

THE POLITICAL ECONOMY OF DIASPORA REMITTANCES IN THE ETHIOPIAN SOMALI REGION

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Acknowledgements

I am grateful for the support provided by officials and experts of the Ethiopian Ministry of Foreign Affairs, pertinent bureaus of the Somali Regional State, and the Ethiopian Somali Development Association. I thank Tobias Hagmann, Finn Stepputat and Nauja Kleist for their constructive comments and suggestions and Adane Alemayehu and Abdul Hakim Abib for facilitating data collection.

GOVSEA PAPER SERIES

Editors: Tobias Hagmann & Finn Stepputat

The GOVSEA PAPER SERIES publishes ongoing research on the governance of economic hubs and flows in Somali East Africa. It is part of a collaborative research and capacity building programme funded by the Danish Consultative Research Committee for Development Research (FFU) and coordinated by Roskilde University. See more about GOVSEA at govsea.tumblr.com.

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DIIS WORKING PAPER 2019: 9

DIIS · Danish Institute for International Studies

Østbanegade 117, DK-2100 Copenhagen, Denmark

Tel: +45 32 69 87 87

E-mail: diis@diis.dk

www.diis.dk

ISBN 97887-7605-971-2 (pdf)

DIIS publications can be downloaded free of charge from www.diis.dk

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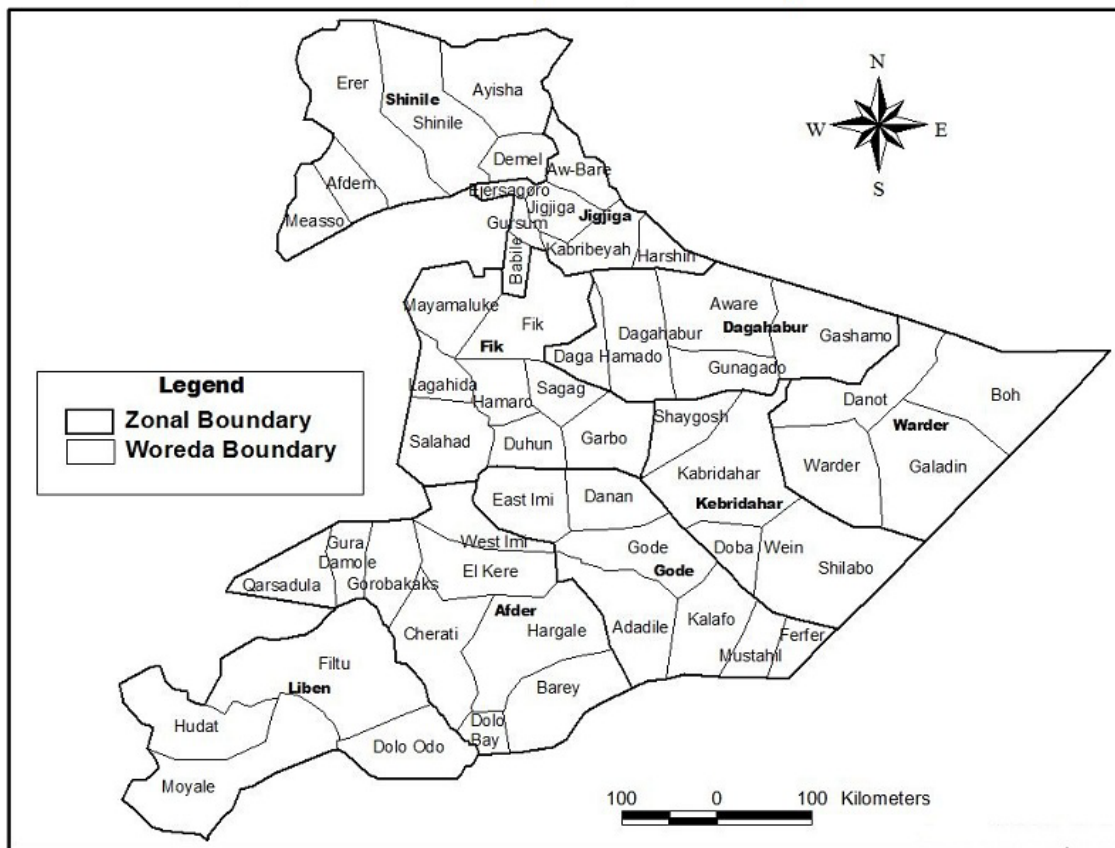
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ABSTRACT

