AMOUD UNIVERSITY
HARGEISA CAMPUS

Hargiesa, Somaliland
Accounting & Finance Class of 2021
Published by Amoud University
Hello readers!

We are continuing our streak of good content you can enjoy. This issue is our first. We hope that you will enjoy our future issues too, and we are now giving you an inside look on the artistic side of it. This financial magazine is inspired by Dr Morvin Achila of Amoud University at post Graduate department.

We are committed to giving you the best content you need. Thank you for your endless & unwavering support to our first issue. May you still be with us in the coming issues.

Happy reading!

Sincerely yours,

Mohamed A. A. Hassan
Editor
About the President

Suleiman Ahmed Gulaid is a Somali educator and the president of Amoud University. Prof Suleiman spent a lifetime as an educator. His work at Amoud University is the most consequential project in post-civil war Somali education. Under his leadership, Amoud University has become a flagship institution. Amoud University had six students in 2000 and now has close to 4,000 students from all Somali regions, and even from the Diaspora. It is now the first Somali university to add graduate studies to its degree programs.
Cover story

Ismail Ahmed, founder of the money-transfer company WorldRemit, claims Somaliland, his birthplace, has had to battle “negative PR” from aid agencies exaggerating their role to protect their interests. Somaliland declared itself a sovereign state independent of Somalia in 1991, but it is not recognised internationally.

The British-based Ahmed has launched the Sahamiye Foundation, with a 10-year plan to give away more than half of his wealth, amounting to $500m (£365m), to help Somaliland, primarily in health and education. “Aid agencies exaggerate what they do in markets like this. A tiny fraction of what they raise reaches intended beneficiaries,” he said. “What they fail to understand is investment carried out by businesses.

Somaliland’s GDP is dominated not by the state but by the private sector,” he added. “That negative PR, where they exaggerate issues, is really protectionist … and often leads to businesses cutting investment.”

His foundation, based in London and Somaliland’s capital, Hargeisa, aims to double literacy rates in two years, increase access to health information and help people gain new technical skills. Ahmed is frank about what he sees as the failings of aid, to which Somaliland has had little access. Though it has 4.4 million inhabitants and its own currency, army and parliament, it remains an unrecognized country and so does not receive funds from the World Bank or International Monetary Fund.

In the early days of the pandemic, Ahmed said, the World Bank predicted that remittances — money transferred back to their country by migrant workers — to sub-Saharan Africa would drop by 23%.

The Somali government forecast that transfers would fall by up to 40%. Aid agencies claimed remittances would “more or less collapse”, said Ahmed, adding that as the media reported this, food prices went up and businesses cut investment.

“This did more harm than good in Africa. They had no basis to say this,” he said. “I’ve been involved in remittances for 40 years. We have hard data to show what was happening. They never bothered to check the facts. “Remittances are counter-cyclical and so during an economic downturn we expect to see an increase in transaction numbers. That is exactly what happened in 2020.”

Somaliland’s central bank reported that remittances increased from $1.1bn to $1.3bn last year.

Akram Ahmed, founder of the money-transfer company WorldRemit, claims Somaliland, his birthplace, has had to battle “negative PR” from aid agencies exaggerating their role to protect their interests. Somaliland declared itself a sovereign state independent of Somalia in 1991, but it is not recognised internationally.
Ismail Ahmed, the co-founder of online money transfer service WorldRemit, knows all about the money channels that migrants use when sending funds home. And he's made it his aim to make remittances a smoother process.

Ahmed came to the UK as a refugee from the war that broke out in Somaliland in 1988. Arriving with $60 to his name, he spent his summers picking strawberries in Kent to send money back to his family, then in an east African refugee camp.

He returned to Somaliland in 1992 for his PhD research into remittances. He said: "I saw the scale of remittances was far bigger than anything. The UN was exaggerating the bit of aid they delivered."

His early career saw him working for the World Bank and the UN, where he thought he "could make a difference". Instead, he witnessed corruption while working in Nairobi and became a whistleblower, which lost him his job.

Four years later, he won compensation from the UN, using the money to launch WorldRemit in 2010. It has gone on to become one of the world's largest digital cross-border payment companies.

Now Ahmed’s focus is on his foundation, starting with a Somali language app. "During Covid, we saw difficulties reaching people who can’t read," said Ahmed. "Thanks to technology, we can now do something that was unthinkable in the past. With our app, someone can reach functional literacy in 50 to 100 hours."

He added: "Somaliland could become an example of where things have been built from the ground up, where people have owned what they are doing, where people are accountable. In Africa, the media focuses on what goes wrong, but Somaliland is one of the success stories."

A refugee from Somalia and a whistleblower at the United Nations, now an entrepreneur, Ismail Ahmed, the co-founder of online money transfer service WorldRemit, knows all about the money channels that migrants use when sending funds home. And he's made it his aim to make remittances a smoother process.

In 1988, during the war in his homeland, Ahmed was smuggled out of Hargeisa, the capital of the self-declared but internationally unrecognized Republic of Somaliland, in a tipper truck. He eventually got to Britain and started doing odd jobs such as strawberry-picking in the summer, just to be able to send money to his family – who by then lived in a refugee camp in Ethiopia. The transfers were expensive and took months to complete. In the early 2000s, Ahmed got a job at the UN as an advisor to regional transfer companies in East Africa. While there, he says he noticed corruption at the UN’s Development Programme for Somalia, with fraud often happening in the remittances programme. “I became a whistleblower and lost my job,” he says.

In 2010, he received £200,000 in compensation from the UN for unfair treatment – and, having by then competed an MBA from the London Business School, used the money to setup London-based startup WorldRemit. With nearly $375 million in funding, the company is soon expected to reach one billion dollar valuation.

Nearly a decade on, Ahmed’s company now has almost four million customers globally, who send money from 50 countries to recipients in more than 150 nations. With nearly $375 million in funding, the company is soon expected to reach one billion dollar valuation. It may look like any other money transfer service, but Ahmed, who moved from the position of CEO to non-executive chairman last year, argues that its business model is unique.

Instead of sending funds only from bank to bank (which it also does) like digital upstart TransferWise or the traditional money transfer companies Western Union and MoneyGram, the transfers are also sent to a mobile wallet directly – with a smartphone.

While Western Union and MoneyGram have operated remittances services for years, they still rely on intermediate agents, typically corner shops, where migrants go to collect their cash. The agents are responsible for carrying out regulatory compliance such as Know Your Client identity checks, documenting every money movement.
Dahabshiil was founded in 1970 by Mohamed Said Duale, Somali entrepreneur based in Djibouti, the capital city of Somaliland province in the modern-day Somaliland. Initially a general trading enterprise, the firm began specializing in remittance broking during the 1970s, when many Somali males from Somaliland migrated to the Gulf States for work. This resulted in a growing demand for services to transfer money from those migrant workers back to their Dahabshiil, an indigenous African company, was founded. It was set up as a new remittance venture to enable migrants to send money to family and friends back in the countries of East Africa. Dahabshiil has grown to be the largest African money transfer business currently operating in 126 countries across the world, 40 of which are in Africa. It remains a business committed to its original values of trust, reliability, integrity, and customer-focus. In addition to serving individual customers, Dahabshiil offers money transfer and banking services to businesses and international organizations, including the United Nations, World Bank, Oxfam, and Save the Children. They rely on Dahabshiil to provide payment services to their staff, contractors, government institutions, and partner NGOs. The United Nations describes Dahabshiil’s services as ‘the only safe and efficient option to transfer funds to projects.’

The importance of money transfer services

Many international organizations have recognized the crucial role of remittances, both during humanitarian crises and for development. For example, organizations including the United Nations, World Bank, Oxfam, and others comment regularly on the importance of money transfer services. They describe them as a lifeline for millions of people, especially those living in rural communities where other financial services, such as banks, do not exist. Dahabshiil is very strong in rural communities. As well as enabling Africa’s very poorest people to survive, Dahabshiil allows others to invest and create jobs, contributing to growth on the continent. International organizations have also recognized that companies like Dahabshiil are a much safer and more desirable option compared with informal channels, which are not subject to checks on where the money comes from and where it goes. The existence of companies like Dahabshiil is viewed as crucial to sustaining a healthy atmosphere of competition. This helps keep prices down and the standard of service high. Dahabshiil has some of the most competitive rates available.

Commitment to communities

Dahabshiil has had a long-standing tradition of contributing to the communities in which it operates. It dedicates 5% of its profits to humanitarian and social issues and community regeneration projects. It supports and has provided funds amounting to millions of dollars to projects such as Hospitals, Schools, Universities, and community facilities.

Compliance

Dahabshiil has comprehensive and robust compliance, and anti-money laundering and counter-terrorism finance programs used throughout its global network ensuring full compliance with all relevant regulations. Its network and associates are fully licensed, regulated, and supervised by the relevant authorities in every jurisdiction worldwide in which it operates. These include most countries in Africa, Europe, the USA, Canada, Australia, and the Middle East. In Kenya specifically, Dahabshiil was the very first money transfer business to receive a license and has continually complied with all relevant laws and regulatory requirements.

What Financial Times Mentioned Dahabshiil

Financial times has get interview Dahabshiil GCEO Mr Abdirashid Duale on May in 2011 at Nairobi Capital City of Kenya Financial times reported that today he divides his time between London and Hargeisa, the capital of Somaliland, an autonomous region of Somalia that declared independence in 1991, and is the chief executive of Dahabshiil, a global money transfer company that operates through 24,000 outlets in 144 countries. Dahabshiil also offers debit cards, reward points and SMS notification services and, soon, Somaliland’s first fully operational bank which is currently under construction in the capital.

Talk Remit Money Transfer

Founded in 2016, our diverse team has used their experiences of migrant life and the issues with existing remittance services to build something that better serves migrant communities across the globe. The ability to send money to family and friends worldwide has been around for many years, but it was previously an expensive and inconvenient process. Senders waiting in lengthy queues and incurring high charges while recipients waited days for their money to arrive. The idea behind TalkRemit’s international money transfer app was born! We wanted to provide people with a better solution for sending money to loved ones abroad.

We’re proud to have done that. Now we’re busy further improving our platform and creating additional financial products for the communities who most need them, to become a one-stop shop serving the needs of migrants around the world.

Talking about charges, WorldRemit propose to its customers a unique offer, which is to take fees according to the sum of money that will be sent and the destination it will go. That means there is no fixed rate on the app so it is better to check the tariff on sending before making any transactions. However, the first transaction is free, TalkRemit, fast secure and low-cost money transfer app for Ghana If you regularly send money abroad to family and friends in Ghana, then TalkRemit is the app you need. Fast, secure and low-cost, this online money transfer service is a trusted remittance platform and online money app that is convenient, safe, reliable and hassle-free.

The Remittance suffered financial crisis during the months January and October last year 2020, financial crisis caused by widespread diseases of covid 19. The coronavirus is having a huge impact on people’s lives all across the globe. With various restrictions on movement, socialising and the ability to carry out certain everyday tasks, it’s a tough period for everyone. For those with family abroad, it’s more vital than ever to ensure they get the support they need. In this blog, we look at the importance of online money transfer services and how to send money safely during the COVID-19 pandemic.
Somtel Issues an IPO at $100 per share

Somtel has a long track record of providing high quality and reliable telecommunication services by investing in a superior communication infrastructure and harnessing the capabilities of the Somali people. The company now offers voice, data and digital services to retail customers as well as enterprise solutions to corporate and public sector customers. The Somtel network is the founder, along with DARE1 cable that starts in Djibouti, down the Somali coast, ending up in Mombasa, with stations along the way. This will enhance digital connectivity in the region. Somtel's IPO was launched by the President of Somali-Abdirashid Duale, Dahabshiil Group CEO, added, land HE. Muse Bihi Abdi. He said “We are here today to congratulat and encourage one of Africa’s most influential companies. We congratulate Dahabshiil Group and Somtel … for being a financial and technological leader on the Horn of Africa banking and telecoms sectors.’ I’m sure this IPO offering will further propel Somtel’s growth as well as serving as an example for other companies in the region, the President added.

Speaking at the launch ceremony, a unique occasion in the region, Hajji Mohamed Said Duale, the Chairman of Dahabshiil Group which founded the Somtel network said, “we are pleased with the high demand for our shares - evidence that investors are as excited about Somtel’s future as we are.’

By: Ahmed A. Egeh

Requirements and terms to buy Somtel shares

- The minimum purchase price for Somtel Somaliland is 20 which is $ 120 per share ($2400).
- The maximum stake to be purchased at Somtel Somaliland is 1,000 shares ($120,000).
- The share buyer is registered and works for each share $ 100 (per share)
- Each share is accompanied by a $ 20 fee
- The company's accounts will be annual Jan. 31.
- Shares of the shares will be deposited into the Dahabshiil account, Dahabshiil Bank: 102113398 Dahabshiil: HRGD77331 eDahab. 97777

Other information needed by the shareholders include.

- The fee will not be refunded to shareholders, if shareholder sign the Investment Agreement, the company owes him no fee - you owe it on official share costs.
- The shareholders money will be activated or working, as follows:- if shareholders have paid from March to June - it will be valid from 1 July 2021, If they paid July - Sept. - will be operational on October 1, 2021
- Shareholder can sell their shares to someone else - but they must notify the company 30 days in advance, when they are selling or transferring their shares.
- Shareholders money can be paid - whenever they want. They can withdraw their investment within 12 months, starting 30 days after the day they submit their application.
- The stock they are currently buying is only SOMTEL SOMALILAND market. But anyone who wants to buy shares in other branches of the company is open.
- Shareholders money is paid - whenever they want. They can withdraw their investment within 12 months, starting 30 days after the day they submit their application.
- The benefit will depends on the gross income the company makes during the year operating the money they have contributed to the company.
- The profits will be distributed at the end of the year - it works on the money they have invested. The company's accounts will be annual from January to 31 December.
Corporate Governance in Somaliland

There are few shareholding companies, who operate on the basis of mutual trust rather than systematic corporate governance frameworks where the rights of shareholders are protected. It is time that Somaliland private sector should operate in a formal framework where operations and investment is not only done on individual trust and clan linkages but internationally accepted formal corporate governance frameworks.

