



# Somaliland's Oil and Gas Exploration Attempt: Prospects of Opportunities and Challenges



**Mohamed A Mohamoud\***

*University for Peace, Costa Rica*

**Submission:** January 20, 2018; **Published:** March 22, 2018

**\*Corresponding author:** Mohamed A Mohamoud, University for Peace, Costa Rica, Email: [Mohamed.diiriye@gmail.com](mailto:Mohamed.diiriye@gmail.com)

## Abstract

The Republic of Somaliland is very ambitious and optimistic to extract its natural resources as oil and gas and this is justifiable whilst Somaliland pursues a de facto state which is peaceful and democratic that managed its internal frictions of the post- conflict era. But it is worth mention that Somaliland still is struggling state institutional reforms, holding timely elections and effective implementation rule of law. Since Somaliland regained its independence in 1991 from the Somali Republic which was collapsed in 1991. The state to attain the social and economic needs was indispensable strategy and national priority. From this perspective, the successive governments of Somaliland efforts hampered by combating poverty reduction, poor socio-economic conditions and improving infrastructure as ports, airports, roads and other government sectors such as education, health, agriculture, energy, tourism and water development. Moreover, Somaliland was attempting to undertake the oil and gas explorations since 2006 but this year of 2017 was historical to the extent that the first geological survey was commenced. Many Somalilanders are confident that this is the only way that the poverty and socio-economic vulnerability can be alleviated. Nonetheless, the paper raises some questions exploring the anticipated challenges and constrains that Somaliland may encounter in this course of oil and gas exploitation regarding the classic experiences in the continent and Sub- Saharan African countries in particular. The paper also attempts to find out the opportunities and likelihood that Somaliland may discover its oil and gas resources that could improve the economic growth and development of the country. Many domestic actors and grassroots communities in the site of the oil and gas explorations are more suspicious that the government of Somaliland has no mechanism to protect enough the environmental degradation that may result a long term effect of ecological system in the country.

**Keywords:** Natural resources; Oil and gas exploration; Exploitation; Geological survey; seismic

## Introduction

Somaliland to commence the long awaited its hydrocarbon natural resources will not be an easy task considering the multi-dimensional aspects of political economy implications, social vulnerabilities and international market trends which the oil price fluctuates over the past recent years. By end-2014, retail fuel prices had declined globally, on average, by only half as much as world oil prices [1].

There is a heated debate about how Somaliland can produce its natural resources and how this is domestically agreeable in order to respond the extreme poverty, poor infrastructure and the high rates of unemployment, the exploitation of resources could have significant benefits for local communities in the form of employment opportunities, infra-structure development, citizen participation in decision-making and better institution-building [2].

On the other hand, Somaliland pursues its first phase of geological exploration interventions, without data available throughout the Somaliland and Somalia in general. But this current survey underway in some regions of Somaliland will be the first coordinated oil and gas exploration activities

attracted foreign investors to consider the area. From a regional perspective the geology of Somaliland shows many similarities with Yemen and the exploration has focused on searching for Jurassic rifts where source-rocks have accumulated [3].

Moreover, Somaliland has started its first seismic interventions in 2013, although it was not succeeded due to some internal conflicts between grassroots communities and companies exploring the blocks. Seismic operations have been suspended due to deterioration in the security environment. Discussions continue in order to facilitate a resumption of activity [3]. Again Somaliland resumed the exploration survey April 2017 in the blocks that Genel Energy manages which are situated in the regions of part of Sool, Togdheer and Maroodi-jeex.

In the meantime, the exploration activities namely seismic acquisition program was restarted again in 2017 [4]. The Ministry of Energy and Minerals gave more priorities to engage grassroots communities on issues of oil and gas ongoing seismic survey and right now the seismic activities going on peacefully, the Genel Energy blocks are 3000km<sup>2</sup> adding 2500km<sup>2</sup> of

DNO and RAKGAS, this is the largest seismic survey currently underway in the region" [5].

Nonetheless, the exploration and production of the hydrocarbon resources often is not straightforward due to enormous challenges which many Sub-Saharan African countries faced included but not the limited poor governance, poor socio-economic conditions, corruption, misuse of resources, violent conflict, lack of transparency and accountability. Governance indicators such as government effectiveness, voice and accountability, political instability and violence, the rule of law, regulatory quality, and control of corruption are correspondingly markedly weaker in oil-rich African countries [6].

Furthermore, it is apparent that Somaliland's ambitious goals to accomplish marketable oil and gas deposits should be required legal and regulatory framework that administer the sector. Right now there is strong public and international demand of legal instrument, despite Somaliland to use the inherited laws from the Somali Republic. According to the Minister of Energy and Minerals, Somaliland is "developing a new modern regulatory framework to guide the sector before anything gets out of the ground" [4]. These are built around the Mining Code that dates back to 1984. Somaliland had to call on international expertise to draft a hydrocarbon law and to provide support in Production sharing agreement PSA negotiations [4].

Despite its economic and political ambition Somaliland has little experiences in this sector of the extractive economy and managing such highly sophisticated projects of the hydrocarbon extraction and production. In the meantime, there are some international actors who have vast interests as well as concerns over exploration interventions due to force majeure that the erstwhile of Somali Republic entered into some international companies.

"These existing license holders (referred to as the pre-1991 licenses) are the source of a heated debate. On the one hand, they are still technically license holders until "force majeure" FM is no longer valid. But on the other hand, if other companies are currently active on Somali soil, then FM should no longer be considered as applicable" [4].

