

Back in Business? Diaspora Return to Somalia

In most post-conflict contexts, returning diaspora members contribute to reconstruction efforts including through investment in businesses. While many invest in traditional ventures, others introduce new ideas of entrepreneurship. In Somalia, diaspora businesses are visible and valued especially for their development and peacebuilding potential. International donors should explore options to support for-profit ventures. Such support could address some of the challenges investors face, including the lack of start-up capital; difficult access to relevant local networks; and limited insurance against risks.

Brief Points

- Diaspora return for business is appreciated in Somalia, but constitutes a small portion of returns
- Those who return voluntarily from Norway and the USA, return with citizenship and resources, including education
- Many diaspora Somalis lead transnational lives compatible with business – with families working and living in multiple countries
- Some diaspora business brings new services and products to Somalia – including taxis, dry cleaners, gyms and law firms
- Support for diaspora businesses with investment funds is important; building on collaborations between local and diaspora entrepreneurs

Cindy Horst

Peace Research Institute Oslo (PRIO)

The Context: Return to Somalia

The Somali conflict has affected Somali citizens inside and outside the Somali region for over 25 years. While Somaliland and Puntland in the North have enjoyed relative stability since 1991, violent conflict is ongoing in south-central Somalia, and residents in many areas in Somalia face considerable levels of insecurity. In late 2012, however, the first permanent central government since the start of the civil war was installed. This increased expectations that south-central Somalia is transitioning towards greater stability.

These developments contributed to creating hope amongst the Somali diaspora, and since 2011-2012, the number of people returning to south-central Somalia has increased considerably. While no statistics are available, full daily flights into Mogadishu offered by Turkish Airlines and the visibility of diaspora investments in business and real estate suggest that return to Mogadishu is now much more frequent than it was a few years ago.

A team of researchers from PRIO, the Heritage Institute for Policy Studies (HIPS) and the Humphrey School of Public Affairs at the University of Minnesota decided it was crucial to study this diaspora return. The research focused on the voluntary return of diaspora members with an interest in returning to contribute to politics; business; or civil society. The team conducted 78 in-depth interviews in Oslo, the Twin Cities, Mogadishu, Garowe and Hargeisa with diaspora Somalis who had returned to the Somali region in recent years. Table 1 provides an overview of the age and gender of our informants.

	20-29	30-39	40-49	50+
Male	5	17	22	6
Female	8	13	5	2

Table 1: Age and Gender of Informants

We were interested in people's motivations to return; the kinds of contributions they were trying to make; how their experience abroad affected motivations and contributions; and what barriers diaspora returnees faced. We were also interested in how diaspora return was perceived, for which we conducted four focus groups in Mogadishu, Garowe, Hargeisa and Oslo with residents who had never left/diaspora who had never returned.

All of those who returned did so with citizenship as well as considerable resources; including high levels of education (see Table 2). Diaspora return was furthermore rarely permanent but often circular and for limited periods of time. The vast majority of those we spoke to in Somalia, Norway and the United States did not return for longer than three years, with many indicating they had only been back for short visits.

	Secondary	BA	MA	PhD
Norway	3	14	12	4
USA	3	26	16	0

Table 2: Level of Education

As such, it may not be very accurate to talk about 'return' in the sense of it being a final stop in a migration trajectory from a place of departure in the country of origin to a place of arrival in the country of destination and back. Rather, the reality of the Somalis we spoke to – and that of increasing numbers of others around the world – is better understood in terms of a transnational sense of civic engagement and belonging. Many of those we spoke to had engagements in, and experiences from, more than one national context.

At the same time as transnational forms of engagement and belonging are a reality for an increasing number of people, returning to Somalia after decades of exile in order to contribute to reconstruction efforts is crucial for many. Those we spoke to talked about the vision they had to make a contribution at this particular stage of Somalia's history:

Making changes and improvements to the city and to the lives of those who live here also means that you are contributing to peace and security. I want to be part of this.

Omar Hassan (returnee from Norway),
Mogadishu

Returning for Business

Somali livelihoods throughout the decades have to a large extent been built on mobility and an entrepreneurial spirit. While violent conflict has affected the country for over two decades, local businesses have flourished.

Amongst our informants, ten individuals had

their main engagement in business upon return to Somalia (see Table 3). While this number is considerably lower than those returning to engage in civil society or politics, it is no way insignificant. Furthermore, setting up a business is on more people's minds. Often, different types of engagements are combined in order to spread the financial risk. For example, a person working for an international NGO may consider starting up a business whilst maintaining their permanent job and salary until their business is financially viable.

	Business	Politics	Civil Society	Other
Norway	6	6	18	3
USA	4	14	16	11

Table 3: Main Engagements upon Return

In general, returnees engage in areas where they have the opportunity to do so. For example, amongst our informants there are few women in politics compared to civil society or business (where four out of ten are women). This is related to the low levels of and limited opportunity for female participation in formal politics in Somalia.

