BUSINESS-LED PEACEBUILDING IN SOMALIA

Bahar Ali Kazmi and *Faisa Abdi Loyaan*

Authors

Dr Bahar Ali Kazmi is a co-founder and research director of the NGO Applied Management Research and Teaching Unit, Aston Business School (UK) and publishes in the areas of corporate social responsibility, human rights, and business-NGO partnerships/alternative organizations.

Faisa Abdi Loyaan is a director of Creative Alternatives Now (CAN) and works as an independent consultant with expertise in conflict analysis, peace-building, civil society participation and governance in East Africa.

Summary

- The political environment in which Somali businesses operate is affected by extreme insecurity, weak national and regional political institutions and unfavourable international political circumstances.
- Somali businesses are essentially defensive in relation to the political aspect of peace and reconciliation as they focus on the success of their businesses and in so doing utilize a range of methods of minimizing risk. In some cases these practices work against peacebuilding objectives.
- Somali businesses see themselves as apolitical and socially responsible organizations. They provide employment, skills, higher education, and support

to small businesses and contribute to humanitarian and development assistance. However, there are concerns about levels of inclusivity, accountability, and competition.

- Somali businesses can play a strategic role in the peace and reconciliation process by developing social partnerships with Somali NGOs, establishing a voluntary code of ethics for regulating their operations, leading the process of formulating an anti-corruption framework for business activities, and supporting, in collaboration with international organizations, new social and environmentally sustainable enterprises.

Introduction

This briefing paper assesses the potential of Somali businesses to engage in the peace and reconciliation process in Somalia. The findings, conclusions and recommendations are based on the thematic analysis of semi-structured interviews with selected and accessible chief executive officers of large and medium Somali companies, the leadership of the Somalia Chamber of Commerce and Industries, Somalia-based NGOs and an examination of the newspaper reports, business reports, websites, academic papers, and non-profit sector reports dealing with business and conflict/peace in Somalia (published in the last five to seven years).

Central to the observations presented in this paper is the understanding that businesses—both local and international—can assist in creating sustainable peace. This viewpoint, broadly seen as Corporate Social Responsibility (CSR), has become an important area of international policy. Since 1999, the United Nations has been leading it by mobilizing businesses and producing a range of policy initiatives such as the Global Compact (1999); the UN Security Council working group on the role of Business in Conflict Prevention, Peacekeeping, and Post-Conflict Peace-Building (2004); and more recently the United Nations "Protect, Respect and Remedy" Framework, known as the Guiding Principles on Business and Human Rights (2011). These and other similar initiatives such as the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises have formalized the international policy environment for developing a better understanding of business activities that prevent political violence and promote sustainable peace.

While the contribution of businesses in promoting peace has been discussed in other regions such as Colombia and Sri Lanka, limited effort is being

made to systematically discuss the activities of Somali businesses. The study, therefore, is by necessity exploratory and aims to fill this gap by focusing on the Somali business activities that directly or indirectly contribute to peace and reconciliation.

The breakdown of the state in 1991 in Somalia has produced a hyper-liberalized economy driven by entrepreneurial innovation, competition, and a globally networked private sector.[1] This process has produced two types of private sectors—licit and illicit.[2] This paper focuses on the former, which includes businesses that operate in livestock, hides and skin, bananas, wood charcoal, construction, mining, transportation, security services, manufactured goods such as textiles, electronics, basic household items, telecommunications, and remittances.

As a case study, the Somali business sector is extraordinary: it is not only the backbone of Somalia's economy but also the main source of employment, services, and goods.[3] In the absence of effective state institutions, businesses can be viewed as "performing public roles" and therefore can potentially play a strategic role in the peace and reconciliation process.[4] The paper focuses on this aspect of Somali businesses.

In the next section, the paper focuses on two areas of business activity in Somalia. First, it considers the political environment in which Somali businesses operate because it is this environment which creates opportunities as well as constraints for them to engage with the peace and reconciliation process. Second, it sketches the organization of business activity which Somali businesses have set up to produce and exchange goods and services. This analysis is essential to grasp the dynamics of business activity and conflict or peace. Against the activities presented in that section, the third section concludes the discussion. The final section lists recommendations which aim to improve the contribution of Somali businesses in the peace and reconciliation process.

Somali Businesses in Peace and Reconciliation

Since 1991, Somalia has experienced ongoing violence, massive population displacement, and cycles of drought and famine, resulting in extreme insecurity, exacerbated by fragmented and transitory political arrangements. The regions of Somalia have dealt with this insecurity differently and have together produced a distinct business environment which is "interconnected and integrated into a globalized economy".[5]

South-central region has tried repeatedly to establish a functioning political framework, but it has still been unable to improve security. Somaliland has

solid political institutions and has achieved security. Puntland also has produced a functioning but weaker political system which has improved security to a certain extent, but like south-central region, it is still troubled by food, employment, and income insecurity which is exacerbated due to the problems in law enforcement.

