

# COUNTRY PROFILE

## SOMALIA



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| <b>Full Name:</b>                      | <b>The Somali Democratic Republic</b>              |
| <b>Area:</b>                           | <b>637,657 km<sup>2</sup></b>                      |
| <b>Population:</b>                     | <b>8,863,000 (July 2006 est.)</b>                  |
| <b>Capital:</b>                        | <b>Mogadishu</b>                                   |
| <b>Main Languages:</b>                 | <b>Somali (official), Arabic, Italian, English</b> |
| <b>Currency:</b>                       | <b>Somali shilling (SOS)</b>                       |
| <b>Transitional Federal President:</b> | <b>Abdullahi Yusuf Ahmed</b>                       |



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*The authors accept sole responsibility for the profile which does not necessarily reflect the views of the organizers: Pro€Invest, the Centre for the Development of Enterprise (CDE), the European Investment Bank (EIB), the African Union (AU) and the Common Market for Eastern and Southern Africa (COMESA).*

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## 1. BUSINESS OVERVIEW

**NOTE:** most of the information included in the other country profiles is not available or applicable in the case of Somalia which is still in a conflict situation. The Transitional Federal Government (TFG) continues to struggle to exert its influence over the entire country, including the breakaway autonomous Republic of Somaliland which is not officially recognized by any country.

### 1.1 Economic Context

Despite the deep political divisions, Somalia's economic life manages to continue, partly because much activity is local and relatively easily protected. Agriculture is the most important sector, with livestock normally accounting for about 40% of GDP and about 65% of export earnings, but Saudi Arabia's ban on Somali livestock, due to Rift Valley Fever concerns, has severely hampered the sector. Nomads and semi-nomads, who are dependent upon livestock for their livelihood, make up a large portion of the population. Somalia's small industrial sector, based on the processing of agricultural products, has largely been closed down. However, the services sector has managed to survive and grow. Mogadishu's main port and airport (closed for 15 years) as well as some of the ports and airfields in southern Somalia, have re-opened. The ongoing civil disturbances and clan rivalries, however, have interfered with any broad-based economic development and international aid arrangements. Somalia's arrears to the IMF continued to grow in 2006.

Statistics on Somalia's GDP, growth, per capita income, and inflation are, at best, broad estimates, and should be treated cautiously. In 2006, total Gross Domestic Product (GDP) amounted to an estimated US\$2.5 billion at current market prices at the official exchange rate. Agriculture, hunting, forestry and fishing accounted for around 65 percent of the total GDP, compared with 10 percent for industry and 25 percent for services. The estimated real GDP growth rate was 2.5 percent in 2006. The average official exchange rate in 2006 was 1,438 Somali shillings per US dollar, but the unofficial black market rate was about 23,000 shillings per dollar as of February 2007.

### 1.2 Population and Labour Force

The population was estimated at about 8.86 million in July 2006. This estimate was derived from an official census taken in 1975 by the Somali Government; population counting in Somalia is complicated by the large number of nomads and by refugee movements in response to famine and clan warfare. The population is currently growing at about 2.85 percent per annum (July 2006 est.). The overall population density is approximately 14 persons per km<sup>2</sup>. Around 70 percent of the total labour force is engaged in the agricultural sector.

### 1.3 Role of Tourism

Outside Somaliland, the tourism sector is inactive at present, apart from some official and business visitors.

### 1.4 Infrastructure Services

#### 1.4.1 International air access

According to the latest information available (which may need to be checked as the situation can change), the main international airports are located at Mogadishu (MGQ), Berbera (BBO) and Hargeisha (HGA) in Somaliland. These are capable of handling wide-bodied jet aircraft. At present, international air services are provided by Daallo Airlines (which operates 2-3 services per week from Djibouti to Bosasso, Burao, Hargeisa and Galkacyo using an Ilyushin-18 aircraft) and Jubba Airways (which operates from Mogadishu to/from Dubai, Bossaso and Jeddah). The Jubba website also indicates that flights are available to/from Aden, and Djibouti, but these destinations do not appear on any current schedules. Their aircraft is also IL-18. The former national airline, Somali Airlines, has suspended services because of the unsettled conditions.