Those who focus on business, engage in a number of strategies to enable this. First, the majority of returnees with business plans or ventures have made several visits to the region where they want to invest, in order to check out the security situation and/or investment climate while building up networks and dealing with practical requirements. Second, many of those who succeed have not just amassed the financial capital to do so, but they have developed their competence while abroad, through formal studies or business experience. In Norway in particular, the combination of good opportunities for higher education but a difficult labour market to penetrate, leads returnees to decide to contribute their skills in Somalia.

I am educated as an engineer and wanted to see what I can contribute with from my perspective down there.

Ibrahim Osman, Oslo

Third, local knowledge and networks are vital and the impact of family business engagements can be substantial. Some informants suggest that the fact that their family is in

business has been a motivational factor, while others indicate that they operate their investments in Somalia in partnership with resident family members. Other business ventures are collective initiatives with friends from – for example - Norway, and may cover multiple regions in Somalia.

A range of studies have illustrated that many Somali families lead transnational lives. Family members are spread over a range of countries, and remittances and other economic contributions from the diaspora play a crucial role in Somali livelihoods. The transnationality of Somali lives and livelihoods has an impact on business as well. Start-up capital for smaller businesses is often collected through remittances from relatives abroad; either as a gift or a loan. Furthermore, family members with a base in different countries collaborate to move goods and money between those locations. At times, settlement patterns are initiating business ideas whereas at other times, it is the business that determines settlement. Some of the most internationally well-known and successful businesses, including remittance company Dahabshil, are transnational family businesses.

Changing the Way Business is done

Somalis are business people and they take things with them to Somalia from the rest of the world.

Ali Nur, Oslo

Common businesses that are set up by diaspora who return to Somalia include: grocery shops, supermarkets, cafes and restaurants. Others are in construction, trade and transportation sectors. These are largely Small or Medium Enterprises (SMEs) that can have an impact locally and be an important source of income for the family owners and the few employees they have hired. There are also examples of much greater contributions that substantially impact the local economy. These involve sizable job creation by direct hires in the company as well as through contracts within the whole supply chain that supports the business. In Hargeisa, for example, one of the returnees from Minneapolis who we spoke to operates a restaurant and guest house where he employs 57 people, a waste disposal company with 170 employees and an electricity company with over 400 employees.

While many invest in traditional business ventures, others introduce new ideas of entrepreneurship to Somalia. Here, the question of how people's experiences abroad affect motivations and contributions is relevant. Many who return from Norway or the US introduce new business ideas, new concepts, new principles or ways of doing business. The new businesses created by diaspora include taxi companies, gyms, real estate offices, employment agencies, florists and drycleaners.

I remember the first day that I saw a Mogadishu Taxi and it was coloured like a taxi, it had the taxi symbol on it and it had a telephone number on it. And for a moment I wasn't sure where I was when I saw this.

Deeq Abdi (returnee from USA),
Mogadishu

Such business ideas address existing needs; especially amongst NGOs and diaspora. For example, employment agencies have been set up in Mogadishu with the aim of helping their clients – including international NGOs – find relevant personnel with particular competences. Their aim is also to monitor the rights of the employees and improve their awareness of such rights. Real estate companies are also emerging in Somalia, with lawyers to help with contracts and other relevant documents. These companies are mainly used by diaspora, as non-diaspora residents 'go directly to the person they need help from rather than using middlemen', as one of our informants phrased it.

Furthermore, diaspora returnees also introduce changes in how business is done in traditional sectors, such as the service sector. One example is the Village Restaurant in Mogadishu, which was set up by a returnee from London. The food and entertainment, as well as the level of service, is different from the standards that developed during the conflict years and the restaurant caters to a wealthy clientele. The set-up can remind customers – most with a diaspora background – of life before the war and/or life in Europe or the United States. The level of service given to customers is a factor that is commonly identified as an innovation that diaspora Somalis introduce upon return.

The locals do a lot of business but there are niches and the diaspora are showing the locals how to run businesses better.

Ayan Abukar, Twin Cities

Business for Peace and Development

In many post-conflict contexts, returning diaspora members contribute to reconstruction efforts and investments in business play an important role in this. In Somalia, diaspora investments are visible and generally valued. Internationally there is an increasing focus on Business for Peace (B4P), with the assumption that business has a positive impact through economic opening and Corporate Social Responsibility (CSR). Yet research suggests that in certain contexts corporate presence can also exacerbate conflict dynamics, so it is important to study rather than assume the kinds of impacts businesses may have in fragile environments like Somalia.

For those returning for business, however, motivations often relate to their wish to contribute to economic development and stability. While establishing a business is first and foremost a way of making a living for oneself upon return, creating jobs for others is often mentioned as of central importance. The fact that such investments are seen as a meaningful contribution to Somalia that is valued locally is a strong motivational factor.

