University of Hargeisa

Determinants of Sustainable Investment Promotion in Somaliland: Challenges and Opportunities

CONTENT

- Background of the Study

- Somaliland in the Investment derivations

- Study Objective

- Methodology

- Data visualization

- Conclusion and recommendations

1. DESCRIPTION OF THE STUDY

- We are here to perceive the first draft of research about the financial Literacy.

- This is a research initiated by the Ministry of Investment in October, 2023.

- The study's motive is to assess the Determinants of Sustainable Investment Promotion in Somaliland: Challenges and Opportunities .

- Two Samples: 75 Respondents from the Investors and 15 Public institutions

- A Total of 90 Respondents are planned as Sample Size.

- Instrument: Questionnaire

Sources: NDPS II

BACKGROUND OF THE STUDY

- Investments can serve as tools for generating employment, income, and reducing poverty, which makes them important for an economy's progress (Bartholdy and Mateus, 2008).

- Economic growth is fueled by private sector investment. Private businesses make investments in innovative concepts and bolster the framework for economic growth and prosperity (World Bank 2004).

3. SOMALILAND IN THE INVESTMENT ORIGINS

According to contemporary up to last three decade, Investment of Somaliland were in their establishments and broadminded stage by the investors and aged since 1991.
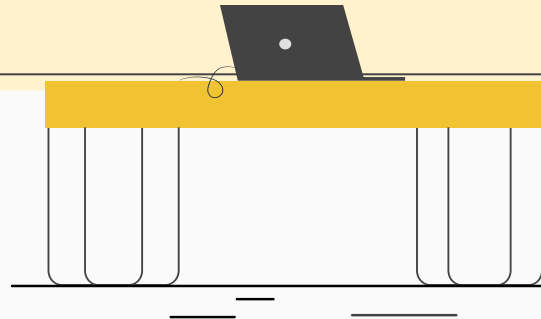
SOMALILAND IN THE INVESTMENT ORIGINS

The 5th President of Somaliland, He Muse Bihi Abdi, established the Ministry of Investment and Industrial Development as a brand-new government institution on December 14, 2017.
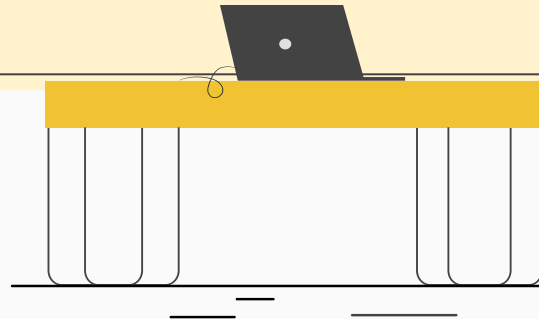
a very unusual story about Somaliland Context is that the private sector have the initiatives for the institution establishment first than rules, regulations and policies are developed later!

Thus the Investment sector flows the same scenario.

Unusual story: observable in the Context.

INVESTORS REGISTERED BY SECTOR

Sector Allotment	Observations	% Out of the total
Agriculture and Food	7	6.3
Livestock/Fishery/Poultry	7	6.3
Mineral/Mining	32	28.8
Energy (Electricity, Oil Gas etc)	15	13.5
Construction	14	12.6
Industry/Manufacturing/Factory	17	15.3
Service/Multiple/Technology	*16*	14.4
Investment and Fund Management	3	2.7
Total	**111**	**100**
Successful Sample	**75**	

Source: MoIID, 2023

Investment promotion activities & institutional set-up

STEP 01

STEP 02

STEP 04

legal; regulatory, administrative and institutional framework for investment

The macroeconomic condition and the relation with the investment

STEP 03

STEP 05

Socio-cultural and political Related Indicators

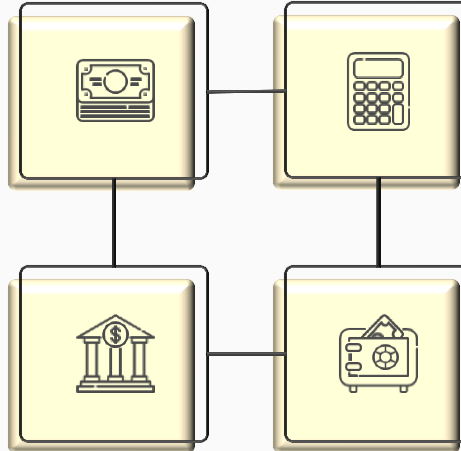The financial, physical and technological infrastructure

5. METHODOLOGY

Research Type
- Evaluative
- Applied research.