According to International Finance Corporation (IFC), "Corporate governance refers to the structure and processes for the direction and control of companies. Corporate governance concerns the relationships among the management, Board of Directors, Controlling shareholders, Minority shareholders and other stakeholders. Good corporate governance helps companies operate more efficiently, improve access to capital, mitigate risk and safeguard against mismanagement. It makes companies more accountable and transparent to investors and gives them the tools to respond to legitimate stakeholders concerns such as sustainable environmental and social development. "Corporate governance also contributes to development.

Increased access to capital, encourages new investments, boosts economic growth and provides employment opportunities.

There are few shareholding companies in Somaliland, which operates in the telecommunication, financial services, construction, health, manufacturing and trading. Such companies suffer deficiencies in their management and corporate governance frameworks, in the areas of minority shareholder protection, board of director’s nomination, annual reports, risk management and access to finance. Normal board of directors functions includes among others; monitoring managers, building relationships with investors and stakeholders, approval of a core philosophy and mission statements, maintenance of legal and ethical practices and communication with shareholders and review of company policies.

Somaliland Company law clearly expounds the role and responsibilities of company board of directors. However, those who are in the executive operations sit also in the board with questionable formal qualifications. Shareholder rights are essential for the protection of investors against poor management. Protection of shareholder rights includes minority shareholder rights, whom are marginalized by majority shareholders in Somaliland.

Dahabshiil Group did not respond to our questions below for this report about their Somtel’s IPO. Says Taiwan times.

1. How many shares are being offered to the public?
2. What is the current valuation of SOMTEL?
3. What is the Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) of SOMTEL?
4. The limited literature published on https://somtelsomalilandshares.com/ -points to a 20% service fee. Is this a 20% fee per share of $100 and could you provide more information on the 20% service charge.
5. What is the current market share of SOMTEL in both internet and mobile phone in the Somaliland market?
Somaliand’s IPO Is Dangerously Unregulated: A Small caption in Taiwan

Times Regarding Somtel’s IPO

Dahabshiil Group, one of the largest companies in Somaliand, Taiwan’s newest and thus far only diplomatic ally in north east Africa has gone public with its wholly owned telecommunications company; the second-largest telecommunications firm in Somaliand SOMTEL.

Somtel is following in the footsteps of its main competitor, Telesom which initially offered shares to a few investors many years ago and has seen its stock appreciate significantly.

The initial public offering of SOMTEL in Somaliand is a continuation of the Dahabshiil Group’s effort to offer shares to the public that started in Somalia in 2018.

At the annual investor meeting that was held in Mogadishu concurrently with the Somaliand event, the company opened a second round of investment in SOMTEL for the public in Somalia. The investment ecosystem and the laws that govern it in Somaliand, although complete, have not been passed by Parliament and are thus not yet in effect – and that puts both investors and companies at risk. This with the Dahabshiil Group and its public offering of SOMTEL shares, this brings up more questions than answers about the company and its share offering.

In many countries, once a company goes public its shares are considered a financial instrument and are subject to strict regulation and a financial regulator such as the US’s Securities and Exchange Commission have significant oversight and require companies to meet basic criteria before taking a company public. These factors include the availability of detailed financial information about the company such as valuations, how many shares the company intends to sell, ‘Earnings Before Interest’, ‘Taxes’, ‘Depreciation’, and ‘Amortization’ (EBITDA) and many more. With the Dahabshiil Group’s IPO of its SOMTEL company, however, the investors have not been provided with any information about the company such as the valuation or financial health including debt, and exactly how many shares the company will sell to the public or who will maintain a controlling share of SOMTEL.

Valuation of the company

According to SOMTEL Somaliand Shares, a website set up by the Dahabshiil Group, the price of one share of SOMTEL is 100 US dollars, and the minimum number of shares an investor can buy is 20 while the maximum is 1000. One of the biggest unanswered questions about the SOMTEL IPO then is the valuation of the SOMTEL company, or how much the company is worth – and without this basic financial information investors are at a major disadvantage and their ability to make an informed decision if the stock is indeed worth 100 US dollars is severely compromised.

What makes a company valuable or worthless is its financial health, profit, and loss statement as well as its market share of the Somaliand telecommunications market, the last point of which SOMTEL has been struggling with against its much larger competitor TEL-Esom.

Knowing the number of shares being sold answers an important question for a public company and that is who controls the company, which is generally the majority stockholder.

How many shares the Dahabshiil Group is willing to sell to the public is even more pertinent since it has been offering shares in Mogadishu since November 2018, and has just begun doing so in Somaliand. Without sharing this very basic information, the company may be able to sell an unlimited number of shares.

Number of Shares

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and may have, in essence, got a license to print money. Simply put, offering shares of SOMTEL may be more lucrative for the Dahabshiil Group than the company is worth.

In a more basic sense, the number of shares being offered is how investors would know exactly what percentage of the company they own. Without the regulation that compels a company to reveal financial data as well as the number of shares or percentage being offered to the public, nothing stops Dahabshiil or any other company from selling an infinite number of shares.

20% SERVICE CHARGE Is Dahabshiil charging investors to operate SOMTEL?

In the limited information published on SOMTEL Somaliand Shares, there is an odd clause that states that 20% will be the company’s service charge, which means Dahabshiil is charging 20 US dollars for each share sold. This is a point confirmed by multiple investors who have purchased shares of SOMTEL shares. What makes this 20% service fee odd if not outright predatory is the fact that an investor regardless of how many shares of the company they own is sharing the risk, potential gain, the operating cost, and the holding company or operator does not charge them a separate fee to run the company for them.

Unless the Dahabshiil Group is selling 100% of SOMTEL to the public that brings up more dilemmas for the investors. In other words, Facebook does not charge a service fee to purchase its stocks, but a stockbroker would charge a one-time transaction fee or a commission, usually around 10 US dollars regardless of the size of the transaction.

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Blockchain & Crypto-currency

A cryptocurrency (or “crypto”) is a digital currency that can be used to buy goods and services, but uses an online ledger with strong cryptography to secure online transactions. Blockchain is the way the data is structured.

By: Mohamed A. A. Hassan

Blockchain

Blockchain seems complicated, and it definitely can be, but its core concept is really quite simple. A blockchain is a type of database. To be able to understand blockchain, it helps to first understand what a database actually is. A database is a collection of information that is stored electronically on a computer system. Information, or data, in databases is typically structured in table format to allow for easier searching and filtering for specific information. What is the difference between someone using a spreadsheet to store information rather than a database?

Spreadsheets are designed for one person, or a small group of people, to store and access limited amounts of information. In contrast, a database is designed to house significantly larger amounts of information that can be accessed, filtered, and manipulated quickly and easily by any number of users at once.

So how does a blockchain differ from a database?

Storage Structure

One key difference between a typical database and a blockchain is the way the data is structured. A blockchain collects information together in groups, also known as blocks, that hold sets of information. Blocks have certain storage capacities and, when filled, are chained onto the previously filled block, forming a chain of data known as the “blockchain.” All new information that follows that freshly added block is compiled into a newly formed block that will then also be added to the chain once filled.

A database structures its data into tables whereas a blockchain, like its name implies, structures its data into chunks (blocks) that are chained together. This makes it so that all blockchains are databases but not all databases are blockchains.

This system also inherently makes an irreversible timeline of data when implemented in a decentralized nature. When a block is filled it is set in stone and becomes a part of this timeline. Each block in the chain is given an exact timestamp when it is added to the chain.

Crypto-currency

Cryptocurrency is a form of payment that can be exchanged online for goods and services. Many companies have issued their own currencies, often called tokens, and these can be traded specifically for the good or service that the company provides. Think of them as you would arcade tokens or casino chips. You’ll need to exchange real currency for the cryptocurrency to access the good or service.

1. What is cryptocurrency?

Cryptocurrencies work using a technology called blockchain. Blockchain is a decentralized technology spread across many computers that manages and records transactions. Part of the appeal of this technology is its security.

2. How many Cryptocurrencies are there? What are they worth?

More than 6,700 different cryptocurrencies are traded publicly, according to CoinMarketCap.com, a market research website. And cryptocurrencies continue to proliferate, raising money through initial coin offerings, or ICOs. The total value of all cryptocurrencies on April 13, 2021, was more than $2.2 trillion, according to CoinMarketCap, and the total value of all bitcoins, the most popular digital currency, was pegged at about $1.2 trillion.

3. Why are cryptocurrencies so popular?

Cryptocurrencies appeal to their supporters for a variety of reasons. Here are some of the most popular:

Supporters see cryptocurrencies such as Bitcoin as the currency of the future and are racing to buy them now, presumably before they become more valuable

Some supporters like the fact that cryptocurrency removes central banks from managing the money supply, since over time these banks tend to reduce the value of money via inflation

Other supporters like the technology behind cryptocurrencies, the blockchain, because it’s a decentralized processing and recording system and can be more secure than traditional payment systems

Some speculators like cryptocurrencies because they’re going up in value and have no interest in the currencies’ long-term acceptance as a way to move money.
Bitcoin mining is the process of adding new transactions to the Bitcoin blockchain. It’s a tough job. People who choose to mine Bitcoin use a process called proof of work, deploying computers in a race to solve mathematical puzzles that verify transactions. To entice miners to keep racing to solve the puzzles and support the overall system, the Bitcoin code rewards miners with new Bitcoins. “This is how new coins are created” and new transactions are added to the blockchain, says Okoro.

In the early days, it was possible for the average person to mine Bitcoin, but that’s no longer the case. The Bitcoin code is written to make solving its puzzles more and more challenging over time, requiring more and more computing resources. Today, Bitcoin mining requires powerful computers and access to massive amounts of cheap electricity to be successful.

Bitcoin mining also pays less than it used to, making it even harder to recoup the rising computational and electrical costs. “In 2009, when this technology first came out, every time you got a stamp, you got a much larger amount of Bitcoin than do today,” says Flori Marquez. “There are more transactions [now, so] the amount you get paid for each stamp is less.” By 2140, it’s estimated all Bitcoins will have entered circulation, meaning mining will release no new coins, and miners may instead have to rely on transaction fees.

Not only is Bitcoin the first cryptocurrency, but it’s also the best known of the more than 5,000 cryptocurrencies in existence today. Financial media eagerly covers each new dramatic high and stomach churning decline, making Bitcoin an inescapable part of the landscape.

While the wild volatility might produce great headlines, it hardly makes Bitcoin the best choice for novice investors or people looking for a stable store of value. Understanding the ins and outs can be tricky—let’s take a closer look at how Bitcoin works.

Bitcoin is a decentralized digital currency that you can buy, sell and exchange directly, without an intermediary like a bank. Bitcoin’s creator, Satoshi Nakamoto, originally described the need for “an electronic payment system based on cryptographic proof instead of trust.” Each and every Bitcoin transaction that’s ever been made exists on a public ledger accessible to everyone, making transactions hard to reverse and difficult to fake. That’s by design: Core to their decentralized nature, Bitcoins aren’t backed by the government or any issuing institution, and there’s nothing to guarantee their value besides the proof baked in the heart of the system.

“The reason why it’s worth money is simply because we, as people, decided it has value—same as gold,” says Anton Mozgovoy, co-founder & CEO of digital financial service company Holyheld.

Since its public launch in 2009, Bitcoin has risen dramatically in value. Although it once sold for under $150 per coin, as of March 1, 2021, one Bitcoin now sells for almost $50,000. Because its supply is limited to 21 million coins, many expect its price to only keep rising as time goes on, especially as more large, institutional investors begin treating it as a sort of digital gold to hedge against market volatility and inflation.
NFT Art

(Non-Fungible Token)

NFTs are best understood as computer files combined with proof of ownership and authenticity, like a deed. Like cryptocurrencies such as Bitcoin, they exist on a blockchain—a tamper-resistant digital public ledger. But like dollars, cryptocurrencies are "fungible," meaning one bitcoin is always worth the same as any other bitcoin. By contrast, NFTs have unique valuations set by the highest bidder, just like a Rembrandt or a Picasso. Artists who want to sell their work as NFTs have to sign up with a marketplace, then "mint" digital tokens by uploading and validating their information on a blockchain (typically the Ethereum blockchain, a rival platform to Bitcoin). Doing so usually costs anywhere from $40 to $200. They can then list their piece for auction on an NFT marketplace, similar to eBay.

At face value, the whole enterprise seems absurd: big-money collectors paying six to eight figures for works that can often be seen and shared online for free. Critics have dismissed the NFT art craze as just the latest bubble, akin to this year’s boom-and-bust mania around “meme stocks” like GameStop. The phenomenon is attracting a strange brew of not just artists and collectors, but also speculators looking to get rich off the latest fad.

NFTs are having their big-bang moment: collectors and speculators have spent more than $200 million on an array of NFT-based artwork, memes and GIFs in the past month alone, according to market tracker NonFungible.com, compared with $250 million throughout all of 2020. And that was before the digital artist Mike Winkelmann, known as Beeple, sold a piece for a record-setting $69 million at famed auction house Christie’s on March 11—the third highest price ever fetched by any currently living artist, after Jeff Koons and David Hockney.
**NFTs Are Shaking Up the Art World—but They Could Change So Much More**

This Picture in the corner was a collection of a man named Christie’s AKA Beeple. He made a collection of NFT art he made in 13 years which was recently sold for 69.3 Million dollars.

The groundwork for the digital-art boom was laid in 2017 with the launch of CryptoKitties—think digital Beanie Babies. Fans have spent more than $32 million collecting, trading and breeding these images of wide-eyed one-of-a-kind cartoon cats. Video gamers, meanwhile, have been pouring cash into cosmetic upgrades for their avatars—Fortnite players spent an average of $82 on in-game content in 2019—further mainstreaming the idea of spending real-world money on digital goods. At the same time, cryptocurrencies have been booming in value, fueled in part by celebrity enthusiasts like Elon Musk and Mark Cuban. Bitcoin, for instance, is up more than 1,000% over the past year, and anything remotely crypto-adjacent—including NFTs—is getting swept up in that mania.

