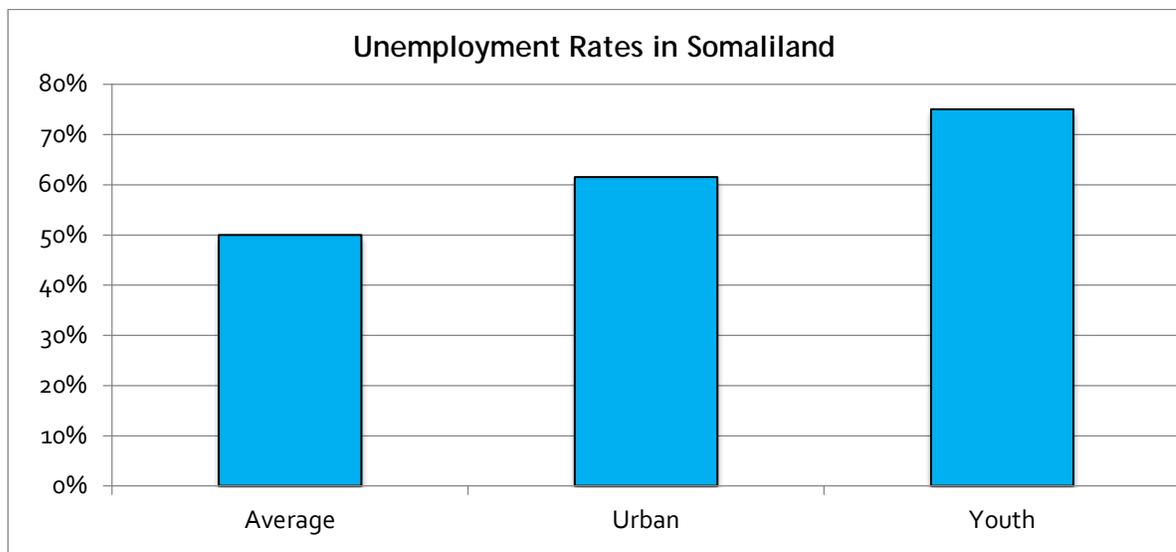
In the past, cultural norms in Somalia and Somaliland have framed fishing as an inferior industry, and fish meat has been considered to be of a 'lower status' than others. Recently though, there has been a shift that has seen a greater acceptance of fish and fishermen. Much of this has to do with Somalis increasingly recognizing the health benefits of eating fish. The healthfulness of fish has been promoted by local doctors, the government, the United Nations Development Program (UNDP), and the United Nations Food and Agriculture Organization (FAO).^{vi} In such a volatile environment that is often affected by drought and famine, the importance of dietary diversity is gaining salience.

b) Infrastructure

There are many aspects to take into consideration when dealing with infrastructural limitations throughout the fishing supply chain:

- **Boats:** The quantity of appropriate boats is limited. Any effort to catch a larger portion of the fish stocks will require investment into sea-worthy vessels. A shift away from the vessels currently being used is advisable, as other variations would allow better fuel efficiency, safety at sea, and the ability to handle and store fish hygienically. This consideration also includes accounting for required fishing equipment such as nets, and standardized motors.
- **Training:** Somaliland currently claims an unemployment rate hovering around 50%. Rates in urban areas and among youth spike to 61.5% and 75% respectively.^{vii} While this suggests there is a large supply of Somalis available to recruit into the industry, an effective training program would be necessary for each person hired. This goes for fishermen, captains, boat repairmen, mechanics, fish handlers, fish processors, fish transporters, and fish sellers. Proper training would expand the capability of the entire industry.

Figure 2: Unemployment in Somaliland



- **Storage:** After the fish are caught, an appropriate system of storage is required. This means that investment into on-vessel freezing options is needed. Storage and freezer space, along with the availability of ice, is not exclusively a concern on the boat. Greater investment will also need to be made into onshore facilities. Currently there are only dilapidated facilities and equipment available to fishermen seeking to store their fish, and often these do not meet hygienic standards.
- **Quality Control:** At the moment, there is no consistent form of quality control. To improve the reputation of the fishing industry and to gain acceptance into new markets, implementing standards of quality is a must. This will be necessary for each step of the supply chain, starting from when the fish are caught and stored on the

boat, and continuing with each individual who comes into contact with the fish prior to their sale.