Thus, the area that oil and gas survey is taking place is more vulnerable to the conflicts and threats because of poor livelihood of the rural communities in these areas associated with climate change affects that resulted recurrent droughts, starvation and diseases where the rural communities lost their livestock approximately 70% in between 2016-2017 as government of Somaliland reported.

However, the livelihood conditions at present time can trigger both conflict and high expectations where the rural communities are thinking that the oil and gas utilization will replace their lost livestock dependence and improve the nascent conditions both short and long run.

Furthermore, the land disputes are often the source of conflict in the region. It is recommended that necessary measures are taken to prevent such disputes and to peacefully resolve existing related conflicts Justice [2]. And Somaliland has been in a trap of land conflict since its post-independence in 1991 and it is obvious that this survey of oil and gas exploration will inevitably face such dilemma where the state of Somaliland cannot control the land resources and land ownership.

Therefore, the government of Somaliland is required to ensure the legitimacy of the land ownership which the general public at present time dominates its claim and utilization. A way of approaching post conflict land administration development should be to get to the stage of what J.K Galbraith referred to as functional anarchy - improve the level of stability in small increments, accepting that numerous setbacks and so-called failures are inherent in the process [7].

In the meantime, the issues of governing, likelihood of corruption and malpractices are inescapable classical experiences in "Africa rich-oil countries" and this is an example that Somaliland needs to learn and open a new chapter of the continent in order to tackle the widespread fraud and bribery in the sector.

In addition, exploring and producing oil and gas natural resources are highly expensive and categorically sophisticated and extractive industry in Somaliland will require further measures of conflict prevention mechanisms, applicable infrastructure and sufficient dialogue is needed on development of the legal and regulatory framework.

Finally, many Somalilanders argue that the political and economic aspirations of the country may not constrain the underlying factors such as lack of comprehensive regulatory framework, lack of transparent and accountability and misuse of land resources. But improving social infrastructure, economic infrastructure and livelihood of the people can lead a better outcome of Somaliland's hydrocarbon production and sustainable development.

On the other hand, it is notable that the area which the oil and gas survey was pursuing is more vulnerable to the internal and external threats due to poverty and poor socio-economic conditions. "Somaliland is very hopeful to discover oil and gas resources as indications prove because before the seismic activities started, Somaliland had some encouraging signs of preliminary geological data and this is a very vital project to overcome some poor livelihood conditions" [5].

However, the paper will further attempt to illustrate how Somaliland can escape or manage the widespread violent conflicts and deceptions that Sub-Saharan African countries are alleged because of poor governance, nepotism, tribalism, inequality, and corruption. From these profoundly allegations Somaliland will be either this category of many African countries pursued or open new paradigm shift that the new oil discoveries

countries in the continent will take into account. The oil industry is technically and structurally complex, and the legal and fiscal arrangements governing revenue flows are typically even more complex [8].

### Brief Historical Background of Somaliland

Somaliland was ruled by the British Empire in between 1884-1960, and in this long period under the protection of the United Kingdom of Great Britain and Northern Ireland, Somaliland British Protectorate was created which the British administration signed international treaties with French Italy and Ethiopian. From this long history of the British administration, nationalism euphoria rose from time to time and Somaliland finally obtained its independence from Great Britain through official Royal Proclamation of Her Majesty Government Queen Elizabeth II on 26 June 1960.

Somaliland British Protectorate "International Boundaries -1888-1960 Anglo-French zones of influence 1888-Anglo-Italian Treaty 1891 (zones of influence)-Franco-Ethiopian convention 1897-Anglo- Ethiopian Treaty 1897- Italian interpretation of 1908 convention-British provisional Administrative line [9]. The Republic of Somaliland has defined boundaries demarcated by the colonials. "The boundaries, which encompass an area of 68000 miles squares or 176, 116 square kilometers, are those inherited at the moment of independence from the British in 1960 [10].

The Republic of Somaliland has reborn in 1991 after long bloody struggle against the dictatorship of General Mohamed Siyad Barre. Hence, regaining the political independence of the Republic took more than two decades involving direct war, which the Somali National Movement (SNM) militarily confronted Somalia's aggressions by mobilizing the accumulation of prolonged civil uprising waves that commenced from 1981 up to 1991.

Somaliland and Somalia searched to form unitary state of the Somali Republic on 1st July 1960 and the process had aborted legally, technically and administratively when Somaliland and Somalia failed on the negotiation to sign an Act of Union, then the extinction of Somaliland and Somalia apparent, as they were recognized as short-lived states.

The formation of quasi-state of the Somali Republic faced legal problems and was bound to collapse at any moment. The referendum on the ratification of the Somali Republic provisional constitution was rejected from Somaliland on 20 June 1961, then the Somali Republic did not have legal jurisdiction over the territory of Somaliland, the result of the referendum was overruled and Somaliland was placed under illegal occupation of Italian Somalia.

Somaliland people are arguing that there is no binding merger between Somaliland and Somalia in 1960 and the rejection of the constitutional referendum in 1961 and the military coup concurrently testified the disaffection of the merger between two sides and morally this merger between Somaliland and Somalia aborted in the onset. The fact that the "union between Somaliland and Somalia was never ratified" and also malfunctioned when it went into action from 1960 to 1990 makes Somaliland's search for recognition historically unique and self-justified in African political history [11].

The African Union report (2005) has also stated that Somaliland is not opening a "Pandora's Box" since Somaliland territory and boundaries were inherited from the British administration, Somaliland population is 4million who are mostly pastoral and nomadic society which comes from five main clans Isaq in the center is a main clan, Dhulbahante and Warsangeli under Harti sub- clan of Darod in the east and Gadaburis and Esse in the west, there are other small clans such as Gabooye (Figure 1).