Sensing an opportunity, tech entrepreneurs and brothers Duncan and Griffin Cock Foster last March launched an NFT art marketplace called Nifty Gateway. At the time, NFT art was just heating up in some circles, but it was difficult for newbies to buy, sell and trade pieces. Nifty Gateway prioritized accessibility and usability, helping fuel wider adoption. “It was such an early stage, we didn’t have many expectations about how it would turn out,” Duncan Cock Foster says. But Nifty Gateway users ended up buying and selling more than $100 million worth of art during its first year. Similar platforms, like SuperRare, OpenSea and MakersPlace, have seen similar surges; they typically pocket 10% to 15% of initial sales.
IMPACT OF COVID-19 ON ECONOMY OF SOMALILAND

The economy of Somaliland is driven by remittances from different parts of the world and livestock exports. However, the livestock export was disrupted by a ban imposed by one of the export destinations Saudi Arabia. The ban is temporarily lifted during the Hajj seasons to supplement market demand for meat during the religious festival. The temporarily lifting of the ban always comes as a boost to the economy of Somaliland that is largely dependent on livestock export. Livestock export still remains a majorstay of the economy and contributes about 50 per cent of Gross Domestic products. Somaliland land acts as a major destination of remittance from different parts of the world. The remittance map is traced from Scandinavian countries, United Kingdom, North America, European Union, South Africa and East Africa where a substantial transaction of money takes place to different locations in Somaliland. However, economists have decried reliance on remittance because it reduces productivity within the economy and create a bubble burst. The wake of COVID-19 pandemic has come as a rude awakening to the economies of the world and highlighted the need to domesticate a part of the economy to absorb international shocks. Somaliland economy was not to be spared both from domestic and international disruptions of businesses. Lockdowns in remittances source countries and local lockdowns that compelled government and part of the crucial NGO sector to operate from home, learning institutions and other vital sector of the economy ceased operation because of government imposed restrictions that had implications on the health of the economy.

A further diagnosis on effects of COVID-19 would reveal that although the Saudi Arabia ban on livestock was lifted for the Hajj festival, there were restrictions on trade and a travel ban in Saudi Arabia limiting the number of pilgrims and technically reducing the demand for livestock from Somaliland. The perils of COVID-19 can never be understated despite resilience the economy has showed and relative stable in the wider Somali regions for many years. Food security and humanitarian concerns have been further complicated by reduced activities in the NGO sector with focus in the area of health leading to decline in other sectors reliant on livelihood programmes.

Livestock trade

The upgraded Berbera port of Somaliland is a key export hub for livestock to Saudi Arabia, Yemen and Oman. The port provides facilities for the largest market for livestock, notably during the Haj pilgrimage (due to start in August this year), where approximately two million people are added to the population of Saudi Arabia for a month. During the Haj season, export of livestock (sheep, goats and cattle) reaches its peak and an estimated US $200-300 million worth of livestock commodity sales is earned in Somaliland.

In 2019, the country exported approximately 1.8 million heads of cattle, camel, sheep and goats, 75% of which occurred in July and August, coinciding with the Haj and Eid Al-adha. Given the travel ban in 2020, Hajj that was scheduled for July in Saudi Arabia was temporarily reprieve during the Hajj seasons. The lifting of the ban would have resulted in a huge inflow of livestock from Somaliland and neighboring regions, through Berbera port. However, there was some business of livestock export to other Gulf countries account for the vast majority of the country’s exports and income. Annual remittances are estimated at $1 billion (approximately 38% of Somaliland’s GDP). The Somali diaspora is distributed throughout the world. This includes hard-hit countries with a high number of cases, such as the US and the UK.

Livestock traders and market analysts had anticipated a bull market for livestock commodity after Saudi Arabia lifted their ban on importation of livestock from Somalia/Somaliland in December 2016 with temporarily reprieve during the Hajj seasons. The lifting of the ban would have resulted in a huge inflow of livestock from Somaliland and neighboring regions, through Berbera port. However, there was some business of livestock export to other Gulf countries though a small percentage due to constrained supply of livestock from Australia which is has an established supply to the livestock market in the Middle East region.

Domestic demand for livestock trade has also contracted in the wake of COVID-19 due reduction in the purchasing power forcing significant reduction in prices because of increased supply of livestock as a result of the ban on export to Saudi Arabia. In addition, the economy has also experienced some demand-pull inflation precipitated by reduced supply of food and non-food imports with implications on the general price levels.

Somaliland inflation rate was moderate before the pandemic, but COVID-19 pushed the rate higher during March and April 2020. The consumer price index (CPI) for food steadily declined after December 2019 but increased after the COVID-19 outbreak, driven by increasing food and non-food prices. The nationwide food inflation rate surged from 3.1% in February 2020 to 5.2% in March 19. This indicates that containment measures such as lockdowns and the closure of borders caused panic buying and increased food prices. At a regional level, the overall inflation rate in food-price has increased in rate of double almost.

Somaliland’s economy is dependent on imports of food security and energy supply, and on remittances for domestic consumption and investment. Livestock exports to neighboring Gulf countries account for the vast majority of the country’s exports and income. Annual remittances are estimated at $1 billion (approximately 38% of Somaliland’s GDP). The Somali diaspora is distributed throughout the world. This includes hard-hit countries with a high number of cases, such as the US and the UK.
The indirect impact of COVID-19 on Somaliland as a result of the virus’ effects on importing countries and countries of residence to the Somali diaspora is yet unknown. Stability in food prices is key, given food security concerns. Moreover, the cost of electricity is high and dependent on fuel imports. Therefore, price changes in these items can have important consequences for Somaliland’s economy. In this regard, inflation has remained relatively stable during the first two months of 2020, at an average annual rate of 4.8%. Food products’ annual inflation rate has been increasing since May 2019. In past months, annual inflation for non-food items has been stable, and energy products’ inflation rate has decreased. At this stage, more data are needed to ascertain the impact of the COVID-19 crisis on price levels.

Remittance
The involvements of diaspora populations to Somaliland are evident across all walks of life. Connections to the UK are particularly strong, with major populations found in London, Bristol, Cardiff and Birmingham. There are some indications that Somaliland may be disproportionately reliant on remittances in comparison to other Somali regions, although accurate figures are not available. A fall in remittance levels is already being noticed and is of concern to local people in Hargeisa. There are different reasons for this, including the reluctance of senders to physically visit shops and outlets, which is a common means of transferring money, as well as the difficulty money transfer operators face in gathering physical cash from agents in diaspora settings and moving that cash to their headquarters in Dubai, due to flight restrictions.

Impact on businesses
The private sector in Somaliland is dominated by micro, small and medium enterprises. Over the past twenty years, Somaliland has developed a remarkably strong and vibrant private sector, particularly in the financial and banking, telecommunications, agriculture and livestock sectors. The COVID-19 pandemic has impacted many of these businesses through disruptions to global supply chains, the nationwide ban on local and international flights, curfews and restrictions placed on businesses. As a result, business has decreased and many financial and retail outlets have closed. Below figures and analysis describes the situation for businesses in Somaliland, analyzes the impacts of COVID-19 on their performance.

Online Money
This is the only sector which has not been affected by the pandemic when it comes to operation wise but rather than that it become one of the solutions for the pandemic rules.

One of the results of this is that online providers for remittances are seeing an increase in registration and use of their platforms as more people move to these systems, as they can be used from home. This shift may reflect an acceleration of a process that was already underway. In Somaliland, Dahabshiil is a major business and an important symbol of Somaliland identity, innovation and success. It operates throughout Somalia and owns other businesses, as well as being an important holder of financial deposits. There are now at least three other platforms – WorldRemit, Taaj and GlobalSend – which offer online services, where Dahabshiil’s online platform has not yet taken off for a variety of reasons which are not yet clear. Somaliland (and Somalia as a whole) has become a leading area in the provision of mobile money services. Telesom and Somtel are the two dominant telecommunication providers, both providing domestic and international mobile money services. Since the COVID-19 outbreak, people appreciate the prevalence of the mobile money services which they say makes social distancing possible while reducing the need for unhygienic bank notes.
Microfinance

Microfinance originally started with microcredit which is the practice of providing extremely small loans to those who do not have steady sources of income, collateral, or any credit history. It also aims to support and encourage entrepreneurs who do not have the financial backing to begin a small business or capitalize on an idea. The objective of microfinance is similar to that of microcredit; its goal is to provide financial services to help encourage entrepreneurs.

Microfinance is very important in creating access to productive capital for the poor who together with human capital addressed through educational training enable people to move out of poverty. It helps very poor households meet basic needs and protect their economic welfare. Microfinance empowers women by supporting their economic participation and promotes gender equity. However, there has been remarkable performance and significant improvement in the economic and living status of small scale business people and this can be attributed to the existence of the Financial Services Associations. Most of the microfinance institutions are non-profits. But since there’s a huge need for funding in developing countries, remaining non-profits are not sustainable. That’s why a new movement has started. The movement is about being for-profit. And being for-profit allows the institutions to reach to a large number of people and provide them with microfinance loans. The challenge these for-profit organizations are facing is an imbalance between financial sustainability and the mission of serving the poor. Even if it’s a challenge, many prominent global microfinance institutions have become for-profit organizations from non-profit institutions.

Microfinance is somehow a response to the debt problems and economic crisis in most developing countries. In this sense, it is seen as one of the tools intended to reduce the poverty. In addition, in contrast to the development aid policies conducted previously maintaining the poor in a state of dependence on handouts and on the provision of free social services, the experiences to empower poor to break the ties that bind them to their precarious conditions were seen by the good eye.

Therefore, the challenge of microfinance institutions (MFIs), commonly known as banks for the poor, consists in putting in place systems that allow the greatest number of poor people, to access to financial services and on a sustainable basis.

According to the World Bank, there are more than 500 million economically active poor individuals in the world operating microenterprises and small businesses, and most of them do not have access to financial services. One of the ways by which their demand for financial services has been met is through the provisions of microcredit. The microfinance industry has been very successful in helping the poor to obtain necessary financial resources for entrepreneurship purposes, as the support for such activities is perceived to reduce poverty and empower certain segments of the population. However, there are still a vast number of poor individuals who have not been able to benefit from this financial assistance, which clearly points out the need for the microfinance industry to grow and become more sustainable. It needs to generate greater support from the donors as well as to play a greater role in the financial sector.

By: Asia F. Hussien

Microdahab is a microfinance institution MFI that operates all over the Somali regions. It was established in 2014 to create employment opportunities for the youth, women, productive sector such as fishing, agriculture, livestock, and diary and small medium enterprises microdahab is dahabshiil groups way of giving back to the communities taking them from vulnerability to sustainability growth. In microdahab they help a thousand of small business to survive financially and expand their business also contributes women empowerment and enhance employment rate in Somali territories. In most bank the terms and conditions of loans are restricted and low income people are not able to fulfill these conditions in Microdahab does not require any collateral and self help groups don’t need to provide a third party guarantor this is a unique attribute that differentiates them from banks.

MicroDahab empowers women by increasing their access to microfinance services. Since 2014, over 9 thousand low-income women have improved their lives with the help of MicroDahab financial services.

Our formula to empower these women is simple: we give a small loan to a hardworking woman to start or expand her small business. She uses the profits she gets to fulfill one of her modest dreams. As her business succeeds and she pays the loan back to MicroDahab, those funds go back to work to making another woman’s dream come true. By supporting women’s economic participation, MicroDahab helps to empower women, thus promoting gender-equity and improving household well-being.
MicroDahab

MicroDahab has enabled the youth and women to develop or strengthen income-generating activities and has increased their monetary income, control over their income and bargaining power within the household. They are our main target group. Currently, the youth unemployment rate in the Somali region is around 70%. MicroDahab addresses the crisis of youth unemployment through the youth themselves: by boosting youth-led businesses creation and enabling self-employment. We enable the Somali youth to engage in self-employment projects that generate income, thus allowing them to increase the standard of living for themselves and their families.

In Somaliland, women do not own land, neither do they own property but this was not going to dampen the spirits of Fauzia who was determined to source for other ways of eking a living. As with many developing countries, women in Somaliland are still hugely unbanked or more under-banked than men. But they (women) dominate the Micro and Small Enterprises (MSE) the country.

Fauzia and other women at the market joined hands to form a women group through which they would raise money to boost their small businesses. When opportunity presented itself, Fauzia first took a US$ 300 to purchase wares for her small shop. The repayment period was six months which she was able to repay and take a further loan of US Dollars 600.

“Slowly by slowly my business started to grow because I could now purchase the products that were in high demand,” she says. “Today, I am more comfortable, my business is doing well and my children can be able to go to school without any problems,” she added.

“My eldest child has graduated from university while two others have enrolled to the university. The others are in primary and secondary schools.”

MicroDahab is not targeting women only. Adan is, a fisherman in Berbera is perhaps the most successful example of MicroDahab. Osman was among the first MicroDahab clients in 2014 when he describes as a fishing empire in Berbera, the second largest town in Somaliland. Hodan ceeo of MFI says the MicroDahab has turned around the lives of over 4,700 men and women who have taken advantage of the program.

“I lost over 30 heads of cattle due to the drought. It left me shattered,” she says struggling to her eyes from tearing. For a year, “I lost over 30 heads of cattle due to the drought. It left me shattered,” she says struggling to her eyes from tearing. For a year, she added.

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MicroDahab is not targeting women only. Adan is, a fisherman in Berbera is perhaps the most successful example of MicroDahab. Osman was among the first MicroDahab clients in 2014 when people in Somaliland did not understand the true meaning of micro financing. “Microfinancing was something new here (Somaliland). I also knew little about it but after getting to know how it works, I took a loan of Us Dollars 500 which helped me purchase better boats and fishing equipment,” says Osman who now owns a large shop selling fish in Hargeisa.

Today, Osman is preparing to borrow US$50,000 to set up what he describes as a fishing empire in Berbera, the second largest town in Somaliland.

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Products and contracts most commonly used in Islamic financing instruments in microfinance include:

Bai Maajal: A credit sale utilizing a contract to establish deferred payment terms between a buyer and a seller. The contract sets both a fixed price and singular payment date or installment payment dates. Fees are not disclosed separately, but are rolled into the price quoted to customers. Even if there is a purchase of a good at some point in time, if the good is not bought and delivered to the client per the original terms of the contract, then the transaction will not be Sharia-compliant.

