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Interview to our CEO for the Ports and Harbours magazine on the potential of Somalia for development of port traffic in the Horn of Africa.

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Lift up

Somali port infrastructure unravels tremendous potential as piracy saga ends

VLADISLAV VOROTNIKOV

Enormous investments in the port infrastructure herald the beginning of a new chapter in the history of Somalia. Once an outcast – a region with endless conflicts and flourishing piracy – is now on a fast track to becoming a global trade hub with its Berbera and Gara'ad seaports.

In 2016, DP World Ltd. won a 30-year concession from the government of the Republic of Somaliland, a breakaway region unrecognized by the global community, for the management and development of a multipurpose port at the Port of Berbera, with an investment of more than \$400 million to expand and upgrade port capacity. Since work began in 2017, the port's vessel productivity jumped by 450%, while container and general cargo volumes increased by 30% and 90%, respectively.

"DP World plans to transform Berbera, which sits alongside one of the world's busiest sea routes, into an integrated maritime, logistics and industrial trade hub to serve the Horn of Africa, a region with a population of more than 140 million people," said DP World group vice president Adal Mirza.

Pictured: Berbera port.

Photo: ED RAM/AFP via Getty Images



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For Somaliland, the importance of the Berbera port is impossible to overestimate. It is expected to be a backbone for the regional economy.

"As a result of the expansion, Berbera is expected to facilitate trade equivalent to approximately 27% of Somaliland's GDP and 75% of regional trade by 2035," Adal said, also emphasizing the importance of the Berbera Special Economic Zone (BEZ), the first part of which DP World and the government of Somaliland inaugurated in March 2022.

The BEZ is located just 15 km from the port along the Berbera-Wajaale Road, commonly known as the Berbera Corridor, which connects to Addis Ababa in Ethiopia that needs multiple sea gateways to meet its trade requirements.

The master plan for the BEZ covers more than 1,200 hectares and will be expanded over time as demand grows. With phase one now open, it offers serviced land plots for the construction of company facilities, 10,000 square meters of prebuilt warehouses, build-to-suit facilities, open-yard storage, a common user warehouse that DP World will operate to handle customers' cargo, as well as office space with end-to-end IT services, according to Mirza.

Transit comes to a fore

Berbera is not the only big project aimed at expanding seaport infrastructure. In 2022, Somalia opened Gara'ad, also known as Garacad, a deepwater seaport on its northern coast, linking the southeastern region of Ethiopia and the city of Gara'ad by road. The project is part of a total invest-

ment plan of \$531 million to boost exports of livestock, fish, minerals and agricultural products. Like Berbera, it is large enough to facilitate the transit of a long list of goods from neighboring countries.

"Recently, there has been great ferment in port infrastructure development in Somalia," commented Danilo Desiderio, CEO of the Nairobi-based consultancy DDC Customs Law. "In my opinion, this growth has been mainly driven by the need of its landlocked neighbor – Ethiopia – to diversify its access routes to the sea to reduce its dependence on Djibouti, which currently channels more than 90% of Ethiopian trade, but is also one of the most expensive ports in East Africa."

The Ethiopian government is vigorously pursuing a diversification strategy in the use of ports and road corridors in the region, in the belief that this will lead to a significant reduction in the high service charges it currently pays to Djibouti for the use of the Doraleh and the Tadjoura ports owing to the increased competition among ports in the region.

In July 2023, Ethiopian prime minister Abiy Ahmed announced that the Ethiopian government is exploring all options to secure additional outlets in the region, defining the current port costs that the country pays as "unsustainable," according to Desiderio.

"I am therefore convinced that this trend will continue and that in future, the competition among ports in the region will become even more harsh. Apart from Berbera and Gara'ad, Ethiopia has recently shown interest in participating in the development works of another port in Somaliland, which is Zella, close to the Djibouti border," Desiderio said.

The dawn of piracy

Somalia has the longest coastline among all African countries at over 3,300 km and is at the entry and departure point of one of the world's most important international commercial shipping lanes, located south of the Suez Canal. It seems to be a perfect place for investments in port infrastructure. However, for the last few decades, foreign investors have been reluctant to come to Somalia owing to persistent political instability, one of the consequences of which was notorious piracy. With no attacks off the coast of Somalia on merchant vessels in the past several years, world powers consider the problem is now over.