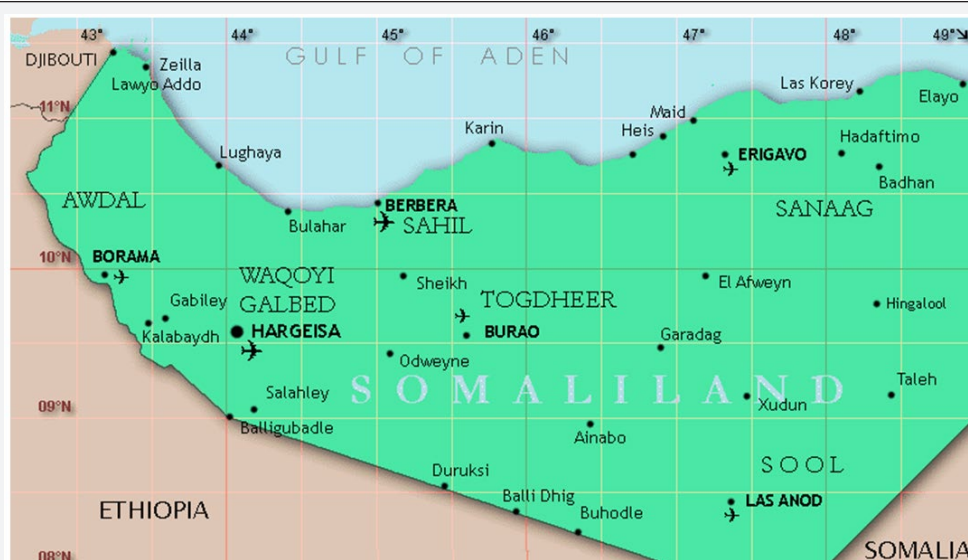


Figure 1: Somaliland Map.

## Methodology

In fact, understanding the key patterns of the oil and gas explorations require to employ different approaches of data gathering as in depth interviews, literature review and searching more insightful credible information.

In Somaliland, surveying the oil and gas are new to the context because the previous geological data made the former Somali Republic either lost it or not utilized at all. Whereas the Siyad Barre administration conducted some surveys in the regions of Somaliland in between 1969-1989.

At present time, the companies which are undertaking seismic survey started searching applicable, consistent and marketable data, as the Genel Energy country manager in Somaliland stated “the Genel Energy Company signed production sharing agreement (PSA) with Somaliland government in 2008. Since then the Company had continued engagement to set up this profound data collection survey which started earlier in this year of 2017” [12].

On the other hand, as the participant observer and the director of the largest civil society and non- state actors policy platform (SONSAF) which has organized four national policy dialogue forums on oil and gas exploration. There were various stakeholders attended in the successive years of 2014, 2015, 2016 and 2017. Moreover, my greater involvement in the sector has enabled to me more informed context, in the pursuant the thematic issues I have facilitated during these policy dialogue forums which all actors discussed how to tackle the challenges ahead in this project of the oil and gas explorations.

Finally, this is more qualitative approach which is seeking in depth analysis, structured and unstructured interviews and profound examination in this broad context of extractive industries in Somaliland particularly surveying oil and gas in Somaliland. According to Somaliland experiences the extractive economy is complex due to underlying patterns of socio-economic, infrastructure, and socio-political conditions (Figure 2).