International companies are reluctant to work with Somali businesses because of the concern that they might unwittingly become involved in supporting extremist groups. This situation hinders the operation and growth of Somali businesses that seek to operate in international markets or depend on the international network of investors for the continuity and performance of their businesses.[6]

The political environment in which Somali businesses operate is affected by extreme insecurity, weak national and regional political institutions, and unfavourable international political circumstances. This peculiar business environment can be viewed as a constraint for the growth of Somali businesses. But it also seems to be inspiring Somali businesses to develop innovative ways of doing business which are intricately linked with both peace and reconciliation, and political violence.[7]

Somali businesses have been engaged in developing innovative business processes, growth strategies and products to minimize insecurity. Nonetheless they are still exposed to the shifting political landscape which constantly breeds violence and disrupts their business operations. Interviewees involved in businesses inside Somalia emphasized that their contribution to peace and reconciliation must be judged by considering the political environment in which they operate. They insist that, by doing business innovatively, they have been improving the economic conditions and opportunities that are critical for achieving the objectives of peace and reconciliation.

By providing employment, skills, higher education, and supporting small businesses, they have been keeping a significant segment of young people out of war and illicit activities. Interviewees who are involved in large businesses frequently refer to their innovative business approaches and claim that their businesses are embedded in the cultural and social fabric of Somali society and maintain privileged social access and influence which cross-cut the clan communities, needed for the protection of their business operations.

This business approach is observable in telecommunications, financial services and food livestock sectors, which are intimately connected and play a major role in the social and economic lives of Somalis both inside and outside Somalia. The telecommunication companies—Hormuud in south-central

Somalia, Golis in Puntland and Telesom in Somaliland—have organized themselves differently to minimize the impact of conflict on their operations. For example, Hormuud has created local shareholders and employment opportunities rooted in the cultural and political dynamics of different Somali regions. This arrangement has not only helped the company to secure investment and consumers' loyalty, but also shielded the company from the conflict. In addition, recently, Hormuud has established a Sharia–compliant bank called Salaam Somali Bank. It acts as a venture capital enterprise to assist new business projects. Likewise, Telesom has introduced the mobile money platform Zaad, which became widely popular in Somaliland because it addresses an important need of that region.

In the absence of a national banking sector, Somali businesses have established an extensive and efficient money transferring system, known as "*hawala*". This de facto banking system is a lifeline for 40 per cent of the population which count on the financial support provided by the diaspora for their production, consumption, and humanitarian or development activities in Somalia. The United Nations Development Programme states in its 2011 report "Cash and Compassion" that the diaspora provides US$130–200 million for humanitarian/development activities and US$1.3 and US$2 billion per year for private consumption.[8] The World Bank, in 2016, reports an even higher figure and states that the remittances constitute 23 per cent of the Somali GDP amounting to US$1.4 to US$1.6 billion in 2015. There are many registered money transfer operators (MTOs) in Somalia, not least Dahabshiil Money Transfer, Kaah Express, Tawakal Express and Juba Express. The largest is Dahabshiil, which is used by the United Nations and international NGOs.[9] There are many unregistered transfer operators as well.

The international cross-clan outreach and influence of large telecommunication companies and MTOs, on the one hand, guarantees the survival and growth of communities inside Somalia but it perhaps also contributes to a business-driven sense of identity, which some entrepreneurs are uneasy about. An interviewee who runs a medium-size business in Mogadishu declared that: "we are a nation under Hormuud and Dahabshiil." The comment, to an extent, confirms the emerging evidence that the Somali private sector may have reached its structural limits, promoting monopolistic business, oligopolistic trends, creating entry barriers for new businesses and limiting the growth of small- and medium-size businesses.[10]

Somali businesses are essentially defensive in relation to the political aspect of peace and reconciliation, as they focus on the success of their businesses and

in so doing utilize a range of methods of minimizing risk. Interviewees involved in large or small businesses frequently stressed that they could only provide financial support to peace and reconciliation. Their direct involvement in the political aspect of peace could endanger their business operations and increase personal and commercial risk.

Even though the interviewees engaged in large and medium-size businesses were reluctant to talk about their interaction with Al-Shabaab, they nonetheless accepted that they had been spending an enormous amount of money on their personal and commercial security. An interviewee engaged in a large financial business affirmed, "more than 100 employees in Mogadishu are engaged in security. This means almost 10 per cent of employees are security staff". An interviewee engaged in managing a humanitarian organization said that, "it is hidden or not discussed that most companies pay 'tax' to Al-Shabaab in order to continue operating in Al-Shabaab-held territories. This would certainly appear to be a way of contributing to conflict." It therefore appears that the approach which Somali businesses have developed to protect their businesses does not always work in favour of peacebuilding goals.

Notwithstanding this, Somali businesses say they are regulated by Somali customary law which provides them with the necessary framework for resolving commercial disputes and regulating their operations. Looking ahead, some interviewees involved in large businesses stressed the importance of Somalia eventually establishing a standard system of taxation, an effective police force, reliable judiciary system, and national army. They see these political structures from a strategic perspective. In other words, they would minimize the cost of strategizing taxation across different regions, retaining and managing private security companies, and maintaining relationships with multiple sub-clans.