"The pirate threat is currently suppressed and shows no sign of reemerging," said John Stawpert, senior manager at the International Chamber of Shipping.

"There are a number of reasons for this: the preparedness of ships transiting the region, reducing viable targets for pirates; the emergence of a coherent multinational military presence coordinated through the EU's naval force SHADE; and the use of armed guards," added Stawpert. "No successful hijacking has been reported since March 2017, and both attempts and attacks have declined sharply since 2013."

"All these factors combined to render Somali piracy unviable as a criminal enterprise, and the gangs and kingpins moved into other areas of criminality, exploiting the civil war in Yemen. Development on the coast and societal factors in Somalia have also helped ensure that piracy is likely to remain suppressed in the long term, not least because pirates do not have access to the anchorages where they previously harbored hijacked ships," said Stawpert. 6 / 8



John Steed, coordinator of Somali Counter Piracy initiatives through the UN's Kampala Process, commented that in his opinion, the end of the piracy era in Somalia saw a realization by local political and business leaders that there was money to be made from other transnational crime, as well as legitimate business.

"The less scrupulous businessmen saw that there was more money to be made from trading in guns and other weapons, and creating small ports and landing places where imports free of taxes could be easily done," said Steed. Stawpert agreed. "There are other security threats in the region, and while there is always the possibility that Somali piracy could resurge, at the present time, it seems a remote prospect," he said.

While military presence proved to be effective in taking down piracy, economic improvement, thanks to new investments, is expected to end this problem for good.

"Any new opportunities for trade will obviously be good for shipping, but more importantly, they will benefit the region in terms of economic growth and benefits to the local community and Somali society in general," said Stawpert.

"The impact of coastal development has already been seen in reducing the capability of pirates to access anchorages, and the development of local constabulary forces has had an impact on maritime security for the better. However, the situation is fragile, and what is needed is for these ink-spots to spread along the coast and to bring the benefits of free and secure trade to the whole country," added Stawpert.

The ports on the northern Somali shores satisfied the import requirements for Puntland, Somaliland and Eastern Ethiopia, but the eastern Somali shores, the old pirate ports, potentially opened up the east and west routes into southern Ethiopia if they could build small ports with good road connections to Ethiopia, which includes Gara'ad port prospects, according to Steed.

"These new small ports also opened up opportunities for fish exports. Legitimate east coast ports, therefore, became key, and the security requirements necessary for business overcame the desire for piracy," Steed added.

Security, energy costs weigh on operations

Even with piracy being defeated, Somalia is definitely far from being ranked the world's safest place.

Pictured: Night-time operations at DP World's Berbera port.

Photo: ED RAM/AFP via Getty Images

"Another major constraint to the development of Somalia as a logistics hub is the internal security," Desiderio said, explaining that as Somalia has no railway system, road transport is currently the only option of moving cargo to the seaports. The perceived risk of insecurity in Somalia is currently very high, and most logistics companies avoid using the country's roads because they are unwilling to accept the risk of endangering their vehicles and cargo.

"The situation is much better along the Berbera corridor, as Somaliland is relatively safer compared to other regions of Somalia. For this reason, the Berbera port has, in my opinion, the greatest potential for development in the region," Desiderio added.

On the other hand, he continued, it must also be taken into account that Somalia is also the Horn of Africa's country with the highest energy costs, and since ports consume a lot of energy, a necessary condition for Berbera to remain competitive with other ports in the region is for the government to be able to attract investment in renewable forms of energy that can lower this cost. Djibouti, which, after Somalia, has the region's highest cost of electricity, is trying to reduce these costs through renewable energy development.

The 59-MW Ghoubet wind farm, the 30-MW Grand Bara solar plant, and the 30-MW Fialéh geothermal project are examples of some of the projects that are being implemented in the country.

"Djibouti has benefited from two interconnection projects with Ethiopia, financed by the African Development Bank, the first in 2011, and the second in 2021, that has allowed the country to import electricity at a relatively cheaper cost," Desiderio said, expressing confidence that Somaliland must initiate similar projects if it wants its port to remain competitive in the long term. Bearing in mind that being unrecognized by the international community, it is not eligible for grants and concessional loans offered by international financial institutions.

"This determines the need to involve mainly the private sector in mobilizing the necessary funds for future development plans," Desiderio added. ■