The post-2005 period witnessed an intensified state-led mobilization of the Ethiopian diaspora, leading to the enactment of a national diaspora policy in 2013. This policy was aimed at creating a favorable environment for diasporic involvement in socio-economic life. Prior to this, Ethiopia's Somali Regional State began taking measures for inducing the Ethiopian Somali diaspora to participate in development efforts, which culminated in formation of the Regional Diaspora Affairs Coordination Agency in 2012. This working paper examines the political economy of diaspora remittances in Ethiopia's Somali Region, focusing on diasporic engagement in trade and investment. Whereas diaspora returnees in other Somali-inhabited territories of East Africa regularly engage in political activities including electoral contests, this is not an option for members of the Ethiopian diaspora. But although Ethiopian diaspora returnees are required by law to abstain from politics, political considerations very much underpin their engagement in trade and investment. As this paper highlights diaspora returnees are required by the Ethiopian government to support its peace and development initiatives, which are political in nature. Precluding the diaspora from playing a political role in domestic politics can thus be seen as a political move aimed at ensuring regime survival.

Figure 1. Administrative Boundary of Ethiopian Somali Regional State



Source: UNCHR, 2016

INTRODUCTION

The mass migration of Ethiopians that commenced in 1974 was unparalleled. Factors such as drought, coercive state-sponsored relocation of population and conscription, and the Ethiopian–Somali war of the late 1970s led to the exodus of around one million Ethiopians (Bariagaber 1997; Fasil 2014: 51). Of these, more than 470,000 were Ethiopian Somalis who migrated to Somalia (Brons *et al.* 1995: 57). Political migrants subsequently followed suit due to being threatened by emerging negative trends like human rights violations, sectarian intergroup conflicts, and exclusionary practices that accompanied the 1991 regime change (Lyons 2004). In addition, family reunification programmes through the US Diversity Visa Lottery programme led to the movement of several thousands of Ethiopians to the US. Lastly, freedom of movement sanctioned by the legal reforms of the post-1991 years prompted numerous Ethiopian youngsters to migrate to North America, Europe, Australia, the Middle East, and South Africa (KIG8).

The exodus from the Ethiopian Somali region is related to outmigration of Somalis from the mainland. This is due to shared ethno-cultural affinity and the territorial contiguity of community members inhabiting the two geographic localities. The collapse of the Somali state in the early 1990s accelerated conflict-generated mass migration. In the period between 1988 and 1992, around one million Somalis migrated to neighbouring countries of whom around 600,000 fled to Ethiopia (Farah 2009: 4–5).

It should be recalled here that several thousand Ethiopian Somalis fled to mainland Somalia in the pre-1991 years when conflicts erupted in the region during imperial rule and under the military regime. While many of these subsequently left for Western countries, a significant portion returned to Ethiopia after 1991 (Brons *et al.* 1995; Hagmann 2014b). In the course of the migratory movement of Ethiopian Somalis to different localities in the region at various points in time, diaspora members established links with their kith and kin inhabiting territories in Djibouti, Kenya, Somalia and Somaliland, among others, and thereby served as catalysts for linking Ethiopia with neighbouring countries.

In the light of the foregoing, this study poses and addresses the following major research questions:

- Which political and economic drivers prompted Ethiopian Somali diaspora members to embark on reverse migration and engage in development processes including trade and investment activities?
- What linkages can be discerned between diasporic remittances and investment and trading activities in the study region in terms of socio-economic betterment, state building, and peace and stability?
- What are the regulatory and institutional frameworks that govern Ethiopian Somali diasporic engagement in trade and investment?

- What potential implications does diasporic engagement have for forging economic integration in Somali-inhabited territories of East Africa in relation to the Ethiopian Somali region?