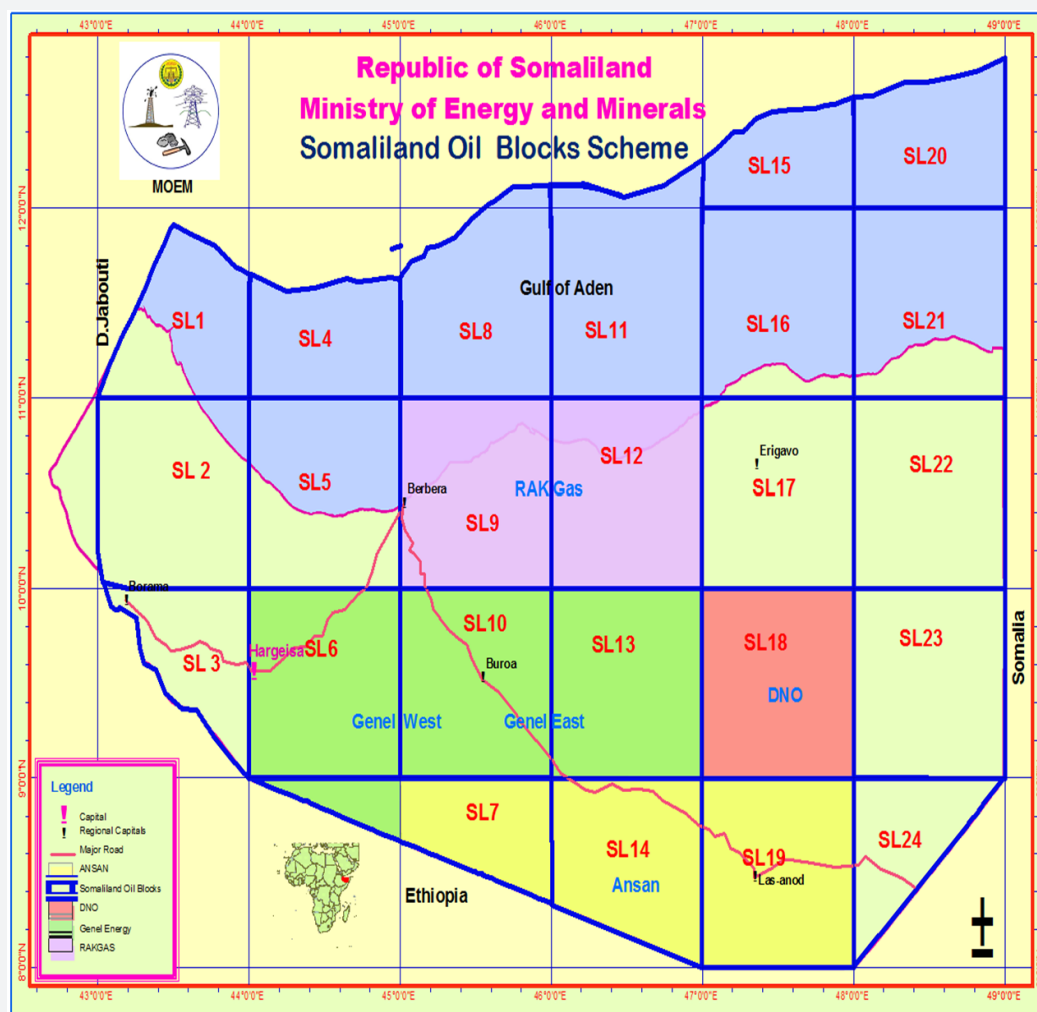


Figure 2: Somaliland Blocks map.



### Understanding the Challenges Ahead Oil and Gas Explorations: Vulnerability of the Environment and Poor Livelihood of the Society

Understanding ecological impact and minimizing the consequence of the environmental degradation during the geophysical surveys following the drilling stages of the oil and gas industry is central topic across Somaliland at this time. Although, Somaliland Ministry of Energy and Minerals confirmed that environmental impact assessment survey was conducted in 2012 and the Ministry is very cautious to in place preventive measures that help Ministry and international companies to meet international standards. Buffer zone distances between seismic lines and water sources will be established through extensive in-field ground vibration testing. Distances may vary between seismic source types, as per International Association of Geophysical Contractors IAGC Guidelines [13].

Somaliland now is learning the causes of the climate change which deteriorated the conditions and performances of the environmental protection before the oil and gas activities made in Somaliland. For instance over the past years Somaliland widely faced shortage of rain and dry climate which brought the severe droughts and poor socio-economic conditions. The exploitation of oil and gas reserves has not always been without some side effect. Oil spill, damaged land, accidents, and fires, and incidents of air and water pollution have all been recorded at various time and places [14].

Indeed, the vulnerability of the environment in Somaliland which the climate changes is one of the root causes made a lot of depressions that brought starvation, communicable diseases and scarcity of the basic needs. Therefore, addressing the environmental degradation patterns combined with predictable consequences of the oil and gas explorations created more apprehensive notions that civil society environmental organizations and grassroots communities are voicing. The impact of natural resources on the security calculus is mainly a function of the laws and practices guiding the exploitation of such resources [15].

The ecological problems in Somaliland have dramatic consequences both human lives and animals. The sites of the explorations in all regions which were mapped out currently fall under the potential grassing areas which are strategic for the livestock development and rural communities [4]. The use of heavy road construction equipment, Vibroseis acoustic energy sources, and power augers for shallow drilling are potential sources of noise and vibrations that may affect the survey crew, neighbouring communities and animals (domestic and wild) [13]. The effects of climate change have afflicted the environment -floods and specially droughts are happening more regular and are more disastrous [16].

Somaliland has been under environmental stress in many decades due to charcoal production, shortage of rains,

deforestation and lack of knowledge of environmental science. For instance, during exploration or seismic surveys by oil companies, drill cuttings, drilling mud and fluids are used for stimulating production. There is also the use of chemicals during seismic activities. The major constituents of drill cuttings such as barytes and bentonitic clays when dumped on the ground prevent local plant growth until natural processes develop new topsoil [17].

Thus, the consecutive droughts and deteriorating the livelihood of livestock as well as the people resulted from time to time that people live in the Eastern regions of Somaliland to be under survival conditions and this may adversely affect the process of exploitation and exploration of oil and gas resources underway.

On the other hand, such poor socio-economic situation and meager resources can trigger the chances of conflicts, increased crime activities and insecurity. Oil exploitation and exploration has impacted most disastrously on the socio-physical environment of the Niger Delta oil bearing communities massively threatening the fragile subsistent peasant economy and bio-diversity and hence their entire social livelihood and very survival [18].

### Clans' Conflicts over the Land Ownership will potentially affect the Discovery of the Oil and Gas Resources in Somaliland

It is apparent that "land ownership" in Somaliland is most expensive and controversial asset that the state of Somaliland failed to administer as the national constitution laid down the clear guiding principles and provisions whose the highest authority of the land, this Article 12 further explains the "public assets, natural resources and indigenous production". The land is a public property commonly owned by the nation, and the state is responsible for it [19].

Today, the land resources is misused and is in the wrong hands of the general public caused by weak regulatory framework, poor coordination between local authorities and central government and the value of the land which is most expensive property in Somaliland right now, land registration is unsuccessful and inconsistent in Somaliland so far due to lack of land policy and sound regulatory framework.

Nevertheless, land conflict will inevitably affect the process of the oil and gas exploitation during the discovery stages, now this is a latent matter but it is unquestionable that over the past years the land ownership was a key factor of clans and individuals conflicts either urban or even far rural areas and this is most precious and controversial asset in Somaliland.

Land disputes are endemic to Somali customary pastoral society. Whereas custom dictates that one clan is resident in an area, other clans should have rights of passage over the territory, grazing rights and access to water for their stock [17].

The viewpoints about conflicts brought by land claims are more devastating and critical in Somaliland and there is a need for to reinforce the rule of law and state control of the land resources.