Instrument
- Questionnaire
- Interview

Approach
- Mixed Research Approach

Data
- Primary data
- Secondary

Sampling

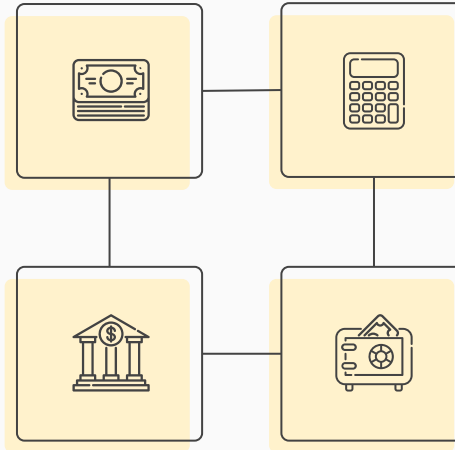**Two Samples**

- Investors

- Public Sector

Method Sample

Simple Random

Study Population

84

Study Sample

75

Investment by Sector	N	Percent
Energy (Electricity, Oil,Gas etc)	11	14
Agriculture and Food	6	8
Fishery/Livestock/Poultry	5	7
Mineral/Mining	17	22.7
Construction	11	14.7
Service/Multiple/Technology	11	14.7
Investment and Fund Management	1	1.3
Industry	13	17.3
Total	75	100.0

Source: Survey Data, 2023
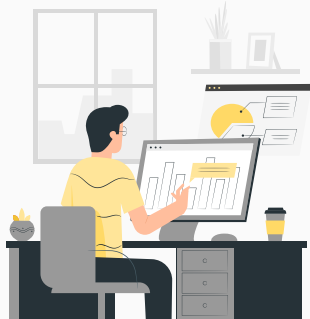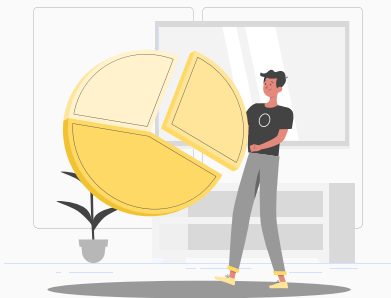
Macroeconomic Condition of Somaliland
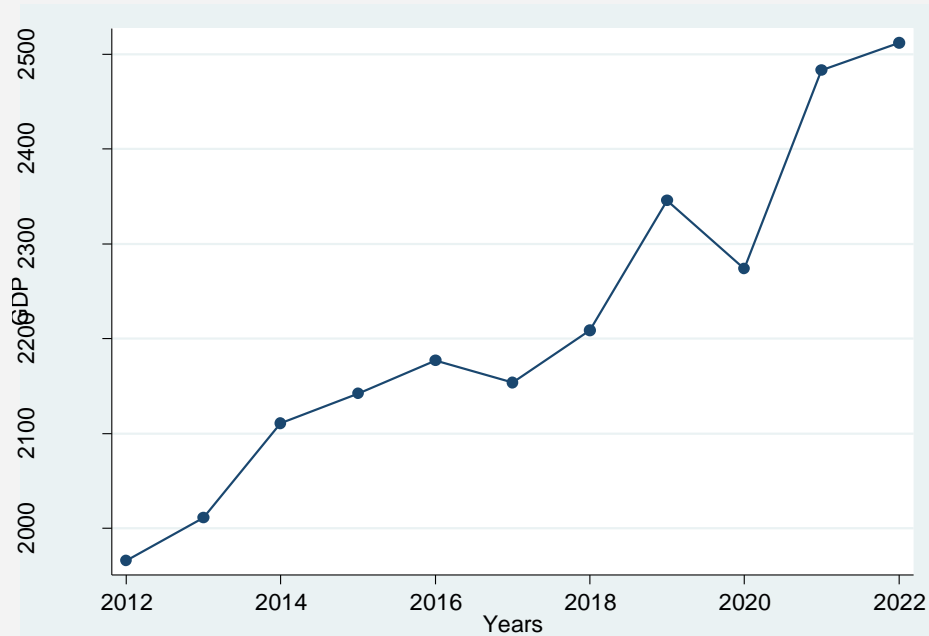
Indicator:
- GDP