The primary and secondary data that informs this study were collected by using in-depth interviews, structured checklists and open-ended questionnaires. Primary data sources included key informants (returnee diaspora members, regional government officials and experts based in trade, transport, investment, diaspora coordination, and livestock development bureaus, and local community members). Secondary data sources comprised published and grey scholarly works, official and consultancy reports and pertinent government legislation, and strategy documents. In addition, the study team observed ongoing diaspora trading and investment activities during field visits undertaken between 24 March and 27 July 2017 in Addis Ababa and Jigjiga. During the period in question the team leader Kassahun Berhanu and research assistants Adane Alemayehu from the Department of Political Science and International Relations of Addis Ababa University along with Abdul Hakim Abib who is based in Jigjiga participated in data collection.

The first section of the report introduces the reader to key geographic, economic and political attributes of Ethiopia's Somali region. While the workings associated with trade and politics in the study region are explained in section two, a review of literature on diaspora remittances and associated factors is undertaken in the third section. The drivers and envisaged outcomes resulting from state-led mobilisation of the diaspora are highlighted in section four, which is followed by a discussion on the major underpinnings of financial and political remittances of Ethio-Somali diasporas in section five.

TRADE AND POLITICS IN THE ETHIOPIAN SOMALI REGION

The Ethiopian Somali region is located in the south-eastern part of the country sharing borders with the Afar region, the Republic of Djibouti and de facto state Somaliland in the north, Kenya in the south, Oromiya region in the west, and mainland Somalia in the east and south. The region has a land size of 350,000 km² comprising nine administrative zones and 68 districts (*woredas*) inhabited by 5,748,998 people (ESRSIA 2013; CSA 2013). The region has the largest livestock population in East Africa, estimated at around 20 million (ESRSIA 2013). Although most inhabitants earn their livelihood from livestock and livestock products, some practice crop production and trade. The region is also endowed with resources like gum arabic, salt, and natural gas and oil with a potential to attract investment. Formal trading and investment activities in the Ethiopian Somali region has undergone noticeable changes in terms of formally registered traders and investors, invested capital, and volume of regional government revenue since 2009. According to data obtained from the Ethiopian Somali regional investment bureau, a total of around 3.5 billion Birr (USD 165,955,429)¹ was invested in the formal trade sector

between 2010/11 and 2015/16.

As indicated in table 1, the regional government generated 118,043,021 Birr in tax from trade-related activities in the 2017/18 fiscal year. Intermittent fluctuation was observed in the revenue generation performance of the region between 2010/11 and 2015/16.

Table 1. Tax revenue from trading activities in the region (in ETB)

Year	Private trade tax revenue	Corporate trade tax revenue	Total
2010/11	61,678,410	39,839,647	101,518,057
2012/13	-	-	-
2013/14	55,678,405.24	35,839,647	91,518,052
2014/15	18,513,670.16	40,159,101.71	58,672,772
2015/16	58,513,670	34,150,101	92, 663,771
2017/18	74,539,707	43,503,314	118,043,021

Source: Somali Regional Bureau of Finance and Economy Bureau (2017)

Trading activities in the region have historically been more integrated with the other Somali-inhabited territories of neighbouring countries than with other parts of Ethiopia (Escher 1994). Cross-border transactions are sustained based on shared identity and other socio-cultural markers. From the Ethiopian Somali side, the major products exported to neighbouring markets include *khat*, livestock, cereals, sesame and fruits and vegetables. Food items like rice, wheat flour, pasta, sugar, cloth, electronic devices and other goods are imported from Somaliland, Puntland and Central Somalia (Tegegne & Alemayehu 2002; Eid 2014: 4).