Moreover, the potential and predictable conflict over the landownership and the exploitation of the natural resources can only be managed reinforcing the laws and increasing the public civic education and awareness rising because this course of oil and gas exploration activities crosses so many regions, districts and sub-districts which many various clans live together side by side and as the national constitution article 12 states the government is responsible the extraction of the natural resources and protection of the environment. The central state (government) is responsible for the natural resources of the country, and shall take all possible steps to explore and exploit all these resources which are available in the nation's land or sea [19].

The indigenous and rural communities in Somaliland are often doubtful that both the government of Somaliland and international companies are not transparent managing the exploration and exploitation of the natural resources in the country and there are inquiries raised most of time by these people, questioning the openness of the state institutions regarding the utilization of the extractive industries, drafting the regulatory framework and agreements.

Therefore, the international companies which involve multiple interventions legally and illegally where the state institutions have limited capacity to oversight and validate these operations undertaken by the international companies. Some grass-roots communities argue that international companies loot some unauthorized natural resources while they are undertaking the assessment of the authorized items of the natural resources. The grass-root communities indicated that they felt the government does not deeply consider the important role of the communities in exploration process and that rumours or inadequate information can twist community perceptions towards oil exploration activities which would be detrimental to progress [20].

The public argument is more reasonable considering the sophisticated technology used by these international companies particularly the oil and gas examinations. These misconceptions are signaling out some predictable conflicts that may jeopardize the whole process of the hydrocarbon projects in Somaliland, there are elements of fragility and vulnerability in sense that all sites located the rural strategic farming and livestock grazing areas that droughts affected.

Somaliland has had considerable amount of experiences over traditional conflict resolution mechanisms to mitigate violent clans' conflicts as the blood compensation and livestock. But in the contrary Somaliland has little experiences managing conflict based on extraction of the natural resources which is multi-dimensional conflict. In addressing the potential for grievance-driven resource conflict at the local level and pursuing more

sustainable community-led trajectories, the decentralization of natural resource revenues and decision making has attracted considerable international attention in recent years [21].

Eventually, Somaliland clans are more vibrant and continually attempt to influence the state policies by contending the meager resources. On the other hand, if the anticipated onshore and offshore oil and gas resources to be found, new conflict based on land ownership will be inescapable because every clan wants to claim an area which may be a potential one for the exploitation of the crude oil and gas.

In addition, in every clan has small arms and weapons inherited from the Siyad Barre regime and subsequent civil wars. Indeed, in many countries, a toxic mixture of chronic poverty, ethnic marginalization, and the widespread availability of small arms and weapons can serve as drivers of subregional conflict that permit "contagion" effects to occur across porous borders [21].

Hence, poor livelihood, socio-economic problems and political dynamics in the region in the Horn of Africa will not only potentially a side effect but may restrain the current process. Like the rest of the eastern Horn of Africa, communities in eastern Somaliland are susceptible to manipulation by their elites in distant capitals or the diaspora, who can incite acts of violence in pursuit of narrow personal interests [22].

In Somaliland, the eastern and western regions are not comparable to the extent that eastern regions are yet behind in terms of development and basic infrastructures. In these areas of eastern regions are also more potential for the companies aspiring to explore oil and gas. Oil exploration and exploitation have over the last four decades also instigated and intensified bitter and bloody conflicts between emerging interest groups within and between communities [18].

However, the clans here in Somaliland both eastern and western regions contributed the peace and stability of the country and they are dedicated maintaining the peace and security. But the hydrocarbon projects and utilization of natural resources are all a new phenomenon that can put the area more conflict-prone zone and exacerbate some concealing patterns of conflict in particularly the far eastern regions of Somaliland as Sanag, Sool and some part of Togdheer region. Hydrocarbon licensing and exploration has garnered considerable attention over the past two years as a conflict driver for the entire country [22].

At present time, there is a high expectation and less symptoms of conflict but no one can guarantee that the drilling and discovery stages the situation should remain peaceful and harmony, and Somaliland has yet a golden opportunity to maneuver and transform more and more the social livelihoods bearing in mind the acute needs for roads development, water resources, education, health and employment creation. When land rights and land tenure issues are not clearly defined, individuals can be

negatively affected by being disenfranchised when oil or natural gas resources are discovered in their vicinity [23].

Finally, Somaliland needs to be more vigilant the conflicts which the extraction and production of the natural resources can cause. Because the attribute of this conflict was not seen before and because of weak state institutions, clans have high stake to manipulate and distort the focus of this hydrocarbon project. In fact, many people are very enthusiastic Somaliland to achieve economic prosperous and full political stability; some intellectual people are contending that maintaining peace and stability can only be reached to tackle poor economic social conditions, environmental degradation and equality.

### Good Governance of Natural Resources as a Measure of Conflict Prevention

Tackling the misuse of the natural resources and syndrome of “resources curse” in Africa has had long discourse in the post natural resources extraction in Africa, poor governance, weak regulatory framework, grass-roots communities marginalization, privatization, violent conflicts and prevalent corruption entirely undermined both the utilization of the natural resources and state reputation of Africa particularly in Sub-Saharan Africa countries. The resource-curse, or the paradox of plenty or Dutch disease so-called, refers to the paradox that countries and regions with an abundance of natural resources tend to have less economic growth and worse development outcomes than the countries with fewer natural resources [24].

Somaliland is required to mainstream these lessons learned from the rest of oil and gas rich- countries in Africa in order to avert the common problems in Africa as corruption and malpractices. Each stage of resource development from exploration to production brings a particular set of opportunities and challenges [25].