Monitoring & evaluation is required to ensure Sharia compliance, but is often prohibitively expensive.

Ijarah: A leasing contract whereby a financier buys a productive asset on behalf of a client, and then leases it out to the client in exchange for regular repayments. The financier maintains liability for the asset throughout.

Istisna: A payment contract for a made-to-order asset with all materials/inputs provided by the manufacturer. A delivery date does not have to be set in advance, nor does full payment necessarily need to precede manufacture. This tends to be a longer-term contract suitable for infrastructure projects, power development, or other types of construction, whereby installment payments can be tied to construction progress.

Mudaraba: An equity investment between a financier (mudarib) and an entrepreneur who share profits according to a predetermined ratio. Losses are borne by the financier who supplied the capital; the entrepreneur bears the loss of his or her time and labor.

Murabaha: A mark-up or cost-plus sales contract in which the bank’s fee/profit is added to the purchase price of a good and the client pays in installments toward the single, non-disaggregated price. The bank’s offer of murabaha and the client’s acceptance of it must be two distinct contracts signed by both parties, rather than one general agreement, with the offer contract being signed before the good is purchased. This document must also include a detailed description of the asset, and all dated invoices must be supplied.
Project Finance

Project financing is a concept that deals with the sources of funds that needed to start any new project. Project can be categorized as opening of new company, subsidiary company, starting of new plant, it can be of infrastructure or it can be industrial project and so on. Most of the projects take long term period therefore project financing is the long-term financing. The concept of project finance is widely used in business and finance in developed countries. Many developing countries are also using project finance to raise funds for their infrastructure projects. There is, however, no precise legal definition of project finance as yet. The term ‘project finance’ is used to refer to a wide range of financing structures. However, these structures have one feature in common: the financing is not primarily dependent on the credit support of sponsors or the value of the physical assets involved. In project financing, those providing the senior debt place a substantial degree of reliance on the performance the project itself. Nevitt (1983) describes the term project finance as:

Financing of particular economic unit in which a lender is primarily dependent on the performance of the project itself. The foreign aid and donors were focused on infrastructure projects such roads, railways, etc. The funds are expended as donor guided and how finance is allocated before is granted to the beneficiaries. Foreign aid and donors were focused on infrastructure almost to the exclusions of anything else. World Bank being a prime example.

Project can also be financed through the bank loan. Normally the syndicate of the banks provides loans to the operation. Banks take the assets of the project for the security purpose. The foreign aids are sometimes used to fund developmental projects such as: equity commitment under which the sponsor will hire a professional supervisor company which will be responsible about the contractor is following the design and the plan. The supervisor company will be responsible to make sure that everything is legal and acceptable in context of the work. Also, he will assure to keep on eye the values and norms of the population where the infrastructure is ongoing. Yet, the supervisor company will represent and balance the interest of all the donors, government, environment, health, safety and, population.

Somaliland is officially called the Republic of Somaliland. Somaliland is a self-declared sovereign state in the Horn of Africa and it is internationally considered to be part of Somalia. The government of Somaliland regards itself as the successor state to British Somaliland and independent State of Somaliland that united in 1960 with the former Italian Somaliland now is known as Somalia to form the Somali Republic. Somaliland locates in the Horn of Africa, on the southern coast of the Gulf of Aden. It is bordered by Djibouti to the northwest, Ethiopia to the south and west and Somalia to the east. Its territory has an area of 176,120 square kilometers (68,000 sq mi) with approximately 4 million residents in the country. The capital and largest city is Hargeisa.
Project Financing Cont...

Since then, the country has attracted on the eye of the international community. The country successfully held six free and fair elections and promoted democratization process. The continuous successful elections and peace of the country enabled the country to get and hunt international donations. The infrastructure development has reached at its since the declared its independence. The main infrastructural project that has been implemented and going on in the country are Berbera corridor, Hargeisa bypass road project, SEAP project and Hargeisa water supply expansion. Many other projects are expected to implement soon.

The contract with DP World was signed in September 2016 and it was later announced that the state-owned Ethiopian Shipping and Logistics Services Enterprise (ESL) would hold a share in the joint venture to develop the port. As part of the agreement, Ethiopia stated that it would contribute to road construction on the Somaliland side of the cross-border corridor.

In October 2018, long-awaited construction works began. Dubai-based Shafa Al Nahda Contracting project scope especially the road construction starts from ex-Berbera to Halleysa, Hargeisa city. From there starts Hargeisa Bypass road starts. Hargeisa Bypass road construction is route 200 road construction. The route of the road starts from eastern part of Hargeisa, the capital city of Somaliland village called Halleys and ends western part of the city a village named Shifo near the ex-checkpoint of the city. Hargeisa Bypass road construction is part of Prosperity Fund project known as “Unlocking Prosperity in the Horn of Africa. The project is funded by UK government. The project span is intended for two-year project. The project is also a part of Berbera Corridor which is project aimed to connect Berbera port and land locked country of Ethiopia. The main objective of the contraction of the whole corridor is facilitate the movement of the transport coming Berbera port and going Ethiopia in order to leverage the smooth flow of trade between Somaliland and Ethiopia. The project has been financed around by the UK government. The project has fund manager, construction supervising engineers, contractor and Sub-constant. The tender of the project was publicly advertised in the local and international tender’s press. Kagg & partners has been hired as construction supervising consultants followed by contracting COCC – JV – GCI as construction contractor. Lastly the INTEGRO consulting is hired as consultancy of public health, social protection and gender issues of the project. Our interest in this project lies how the contractor (COCC-JV-GCI) has got the finances and in more general how the project is financed. The project is donor funded project. The grants of the project are donated by the UK government. The fund is managed by Trade-mark East Africa (TMEA) which is called the employer of this project.

COCC-JV-GCI is joint venture Company established by Chinese and Somali investors. The company has several offices in the region. The company is contracted to construction Hargeisa Bypass road. The company has well-defined management structure, the shareholder of the company works as the company directors. It also has managing director who oversees the overall activities and the performance of the company. Unlike any other projects, Hargeisa Bypass Road Project has project manager and deputy project manager. The project manager plans, implement and monitor daily project activities. He guides and leads all project department of the project. In this project as it has been mentioned earlier, the project financing is got funds from donor. The projects fund is released based on what the contractor achieved monthly. The amount of funds is going to release each month depends on the overall planned activities of the project. Therefore, it can be said this type of project its finance is determined the progress achieved.

The funds funded this project will not under debt of the country. UK government has intended to help and contribute the infrastructural development of Somaliland. It is also to help millions of people that are landlocked in Ethiopia to easily import essentials from Berbera port with no obstacles and difficulties in the roads.

Somaliland’s infrastructure development has reached its peak. Several developmental projects are ongoing. Infrastructure projects such as road construction facilitate logistical movement among Somaliland cities and between Somaliland Ethiopia. Hargeisa water supply expansion is donor funded project that is intended to increase water accessibility throughout the city. Somali electricity access project is World Bank financed project which is allocated to use renewable energy such solar to produce cheap, reliable and clean energy. The infrastructural sector will be well organized and developed in near future. The transport movement, water supply in Hargeisa and clean source of electricity will transform the way people in Somaliland live today.
30 years after declaring independence, Somaliland is still at the margins of the international system. Somaliland gained independence on 26 June 1960. The rest of Somalia followed on 1 July. The same day, the two territories united to form the Somali Republic. The Somali government faced considerable challenges harmonising different administrative traditions and balancing power between various clans. As early as 1961, military officers in the northwest attempted a coup because they felt disadvantaged. Somalia was also immediately in conflict with Kenya and Ethiopia, where large Somali minorities reside. Mogadishu insisted on uniting all Somali territories in the Horn of Africa under one rule.

In 1969, military and police officers led by General Mohammed Siyad Barre toppled the nepotistic democratic government. The officers allied with Moscow and created a strong security apparatus against internal and external enemies. The dispute with Ethiopia peaked in the Ogaden War (1978-79). Somalia’s defeat severely weakened Barre’s domestic position. The USSR sided with Ethiopia, but Somalia soon aligned with the US.

Today, the majority of people in central and western Somaliland favour independence. Here, infrastructure, private businesses and the educational sector have developed tremendously over the past 15 years. Nowadays, numerous international NGOs and national development agencies engage in the country. Hargeysa has become a bustling centre, at eye-level with major east African cities.

The eastern parts of the country, however, are not yet at peace. There, Somaliland’s influence is limited and occasionally its army clashes with militias. This is where part of the former colonial power. Egypt supports Somali unity to keep Ethiopia, its rival over the Nile, under control. The Arab states prefer a united, strong Somalia in the Horn. The US and most EU countries seek to stabilise Somalia, which wouldn’t be helped by recognising Somaliland. The African Union (AU) meanwhile insists that the continent’s colonial borders should be respected to avoid unpredictable secessionist dynamics. Eritrea and South Sudan are seen as absolute exceptions (Eritrea had the support of the Ethiopian government, and South Sudan had considerable external backing).

The usual position of those taking a benevolent stance towards Somaliland’s independence is that Mogadishu and Hargeysa should negotiate. Some discussions have taken place already, albeit without results. Mogadishu does not want to let Somaliland go, while Hargeysa refuses to return to the status quo ante. 30 years after its declaration of independence, Somaliland is still at the margins of the international system, despite considerable successes regarding peace and state building and massive diaspora investments. Generally, non-recognition in itself is less of a problem. Somaliland shows that political order, democratic process, and a certain degree of development can be achieved without much international assistance. What is worrying is the prospect that a future Somali government could attempt to subdue Somaliland as an unrecognised polity, which could provoke new military conflict.
Corporate Governance

In its broadest sense, corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interest of individuals, of corporations and of society. The incentives to corporations and those who own and manage them to adopt internationally accepted governance standards is that these standards will assist them and manage them to adopt internationally accepted governance standards that these standards will assist them and manage them to adopt internationally accepted governance standards.

A Key Principle of Corporate Governance – Shareholder Primacy

Perhaps one of the most important principles of corporate governance is the recognition of shareholders. The recognition is two-fold. First, there is the basic recognition of the importance of shareholders to any company – people who buy the company’s stock fund its operations. Equity is one of the major sources of funding for businesses. Second, from the basic recognition of shareholder importance follows the principle of responsibility to shareholders. The policy of allowing shareholders to elect a board of directors is critical. The board’s “prime directive” is to be always seeking the best interests of shareholders. The board of directors hires and oversees the executives who comprise the team that manages the day-to-day operations of a company. This means that shareholders, effectively, have a direct say in how a company is run.

Why Corporate Governance is Receiving So Much Attention?

Recent corporate governance scandals in the United States, Europe and Asia—some of which have triggered the largest insolvencies in history—have caused a crisis of confidence in the corporate sector. As a result, corporate governance has entered the vocabulary not only of financial economists but also of day traders, pension fund beneficiaries, employees of all ranks, chief executive officers, and prime ministers. During the wave of financial crises of 1997–98 in Asia, Russia, and Latin America, the behavior of the corporate sector affected entire economies. Deficiencies in corporate governance endangered the stability of the global financial system. Improving corporate governance is now recognized in most countries and policy circles to have first-order macroeconomic consequences and has become a mainstream concern.

Beyond the scandals and crises, however, are several structural reasons explaining why corporate governance has become more important for economic development and well-being. The private, market-based investment process is now much more important for most economies than it used to be. That process is underpinned by better corporate governance. With the size of firms increasing and the role of financial intermediaries and institutional investors growing, decisions about mobilizing capital are now one step removed from the principal/owner. At the same time, the opening and liberalization of financial and real markets have broadened investment choices and made decisions about the allocation of capital more complex. Structural reforms, including price deregulation and increased competition, have increased companies’ exposure to risk from market forces. These developments have made monitoring the use of capital more complex in certain ways, enhancing the need for good corporate governance.

Consequences of Poor Corporate Governance

One of the biggest purposes of corporate governance is to set up a system of rules, policies, and practices for a company—in other words, to account for accountability. Each major piece of the “government” – the shareholders, the board of directors, the executive management team, and the company’s employees – is responsible to the others, therefore keeping them all accountable. Part of this accountability is the fact that the board regularly reports financial information to the shareholders, which reflects the corporate governance principle of transparency.

Poor corporate governance is best explained with an example, and there is no better example than Enron Corp. Many of the executives used shady tactics and covert accounting methods to cover up the fact that they were essentially stealing from the company. Erroneous figures were passed along to the board of directors, who failed to report the information to shareholders. With responsible accounting methods gone out the window, shareholders were unaware that the company’s debts and liabilities totaled much more than the company could ever repay. The executives were eventually charged with several felonies, and the company went bankrupt. It killed employee pensions and hurt shareholders immeasurably.

When good corporate governance is abandoned, a company runs the risk of collapse, and shareholders stand to suffer substantially.
Becoming Great Boards of Directors

What is a Board of Directors?

A board of directors is essentially a panel of people who are elected to represent shareholders. Every public company is legally required to install a board of directors; nonprofit organizations and many private companies – while not required to – also name a board of directors. The board is responsible for protecting shareholders’ interests, establishing policies for management, oversight of the corporation or organization, and making decisions about important issues a company or organization faces.

Functions of a Board of Directors

In a broad sense, a corporate board of directors’ acts as a fiduciary for shareholders. The board is also tasked with several other responsibilities, including the following:

- Creating dividend policies
- Creating options policies
- Hiring and firing of senior executives (especially the CEO)
- Establishing compensation for executives
- Supporting executives and their teams
- Maintaining company resources
- Setting general company goals
- Making sure that the company is equipped with the tools it needs to be managed well.

Basic structure of a Board of Directors

The structure, responsibilities, and powers given to a board of directors are determined by the bylaws of a company or organization. The bylaws generally determine how many board members there are, how the members are elected, and how frequently the board members meet. There’s not a set number or structuring for a board of directors; it depends largely on the company or organization, the industry in which the company or organization operates, and the shareholders.

It’s widely agreed upon that the board needs to represent shareholder and owner/management interests and that it’s usually a good idea for the board to include both internal and external members. Accordingly, there is usually an internal director – a member of the board that is invested in the daily workings of the company and manages the interests of shareholders, officers, and employees – and an external director, who represents the opinions and interests of those who function outside of the company.