- ***Infrastructure:*** Properly handling, processing, and storing fish will not just require hygienic equipment and standardized practices, but also better systems for the procurement of fuel, electricity, and clean water. Prices fluctuate but seem to average around \$1.20 per kilowatt for electricity in Somaliland.^{viii} This compares to an average of about \$0.11 per kilowatt in developed nations. On top of this prohibitive price, the quality of service is limited, and regular outages occur. There are options to consider when seeking to mitigate these challenges. In response to electricity, potential solutions include purchasing generators, using solar power, generating wind power, or even investing in tidal power. In terms of fuel, a more efficient fleet of boats would help cut costs significantly in the long run. Finally, in regards to water, wells could be dug where appropriate.

Prior attempts to build up the infrastructure in Somaliland have been severely affected by the civil war, which erupted in 1991. However, in recent years the region has been relatively stable. Somaliland is eager to develop and they recognize the importance of a more efficient infrastructure. With stability, well-developed efforts to build up infrastructure will be met with great support and opportunities to partner with other entities should be pursued. A testament of this can be found in the Somaliland Government's five-year plan for 2012-2016. In this, nearly \$500 million has been budgeted to address infrastructural needs.^{ix}

c) Additional Fishermen

There are clear risks on the seas off the coast of Somalia. Piracy, while diminishing due to international efforts, brings with it hazards for fishing vessels. There have been instances of pirates seizing fishing boats and taking provisions (including the motor), then leaving the vessel and crew adrift. Partly in response to this risk, fishermen have begun to carry arms with them for self-defense. This creates a risk that navies and larger foreign vessels that operate in the same area may mistake fishermen for pirates.

The political situation in Somaliland is complicated as it is not a formally recognized state. Because of this, their stance on maritime issues remains directly tied to that of the central government of Somalia in Mogadishu, which has not yet officially declared authority over their exclusive economic zone (EEZ). Each country with a coastline has a right to declare authority over economic activity occurring in the EEZ, which extends up to 200 nautical miles offshore. Since Somalia has not declared their claim to this, international actors are able to exploit this zone for their own interests without serious threat of repercussion.

Steps to regulate the exploitation of fish stocks off the coast of Somaliland can still be taken. As the fishing infrastructure is built up and more Somalis are drawn to the industry, more weight will be given to their concerns. While the relationship between Somaliland and Somalia is fragile, there is a real potential for a more authoritative claim to the EEZ off Somalia's coast. Similarly, the recent Presidential elections in September 2012 were the first in over two

decades, which shows great promise. Developments of this nature should prove to bring more stability to the region as well as the fishing industry.

d) Land-Based Threats

Potential pitfalls do not lie only at sea. Competition between fishmongers also has the potential to escalate into conflict. To avoid this, new ventures should be sure to cooperate with those already existing. As all actors operating in Somaliland desire improved infrastructure and economic development, there is a common ground that discussion amongst potential competitors can begin with.

Another of the biggest concerns on the ground is the lack of available credit. Banking institutions that are most familiar in developed economies, are currently non-existent in Somaliland, and the implications of this should be fully considered prior to operating in the region. This means that money flowing to and from ventures will need to be transferred via mobile money and Hawala systems. Adapting to these institutions will require proper planning prior to investing. A shift in the banking industry does appear to be imminent. Saba Islamic Bank and Dahabshiil both plan to address the current gap in 2013 by expanding operations in Somaliland. Saba Islamic Bank will specifically deal with commercial banking, and Dahabshiil will be working with trade finance.^x