In Somaliland, one can observe that clans’ structures and traditional leadership are strong and can override the process of the extraction and production stages, the government must be committed fight against corruption and whatever can distort the process. In this early stage Somaliland is appropriate to establish independent anti-corruption body following anti-corruption act and regulations.

Somaliland people are more connected with their indigenous concepts of livelihood, culture and egalitarian socio-economic class. They are more assertive society that shares information through informal channels of communication. The classless livelihood style mitigated conflicts and encouraged equality and equity to some degree of the resources distribution. Oil extraction has impacted most disastrously on the socio-physical environment of the Niger Delta oil bearing communities massively threatening the fragile subsistent peasant economy and bio-diversity and hence their entire social livelihood and very survival [18].

The Republic of Somaliland is more eager to improve the infrastructure which needs more money where unemployment has become most fascinated and socio-political depression leading factor but the state institutions as Executive, Judiciary and Houses of parliament are not prepared to confront such complex and multi-dimensional hydrocarbon projects. This may qualify the wisdom “don’t put the cart before the horse” meaning unless the state institutions are transformed into such capabilities required to handle this advanced project of the hydrocarbon development.

The motives behind the extraction of the natural resources are to foster the economic development and achieving a better life of the society whilst the development aid assistance cannot overcome such long term economic and social development challenges. The fear of the people is to speculate how state institutions in Somaliland are credible and competent to forge effective national strategy to prevent these fears and anticipated conflicts. However, in combination with the pre-existing economic weaknesses, social tensions, and political and institutional inadequacies so common to developing countries, some of the characteristics of oil and gas production do have potentially destabilizing effects [26].

If used properly, this large amount of potential income from the extractive sector could enable countries to fund infrastructure, to improve upon and advance social development projects focused on education and health, and to reduce poverty [23]. While there are many factors contributing to resource-related conflict, the lack of transparency in government finances is among the most important contributing factors [26]. Most African countries are viewed corrupted states in terms of utilizing the natural resources bestowed upon the Africa continent, Somaliland is pursuing currently the oil and gas explorations, hence, one of the key challenges are ineffective rule of law institutions and lack of experiences since Somaliland is in the early stage of exploration.

Furthermore, it is commonly believed that good governance is instrumental to pave the way the trust between government and its people in anywhere on the world but Africa is blamed that few elites dominate the political and decision making process combined with controlling the resources of the nation. Corruption in a sector as rich and as powerful as petroleum can be have major negative spillover effects on the government not only of other sectors but also of the economy as a whole [8]. And this has resulted apparently sectarian divisions, armed conflicts and political instability.

From this standpoint, there is yet a solidarity to some extent and the mood of the people at present time is not so bad in Somaliland, however, the clans structures are eye on the outcome of the exploration, and there are some allegations of corruption in the successive governments of Somaliland included this government, though the proved report not to be disseminated but the weak public financial management and

lack of parliamentary oversight raised these concerns over the accusation of corruption and misappropriation of the state property.

The implication of the corruption in Africa such as Nigeria which is one of the richest oil countries in Sub-Saharan Africa, is classical example how natural resources as oil and gas has become a catastrophic if not properly managed. Nigeria has been unable to utilize its resources for the good of the people, the consequence being that the nation lags behind in most development indicators [24].

Somaliland can succeed exploration, drilling, production and in placing quality of refinery, if state institutions pursue the best practices and prevailing experiences. But the fragility of the environment both socio-political and economic sector can generate some unwanted behaviors and unacceptable conduct that should harm the process and engagement of the natural resources extraction and utilization. There are three main thematic tasks that Somaliland is needed to overcome both as fight against corruption strategy as well as conflict prevention approach during and aftermath of this course of natural resources exploration and exploitation stages.

First: building solidarity and civic engagement of the people, this is a foundation of building trust, confidence and transparent measures, in the absent of the citizens participation in the decision making and harmony among them, no possibility of achieving sustainable development, peace and stability. Regions in Somaliland are not equally treated and equally developed for the past two decades and half, some regions are underdeveloped and very fragile while others are somehow succeeded to achieve some sort of development and recovery. Marginalization also means that local communities are suspicious of initiatives – including oil exploration - the benefits of which they suspect will accrue to interests in the capital, at their expense [22].

However, the distrust between state institutions and citizens commenced poor grassroots engagement in the state affairs that directly affect their lives and this has brought clans competition for the limited resources. Therefore, promoting civic participation and building unity of the people through defined state structures should mitigate conflicts based on natural resources extraction and production, in Africa Niger delta is a good example how grassroots are missed and undermined, then the life and livelihood worsening. The Niger Delta communities have remained grossly socio-economically underdeveloped and pauperized amidst the immense oil wealth owing to systematic dis-equilibrium in the production exchange relationship between the state, the Trans-national companies and the people [18].

Second: developing macro economy policies and development approaches based on resources distribution and equality should be needed to mainstream across state institutions and strategic framework of reforming government institutions. Yet Somaliland has a chance to improve its economic policies and initiatives of promoting equality and resources distribution methods and

this will contribute in deepening socio-economic and political development of the country.

Somaliland has succeeded to develop its national development plan (NDP) for the time 2012-2016 and the second time 2017-2021. The NDP aims at creating an enabling environment that is conducive to employment generation especially among the youth, human resource development, technological advancement, effective and efficient governance, increasing competitiveness and rising income levels Development [27]. The NDP addresses long term strategic development directions of the country, it can help Somaliland to overcome some critical development challenges that country was pursuing many decades in its post-conflict settings.

Third: laying the foundation of the anti-corruption laws, regulatory body and sound policy framework will not only provide state reputation to be regained but it also may raise the country profile and portfolio of direct foreign investment and trade connectivity. Some people argue that there is direction relationship between corruption and conflict, corruption and underdevelopment. Many Sub-Saharan African countries are attributed that the corruption has become epidemic and the culture of the political leaders.