The structuring of a board of directors tends to be more varied in the globe. In certain countries in Asia and the European Union, the structure is often split into two primary boards executive and supervisory.

The executive board is made up of company insiders that are elected by employees and shareholders. In most cases, the executive board is headed up by the company CEO or a managing officer. The board is typically tasked with overseeing the daily business operations.

The supervisory board concerns itself with a broader spectrum of issues when dealing with the company. The chair for the board varies but is always headed up by someone other than the preeminent executive officer.

Building an Effective Board of Directors

An effective board of directors is a board that has diversity within its members and diversity with its talents. In addition to having a broad demographic, an effective board regularly evaluates each individual member’s performance, as well as the board’s performance. Board members have term limits, so a key component to maintaining a productive board is to actively recruit new members who will bring new expertise to the board. Board planning should include at least one annual session where board members focus on strategic planning according to the organization’s mission and vision.

Board Member Recruiting

There are several steps that a board should take before formally inviting a potential candidate to consider serving on the board. The resources committee should obtain resumes and profile sheets on potential board member candidates that contain the person’s contact information, areas of influence, and skills. The resources committee should meet year-round and work with the board to help find the best candidates for future board members.

The strongest person on the board should chair the resources committee. The remaining members of the resource committee should all be board members. The first step that the resource committee should take is to analyze the strengths and weaknesses of the existing board. Another task of the resource committee is to write descriptions of the board and committee positions, so that candidates will know exactly what is expected.

During group work, the committee should classify board members according to the diversity they represent, their skills, and network contacts. Factoring upcoming board member term expiration dates, the committee can identify gaps in board diversity and talent, which the committee will seek to fill for future terms.

The resources committee then matches candidates to the needs of the board and compiles a list of recruits to present to the board. Upon approval by the executive director and the board, the committee should prepare a recruitment packet which includes pertinent information about the position and the organization. If the organization requires board members to participate in an annual retreat, the packet should include this information. The committee then presents a firm list of candidates to the board to be voted upon. The board elects the new members and invites them to the next board meeting.
Becoming Great Boards of Directors cont...

The Importance of Corporate Culture

A company’s culture often proceeds from its purpose, and it drives strategy. A strong corporate culture can enable business and promote innovation. It can help attract and retain talent and contribute to the company’s long-term success. A positive culture is an asset to your business. But culture can also impede business. A poor corporate culture can promote unethical behavior and produce disengaged employees. It can set the stage for all sorts of things to go wrong. And when things go wrong, they can quickly swell into a crisis. The board’s role in overseeing culture is critical: Nobody wants to be the company making headlines for a corporate culture problem.

Culture can be challenging to understand, however, because it’s intangible. Boards can get a better sense of their company’s culture by looking at data and metrics — what customers and employees are saying and what’s on social media and job sites. When there is a weak corporate culture that needs to change, don’t expect a transformation overnight. To shift to a stronger culture — one that’s an asset — you need a thoughtful and focused strategy with set tasks to achieve.

Overview of IPO process

The Initial Public Offering IPO Process is where a previously unlisted company sells new or existing securities and offers them to the public for the first time. Prior to an IPO, a company is private – with a smaller number of shareholders, limited to accredited investors (like angel investor/venture capitalists and high net worth individuals) and/or early investors (for instance, the founder, family, and friends). After an IPO, the issuing company becomes a publicly listed company on a recognized stock exchange. Thus, an IPO is also commonly known as “going public”. However, when a company is going to public the following steps to be followed:

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**Step 1: Select an investment bank**

The first step in the IPO process is for the issuing company to choose an investment bank to advise the company on its IPO and to provide underwriting services. The investment bank is selected according to the following criteria:

- Reputation
- The quality of research
- Industry expertise
- Distribution, i.e., if the investment bank can provide the issued securities to more institutional investors or to more individual investors.
- Prior relationship with the investment bank

**Step 2: Due diligence and regulatory filings**

Underwriting is the process through which an investment bank (the underwriter) acts as a broker between the issuing company and the investing public to help the issuing company sell its initial set of shares. The following underwriting arrangements are available to the issuing company:

- Firm Commitment, Best Efforts Agreement, All or None Agreement, Syndicate of Underwriters:

**Step 4: Stabilization**

After the issue has been brought to the market, the underwriter has to provide analyst recommendations, after-market stabilization, and create a market for the stock issued. The underwriter carries out after-market stabilization in the event of order imbalances by purchasing shares at the offering price or below it. Stabilization activities can only be carried out for a short period of time – however, during this period of time, the underwriter has the freedom to trade and influence the price of the issue as prohibitions against price manipulation are suspended.
Industrial Financing

Finance is regarded as the life-force and the machine of any industry. Without getting adequate finance, industrial development is not at all possible. Due to the lack of adequate finance, industrial development in Somaliland could not achieve a significant position and shape.

Industrial finance is any type of finance that is funded a specific type of company. It may be raised by investment of proprietors as ownership funds or by borrowings. In companies, borrowed funds include debentures, public deposits, banks, insurance companies, and special financial institutions. Sources of capital are the most exportable area especially for the entrepreneurs who are about to start a new business. It is perhaps the toughest part of all the efforts. There are various capital sources, we can classify on the basis of different parameters. Having known that there are many alternatives to finance or capital, a company can choose from. Choosing the right source and the right mix of finance is a key challenge for every finance manager. The process of selecting the right source of finance involves in-depth analysis of each and every source of fund. For analyzing and comparing the sources, it needs the understanding of all the characteristics of the financing sources. There are many characteristics on the basis of which sources of finance are classified.

Industrial finance can be sourced by different ways based on a time period; sources are classified as long-term, medium term, and short term. Ownership and control classify sources of finance into owned and borrowed capital. Internal sources and external sources are the two sources of generation of capital. All the sources have different characteristics to suit different types of requirements. Let’s understand them in a little depth.

Industries require short term, medium term and long term finance for meeting their requirements of fixed capital expenditure and also to meet their working capital needs. Long term finance for industries includes those financial resources which are advanced to the industries by the banks for a period of 3 years and above. Long term finance is quite important for the expansion and modernization of industrial projects and also to meet its fixed capital expenditure requirement. Long term finance is mostly available from the sale of shares and debentures, and loan from term lending financial institutions Dahashil Bank, Darassalam Bank, MicroDahab and so on.

Medium term financing means financing for a period of 3 to 5 years and is used generally for two reasons. The first reason used medium term financing is when long-term capital is not available for the time being and the second reason is when deferred revenue expenditures like advertisements are made which are to be written off over a period of 3 to 5 years. Medium term financing sources can be financial institutions, government and commercial banks.

Short-term finance for industries includes those financial resources which are advanced by banks to the industries for a period between 1 month to 12 months. Short-term finance is required to meet working capital needs and other sundry expenses of the industrial projects. Commercial banks offer short term loans on cash-credit basis on the security or stocks and overdraft facilities to the industries. Industries can also raise short-term finance by raising public deposits for one to three years.

According to ownership and control, sources of finance can be classified based on ownership and control over the business. These two parameters are an important consideration while selecting a source of funds for the business. Whenever we bring in capital, there are two types of costs – one is the interest and another is sharing ownership and control. Some entrepreneurs may not like to dilute their ownership rights in the business and others may believe in sharing the risk.

Owned capital also refers to equity. It is sourced from promoters of the company or from the general public by issuing new equity shares. Promoters start the business by bringing in the required money for a startup. The sources of owned capital are equity, preference, retained earnings, convertible Debentures and venture fund or private equity. Further, when the business grows and internal accruals like profits of the company are not enough to satisfy financing requirements, the promoters have a choice of selecting ownership capital or non-ownership capital.

Borrowed or debt capital is the finance arranged from outside sources. These sources of debt financing include financial institutions, commercial banks or general public in case of debentures. In this type of capital, the borrower has a charge on the assets of the business which means the company will pay the borrower by selling the assets in case of liquidation.

Based on the source of generation, industrial finance can be classified into internal and external sources of finance. The internal source of capital is the one which is generated internally by the business. These are retained profits, reduction or controlling of working capital and sale of assets etc. The internal source of funds has the same characteristics of owned capital. The best part of the internal sourcing of capital is that the business grows by itself and does not depend on outside parties.

An external source of finance is the capital generated from outside the business. Apart from the internal sources of funds, all the sources are external sources. Deciding the right source of funds is a crucial business decision taken by top-level finance managers. The usage of the wrong source increases the cost of funds which in turn would have a direct impact on the feasibility of the project under concern. Improper match of the type of capital with business requirements may go against the smooth functioning of the business. For instance, if fixed assets, which derive benefits after 2 years, are financed through short-term financing will create cash flow mismatch after one year and the manager will again have to look for
AADCO Paper Factory is a local paper product converting and recycling company located in Hargeisa, Somaliland. The Factory was officially inaugurated on 5th January 2013 by the president of Somaliland Republic his Excellency Ahmed Mohamed Mohamoud Silaanyo.

AADCO Paper factory is a part of AADCO Group of Companies, a company that has been operating in Somaliland since 1973. AADCO Paper factory products are now sold in Somaliland, Puntland and Somali Zone of Ethiopia.

The company’s products are student note books of different sheet contents, spiral note books, A4, A3 and A5 copier paper, and paper egg trays.

In 2013, the factory started its production with student note books. In August 2014, a new production line that produces A3, A4, A5 paper was installed.

In July 2019, a second production line of student note books was installed. This new production line doubled the production capacity of the note books.

In January 2020, a new plant that makes paper egg trays from recycled waste paper was put into operation.

In February 2021, a new production line that produces high end spiral note books was launched.

Currently, the company operates following countries such as Somaliland, Puntland and eastern Ethiopia. However, we have plans to reach out Djibouti and Ethiopian main land.

AADCO Paper Factory is a sole proprietor company financed by its owner. The company works on its own capital and sometimes applies investments from Islamic investment banks.

The following diagram shows the cooperate governance of the company, it is also indicates the overall management and how operations goes and how daily activities and tasks is coordinated by the key staff and reporting procedures of the company.

The industrial finance has grown rapidly in the country since Somaliland regained its independence from Somalia. The country developed in terms of infrastructure and industrialization enhancement has begin as a decade ago.

Successful governments of the country have encouraged the industrialization process and locally produced product and materials. They regarded the newly built industries as source of income and economic progress. Many industries have been invested and implements as they receive welcoming and no pressure all the systems that existed different times.
Economic Growth and Development: Somaliland

Economic growth is an increase in the production of goods and services over a specific period. To be most accurate, the measurement must remove the effects of inflation. Economic growth creates more profit for businesses. As a result, stock prices rise. That gives companies capital to invest and hire more employees. As more jobs are created, incomes rise. Consumers have more money to buy additional products and services. Purchases drive higher economic growth. For this reason, all countries want positive economic growth. This makes economic growth the most-watched economic indicator. Economic growth can be measured in terms of the increase in the aggregate market value of additional goods and services produced by using economic concepts such as GDP and GNP. Economic development refers to the process by which the overall health, well-being, and academic level of the general population of a nation improves. It also refers to the improved production volume due to the advancements of technology. Economic growth can be referred to as the increase that is witnessed in the monetary value of all the goods and services produced in the economy during a time period. It is a type of quantitative measure that reflects the potential increase in the number of business transactions taking place in the economy.

How to Measure Economic Growth

Gross domestic product is the best way to measure economic growth. It takes into account the country’s entire economic output. It includes all goods and services that businesses in the country produce for sale. It doesn’t matter whether they are sold domestically or overseas. GDP measures final production. It doesn’t include the parts that are manufactured to make a product. It includes exports because they are produced in the country. Imports are subtracted from economic growth. Most countries measure economic growth each quarter. The most accurate measurement of growth is real GDP. It removes the effects of inflation. The GDP growth rate uses real GDP. Analysts watch economic growth to discover what stage of the business cycle the economy is in. The best phase is expansion. This is when the economy is growing in a sustainable fashion. If growth is too far beyond a healthy growth rate, it overheats. That creates an asset bubble. As too much money chases too few goods and services, inflation kicks in. This is the "peak" phase in the business cycle.

Four key factors to economic growth and development

Human resources:

Many poor countries are struggling to stay permanently. Even with the GDP growth of developing countries, the population is increasing. Therefore, it is a great task for these countries to overcome poverty at these high birth rates. The equitable distribution of wealth can not happen in the economy until it becomes sufficient for itself. The strategy will be to reduce the population. Even such acts are contrary to existing religious standards.

Natural Resources:

Some developing countries with scarce natural resources, such as land and minerals, need to divide available resources into a large population. Perhaps the most valuable land is arable land, where most people in developing countries work in agriculture, which is the basic economic activity.

Capital formation:

Indicators of low product capital creation in developing countries, because income is so low that little can be saved in the future. Growth financing and physical capital in poor countries have always been an unstable cycle in the production mechanism. States must certainly apply a balanced and cautious approach when they intend to fund ambitious development programs because they will have to borrow from other developed countries or the World Bank.

Technological change and innovations:

This is often associated with new investments and new machinery. It provides many hopes for developing countries, where it can adopt more productive technologies for developed countries. This requires entrepreneurship. Let’s say that countries need to encourage rapid capital growth, technology does not respond to how to deploy these key components. The desire for rapid economic growth may be strong, but developing countries face many obstacles, such as political opposition, lack of technology, intensive capital markets, and so forth. Thus, the appropriate approach is to liberalize economic policy and allow foreign investors to enter the national environment, which will increase employment opportunities for local unemployed, jobs for the youth, and expose the domestic market to global competition.

Somaliland Economic Growth

Somaliland economic growth is on the rise despite the unique economic constraints the country is facing. In his annual address to the nation, Somaliland President Musa Bihi said the revenue for the country surged 4.5% in fiscal 2019 which is a clear indication of the efforts and capabilities of the National Revenue Authority. “The economy is the basis for the development and transformation of life and society in every country. Therefore, the government is focusing on the development of the Republic and the promotion of the national economy,” Bihi said.