Analysis:
- Trend

Result: Increase GDP but Decrease 2017/20 for C19/Elec

Import and Export

Import and Export

2000									
1800									
1600									
1400									
1200									
1000									
800									
600									
400									
200									
0									

2012 2013 2014 2015 2016 2017 2018 2019 2020 2021
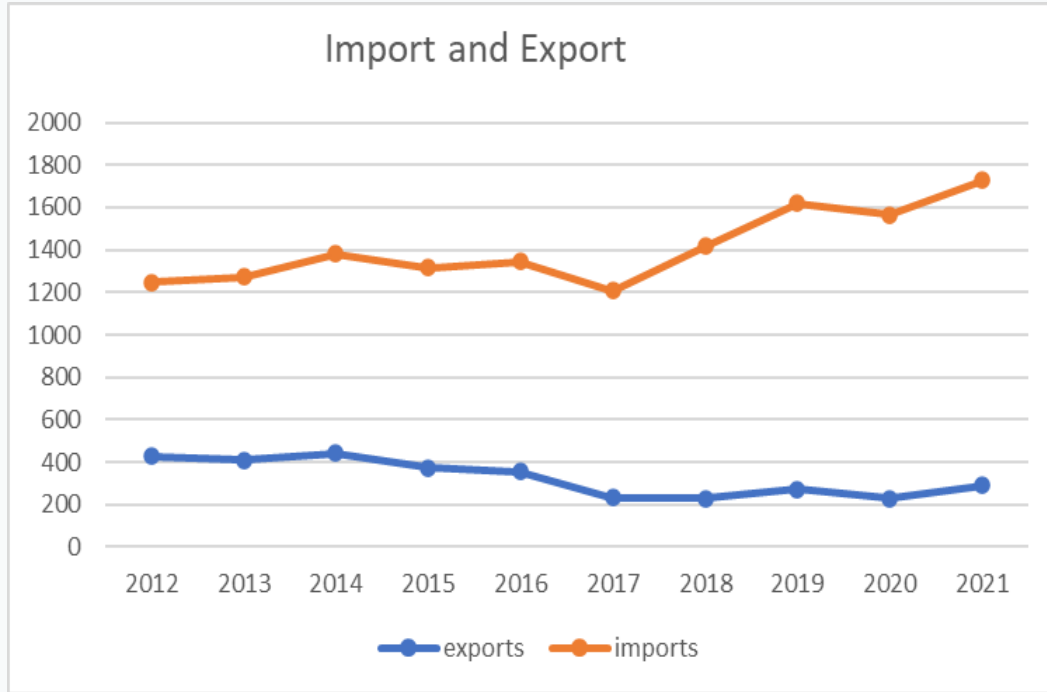
— exports   — imports

Source: Survey Data, 2023

Indicator:
Import & Export

Analysis:
Trend

Result: IM&EX Constant up to 2017 then IM Increase while EX averagely Decrease

Import and Export with Share of GDP

Year	GDP	Exports	Imports	% Export	% Import
2012	$1,966	427	822	$0.22	$0.42
2013	$2,011	408	863	$0.20	$0.43
2014	$2,111	442	940	$0.21	$0.45
2015	$2,142	374	943	$0.17	$0.44
2016	$2,177	354	992	$0.16	$0.46
2017	$2,154	232	976	$0.11	$0.45
2018	$2,209	229	1189	$0.10	$0.54
2019	$2,346	273	1347	$0.12	$0.57
2020	$2,274	229	1337	$0.10	$0.59
2021	$2,483	291	1436	$0.12	$0.00