The impact of these foreign direct investments has little or no effect on the economic development of Nigeria as a result of lack of accountability, transparency and high spread corruption in all sector of Nigeria economy [24]. Somaliland is unlikely to be typical of Nigeria and other Sub-Saharan African countries who failed to tackle both development challenges and managing oil and gas resources, some important attributes will be the size of the country because Somaliland is a small nation, with same religion, culture, language and highly cohesive in terms of social gathering and knowing what matters to the other.

### Development Contribution and Opportunities for Oil and Gas Industry: the Case of Somaliland and Africa

Achieving sustainable development, viable infrastructure, creation employment opportunities and better livelihood is the nightmare of the Somaliland's oil and gas exploration survey and many other African countries in the region. But there are so many bad examples in the African rich- oil and gas countries; one justifiable reason is socio-political and economic vulnerability prior to the resources extraction, aftermath of the production and the failure of governance as whole in most African countries. If conducted well, exploitation of Somaliland's natural resources could be a strategic mechanism, to overcome the extreme poverty and poor infrastructure of the country [20].

Although, over the past years oil and gas industry had made a variety of contributions to the Nigerian economy. These have included the creation of employment opportunities; local expenditure on goods and services; contributions to government revenues, to gross domestic product, and to foreign exchange



reserves [24]. Somaliland needs to take coherent policy of economic diversification and reduce the expectation of the oil and gas abundance, because many Sub Saharan African countries encountered deficit of revenue generation since the oil and prices recently fluctuate and not mounting the constant.

Thus, African was in between different political era included colonial, post- colonial and cold war bipolar politics following the post-cold war arena. Even the oil and gas industry sector was not clearly defined the benefits and its capital investment, international powerful oil and gas companies backing developed countries overrule the industry, Somaliland must be aware of these setbacks and constrains experienced Sub- Saharan African countries. Broadly, natural resources have featured in the evolution of economic theory in two phases: classical and neoclassical [28].

The oil and gas sector is spilt into upstream and downstream activities. The upstream industry includes exploration and production and transfer of oil and gas to the refining or processing facility [29]. Somaliland has not legally and politically defined what type of industry either upstream or downstream; indeed, many African countries are only limited to upstream where they export the crude to developed countries and sale finished products back to African oil upstream countries with more expensive and there are other economic benefits that downstream countries gain.

The development in Africa is hampered by competing international and global economic and political interests of superpowers. And Africa cannot distant its future by sacrificing its natural resources to developed world while the continent is still below the poverty line and highly depend on development assistance from the developed countries and the loan from the International Monetary Fund (IMF) and World Bank, industrializing the oil and gas within the home countries can maximize the opportunities and skills transfer of the upstream countries. Oil refining involves two types of processing: the physical separation of the raw material and the subsequent chemical refinement of this raw material into different petroleum products (called fractions) [29].

Somalilander are aspiring that some economic and livelihood problems to be resolved while the country natural resources to be extracted in sense that mature government policy of the resources and wealth distribution to be adopted and implemented. Shifting from economy mostly based on livestock trade to renewable and nonrenewable natural resources will not be an easy journey but it requires some fundamental changes, avoiding natural resources as oil and gas abundance is also a convincing debate across the continent and worldwide.

The enormous economic contribution of the oil and gas industry to many national economies makes its future of critical importance to the global community [30]. Although Somaliland lacks of substantial international community assistance and direct foreign investment but the country has been attempting

to create reasonable economic atmosphere, promoting regional economic integration and trade connectivity.

Despite the years of destruction brought on by the civil war, Somaliland has been the site of impressive levels of economic recovery due to: (a) the ability the government and society to maintain peace and security [31]; Somaliland is expecting that oil and natural gas extraction will boost the economy and scale up the regional and international projections of Somaliland's innovation, contribute social resilience, economic development and Somaliland also wants to become one of the regional players due its strategic position of red sea, Gulf of Aden and natural resources endowment.

### Internal and External Actors over the Oil and Gas Exploration in Somaliland

The internal and external actors have decisive impact on this strategic project of oil and gas exploration in Somaliland. Domestic actors have primacy and overlapping roles over the issues of the natural resources utilization and there are great enthusiasms at local level that Somaliland will be prosperous country. But in contrary, the domestic actors are varying from one another and mostly anticipate to control the area if oil and gas resources should be discovered in their vicinities believing that they will have more power and influence in the decision making of the country.

There are some sorts of lacking human security which are the push factors where domestic actors are preoccupied their mentality with competition, suspicion and greedy. But international community who is committed to strengthening state institutions through gradual reforms does not welcome the rationality behind this drive of oil and gas exploration in Somaliland believing that Somaliland first needs to pursue the institutional reforms as justice reform, security sector reform, and public financial management reform and finally Somaliland to sustain timely elections and improve its governance systems.

Moreover, domestic actors have various layers and arrangements included aqilis who are primarily manage clans disputes and bloody compensation between clans and sub-clans, at this level, traditional elders are deeper and locally trusted. But Suldun, Garad, Boqor, Ugaas etc are the highest structures who are often display more media outlets by claiming the specific locality. Diaspora communities have direct influence to the grassroots communities where the oil and gas exploration is taking place right now. In the meantime, there are often rumours flying around in the area of sites because of multiple actors engaged as well as the tendencies created the competing actors in this sector.