Despite a series of measures that have been taken by the federal and regional governments to entrench formal trade, informal trade remains dominant in the Somali region (Eid 2014). Tegegne and Alemayehu (2002:21) noted that almost all goods traded in the formal sector are also marketed through unofficial channels. Merchandise that are informally imported and exported through the Ethiopian Somali region constitute the bulk of the cross-border trade between Ethiopia, Djibouti and Somaliland. In their study on cross-border trading, Tegegne and Alemayehu (2002) identified live animals, coffee, *khat*, fruits and vegetables, grain, petroleum and gum arabic as the main commodities exported from Ethiopia to Djibouti and Somalia/Somaliland. Conversely, the main imports consisted of textiles and shoes, electronics, food items, household products, pharmaceuticals, and cigarettes.

In response to the adverse impact like reduction in government revenue resulting from informal cross-border trading activities, the Ethiopian government introduced mechanisms of direct control. These were expressed in tightly monitoring trading activities passing through the transit corridors and confiscating smuggled commodities and live animals between the late 1990s and early 2000s. Such measures became increasingly stricter in the post-2009 period (Majid 2010, Eid 2014). However, these proved unsuccessful due to the long borders, limited state capacity, corrupt practices of many customs officials, and the strong socio-cultural

linkage between borderland communities (Eid 2014, Tegegne & Alemayehu 2002: 30–31).

With the failure of attempts aimed at banning informal trade, the federal and regional governments introduced new measures that legalised informal cross-border trading since 2003. Accordingly, cross-border traders operating with limited capital outlay were provided licenses as a sign of official recognition. Based on this, licensed local traders are allowed to use trucks to transport livestock to neighbouring countries and import consumables, mainly staple food items like pasta, wheat flour, and cooking oil. It has been decided that the value of imported goods should be equivalent to the value of exported cattle passing through customs checkpoints in Ethiopian territory. However, in practice this approach runs counter to what was originally intended; federal police and customs officials suspect that those involved use their licenses to connive with traders who smuggle livestock and other goods out of and into Ethiopia (SRSTTB & Oxfam GB 2015).

Trading activities in the Somali region suffer from several bottlenecks. In spite of recent investment in road and communication infrastructure and mobility of goods, business is seriously hampered by inadequate transport infrastructure and security challenges. Yet, compared to previous periods these deficits are in the process of experiencing a relative improvement that has enabled traders to access up-to-date information regarding the price of goods and the processes involved in transporting commodities to places like Diredawa and Adama (ESRSTTB 2017). According to the Regional State Trade and Transport Bureau (2017), other challenges abound. These include: the persistence of informal livestock trade, lack of strong marketing institutions, weak coordination among stakeholders, knowledge and skill gaps characterising domestic traders, lack of quality livestock and crop products, and shortage of exportable crops. Hagmann (2005: 522) has added to this that the engagement of army officers in trading activities has led to undue intervention in customs procedures by influencing 'who may import goods from Somaliland and Somalia by attributing special permits to local traders and businessmen'.

Since its incorporation into the modern Ethiopian state in the late 1880s, the Ethiopian Somali region has been subject to different administrative arrangements. Under imperial rule the Somali-inhabited area of the country was an integral part of the Hararghe provincial administration. Between 1936 and 1941, the region was incorporated under Italian Somaliland following Italy's partial occupation of Ethiopia (Brons *et al.* 1995: 50). Later on, territories inhabited by Ethiopian Somalis were put under three regions, namely Eastern Hararghe, Ogadeen and Bale provinces. Following the downfall of the military regime in 1991, Somali-inhabited territories in the three provinces were merged to form the 'Ethiopian Somali Regional State' in 1995.

With the exception of the brief reign of Lij Iyasu (1913–1916), Ethiopian Somalis have consistently expressed dissatisfaction with the Ethiopian state (Tibebe 1994). The level of opposition to Ethiopian rule increased following the independence of mainland Somalia in 1960 and specifically with the coming to power of Siyad Barre in 1969. In the pre-1991 years, disaffected Ethiopian Somalis developed a stronger

sense of belonging with their kin in Somalia than with other Ethiopian compatriots (Tibebe 1994; Brons *et al.* 1995). In the post-1991 period, however, Ethiopian Somalis were provided with a self-governing regional state when they became one of the nine constituent units of the Ethiopian federation (Hagmann 2014a:18).