Survey Data, 2023

Indicator:
- IM&EM   Share of GDP

Analysis:
Tabulated

Result: averagely
- % IM Increase
- % EX Decrease
- %IM Doubles to %EX
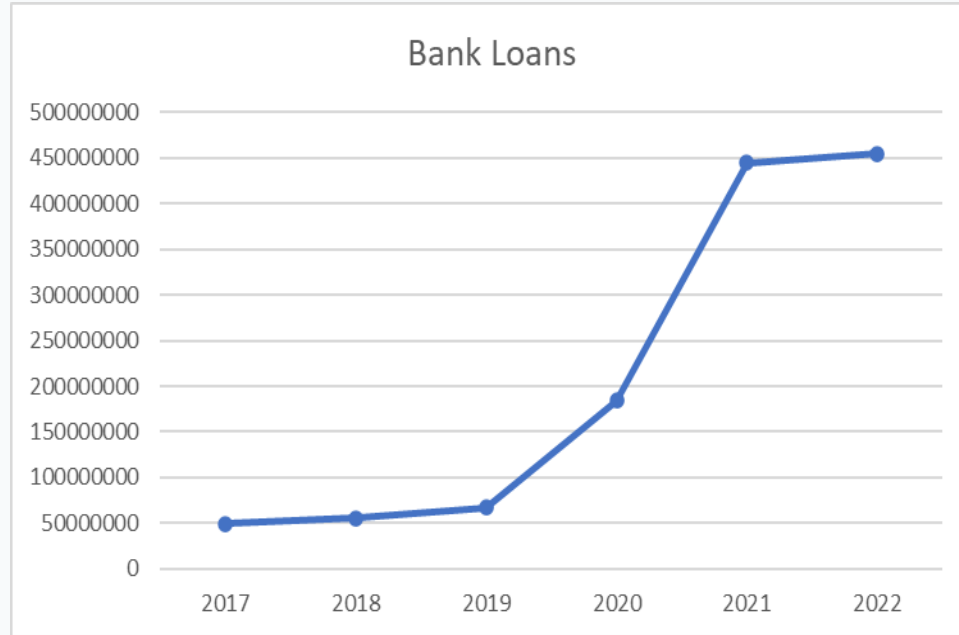
Human Capital

Factors	N	Mean	Std. Dev
Availability of qualified managers	75	5.5733	1.2601
Availability of skilled labor	75	4.2267	1.1721
Availability of cheap labor	75	5.6267	1.921
Quality of University graduate	75	4.4533	1.4299
Job placement information	75	6.0946	1.2776
Business community satisfaction with the quality of education	75	5.9067	.7662
Grand mean		**5.3135**	

Indicator:
Human Capital

Analysis:
Mean= 5.3135

Result:
Moderate Obstacle

Source: Survey Data, 2023

Socio-Cultural Indicator

Indicators	N	Mean	Std. Dev.
Poverty status in the society	75	4.2400	1.07603
Income inequality of the society	75	5.2267	1.19202
Investor motivation in society	75	5.0533	1.24002
Cultural and social norms	75	3.3200	0.79117
Media narratives of Investors	75	4.1067	1.35141
Education levels and skill availability	75	4.2533	1.22025
Cultural acceptance of industries	75	4.1733	1.28792
Social stability and harmony	75	4.2667	1.42690
Cultural adaptability and localization	75	4.4000	1.39497
Urbanization and changing lifestyles	75	4.4400	1.39729
Quality of life indices	75	4.7733	1.39083
Social stability and harmony	75	3.8667	1.23391
Grand Mean		4.0092	MaO

Source: Survey Data, 2023

Indicator:
Legal & Regulatory Framework

Analysis:
Mean = 4.009

Result:
Major Obstacle

Political Factors

Indicator	N	Mean	Std. Dev
Political environment to Investment	75	3.4667	.99095
Geopolitical events and relation	75	3.1867	.69152
Political Instability	75	3.4267	1.00234
Election cycles	75	3.4000	.83827
Grand Mean		**3.3700 25**	**SeO**