On the other hand, State actors have also different approaches and layers in this project, like members of parliament from those constitutes are part of the actors and vicious circles in this process, Ministries related this project may also confront the aspect of the project as Ministry of environment and Rural

Development, Ministry of livestock, Ministry of agriculture, Ministry of tourism, Ministry of interior and Ministry of Energy and Minerals which is leading the project.

In addition, civil society actors are dedicated to promote good governance, grassroots communities' participation and advocating environment protection. In this initiative, SONSAF aims to encourage the proper governance and regulation of the extractive industries in Somaliland [20].

In terms of external actors, donors are remain currently more optimistic Somaliland to improve its economic and social development. Whilst donor assistance to Somaliland is diminishing from time to time and international community was much involved the issues of oil and gas exploration when Somaliland government was pursuing to establish "special unit of police forces" but my interview of the Minister of Energy and Minerals, he stated that right now the special unit of police forces is not needed in this phase of geological survey but" he signaled out that even the second phase of drilling is much smaller than the seismic, anticipating that the security forces will remain as its now [5], all actors listed above as being prominent in the natural resources governance have been those engaged in the conflict surrounding these resources [28].

### Conclusion

Somaliland is struggling to tackle so many economic challenges included high inflation rate of exchange which disrupted the economy and livelihood of the citizens due to using dual currency of Somaliland shilling and dollar concurrently and ineffective fiscal policy accumulated the current financial crisis, one important observation is Saud Arabia livestock ban because Somaliland economic is more relied on livestock trade exchange to Gulf countries.

However, these delicate conditions upsetting the citizens' aspiration of economic prosperous and sustainable development, hence, this project of the extractive industry specially oil and gas explorations has become vital to achieve some rapid results in order to chart the country economic development trajectories and pursuant of the foreign direct investment (FDI), as the World Bank report [31] indicated that Somaliland's "economy is at a crossroads.

In fact, this report from the World Banks (2016) signaled out that Somaliland will face some critical economic challenges and financial crisis. The probabilities to discover oil and gas are more convincing and notable regarding the preliminary geological data explored and signs of optimism that current international companies demonstrated. Despite Somaliland to obtain onshore and offshore oil and natural gas reserves, it cannot be dismissed the complexity of the extraction such natural resources and Somaliland needs to consider the surrounding environment of political, social and economic instability.

Somaliland to prevail conflicts based on land resources can take a time and it will be most critical and catastrophic element

of this exploration project. There are other challenges and latent conflicts that will be confronted if the mission of the exploration should be successful unless the government of Somaliland takes some deterrent strategies of either consensus building or true implementation the rule of law. This new sector of the oil and gas industry needs to be developed and regulated effectively, fight against corruption and misuse of resources must be a government forefront policies and political commitment.

On the other hand, extracting the natural resources of the country properly can be instrumental for economic development and improving the life of the citizens of Somaliland. As de facto state Somaliland has made dramatic efforts to advance its economic infrastructure and trade partnership with regional states in the Horn of African and Gulf countries. However, modernizing Berbera port and Berbera corridor project in general is a limelight to promote investment projects and utilizing the natural resources of the country.

Civil society and rural communities are very cautious the protection of the environment since the impact of the climate change and droughts agitated both human and livestock in the most regions of Somaliland. Subsequently, Somaliland is currently pursuing the second national development plan (2017-2021) estimated more than 2billion and it is notable that no longer Somaliland will rely on the foreign aid assistance because the small tying aid that Somaliland was relied on in many decades failed to overcome the socio-economic difficult conditions, poor livelihood and poor infrastructure conditions.

Therefore, Somaliland to utilize its anticipated natural resources is an accurate decision but requires strong state institutions that can deliver services and political vision that bring from this extreme poverty to prosperous and sustainable development.

There are multilayered issues in this sector of natural resources as oil and gas extraction and production, Somaliland has particular challenges over the course of de facto state and lack of recognition may jeopardize such mega and sophisticated projects of hydrocarbon but Somaliland has become international reality and its strategic location remained attractive.

### Recommendations

- a) Recognizing social, economic, cultural and livelihood of the people should apparently make well-informed technical and political environment, trust and promote mutual transparent, accountability and fight against the misuse of the natural resources and corruption, hence, confronting these challenges need comprehensive legal and policy development in place.
- b) Learn and contextualize the good practices of the sector in order to avoid both conflict caused by natural resources and ineffectiveness of the natural resources contribution of economic and social development as experienced many sub-Saharan rich oil African countries, in Somaliland, people have

high expectations that extraction of the natural resources will be the ultimate option to improve the standard living of the people and to reach sustainable development and human security.

c) Acknowledge the regional and international experiences about the sector included the protection of the environment where hydrocarbon projects must be environmental centered, bearing in mind the ecological conditions and deterioration of the climate change created frequent droughts where thousands of rural communities in Somaliland lost their livestock which was generating the daily income of the households and contribute the GDP of the country in general.

d) Recognize that social development projects and improving the livelihoods of the grassroots communities as increasing access of clean water, education, health and creating job opportunities will facilitate more consensus building between grassroots communities; state institutions and international investors, improving living standards of the people should promote better understanding and cooperation between state institutions and communities in the field.

e) It is obvious that many sub-Saharan oil rich countries failed to create appropriate and acceptable socio-economic and political environment whereas the natural resource as production of the hydrocarbon has been misused and then increased the marginalization, inequality and multilevel of corruptions. Somaliland is required to create a new model contrary to these bad histories in Africa.

f) Somaliland must also in place a sound and comprehensive legal and policy framework that should help the process to coordinate the multilayered actors through transparent manner and regularizing policy interventions over the exploration and production stages.

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DOI: [10.19080/RAPSCI.2018.04.555644](https://doi.org/10.19080/RAPSCI.2018.04.555644)

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