“The GDP growth rate in the UK has increased by 2% in the last two years, whereas the economic growth in Africa is estimated at 3.4% in 2019 by the United Nations. This indicates that Somaliland’s economic growth is on the rise, despite the unique economic constraints of the Republic of Somaliland.” Bihi said his government has been able to raise inflation by 19% to 4% in 2019; we have also succeeded in raising the value of Somaliland Shilling by 21% in 2019. In the fiscal year 2019, the Somaliland government expenditure on national projects amounted to USD 260 million, paid entirely by the State. The government has allocated USD 1.5 million to projects entirely funded by the state.
Economic Growth Cont...

According to the president, the Public Finance Management System (PFM) has been implemented to help improve the country’s financial system, tax collection, revenue growth, spending power, implementation of development projects thus drive economic growth in the country. “Although every effort is being made, there are major economic challenges that need national consultations because we are a country of imbalance in exports and imports,” the president said. “For example, in 2019 we imported goods worth $572,713,970 assessed (Customs Import – Export Value), we exported goods worth $211,732,852 hence a deficit of ($360,981,118) a financial constraint.”

“Therefore, in order to get out of the trade imbalance, we will increase production and manufacturing in the country. We have made tax exemptions worth up to $15 million for small-scale industry and limited-use products.”

On agriculture, Bihi said his government is focused on promoting agricultural production, animal welfare and fisheries. He said the government utilized 42,000 hours in till support to farmlands while free seeds were delivered to 14,000 households nationwide and donated 7 tractors to Agricultural Cooperatives in Berato and Beer in Daadmadheek and Togdheer Regions.

He further said about 750 meters of the track as part of the Berbera Economic Corridor geared towards diverting heavily laden trucks from the capital Hargeisa will start soon.

“The governments of Somaliland and the United Arab Emirates have agreed to elevate Berbera Airport to international standards for purpose of supporting cross-border regional, regional and international trade,” he said. Other projects he mentioned include the completion of an additional 107 kilometres of the Burao – Erigavo Road, completion of 49 49 kilometres of Hargeisa-Kalabady highway, construction of the Bridge connecting Borama town to Amoud University, repairs to the road between Las Anod and the village of Samakaab and Adhi-caddeeye and renovation to the second bridge in Burao destroyed by heavy rainfall.

The President said the government is focusing on the public’s access to economically affordable quality health services by providing health services in vulnerable communities, such as maternal and child health clinics, improving health services at all levels where 512 public health professionals have been recruited and seconded to all regions and providing further training to 3,100 Health Professionals, to improve the quality of health services available to the Somaliland community. He also talked about education, security and national defence, drought and climate change, foreign policy and the country’s continued clamour for international recognition.

Four main types of economic growth of Somaliland
1. Regional economic integration
2. Aid for trade international economic trade
3. Private sector development
4. Public finance management

Regional economic integration of Somaliland

Somaliland and Ethiopia also share some historical relations because the current government of Somaliland and current government of Ethiopia were all emanated from liberation movements with herds to access key resource sites.

In Somaliland, the livestock export is a major domestic product which is exported widely. Livestock production has been the mainstay for the people of Somaliland. Livestock production is predominantly pastoral and agro pastoral employing 60% of GDP and about $350 of 35 of potential rural exports. But the climate change, environmental degradation and incessant droughts seriously affected the profitability of the livestock in the recent years. Importance of Berbera Corridor and Berbera Port Modernization The Berbera corridor project is recognized as one of the biggest regional economic and trade infrastructure that bilateral and multilateral organizations of IGAD, AU, EU, African Development Bank and World Bank and member states are optimistic that this Berbera corridor as roads development and Berbera Port modernization should generate more employment, enhance regional interconnectivity, economic integration and safe passage of transit and trade flow of the region. “We expect Somaliland to be a growing trade centre in East Africa and are positioning ourselves to meet and cater to the demand,” says deputy CEO of the Elsawis Ethiopian Airlines Woldemariam Haile.
2. Aid for trade (international economic trade) of Somaliland

Somaliland has been an independent economy since its break away from Somalia in 1991. Due to a destructive civil war between Somali National Movement (SNM) and the military regime of Somalia, the country’s economy was started from scratch. People returned to their demolished homes with empty hands from refugee camps in 1991 and onwards. Somaliland’s economy is described as a very open economy according to the ratio of imports plus exports to GDP which is 91.5 percent, the 7th highest in Sub-Saharan Africa and 45th highest in the world (World Bank & Ministry of National Planning and Development 2014). The country’s tariff rates relative to Sub-Saharan African countries are said to be effective with import tariffs of 4.15 percent and export tariffs of 3.34 percent respectively.

Berbera port is the economic engine of the country providing all necessary import and export services (Berbera Port Authority 2016). With an imports of $883 million and exports of $387 million, the country experienced a trade deficit of about $496 million (37.5 percent of the GDP) in 2012. However this trade deficit was financed from aid plus remittances contributions which was about $500 million in 2012 (World Bank & Ministry of National Planning and Development 2014). Aid and remittances, not captured in the GDP as they were from abroad, were derived from estimates on Somalia including Somaliland. In 2000, Gulf countries issued a total ban of the Horn of African countries livestock as the Rift Valley Fever has been spotted in Saudi Arabia and Yemen. Obviously, these bans proved the vulnerability of Somaliland livestock economy and trade to external shocks (Academy for Peace and Development 2002).

3. Private sector development of Somaliland

Somaliland’s private sector has thrived in many ways since Somalilanders charted a path out of the destruction inflicted on the region during the Siad Barre regime. The extent of its revival since 1991 is a testament to the Somaliland people and their entrepreneurial and business culture. The private sector, part of a broad set of businesses anchored in the agropastoral, telecommunications, trading, and financial/remittance sectors but also in provision of social services, has rightly been acknowledged for its resilience and contribution to an economy and people that experienced massive dislocation and privation prior to the fall of the Siad Barre regime in 1991. By then, the capital city of Hargeisa had largely been reduced to rubble, with an estimated 70 percent of the city destroyed, some 5,000 people killed, and 500,000 people internally displaced. Since this time and in parallel with an extraordinary effort of Somalilanders to rebuild the region and establish a legitimate and viable government institutional structure, the private sector has shown a level of innovation, vibrancy, and capacity for investment risk that has been rightly lauded as fundamental to the success story that is Somaliland. The World Bank (2006) Somalia Country Economic Memorandum referred to this private sector in the following terms: Despite the variety of obstacles—including the legacy of underdevelopment and war, large-scale population displacement, a modest resource base, and lack of diplomatic recognition—Somaliland has been the site of impressive levels of economic recovery and activity since 1991. These gains have been based mainly on five factors: (a) the ability of the government and society to maintain peace and security; (b) a durable social contract ensuring a sufficient degree of inclusivity and negotiation in matters of politics, disputes, and allocation of resources and employment across clan lines; (c) high flows of remittances from the diaspora, which underwrite much of Somaliland’s consumer economy; (d) a robust private sector, which has emerged since 1991; and (e) a powerful cultural tradition of honoring mutual obligations within extended lineage groups, which facilitates greater social trust, the flow of finances in the form of informal loans or gifts, and mutual indebtedness. This latter feature gives Somaliland households and businesses a high level of “social capital” on which to draw and is a valuable source of economic stability in an otherwise high-risk investment environment.

Public financial management of Somaliland

PFM stands for Public Financial Management and relates to how a country raises, spends and accounts for public funds. PFM seeks to ensure that state spending translates to effective and efficient provision of services to the society and the economy. As such, PFM has to do with the process (how governments manage) and results (short, medium and long-term impacts) of government financial flows. The PFM system comprises several interrelated processes and systems across various government institutions. At a simplified level, these processes include four main stages:

1. Budget formulation (strategic budgeting and strategic preparation)
2. Budget approval (Legislative Debate and Enactment)
3. Budget execution (Accounting and Reporting, Internal Control / Audit, Resource Management)
4. Budget evaluation (External audit and Accountability)

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4. Budget evaluation (External audit and Accountability)
This research study seeks to examine the potential causes and consequences of food inflation in Hargeisa, Somaliland, and to consider possible measures to address the current issue of food inflation in Somaliland. Increasing prices of goods and services and foreign exchange are two pressing issues that have negatively affected the livelihood of many Somaliland households. Inflation is one of the multifaceted challenges that the Somaliland economy has been encountering for a very long time, since independence. However, during the past five months, dramatic changes in the inflationary environment, specifically food items, has been observed in Somaliland as whole and Hargeisa in particular. Inflation is a condition of rising prices and is what people usually mean by inflation. It is the effect of sustained rising prices which means people are able to buy less with the same amount of money. It is usual to refer to the level of consumer prices as an indicator and rough measure of inflation (Harberler, 1960). The Somaliland Central Statistics Department (CSD) has produced Consumer Price Index (CPI) reports from January 2013 to May 2017 which shows that price levels in the food category have always been higher than those in the non-food category through the entire period of the index’s measurement. Specifically, from September 2016, food prices have been unstable and have been increasing drastically compared to non-food prices. This trend has continued into 2017. For instance, the food price index in April 2017 was 146.9 while it was 140.6 in December 2016 (CPI report, 2017). Changes in price levels generally, can be attributed to national factors such as low domestic production, a trade deficit, scarcity of raw materials and depreciation/devaluation of domestic currency. Equally too there are supply shock factors such as bad harvests, the livestock ban, and prolonged droughts. Ettazz and Siama (1999) in their paper on exchange rate and inflation dynamics identified five different types of temporary as well as permanent inflation shocks. The two domestic shocks to be considered are monetary and real shocks, while the three external shocks are import price, export price and foreign exchange reserve shocks. The change in general price levels may also be caused by excessive or disproportional demand, for example an increase in the population, decline in real income and so forth. Whilst all of these are undoubtedly contributory factors, they do not entirely explain the factors that are responsible for the recent sharp increase and fluctuations of inflation particularly in respect of food prices in Somaliland. Any sharp rise in inflation can cause a substantial proportion of the population in the country to live in poverty and suffer from associated problems. It also reduces economic growth and exacerbates poverty levels (Simpasa and Guara, 2012). Hence, it has a negative impact for the Page 5 of 19 progress and enhancement of social welfare. This research paper investigates the causes and consequences of food price inflation in Hargeisa, Somaliland.

The extent of food inflation in Hargeisa between April 2016 and April 2017

Results from the Somaliland CPI show that price level for the food category were higher than those for the non-food category through the entire period of the index’s measurement particularly in the last 12 months from April 2016 to April 2017 (CPI report, 2017). In particular, there was a constant increase in food prices after September 2016. The food price index was highest in April 2017. This is a good indication of higher than normal food inflation in Somaliland.

Controlling food inflation

The majority of the research participants believe that the most significant step which could control and address the existing food price inflation is to make the Dollar exchange rate more stable. A number of techniques could be employed including settling the issue of paying Kat with the Dollar currency, working towards reversing the livestock ban and in the longer term, increasing locally produced food and exported items. Similarly, most interviewees agreed government institutions like the central bank and relevant ministries must be effective, committed and work properly. This should include formulating and implementing effective inflation policies such as monetary and fiscal policies and to initiate strong rules and regulation for food suppliers. It would mean applying price control mechanisms like subsidies for agriculture to increase local food production. The government also needs to implement regulations which enforce the use of the local currency for all transactions. Other mechanisms include encouraging market segmentation thus reducing the monopoly of importers to act as wholesalers and resellers too. The government needs to try to achieve a closer balance Page 14 of 19 between the country’s imports and exports. If a comprehensive food inflation strategy can be established then there will be a much greater chance of containing the current trend.
Amal Bank Micro-Financing

Amal Bank is modern Islamic bank that is guided under Islamic sharia. Amal bank has now more branches in every main city in Somalia and Somaliland which honestly indicates their way of being the biggest and strongest in the region. Amal bank is the leading financial institution in Somalia and Somaliland. The bank provides wide range of financial products. Amal bank is seen to be one of the few financial institutions that work under corporate social responsibility since it provides a number of unique microfinance programs and projects intended to improve, encourage and enhance the productivity of Somaliland people. Environment and social responsibility seems an important thing to Amal bank. Amal bank is not a microfinance institution but instead microfinance is one of its core financial products. For the last six month Amal bank has launched and implemented two huge microfinance programs called Hodmiye and dhalinkaab Access to micro credit is the major challenge facing by many of the Somaliland people including SMEs, low income households, self-employed young entrepreneurs and farmers. Unlike other banks Amal bank is working to provide micro loans to different groups of people of Somaliland and Somalia as well. These unique programs of Amal bank will also increase and enhance the efforts made in the stability of Somaliland’s fragile economy. Somaliland uses Somali shillings as home currency and US dollars for outside purchases. These two currencies are both important for Somaliland economy and monetary authority of the country face big challenges to balance the demand and supply of the two currencies. Somaliland’s economy depend largely on imports local businesses send dollar money to foreign markets or suppliers for buying goods or supplies and this results the imbalances of trade payments. When trade payment of the country is not balanced the country suffers some economic issues therefore these microfinance programs of Amal will help the government particularly monetary policy authority to achieve sustainable economic stability as it adds new dollar to the money supply of the country. Efforts have been made over the last years for greater economic prosperity. For people to grow their formal and informal businesses to give them regular income and enable them to lead decent lives the need access to capital or fiancé. Men and women across the world are struggling and working hard because they don’t access to financial services. Leaving them with limited income and job opportunity and creating uncertain future for their families.