I want my business to employ more people and benefit them – not just benefit me. I want the community to benefit from it and for it to feed not only my family but other families in the community.

Omar Abdullahi (returnee from Norway),
Mogadishu

While job creation is mentioned by many in the diaspora and in Somalia alike as a central aspect of the important role that business plays in Somalia, some people go a step further and argue that such job creation is central in peacebuilding. The suggestion is that youth unemployment in particular is a challenge to the stability of the country, as Al-Shabaab recruitment depends on young people, and there are few opportunities at present

in Somalia. Research has shown how young men around the world struggle with 'waithood', where their lives are put on hold because they do not have the resources to move from a stage of adolescence to adulthood. In conflict contexts, this group of young men are of crucial importance for warring factions.

People like joining Al Shabaab because they give you 50 USD. So diaspora alleviated that: they hire those kids to be their drivers.

Ibrahim Said, Twin Cities

One may argue that diaspora business investments are particularly crucial in post-conflict regions, as there is very little international investment due to the risks involved. In south-central Somalia there currently seems to be an interest within the diaspora to invest even though there are considerable ongoing security risks. In Somaliland, the main challenge for international investors is the fact that Somaliland is not a recognized state. The diaspora is less influenced by this fact.

Back in Business? Challenges faced

When I walk down the street here, people know me and respect me as a businessman in this country. There is a difference in the status that you have in a country where you are known and in a country where you are not known.

Omar Abdullahi, Mogadishu

The fact that Somalis from the diaspora are returning to engage in business is generally appreciated by non-diaspora residents and Somali diaspora members alike. The positive economic effects are praised, in particular in

terms of jobs and contracts, but maybe also in that these businesses help to increase the sense of a 'normal life' for those returning to Somalia. At the same time, starting up a business in Somalia may allow returnees to reclaim their own lives.

Yet numbers are still small and many potential investors do not invest in Somalia. There are a number of challenges that prevent returnees from setting up businesses. First, start-up capital is required and, unlike in many other places, in Somalia there are little to no opportunities to lend such capital from financial institutions. Second, for a business to be successful, it is essential to understand the market well. As such, well-functioning and relevant local networks are crucial. This may be a challenge for those who have not been living in Somalia for many years.

Third, in a conflict and post-conflict setting investors face considerable risks. A fragile security situation in parts of Somalia may mean that all investments in those areas can be lost at any time. Weak government structures also limit opportunities, as there is limited protection while legal and fiscal systems are not in place. As such, we see that not all business investments by Somalis in the diaspora are directed at Somalia; many invest in a range of African countries, the Gulf and China (at times involving trade to Somalia).

Those who do invest in Somalia face a number of challenges. This includes firstly the fact that many traditional ventures are affected by overcrowding and thus become less lucrative. Secondly, security remains a serious concern and diaspora businesses like Village Restaurant are deliberately targeted by Al Shabaab. Thirdly, while business is generally the most appreciated contribution upon return, frictions between locals and diaspora exist. Return has led to inflation of prices and salaries;

a number of business types mainly focus on diaspora clients and/or are not seen as compatible with local realities; and diaspora often attach far more importance to their own contributions than non-diaspora residents do. ■

Recommendations

- Explore international investment options in for-profit diaspora ventures in the Somali region, with a particular focus on start-up capital.
- Set up business support for starting entrepreneurs in the Somali region. This requires collaboration between those with expertise in SMEs and those with expertise on Somali economic realities, such as successfully operating diaspora business(wo)men.
- Offer business support with a rural as well as an urban focus. The agricultural sector, and in particular local food production, is a crucial sector to invest in.

Further Reading

- HIPS (2014) *Diaspora Return to Somalia. Perceptions and Implications*. Policy Brief 06. Humphrey School, UMN (2014) *The Somali diaspora in the Twin Cities: Engagement and implications for return*. Policy Report.
- Sinatti, G. and Horst, C. (2015) *Migrants as agents of development: Diaspora engagement discourse and practice in Europe*. *Ethnicities* 15(1): 134-152.

THE AUTHOR

Cindy Horst is a Research Director and Research Professor in Migration and Refugee Studies at the Peace Research Institute Oslo (PRIO).

E-mail: cindy@prio.org

Website: www.prio.org/staff/cindy

THE PROJECT

This Policy Brief is an output of the research project 'Diaspora Return: Implications for Somalia', funded by the Norwegian Ministry of Foreign Affairs.

The brief is also part of the project 'Conflict of Interest? Business for Peace as development aid in volatile environments', funded by the Research Council of Norway.

PRIO

The Peace Research Institute Oslo (PRIO) is a non-profit peace research institute (established in 1959) whose overarching purpose is to conduct research on the conditions for peaceful relations between states, groups and people. The institute is independent, international and interdisciplinary, and explores issues related to all facets of peace and conflict.