Despite its limitations, the federal arrangement presented a new opportunity for Ethiopian Somalis in terms of the right to self-rule and use of the local language. This development, coupled with the collapse of the state of Somalia, resulted in a change in orientation of Ethiopian Somalis who expressed an enhanced attachment to the Ethiopian polity (Brons *et al.* 1995: 48; Markakis 1996). However, the early years of Ethiopian Somali self-rule were replete with serious challenges such as clan-based politics, corruption, and poor leadership. Above all, the dominant role of the Ogadeen National Liberation Front (ONLF) that emerged as the ruling party in the region following its landslide victory in the 1992 election, further exacerbated clan-based polarisation. ONLF's secessionist orientation forced the federal government to keep a close watch on the activities of the organisation. In the 1995 elections, the Ethiopian People's Revolutionary Democratic Front (EPRDF) backed non-Ogadeeni coalition, namely the Ethiopian Somali Democratic League (ESDL), which was declared the winner and formed the regional administration. The ESDL subsequently joined hands with the moderate wing of ONLF in 1998 and formed the EPRDF-affiliated Somali People's Democratic Party (SPDP) (Hagmann 2005: 514–15) that has won successive regional elections held since 2000.

According to Hagmann and Mohamud (2008: 32), the politics of the Ethiopian Somali region is characterised by neo-patrimonial relations embedded at the federal and regional level where political and economic rents are distributed in exchange for loyalty. SPDP's dominance of regional politics, in turn, depicts another layer of patronage whereby political power and resources are distributed to individual and clan clients in exchange for votes and other forms of political support in the region. Moreover, 'acute competition for control over state resources' (Hagmann & Mohamud 2008: 32) and a monopoly of party structures over representative institutions of government are features of the regional political landscape.

The fact that the Ethiopian Somali region shares borders with the insecure mainland Somalia, coupled with the insurgency of the ONLF, prompted the Ethiopian government to deploy massive security personnel (Human Rights Watch 2008). However, the effectiveness of the presence of the Ethiopian state in the Somali region remained very weak for long. In spite of the EPRDF government's efforts to install an effective presence, state formation in the region is still at nascent stage. As Hagmann and Mohamud (2008: 32) argued 'state institutions are unable to hold a monopoly on violence, raise taxes, or provide basic public services' in the region. Nevertheless, the aforementioned shortcomings are in the process of being gradually addressed as the government is developing its capacity to provide basic public services. Currently, the expansion of physical and social infrastructure is progressing at a noticeable pace. At the same time, the capability of the regional government to generate revenue is also showing a remarkable improvement (ESRS 2017).

LITERATURE REVIEW: DIASPORAS AND REMITTANCES

In what follows, an attempt is made to lay a theoretical foundation to analyse the major findings of the study in regard to a typological classification of diaspora groups, push and pull factors surrounding diasporic movements, challenges and opportunities that diaspora communities encounter in the host countries, and the diaspora's homeland connections and remittances.

The understanding of the concept of diaspora has evolved through time. The first generation of research in diaspora studies took the experience of the Jewish diaspora as point of departure. For instance, Shepperson (1966) used the Jewish experience as a point of reference when he dealt with the African diaspora in the mid-1960s. Scholars like Cohen (2008), Armstrong (1976), and Safran (1991) followed a similar approach. The experience of the Jewish diaspora emphasised dispersion from and attachment to the homeland as the major components. According to Brubaker (2005), conceptualising the term diaspora involves spatial dispersion, emotional and practical connections with the homeland, and maintenance of a boundary of inclusion and exclusion on who is a member and who is not. Tölölyan (2012: 5) challenges the notion of dispersion as a criterion for understanding the concept stating that: "'Dispersion" is the more general and inclusive term, whereas "diaspora" is merely one of several kinds of dispersion...'