Hodmiye

Hodmiye is one of the unique financial and microfinance products of Amal Bank intended to provide women entrepreneurs in Somaliland. The number of women owned businesses in Somaliland have been increasing dramatically. Women are seen to be the building blocks of every society in the world. In Somaliland both men and women are working hard for their living to continue their lives. Women entrepreneurs are believed to have stamina since they are in the businesses environment and do their endless family work. The issues of poverty was much greater amongst women, and feminization of poverty was increasing. Women had very limited access to the credit that might enable them to purchase inputs, or invest in microenterprises. Financial assistance can help families strengthen their productivity and increase their resources with goal to benefit their children. When Amal bank saw the positive growth of women entrepreneurs it established a fund to support and motivate women to increase their productivity. Amal Bank has provided hundreds of women This program focused especially on female micro entrepreneurs, who did not have access to the formal financial sector. The bank did not only give the loan to the businesses owned by women based in Hargeisa but also other businesses in the main cities throughout the country. The fund given to those entrepreneurs consisted half of grant and half loan with no profit rate (Qardul Hasan) from Islamic finance perspective. The bank’s aim was not to get profit from the loan part of the program but it was just participate development programs in the region and to encourage future entrepreneurs that the door of innovation and entering business world is yet open to them. This is the only bank in Somaliland and Somalia doing such quality and productive to the people. Before providing the money to applicants the bank made deep assessment to make sure the amount of fund to be given and prevent the risk of default. The bank did not just lend and left alone instead helping in the success of their businesses. An important component of Amal Bank’s operations is the coupling of savings and credit. All clients are convinced by deposit savings weekly or monthly because wants to highlight to the clients the importance of savings. Mostly when our businesses get additional incomes they consume instead of saving it in a bank even if they save they use informal savings like what they called Hagbad which is not secure. Bank savings is more secure and reliable than informal savings.

After the implementation of this project Hodmiye shiny businesses and beautiful and laughing faces were seen. This was positive feedback to the honored bank. When people are visited and asked to make comments on how they took advantage of the program a lot of appreciations were coming bank to the bank. Amal bank has also promised for the businesses it will establish other more programs if they utilize the fund in the best effective and efficient way. This has given women owned businesses for two benefits first one is the business has obtained ease fund to finance its business operation which is more critical. Second it could be possible for business to not go through rigid process in requesting new micro loans from the bank as it might be assessed by bank through their credit history. The Project was expected to empower women, improve their socioeconomic status, create employment and reduce poverty. Fortunately Hodmiye program is seen that all intended outcomes were achieved effectively and that the Project was effective in delivering its intended outputs and purposes.

By: Mukhtar A. Osman
Islamic Banking: Somaliland

By: Asma A. Hassan

Islamic banking has been defined as banking in consonance with the ethos and value system of Islam and governed, in addition to the conventional good governance and risk management rules, by the principles laid down by Islamic Shariah. Interest free banking is a narrow concept denoting a number of banking instruments or operations, which avoid interest. Islamic banking, the more general term is expected not only to avoid interest-based transactions, prohibited in the Islamic Shari'a, but also to avoid unethical practices and participate actively in achieving the goals and objectives of an Islamic economy.

Islamic banking system and the Shariah-compliant financial products that form the core of Islamic banking have become one of the fastest growing segments of the financial market industry, operating through more than 300 institutions in 75 countries. However, empirical evidence regarding the effect of Islamic banking transactions on economic growth has yet to be analyzed in detail largely due to data limitations. Legal origin has been established as a substantial determinant of financial and economic growth. However, Islamic banking system is derived from a legal origin, Shariah Law, frequently separate from that of the institutions in the countries where it operates. While researchers have hypothesized that this phenomenon could change the effect of legal origin on development.

Africa has been one of the major beneficiaries. Africa alone has 27 countries as members of the Bank and thus, in the Bank classification of Least Developed Member Countries (LDMCs) of 28 countries, 18 of these countries are African. By virtue of being members of this special group, they enjoy a lot of privileges in terms of allocations and projects execution of the Bank, which aimed at poverty alleviation, boosting economic growth and enhancing institutional capacity so as to manage and sustain development projects and programs. More so, most of the activities in the LDMCs are concentrated in education, health, agriculture and water supply sectors. Somaliland and Somalia has not seen non-state-owned commercial banking since January 1971 when the military dictatorship regime nationalized the few existing commercial banks including the National & Grindlays Bank which was the only main commercial bank operating in Somaliland (referred to them as “the Northern Regions”). It was only in its last year of rule when the country and economy was collapsing that the dictatorship passed belatedly a law allowing “private” commercial banking - Law No. 7 of 26 January 1989.

ISLAMIC BANKS: The House of Representatives approved the Law on Islamic Banks on 19 September 2012 and the President signed the Law on 3 October 2012 (Decree No.0270/2012). Here is a copy (in Somali) of the Somaliland Islamic Banks Law (Law No.55/2012). The Law consists of 41 Articles and an addendum setting out the Application Form for Licence to set up an Islamic Bank. Whether or not this issue becomes a dispute to be referred for adjudication to the Constitutional Court, it is important that the House of Representatives adopts a clear policy of certifying bills, before it passes them, as being financial bills and perhaps also inform the House of Elders so that any disputes can be ironed out before the Law is passed and promulgated by the President.

Another bank source of loans, mostly for small and medium-sized enterprises (SMEs), are microfinance organizations. Strictly speaking, there is only two company that specializes purely in SME – Dara salaam bank Dahabshiil bank (translated as Loan Helper from the Somali language). Other organizations treat microfinance as a sideline business. Dar- Salaam bank previously known as Salaam financial services is your solid listening bank. Since its inception in 2010. Bank value and quality as financial service provider has rejuvenated Somaliland economy and beyond Hargeisa city. Dar- Salaam bank has continuously grown in branches and money tech. Since rebranding, Dar- Salaam bank customer growth has grown rapidly. National approval rate was 87% in the fiscal year-2013. Believe and perpetuate our values which emanates from customer centered banking. Islamic morality, innovation and reliability. Dar- Salaam Bank is part and parcel of Telecom Group of Companies. As a bank we boast of the leading financial market in republic of Somaliland and entire region. Our ATM and KAAFI service are the unique pioneer money-tech in our country dar-salaam bank offered two types of loan: individual and group. Both types have been given for further development of already existing businesses but not for starting up new ones. Individual loans are now no longer available, but the organization continues to work with borrowers who already have them. There are only a handful of individual loan takers (just 30), less than one per cent of the total number borrowers. The main reason for such a low rate is the strict requirement of property ownership (a car, house etc.) in order for the applicants to prove their solvency. Darasalaam bank customers have to pay a fixed charge on the loans they take out. The bank claims that this is not riba, which is forbidden according to Shari’ah, but rather a fixed commission for services provided. For example, the first group loan, which is limited to $500?

Islamic banking system

Islamic banking system is based on risk sharing, owning and handling of physical goods, involvement in the process of trading, leasing and construction contracts using various Islamic modes of finance. As such, Islamic banks deal with asset management for the purpose of income generation. They will have to prudently handle the unique risks involved in management of assets by adherence to best practices of corporate governance. Once the banks have stable stream of Halal income, depositors will also receive income and promulgated by the President.

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Basic Principles of Islamic Banking

The fact that a global network of Islamic banks, investment houses and other financial institutions has started to take shape based on the principles of Islamic finance laid down in the Quran and the Prophet’s traditions 14 centuries ago. Islamic banking, based on the Quran prohibition of charging interest, has moved from a theoretical concept to embrace more than 100 banks operating in 40 countries with multi-billion-dollar deposits worldwide. Islamic banking is widely regarded as the fastest growing sector in the Middle Eastern financial services market.

Exploding onto the financial scene barely thirty years ago, an estimated SUS 70 billion worth of funds are now managed according to Shariah. Deposit assets held by Islamic banks were approximately SUS$ billion in 1985 but grew over $60 billion in 1994. The rules regarding Islamic finance are quite simple and can be summed up as follows:

- Any predetermined payment over and above the actual amount of Principal is prohibited

Islam allows only one kind of loan and that is Qard-el-hassana (literally good loan) whereby the lender does not charge any interest or additional amount over the money lent. Traditional Muslim jurists have construed this principle so strictly that, according to one commentator “this prohibition applies to any advantage or benefits that the lender might secure out of the Qard (loan) such as riding the borrower’s male, eating at his table, or even taking advantage of the shade of his wall.” The principle derived from the quotation emphasizes that associated or indirect benefits are prohibited.

- The lender must share in the profits or losses arising out of the Enterprise for which the money was lent. Islam encourages Muslims to invest their money and to become partners in order to share profits and risks in the business instead of becoming creditors. As defined in the Shariah, or Islamic law, Islamic finance is based on the belief that the provider of capital and the user of capital should equally share the risk of business ventures, whether those are industries, farms, service companies or simple trade deals. Translated into banking terms, the depositor, the bank and the borrower should all share the ‘risks and the rewards of financing business ventures. This is unlike the interest-based commercial banking system, where all the pressure is on the borrower: he must pay back his loan, with the agreed interest, regardless of the success or failure of his venture. Islam encourages investments in order that the community may benefit. However, it is not willing to allow a loophole to exist for those who do not wish to invest and take risks but rather content with hoarding money or depositing money in a bank in return for receiving an increase on these funds for no risk (other than the bank becoming insolvent). Islam encourages the notion of higher risks and higher returns and promotes it by leaving no other avenue available to investors. The objective is that high risk investments provide a stimulus to the economy and encourage entrepreneurs to maximize their efforts.

- Making money from money is not acceptable in Islam

Money is only a medium of exchange, a way of defining the value of a thing; it has no value in itself, and therefore should not be allowed to give rise to more money, via fixed interest payments, simply by being put in a bank or lent to someone else. The human effort, initiative and risk involved in a productive venture are more important than the money used to finance it. Muslim jurists consider money as potential capital rather than capital, meaning that money becomes capital only when it is invested in business. Accordingly, money advanced to a business as a loan is regarded as a debt of the business and not capital and, as such, it is not entitled to any return (i.e., interest). Muslims are encouraged to purchase and are discouraged from keeping money idle. In Islam, money represents purchasing power, which is considered to be the only proper use of money. This purchasing power (money) cannot be used to make more purchasing Power (money) without undergoing the intermediate step of it being used for the purchase of goods and services.

- Investments should only support practices or products that are Not forbidden

Islam discourages it. Trade in alcohol, for example would not be financed by an Islamic bank; a real-estate loan could not be made for the construction of a casino; and the bank could not lend money to other banks at interest.
Modaraba as Islamic Mode of Financing

“Modaraba” is a special kind of partnership where one partner gives money to another for investing it in a commercial enterprise. The investment comes from the first partner who is called “Rabb-ul-mal” while the management and work is an exclusive responsibility of the other, who is called “Modaraba”. The difference between the Musharakah and Modaraba can be summarized in the following points:

- The investment in Musharakah comes from all the partners, while in Modaraba; investment is the sole responsibility of Rabb-ul-mal.
- In Musharakah, all the partners can participate in the management of the business and can work for it, while in Modaraba; the Rabb-ul-mal has no right to participate in the management, which is carried out by the Modaraba only. In Musharakah,

Murabaha as an Islamic Mode of Financing

Murabaha is a particular type of sale and not a mode of financing. The ideal mode of financing according to Shariah is Mudaraba and Musharaka. In the perspective of the current economic set up, there are certain practical difficulties in using Mudaraba and Musharaka instrument in some areas of financing. Therefore, the contemporary Shariah experts have allowed, subject to certain conditions, the use of Murabaha on deferred payment basis as a mode of financing.

Basic features of Murabaha Financing

Murabaha is not a loan given on interest. It is the sale of a commodity for deferred price, which includes an agreed profit added to the cost. Murabaha cannot be used as a mode of financing except where the client needs funds to actually purchase some commodities. For example, if he wants funds to purchase cotton as a raw material for his ginning factory, the Bank can sell him the cotton on the basis of Murabaha. But where the funds are required for some other purposes, like paying the price of commodities already purchased by him, or the bills of electricity or other utilities or for paying the salaries of his staff, Murabaha cannot be effected, because Murabaha requires a real sale of some commodities, and not merely advancing a loan.

Ijarah as an Islamic Mode of Financing

“Ijarah” is a term of Islamic Fiqh. It means ‘to give something on rent’. In the Islamic jurisprudence, the term Ijarah is used for two different situations. In the first place, it means to employ the services of a person on wages given to him as a consideration for his hired services. The employer is called “Musta’jir” while the employee is called “Ajir” while the wages paid to the Ajir are called their “Ujrah”. Therefore, if A has employed B in his office as a manager or as a clerk on a monthly salary, A is Musta’jir and B is Ajir. This type of Ijarah includes every transaction where someone else hires the services of a person. The second type of Ijarah relates to the uses of assets and properties, and not to the services of human beings. Ijarah in this sense means to transfer the use of a particular property to another person in exchange for a rent claimed from him. In this case, the term Ijarah is analogous to the English term “leasing”. Here the lessor is called “Mujir”, the lessee is called “Musta’jir” and the rent payable to the lessor is called “Ujrah”.

Basic Principles of Islamic Banking

As a mode of finance. Unless these conditions are fully observed, Murabaha is not permissible. In fact, it is the observance of these conditions, which can draw a clear line of distinction between an interest-bearing loan and a transaction of Murabaha. If these conditions are neglected, the transaction becomes invalid according to Shariah.
Liquefied petroleum Gas: Somaliland

Somaliland’s known energy resources essentially consist of wood fuels, which are overexploited, and hydropower, which is largely untapped. There are indications of petroleum, coal and natural gas resources but the conflict has prevented exploration efforts. Currently all petroleum products are imported from the Middle East or neighboring Ethiopia and Djibouti. Somaliland also has good solar and wind energy resources, which are largely untapped. Woodfuels are by far the most important resource in terms of their size and their contribution to meeting energy requirements.

According to MoEM, charcoal is the main fuel in rural and peri-urban areas used cooking and by households and many small businesses. Less than 2% of peri-urban households in Somaliland use kerosene, LPG Gas or electricity for cooking, and many of these undoubtedly use them in conjunction with charcoal. Firewood and charcoal essentially are traded only in urban areas, whereas in rural areas, firewood is collected as a free good. A typical household consumes approximately four sacks (25kg) of charcoal per month, at an average cost of US$19. The major challenges to charcoal users are costs, increasing scarcity, slow cooking, dirty and hazardous.

Liquefied Petroleum Gas (LPG) is currently being used in hotels and restaurants, schools and offices. A number of commercial enterprises and institutions use LPG. The gas is mainly used for cooking in schools, it has a supplemental role of providing gas for experiments in the laboratory. LPG has a number of attractions as a supplement for charcoal. It is clean, convenient and efficient.