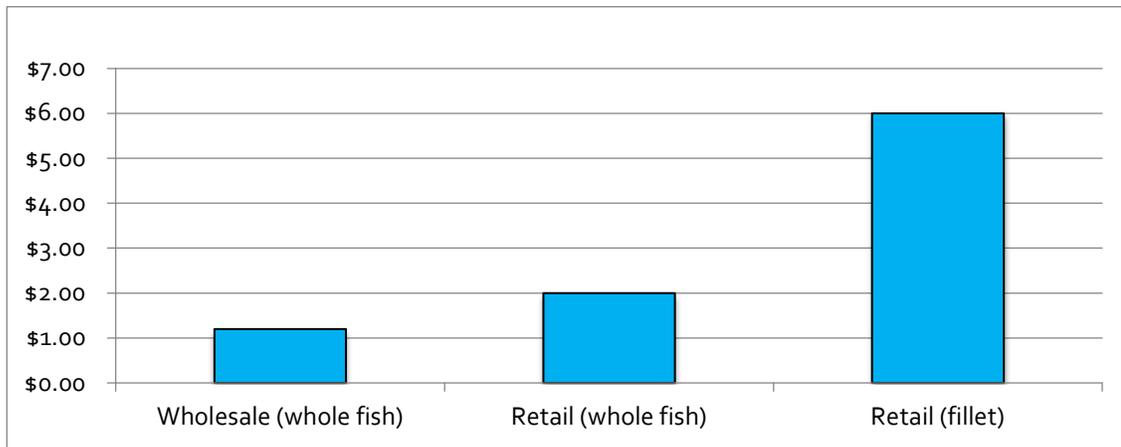
The final onshore challenge is a constant state of fragile governance. Continual changes to the Ministerial staff within major governmental institutions, requires added attention. Consistent communication with government offices to ensure their continued support will be required.

Investment Opportunities

To reach a level where significant yields become possible, the Somaliland fishing industry will require investor assistance. This assistance should be directed towards mitigating the risks mentioned previously. After properly addressing those issues, progressive growth should prevail.

Initial market development should be focused on Somaliland itself. At the moment, fishermen expect an average wholesale price of around \$1.20 per kilogram of fish. After their own costs are taken into account, they are left with a 10-20% profit margin. The vendors that purchase fish then charge a retail price of between \$2.00 and \$2.50 per kilogram, and receive their own profit.^{xi} These numbers relate to the sale of whole fish, but do not take into account what would be possible if individuals involved themselves in the fillet market. In the fillet market, prices (and profits) multiply quickly. At the moment, the large majority of fillets are flown in from Mogadishu and fetch a market price of nearly \$6.00 per kilogram.^{xii} It is evident that with proper training and tools, market returns could expand quickly.

Figure 3: Fish prices in Somaliland



To attract investment into Somaliland, the government offers significant tax incentives. The first three years of operation in Somaliland are offered at a 0% tax rate for foreign investors and diaspora. Following that period, investors are eligible for a 50% reduction on taxable profits making it a lasting attractive option. In addition, all materials and equipment brought to Somaliland for the purpose of business development are also exempt from import taxes.^{xiii}

After developing the local market in Somaliland, other markets will open. With a rising level of standards and professionalism, markets in Ethiopia, Djibouti, and Saudi Arabia among others, which have all expressed interest, will be more receptive to importing Somali fish.

Conclusion

Fish stocks off the coast of Somaliland present an immense opportunity for motivated investors. Somaliland fishermen are currently capturing only 1% of the estimated sustainable catch in their waters. Demand for fish is rising in Somaliland, and neighboring countries are eager to import more fish. Clearly there are financial incentives to bolster the efforts to increase the annual catch. To do so will require determined investors that seek to not only profit from their investment, but also desire to positively impact the lives of those living in Somaliland. Investments into the fishing industry will introduce numerous jobs opportunities drawing on a wide array of skill sets. This will prove to be an effective method to provide prospects for the high number of unemployed individuals seeking stable work. Profit margins already exist in the current state of the industry and investment into infrastructure and processes will widen those margins while also assisting in the development of Somaliland as a whole.

Sources:

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- ^v Mohamed, Yusuf M., SOMFISH, Chairman. Interview by Abdikarim Gole and Wayne Miller, September 6, 2012.
- ^{vi} Food and Agricultural Organization of the United Nations (2012). "Somalia: FAO in fish eating promotion to fight hunger. YouTube, runtime of 4 minutes and 24 seconds." <http://www.youtube.com/watch?v=SGLNyDRJl0o>
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