Cohen (2008) categorises diaspora groups into five types: victim, labour, imperial, trade, and de-territorialised. Victim diaspora refers to migrants relocated to other countries due to mistreatment and conflict in their original homes. Labour diaspora refers to those who leave their country of origin in search of jobs whereas trade-induced migrants comprise Lebanese, Indian, Chinese and Japanese commercial entrepreneurs operating outside their countries. Imperial or settler diaspora groups are ones who are relocated to foreign destinations like Algeria, Kenya, Indonesia, South Africa, Zimbabwe, etc. as a result of colonisation. De-territorialised diasporas are migrants whose culture and identity are formed in the host country through assimilation and absorption. In the case of the Ethiopian Somali diaspora, the cause and pattern of their migration could be dubbed 'victim diaspora'. However, scholars like Brubaker (2005) view Cohen's categorisation as too restrictive and say that it limits the possibilities for including other classifications. Brubaker (2005) notes that categorisation of the diaspora community is flexible because different variables like nationality (Ethiopian diaspora), ethnicity (Somali diaspora), and religion (Muslim and Catholic diaspora) are used in the diaspora studies literature (Brubaker 2005: 3).

Migration is the precondition for adopting a diasporic identity, and it is driven by various factors. Various approaches explain the causal factors that lead to migration. Until recently, the literature on drivers of migration was dominated by the push-pull approach that highlights the list of factors that lead to migration on the part of both sending and receiving countries. According to this approach, structural factors like conflict, natural calamities, poverty, inequality in the distribution of resources, and lack of employment in the country of origin are identified as push factors. As regards pull factors, Tanner (2009) notes that

'favourable development in a country contributes obviously towards making it interesting as potential place of destination'. Available opportunities for a better life and family reunification are also pull factors (IOM 2013a).

However, Hear *et al.* (2017) criticise the push–pull approach as simplistic and deterministic, stating that it provides an inadequate explanation of the drivers of migration. In an attempt to address the shortcomings of the aforementioned approach, they have come up with four types of migration drivers, namely predisposing, proximate, precipitating and mediating. Predisposing drivers refer to those that increase the probability of migration mediated by noticeable contextual disparities like economic, political, and environmental and geographical factors in both the countries of origin and destination. Proximate drivers connote factors that have the potential to result in migratory movement. In the countries of origin, these include economic downturns, deteriorating security, development projects entailing displacement, and environmental degradation as responsible factors for migration whereas absence of these and similar other factors cause immigration to places of destination.

Precipitating drivers are those that are immediate in nature leading to decisions by individuals or groups to leave their homeland. These may include financial crisis, a dramatic increase in unemployment, disintegration of welfare services, escalation of conflicts, outbreak of war, as well as natural disasters such as earthquakes or droughts. At the same time, relaxation of immigration laws and the prospect of employment opportunities are factors that precipitate immigration to receiving countries. Mediating drivers are subdivided into facilitating and constraining factors that prompt and impede migration respectively.

Diaspora connection with the homeland is one of the defining features of migrants who strive to maintain group identity (Butler 2001). According to Lyons (2004: 1), globalisation serves as a causative factor for intensified cross-border mobility and contact between diaspora members and homeland communities. Advances in transport and communication technologies, ever-growing exposure to new ideas and values, and increased interaction with other cultural groups facilitate strong links with relatives and community members in the homeland. Digital media technologies also enable diaspora members to update themselves on latest developments in their home countries (Lyons 2004; Abbink 2009: 363–4). In several instances, the interest of diaspora members in returning to their countries of origin is diminishing due to their adjusting to life conditions in host countries, though the tendency to maintain connections with the homeland through interactions and investments remains strong, in particular among the first generation of migrants.

The connection of diaspora communities to the homeland goes beyond family ties through remittance and business transactions. Abdile and Pirkkalainen (2011: 54) argue that diaspora members sustain their homeland connections through exchange of regular updates on family conditions, collecting information about events in the homeland, and direct involvement in developments in their countries of origin. In the homeland setting there are also instances when diaspora groups influence the political environment, particularly when local conflicts unfold (Lyons 2004: 6–10;

Lyons 2009).