Even though some Somali companies provide small voluntary payments to the Somali public sector[11] and are engaged in the Public–Private Dialogue (PPD), initiated and organized by the World Bank Group, interviewees managing large- and medium-size businesses, however, are still concerned about public-sector corruption.

Somali businesses see themselves as apolitical and socially responsible organizations. Interviewees managing large- and medium-size businesses assert that they have been proactively contributing to humanitarian and development assistance.[12] They see this contribution as a part of their religious duty and believe in "quiet giving."[13]

They have contributed to the provision of health services, water, and, communication services during emergency relief periods (floods, drought, and

famine). In so doing, they say they often find ways of delivering relief in conflict-affected areas of Somalia. Some large Somali companies have annual budgets for humanitarian and development assistance. For example, Dahabshiil reports that 10 per cent of its profits goes to hospitals, schools, and community facilities, while during the current humanitarian crisis Hormuud claims that it has provided US$800,000 and Telesom says it has provided US$500,000 for drought relief. Somali businesses are increasingly involved in philanthropy and many interviewees involved in businesses see it as a part of their leadership role and plan to extend it by also increasing their activities to promote environmental sustainability.

Furthermore, some interviewees engaged in large- and medium-size businesses claim that they offer socially responsible role models for youth as they are not involved in "immoral" activities. However, their approach to philanthropy and socially responsible behaviour is ad hoc and to an extent spontaneous. It therefore may have limited long-term social impact.[14]

Moreover, claims of social responsibility were contested by some interviewees. An interviewee engaged in managing a humanitarian organization maintained that, "Somalia is awash with imported stuff; the entire nation has become a commercial hub concerned only with how to make money. There was no thought of contributing to peacebuilding because these men right away cash their money". A female entrepreneur declared that, "most of them [the big companies] profit from the *burburki* [conflict]" adding that in the absence of state regulation large companies were not held accountable or subject to competition.

Women interviewees involved in medium and small businesses insist that the current business environment is highly conservative and does not allow women to enter large commercial enterprises. Some large Somali companies do not recruit women and the contribution of women entrepreneurs to the peace and reconciliation process is unrecognized and in some cases completely ignored and mocked.

Conclusion

There is no doubt that Somali businesses are indirectly contributing to peace and reconciliation. However, their behaviour is driven by the strategic and security interests of their businesses and they are unwilling to go beyond this defensive approach, which does not always work in favour of peace.

In some cases they have shown socially responsible leadership in the areas of humanitarian and development assistance and in this sense, they have con-

tinuously been reducing the risk of deprivation which can potentially aggravate conflict, displacement, and violence.

However, their approach to socially responsible management is embedded in Somali culture and faith and may obstruct the realization of human rights of culturally marginalized groups, including women, in Somalia's business environment.

Finally, it is important to note that Somali businesses have structured their own business environment without a statist regulatory framework and institutions. This environment functions efficiently for them and therefore many medium and large Somali businesses do not see the Somali state and its institutions as the solution to accomplish sustainable peace. Some of them, however, do consider the strategic potential of statist institutions and can therefore be persuaded to undertake activities in support of state-building.

Recommendations

The recommendations for policy-makers are aimed at enhancing the contribution of Somali businesses in peace and reconciliation. Their role, however, should be framed within the context of the strategic and security needs of Somali businesses.

Promoting and establishing socially responsible Somali business organizations

- Promote social partnerships between Somali businesses and NGOs aimed at delivering humanitarian and development projects. Social partnership is an effective tool of exchanging complementary resources and achieving strategic and social objectives. Somali businesses operate through extensive cross-clan networks and shareholder relationships with elders and the wider community, and have the capacity and resources to run national and international operations. Businesses can provide resources and outreach to Somali NGOs to achieve their social objectives, while NGOs can improve their social performance and status nationally and internationally by providing the knowledge and expertise needed to address social issues and by strategically bridging their relationship with international community.
- Establish a business social responsibility and sustainability function within the Somali Chamber of Commerce and Industries (SCCI) aimed at developing a national level code of ethics for large- and medium-size businesses. Somali businesses regulate themselves through customary law and

it can provide a starting point to integrate international voluntary codes such as the Global Compact[15] and the UN Guiding Principles on Business and Human Rights, implementing the "Protect, Respect and Remedy" Framework. The United Nations can provide the necessary knowledge and linkages to SCCI.

- Establish a working group of business leaders within the Somali Chamber of Commerce and Industries aimed at leading the process of formulating an anti-corruption framework for business activities. The UN and other bilateral donors can provide the necessary knowledge to the working group and help them with developing a better understanding of international business standards.

- Strengthen and expand the enterprise development programme initiated by Somali businesses and NGOs by providing them with resources and skills to support entrepreneurs who initiate social and environmentally sustainable enterprises and help them with developing access to international markets. Develop specific programmes for women entrepreneurs to be part of the larger business networks and promote them within the current business structures. Establish a non-profit national institution to lead and develop this programme in collaboration with Somali businesses, NGOs, and international organizations.