Indicator:
Legal & Regulatory Framework

Analysis:
Mean = 3.3700

Result:
Severe Obstacle

Legal and Regulatory Framework

Factors	N	Mean	Std. Dev
Legal services	75	3.88	1.0254
Laws and regulations relevant to investments	75	3.7867	1.1743
Enforcing contracts	75	3.3784	1.2321
Labor regulations	75	3.9067	1.0332
Access to Consultants/Advisors	75	3.9333	.8217
Intellectual Property Rights Legislation and Enforcement	75	4.2533	1.3002
Registration and Procedures	75	3.6486	1.1545
Regulatory transparency	75	3.7867	1.22043
Protecting investors	75	3.8667	1.2431
Registering property	75	3.8533	1.1874
Customs and Trade Regulations	75	3.68	1.0992
Grand mean		3.8158	

Indicator:
Legal & Regulatory Framework

Analysis:
Mean = 3.8158

Result:
Major Obstacle

Source: Survey Data, 2023

Administrative Indicators

Administrative Factors	N	Mean	Std. Dev
Overall business environment	75	4.2400	1.06340
Government services and programs	75	4.0667	1.20060
Time to start a business (number of days)	75	4.2533	1.37638
Time to start a business (number of steps)	75	4.0667	1.23391
Effective tax rates for the country	75	5.6533	.92259
A high amount of money spent on to obtain licenses	75	4.4324	1.14773
Number of licenses required	75	4.3333	1.27696
Bureaucracies in obtaining licenses	75	4.1467	1.21581
Informal payments required to obtain licenses	75	4.3467	1.25734
Poor technology in licensing used by the government	75	4.2800	1.23639
Tax Administration	75	5.7600	.85171
Grand mean		4.507191	

Indicator: Administrative

Analysis:
Mean = 4.50719

Result: Moderate Obstacle and Relative to Major

Source: Survey Data

Policy Indicators

Policy Factors	N	Mean	Std. Dev
Investment incentives	75	4.7867	1.38811
Amount provided in tax incentive programs	75	5.0533	1.26163
Industrial policies	75	s	1.54512
Stability of Exchange rate	75	4.9200	1.46822
Tax Rates	75	5.3733	1.22776
Grand mean		**5.13332**	

Source: Survey Data, 2023

Indicator:
Policy Indicators

Analysis:
Mean = 5.13332

Result:
Moderate Obstacle

Infrastructure

Financial Factors	N	Mean	Std. Dev.
Access to loans	75	4.213333	1.003956
Access to Equity Finance	75	4.266667	1.338952
Access to Grants	75	4.360000	1.269603
Collateral Requirements	75	4.240000	1.076029
Average Murabaha rate spread	75	4.266667	1.166345
Grant Mean		4.2693334	1.197896

Source: Survey Data, 2023

Indicator: Infrastructure

Analysis: Mean = 4.2693

Result: Major Obstacle
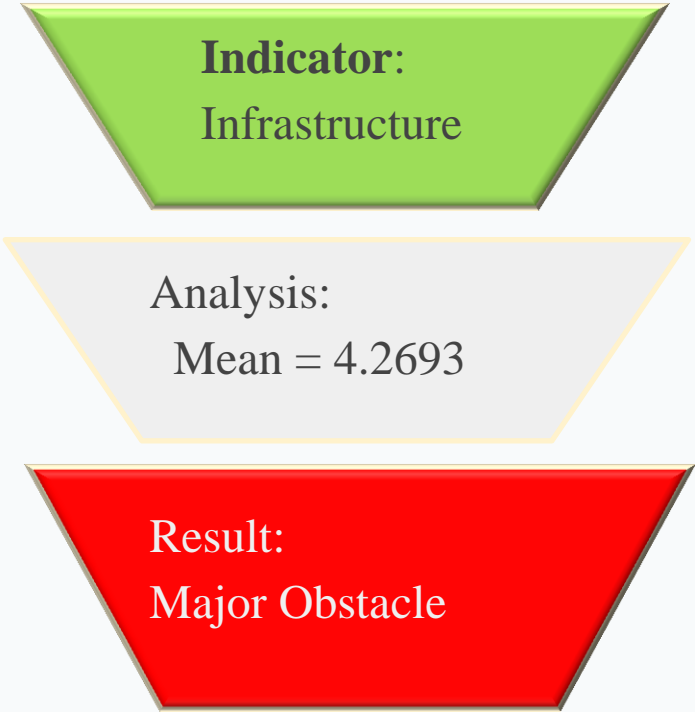
Technology Factors