A number of factors have limited its use in Somaliland. Both the bottles and LPG stoves are expensive and hard to get hold of. LPG cannot be purchased on a daily basis, as there is a minimum size to the gas bottles. The initial investment for LPG is beyond the means of low-income households, but would be attractive to higher-income families and a number of businesses such as restaurants and bakeries if market conditions were right.

Kerosene has been imported to Somaliland for many decades, mainly for lighting purposes in households and institutions. There is a current annual demand of about 18,600 tonnes of kerosene, out of which 60% is consumed in urban areas, while 40% is attributed to rural areas. This is way below current importations through Berbera Oil Terminal, estimated at between 8,000 – 12,000 tonnes.

With future utilization of kerosene for cooking, the demand will increase rapidly. Kerosene stoves are imported from China, Gulf Countries, Ethiopia and India and are available in very limited numbers in Somaliland markets for SLShs.69,300 - 85,000 (US$11-13), depending on the size and type. However, pressure stoves can be sold at a much higher price of US$40, a price unaffordable to many households. Solar energy is also abundant, with relatively high clearness index of the atmosphere (0.6 – 0.7 for most of the year, and 0.5 for a few months) and for approximately 2,900 – 3,100 hours of sunshine per year. This irradiation is equivalent to about 5.4 to 5.8 kWh/m2/day. Over 20000kW (25MW) of solar systems worth US$20,000,000 have been installed in the country since 2019.

LPG Importers-Somaliland

The main gas importers are Somgas, Unigas and Hass Gas. It was not possible to obtain information to the same level of detail in Somaliland. In addition, ADESO reports, have obtained the following information from Somgas Company, the main LPG distributor in Somaliland, concerning their business operation.

LPG Consumption and Expenditure in Urban Areas

LP Gas is primarily used for cooking in urban Somaliland by households, hotels, foreign mission guest houses and institutions (schools and hospitals). Hotels and restaurants and the largest LP Gas consumers, accounting for 80% of the total consumption. Institutions, foreign mission guest houses and households account for 12%, 5% and 3% respectively.

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Review OF LPG Marketer in Somaliland

LPG Consumption and Expenditure in Urban Areas cont...

There is increasingly little awareness of its application in lighting and refrigeration and no record of its use in these applications. Current LPG consumption in Somaliland is between 300-400 tons/month. In 2004-2005 LPG customers in Somaliland were estimated at 3,000, however due to the decrease in cost of LPG the number of customers have increased. The cost of LPG has decreased 43% since 2007, currently the price of LPG in Somaliland ranges from 1.25-1.54 US$/kg of gas with the cost of refilling small cylinders significantly higher. The prices quoted in Tables 1 and 2 are for gas only. Cylinders have separate costs. When the customers buy gas for the first time a charge price of $24, $30, $40 and $60 are levied for 6kg, 11kg, 22kg and 44kg respectively.

LPG burners are readily available in Somaliland. 2-3 burner stoves are sold at US$20-42 depending on the model, single burner stoves are at US$8-15. Gas cookers (with an oven) are also available, they are sold at US$75-110.

LPG Consumption in Rural Somaliland

Due to low cost of firewood and lack of awareness in LPG, it is not currently viable for rural areas. However, firewood is no longer seen as a free commodity in the near future although it still much cheaper than the charcoal and LPG.

LPG supply infrastructure and awareness has to be built in urban areas before LPG introduced to rural areas. A potential exists for LPG being used together with firewood and for lighting by household in rural settlements and nomadic communities in the future, but the cost will be the main determinant.

Relative Cost of Charcoal and LPG

A 25kg sack of charcoal cost 110,000 Somaliland shillings (US$12.94) in Hargeisa - up from 60,000 shillings ($7.06) in 2014. While the 11kg LPG requires 462,000 shillings (US$55) deposit with each refill cost is 142,000 Somaliland shillings (US$17) - up from 125,000 Shillings (US$15) lasting 20 days.

Barriers to LPG Use in Somaliland

Some factors that hindering the LPG market development are:

High Cost of LPG Refills

These results from high supply chain costs associated with LPG imports in cylinders and ISO Containers, and impacts on LPG affordability for poorer households. A household is said to be in fuel poverty if it spends more than 10% of its income on cooking and lighting fuels. The mean unit cost for charcoal is US $0.82 per Kg compared to US $1.54 per Kg for LPG in Somaliland. LPG is about 2 times more expensive than charcoal in Somaliland.

Unreliability of LPG Availability

This is as a result of low stocks of LPG in rural areas due to slow turnaround of cylinders which are used both for imports, distribution and consumer locations. In peri-urban areas, refills may be delivered once a week or once in every other week. For those users that do not have second other cylinder, this could mean going out of fuel as long as till the next delivery.

Low cost and availability of firewood

Due to lower costs of charcoal, in addition to the need of high start-up cost. (which cannot be broken in smaller installments) of firewood no longer seen as free commodity in the near future although it still much cheaper than the charcoal and LPG.

Pricing Policy

There is a challenge because of agency in distributing LPG. Filled 11kg cylinder in Berbera costs $17. However, when delivered to Lasa nod or Eriyavo the cost gets increased charging the travel and taxes to $20 and $21 respectively.

Conclusion

It is important that alternative fuels to charcoal be sought for Somaliland. However, they must meet certain criteria to meet adoption:

- The fuels must compatible with the existing pattern of household fuel usage
- They must be competitively priced with charcoal
- Their use must not cause large initial expenditure on equipment
- They must be available and affordable in local markets
- The cooking appliances should fit in with existing cooking customs and where possible should receive technical knowledge for their use

If LPG is to be promoted, it will have to be imported in large quantities as refined product, storage capacity should be improved and investment is required to establish distribution system that would provide LPG to convenient consumers. LPG has many attractions, but absolute lack of infrastructure means that considerable capital investment is needed. The private sector should be supported to play significant role, as it represents the most effective way to develop market structure needed before LPG can be a viable alternative to charcoal.
In the recent past, sporting activities have elicited a lot of interest from billionaires who not only perceive it as leisure, but a business enterprise capable of maximizing their wealth. Sporting clubs are registered as businesses with limited liabilities that are either private or publicly quoted companies in a stock exchange. Sporting companies just like any other business will acquire a variety of assets to grow revenue, buy stake in subsidiaries, sport complexes, equipment, player registrations, development properties, sign bonuses and goodwill. Takeover bids can also be triggered. The Balance Sheet of a sporting club is also presented as per IAS under IFRS regime just like any business. European football has grown in leaps and bounds attracting petro dollars from Russian Oligarchs and Middle Eastern Oil Moguls. Chelsea football club for instance, saw their fortune change with a trail blazing complete takeover of the club from Ken Bates by Roman Abramovich a Russian Tycoon at a cost of £140 million including debts amounting to £75 million. The club is valued at £2.13 billion ($2.576 billion) about the size of Somalia land economy with earnings of over €428 million currently ranked sixth amongst the richest football clubs in the world. You would be left wondering how these clubs earn revenue. An array of products and services are offered by Sporting companies ranging from ticket sales, players trading, TV revenues, sponsorship, advertisement, branded merchandise and other shared revenues. Sporting events congregates buyers for sellers’ merchandise which is why growth in the sporting industry is closely linked to growth in other sectors of the economy by its nature the building and construction, TV industry, sportswear and soft drinks providing the requisite infrastructure for sporting events. Arsenal football club has hit the sports headlines once again on a possible takeover by a young Swedish fan and entrepreneur Daniel Ek founder of Spotify a music streaming device with a market cap of $45.52 billion.

The young entrepreneur has put up an opening offer of £1.8 billion for Arsenal Holdings Ltd that has so far been rejected by Kronke Sports & Entertainment LLC (KSE) an American sports and Entertainment outfit that initiated a complete takeover of Arsenal FC in 2011 after purchasing the stakes of Danny Fiszman and Lady Nina Bracewell-Smith tightening the grip on shareholding to sixty three per cent then making an offer for the outstanding shares at £11,750 ($16,685) per share valuing the club at £731 million. KSE later on purchased shares held by Uzbek Oligarch Alisher Usmanov after he accepted an offer of £550 million for his thirty per cent stake in the club that boosted KSE shareholding to ninety per cent necessitating de-listing from stock trade in London stock exchange eventually squeezing out the remaining shareholders to complete a takeover and acquire ownership of Arsenal Holdings Limited and assets including the Emirates Stadium and nineteen subsidiaries. Stan Kronke back in 2017 had rejected an offer from Usmanov whose net worth is currently valued at $18.5 billion by Forbes magazine. The Russian billionaire made frantic efforts to wrestle control of the club from KSE before eventually relinquishing his thirty per cent stake after putting up a $1.3billion (£1bn) bid. The stubborn Kronke could not listen to any offer reiterating that KSE was in it for a long haul. Arsenal at the time valued for $2 billion in the market. Kronke is not held in high esteem by the club’s fan base considering the past turbulent seasons with dwindling fortunes and now a backlash on the defunct European super league an elite tournament outside UEFA.
The club legends led by Thierry Henry, Patrick Vieira and Dennis Bergkamp are backing Ek’s bid to restore the club’s football DNA still very much popular with the formidable fan base around the world who were not thrilled with pitch performance of the Club after finishing eighth in the premier with no European clubs completion berth next season. Meanwhile Arsenal arch rivals Manchester United acquired by the Glazer family some years ago through leverage buy-out are in a much better financial position and pitch performance finishing second in the premier league and currently valued at £3.05 billion by Forbes magazine. As of April 2021, Arsenal was valued at £2.06 billion ($2.8 billion) by the same Forbes magazine.

Deloitte LLP audit report of February 26, 2021 shows that Arsenal Holdings limited has an asset base of £700 Million. Loss for the year after dealing with financial loss of 2019 in the group’s parent company amounted to £822,000. The club needs to find ways of generating extra revenue to finance purchase of new players. Stan Kronke chairman of the group see no need of investing further in the club from a business perspective because the clubs is worth more than the value he acquired it.
Saudi Arabian banned Somaliland lives stock in 2000 follow- ing the outbreak of the rift valley fever in the horn of Africa regions. According to the center for disease control and prevention, RVF is a fever-causing viral disease that affects domesticated animals and can be transmitted to humans. The ban which lasted for nine years till 2009, disrupted export and caused significant economic and trade losses for Somali landers. The prohibition of livestock exports from Somali landers, Berbera port by the importing country in Gulf States. Is likely to be devastating for countries such as Somaliland which are heavily dependent on livestock export to the Gulf States. The economic impact of the ban is expected far-reaching such a country that is ready effect by prolonged droughts among the hard- est hit.

IS THERE IS ANY REPLACEMENT MARKET FOR OUR LIVES TOCK Since the year 2011 as the country has gone on the road to recovery a very numerous local and international organization and the company has worked on improving the infrastructure surrounding livestock production. Also, there is vaccination centers, modern slaughterhouse, and hide treatment facilities have sprung up across the country. Because of that moderation of infrastructure, the last few years and the port located on the shores of the red sea has become a vi- brant hub for exporting lives stock. Only in 2014, the port exported 3.4 out of 5million heads of livestock exported from Somaliland. In early August, the region's parliament approved a $442 million expansion deal with the DP world, a company based in the United Arab Emirates. At the Berber port, the sheep and goats are loaded at night due to the lower temperatures than in the daytime. A million animals can be held at the quarantine in Berbera port at any one time. The ani- mals are held for a few weeks for screening and vaccination before being sent to Saudi Arabia. The ship pictured here, bound for Jeddah, Saudi Arabia, carried 65,000 sheep and goats.

Somaliland government and its people have several other ways to reduce the complete dependence on the export of livestock to Mid- dle East countries such as to improved slaughter procedures have resulted in an unexpected positive impact in the form of increased recovery rate (by up to 30%) and quality of sheep and goat skins. These are important whose recovery from the local slaughterhouses needs to be improved. EC-funded projects are currently testing a traceability system for both meat and live animals in preparation for more stringent export requirements from the importing countries. The local slaughter facilities and meat markets fall far short of the regional standards and standards contained in the draft Somaliland Meat Contract Act, Public Health Policies. They also do not meet the state-local occupational and environmental management standards. The local slaughter facilities and meat markets have a good impact to the son have a good impact to the economy export of livestock and growth and stability of Somaliland have been periodically interrupted by droughts caused by the global climate change and also international bans such as the one imposed by the Saudi Arabian in 2000.

On the other hand, Somaliland can also substitute the animal product to invest the other sector such as agricult- ure and trade. Somaliland agriculture in the sector is ranked in importance among the pro ductive sectors after the livestock sector with 20 to 25 % of the popula- tion depending directly on the sector for their livelihood. Despite many constraints such as unfavorable climatic conditions, inadequate investment capital, inadequate technical capacity, lack of post harvest technology, inadequate institutional capacity, inadequate agriculture Research and extension, and poor rural infrastructure, the sector has substantial untapped potential that needs to be har- nessed. With all those changes if the Somaliland government invests in this sector it can be very successful and the replacement of the livestock market in the Middle East can contribute to a lot of economic development of the country.
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We are a sincere class with straightforward vision. We believe that there is an amazing amount of knowledge to be learned from great University despite what we have learned so far. We had an amazing journey coming to where we are today, and now feel confident that we can provide you a professional finance related magazine written by the students of (Accounting & Finance Class of 2021).

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Vice President, Academic Affairs
Dr. Mohamed Muse Jibril, Vice President, Academic Affairs, Amoud University, January 4th, 2020 at a seminar for Advanced Research Methods and Data Analysis for Amoud University Staff, Main Campus, Amoud University, Borama

Dean, AUSPGSR
Mukhtar Abdi Omar, Dean, School of Postgraduate Studies and Research (SPGSR), Amoud University.
Mukhtar Abdi Omar is the current Dean, School of Postgraduate Studies and Research (SPGSR), Amoud University. He was appointed in March 2020

Associate Dean, AUSPGSR, Hargiesa
Mohamed Abdi Abdullahi, Associate Dean, (Amoud University School of Postgraduate Studies and Research) AU SPGSR, City Campus, Hargeisa

Honorable Mention
Peter Musiko
Mr Peter is one of the main Finance teachers at Amoud University School of Postgraduate Studies and Research. AU SPGSR, City Campus both Hargeisa and Borama