Prior to the re-opening of Mogadishu airport in August 2006, airlines used an airfield located many miles from the capital due to security concerns.

#### 1.4.2 Domestic air services

Jubba Airways operates domestic air services to/from Mogadishu, Bossaso and Hargeisa.

### **1.4.3 Road and Rail Access**

There are routes to Somalia from Djibouti, Ethiopia and Kenya. Roads are underdeveloped and travel requires suitable 4-wheel drive vehicles. Existing roads run from the capital to Burao and Baidoa and there are sealed roads between Kismayu and Mogadishu, and Hargeisa and Mogadishu.

### **1.4.4 Sea Access**

The principal ports are Berbera, Bossaso, Kismayu, Marka and Mogadishu. Because the roads are poor and at times unsafe, coastal shipping is an important form of transport, both socially and economically.

### **1.4.5 Telecommunications**

Telecommunication firms provide wireless services in most major cities and offer the lowest international call rates on the continent.

*Telephone:* IDD is available. The country code is 252. Outgoing international calls must be made via the operator.

*Mobile:* Telephone: GSM 900 network. Operators are Hormuud Telecom Somalia Inc, Nationlink and Telesom.

*Internet:* Somalia's SomaliNet is one of the country's first ISPs. Internet facilities for visitors are yet to be fully established.

## 2. TOURISM SECTOR

There is no reliable information on the trend in visitor arrivals in recent years. Most visitors are likely to have been official or aid personnel, journalists, or persons visiting friends and/or relatives. Leisure tourism in Somalia would be mainly based on natural attractions, which include white sand beaches, natural habitats and wildlife.

### 2.1 Tourism Policy

Tourism in Somalia dates back to the pre-independence days when there was already a relatively well developed but limited tourism infrastructure. Soon after independence, the Somalia Government realised the enormous potential of the nascent tourism industry and undertook to upgrade the then existing infrastructure and superstructure as well as investing in additional facilities. To achieve its goals, the Government encouraged local and foreign entrepreneurs to invest in the tourism and hospitality industries. The emphasis was on targeting the middle-income segment of the market to visit the country's coastal resorts, giving rise to the onset of high volume package tourism in Somalia. This resulted in over-concentration of tourist activities in some parts of the country, notably the coastal beaches of the central coast (around the capital) and the south coast (Kismayo) as well as in some areas in the north (e.g. Berbera).

Under the National Tourism Development Master Plan (prepared in the late 1980s), and endorsed by the Transitional Federal Government, a shift in focus was foreseen from over reliance on high volume low yield tourism towards the development of other alternative forms of tourism, which would contribute to conservation of the environment. While attention would still be focused on tourism segments in which Somalia has comparative advantage (for example, sun, sea, sand and wildlife), especial attention would be given to eco-tourism and the impact of the sector on the environment. Some of the salient factors considered in the policy focus included:

- Conservation and utilisation of tourism resources in a sustainable manner;
- Conservation of environmental and preservation of scenic beauty;
- Provision of visitor education pertaining to available resources and their interdependence;
- Establishing active partnership with all stakeholders in tourism;
- Equitable distribution of benefits accruing from tourism;
- Respect and safeguarding of the local customs and culture; and
- Harmonious development of the tourism sector in tandem with other economic sectors.

### 2.2 Product Offer

Somalia is a mainly arid country. The scenery includes mountains in the north, the flat semi-desert plains in the interior and the subtropical region in the south. Separated from the sea by a narrow coastal plain, the mountains slope south and west to the central, almost waterless plateau which makes up most of the country. The beaches are protected by a coral reef that runs from Mogadishu to the Kenyan border in the south. They are among the longest and best in the world. Before the war, Somalia offered visitors attractive beaches, excellent diving, and numerous species of East African wildlife. Kismayu National Park, in the southwest, contains many common - and a few rare - East African species. Hargeisa in the north contains rarer species. A third park is located outside Mogadishu, but its present status is not known.