Globally, the size and development-related role of the diaspora has been increasing. Although causes of migration are often associated with negative developments unfolding in migrants' places of origin, studies indicate that migration can have positive ramifications for both sending and receiving countries (Levitt 1996; Newland & Patrick 2004; Bathseba 2007). The literature on the nexus between migration and development indicates a reciprocal interaction between the two. The absence of development in most cases (Sørensen *et al.* 2002) and the prospect of development in some cases, at least in the short run, in the countries of origin serve as causal factors for migration (Ascencio 1990). A positive correlation exists between the level of local economic development and the type and duration of migration (Sørensen *et al.* 2002).

This said, the assessment of the impact of migration on local development offers a mixed picture. Scholars have argued that there is a negative correlation between migration and development, since the former contributes to the loss of labour force, and that the role of remittances and of skill and knowledge transfer is not a significant one (Sørensen *et al.* 2002). Migration does, however, generate positive impacts on the local economy resulting from migrants' transnational engagement in business and investment (Sørensen *et al.* 2002). Newland and Patrick (2004: 2) contend that migrants play an important role in their countries of origin that is expressed in enhanced financial, social and political remittances, foreign direct investment, and transfer of new technologies and international trade.

Levitt (1996: 3) agrees that migration is not an entirely negative phenomenon for both sending and receiving countries. Migrants offset labour shortages in the countries of destination whereas sending countries benefit from migrants' financial remittances. The annual flow of financial remittances to developing countries reached some USD 429 billion in 2016 (KNOMAD 2017: 1). According to Bathseba (2007), there is a positive correlation between diaspora remittances and development in the country of origin. Besides household benefits resulting from diasporic financial remittances, support to the local economy is experienced through the use of these proceeds for investment (Bathseba 2007: 5–7). Diaspora remittances can also entail negative repercussions like inflating the price of land and goods and services, fostering dependency in the mindset of recipients, and entailing greater demand for goods and services.

So-called 'political remittance' is another aspect of diaspora connection to the homeland, which is expressed in lobbying host governments for favourable policies that could address the woes of compatriots back home. On the one hand, diaspora members can help in building the image of home governments in various ways. On the other hand, they can act against their home governments by engaging in demonstrations, protest meetings and other forms of political activism (Fasil 2014: 69–71). Diaspora groups may also play a positive role through embarking on 'social remittances' that are defined as transmission of new ideas, practices, and identities. These are relayed through correspondence, audio/video messages and face-to-face conversations (Levitt 1996). Weiss (2009: 45) states that diaspora social remittance

comprises imparting values and ideas on democracy, health, and community organisation.

The abovementioned are relevant to the study on political economy of diaspora remittances in various ways: imparting clear information on underlying factors associated with exodus and return of migrants, their linkage with the homeland, and role that remittances play in influencing state of affairs in the countries of origin.

ETHIOPIAN STATE-LED DIASPORA MOBILISATION

Efforts aimed at mobilising the African diaspora to contribute to national and local development are still at a nascent stage. Plaza and Ratha (2011: 48) note that African diaspora members annually remit over US\$ 40 billion to their countries of origin, which reached some US\$ 60.5 billion in 2016 (IFAD 2017: 19). Cognisant of this, African governments have recently embarked on various measures aimed at inducing diasporic engagement by introducing new policies and mechanisms for incentivising remittances and diaspora investments in the homeland. At the continental level, the African Union (AU) established a diaspora division tasked with mobilising the African diaspora to support development plans designed by their home governments (Mwagiru 2012). Ethiopia is among a host of African countries that initiated a diaspora policy that is expected to attract diaspora members who are estimated to comprise around two million persons (Kuschminder & Siegel 2010: 1). In terms of geographic distribution, a significant number of migrants of Ethiopian origin live in the USA, Canada, Israel, Germany, the UK, and Saudi Arabia (Danish Refugee Council 2016).

State-led mobilisation of the Ethiopian diaspora commenced in the mid-1990s when the government formed a General Directorate for Ethiopian Expatriate Affairs within the Ministry of Foreign Affairs (MOFA). At present, ensuring diaspora engagement in the country's development efforts is not only the mandate of MOFA but also of several other federal and regional government agencies that operate in tandem.