Technology Factors	N	Mean	Std. Dev.
High-speed internet access	75	5.4	1.19
Mobile networks	75	5.8	1.14
Price of the internet	73	5.7	1.22
Grant Mean		**5.6**	**1.19**

Source: Survey Data, 2023

Indicator: Infrastructure

Analysis: Mean = 5.6

Result: Minor Obstacle
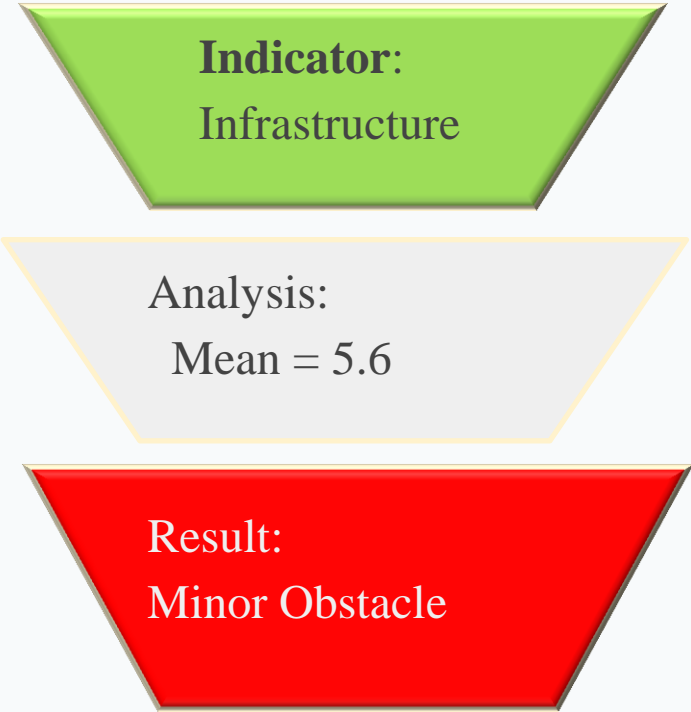
Energy and other utilities

Energy and other utilities	N	Mean	Std. Dev.
Access to Electricity	74	4.8	1.30
Access to Utility services (water, gas, etc.)	75	4.2	1.16
Affordability of the price electricity	75	3.9	1.19
Energy availability and reliability	75	3.9	1.18
Grant Mean of Energy factors	**4.2**	**1.21**	

Indicator:
Energy

Analysis:
Mean = 4.2

Result:
Major Obstacle

Source: Survey Data, 2023

Physical Indicators

Physical factors	N	Mean	Std. Dev.
Ease of transport services	75	3.7	0.91000
Access to land resources	75	3.6	1.24000
Access to raw materials	75	4.853333	1.503989
Grant Mean		4.03555533	1.217665

Indicator:
Physical Indicators

Analysis:
Mean=4.0355

Result:
Major Obstacle

Conclusion and Recommendations

The investment opportunities, incentives and policies should be communicated

Political related Factors are severely adversely affecting investment so that should be permanently solved

Legal and Regulatory Framework and Administrative is recommended to Improve

Recommendations

Energy is one of the largest problems in the Investment Sector so generating accessible energy is significant

A programs for the Human Capital development should be certified and create a access to finance

To mitigate the Socio-cultural issues for the Investment, a awareness campaign must be persuaded

By:
UOH TEAM

THANKS