In Somaliland, visitor attractions include the Laas Geel cave paintings near Hargeisa (discovered in 2002), the Freedom Arch and war memorial in Hargeisa, the Naasa Hablood hills located on the outskirts of Hargeisa, the historic towns of Sheikh, near Berbera (home to old British colonial buildings) and Zeila with its old Ottoman landmarks, offshore mangroves, coral reefs, cliffs and beach.

### 2.3 Accommodation

Visitor accommodation is almost non-existent outside Hargeisa and Mogadishu (where hotels continue to operate, with militias providing security).

**2.4 Institutional Arrangements**

The main responsibility for tourism development and promotion lies with the Ministry of Tourism and Wildlife in the Transitional Federal Government.

**2.5 Future Outlook**

In spite of increased competition from other destinations, Somalia has the potential to be a leading tourist destination in Africa. However, the regeneration of tourism depends entirely upon the return and maintenance of settled political conditions.

### 3. INVESTMENT OPPORTUNITIES IN TOURISM

#### 3.1 Investment Sectors

Almost the entire tourism infrastructure in Somalia is in need of rehabilitation (particularly electricity and roads). This could impede growth of the tourism sector.

Prospects for investing in the tourism sector are also enhanced by the

- Existence of important tourism assets presenting numerous tourism development opportunities;
- Limited capacity of hotels of international standard;
- Future recognition of Somalia as one of the world's rare undeveloped destinations for nature and discovery tourism; and
- Potential donor support for capacity building.

Priority tourism investment sectors would include:

##### *Infrastructure*

- Roads, electricity, water, ports.

##### *Leisure*

- Hotel renovation and upgrades
- New leisure resorts and lodges (in the longer term).

## 4. INVESTMENT ENVIRONMENT

### 4.1 Investment Framework

#### 4.1.1 Government policy

It is expected that the private sector will play a pivotal role in the re-construction and economic development of Somalia once settled conditions are restored.

#### 4.1.2 Investment agencies

None at present.

#### 4.1.3 Investment guarantees

None at present. Somalia is not a member of the Multilateral Investment Guarantee Agency (MIGA).

### 4.2 Investment Incentives

None at present.

### 4.3 Access to Finance

#### 4.3.1 Banking system

Since the collapse of the political system in 1991, it is unclear whether the Central Bank of Somalia and other banks are still functioning. In the absence of a formal banking sector, money exchange services have sprung up throughout the country, handling between \$500 million and \$1 billion in remittances annually.

#### 4.3.2 International Financial Institutions

Somalia, as a participant in the agreement between African, Caribbean and Pacific nations (ACP) and the European Union, known as the Cotonou Agreement, has access to the facilities of the European Investment Bank (EIB).

As a member of the World Bank, the facilities of the International Finance Corporation (IFC) would also be available for projects in Somalia. Other potential development finance sources include the Abu Dhabi Fund for Arab Economic Development, African Development Bank (AfDB), the Kuwait Fund for Arab Economic Development and the New Partnership for Africa's Development (NEPAD).

### 4.4 Residential and Work Visas

Valid passports and visas (obtainable from Somali Embassies) are required by all EU, US and other nationals.

### 4.5 Technical and Promotional Assistance

No generic tourism promotion is undertaken at present by either the Ministry of Tourism or the private sector.



## 5. LIST OF KEY CONTACTS

**Transitional Federal Government**

Website: [www.somali-gov.info](http://www.somali-gov.info)

**Ministry of Tourism and Wildlife**

Tel: +252-1-531266

E-mail: [mtourism@somali-gov.info](mailto:mtourism@somali-gov.info)

**Useful Websites:**

- **The British Broadcasting Corporation (BBC):** full profiles provide an instant guide to history, politics and economic background of countries and territories, and background on key institutions.  
[http://news.bbc.co.uk/2/hi/country\\_profiles/default.stm](http://news.bbc.co.uk/2/hi/country_profiles/default.stm)