The Ethiopian government views diaspora members as important partners in the effort to enhance development in the country. To this end, it has enacted a series of laws and policies and introduced institutional arrangements that aim at strengthening the contribution of the diaspora. Accordingly, a number of privileges and incentive schemes have been designed to encourage the engagement of the diaspora in business and investment.

Proclamation No. 270/2002 provides for the issuance of a special identification card, the Yellow Card, for diaspora members of Ethiopian origin and their immediate family members. The adoption of the proclamation in 2002 signified a profound

change in the Ethiopian government's engagement in diaspora affairs. Prior to this, Ethiopian diaspora members were subjected to prohibitive procedures that included, among others, meeting rigorous criteria to obtain visas and work permits, access to investment land and credit, and renewal of residence license (KIG8). The proclamation aimed to address the growing desire of the diaspora to strengthen ties with the homeland on the one hand, and the Ethiopian government's quest to mobilise diaspora groups towards efforts for enhancing development and democratisation on the other.

Since the coming into force of this proclamation, diaspora members have enjoyed privileges that include tax exemption on goods imported for private use, facility to open foreign currency accounts in Ethiopian banks, and visa-free access to employment in, and entry to, the country. By and large, the proclamation allows Ethiopian diaspora members to enjoy most of the privileges extended to Ethiopian citizens. However, they are not allowed to involve themselves in political matters, engage in operation of banking services, participate as voters or candidates in electoral processes, and enrol in the military and security services (Ong'ayo 2014: 26–27).²

The Ethiopian Diaspora Policy (FDRE 2013) introduced in 2013 underlined the idea that Ethiopian diaspora members can be catalysts for expediting ongoing political and socio-economic development schemes. The government expected that by proactively engaging the diaspora in knowledge and technology transfer and investments, bilateral relations between diaspora hosting countries and the homeland would grow and improve. In addition, the policy created a national framework for coordinating the activities of federal and regional government departments that deal with diasporic participation (FDRE 2013: 7).

At sub-national level, including in the Ethiopian Somali region, the aforementioned proclamation and policy provide incentives for Ethiopian diaspora members who engage in trading and investment. In the study region, there is only one legislation introduced so far for dealing with diaspora matters, viz. Proclamation No. 117/2004 that provides for the establishment of the Ethiopian Somali regional state's Diaspora Affairs Coordination Agency.

The aforementioned policies and their implementation must be understood in light of the broader political situation. In the post-2005 period in particular, the Ethiopian government's commitment towards ensuring diasporic engagement in the country's domestic economic and political processes was informed by political considerations. Following the controversial 2005 elections that witnessed strong involvement of Ethiopian diaspora groups in the political process, the EPRDF-led government proactively spearheaded a strategy for enhancing diasporic engagement. This strategy was aimed at denying the opposition the support of diaspora groups, which was partly responsible for the unexpected success of the opposition Coalition for Unity and Democracy (CUD) and the United Ethiopian Democratic Forces (UEDF) in the 2005 elections (Lyons 2009). Ethiopian diaspora groups also played a key role in exposing the wrongdoings of the government in the aftermath of the 2005 election crisis. Lyons (2009: 596–97) noted that the 2005

crisis prompted many diaspora groups to engage in homeland politics through fundraising, lobbying and engaging in political debates.

During the period in question, the government shifted its previous position of labelling the diaspora as extremists to one of offering them incentives and privileges in return for their support and loyalty. It could thus be argued that the Ethiopian government opted for a strategy of engagement aimed at garnering economic and political benefits from the diaspora at both national and sub-national levels. In what follows, a brief discussion on institutions that deal with diaspora affairs at federal and regional levels is provided.

Federal level

The diaspora policy mandated the Ministry of Foreign Affairs as the lead federal agency for diasporic engagement in the country's socio-economic and political development by creating the National Diaspora Advisory Council (FDRE 2013: 22). In 2012, MOFA established the aforementioned Diaspora Engagement Affairs General Directorate whose mandates include: serving as a hub that links Ethiopian diaspora groups with pertinent federal ministries and regional bodies, enhancing diasporic involvement in socio-economic processes, and ensuring the involvement of diaspora members in national image-building initiatives.

The major achievements of the directorate that are worthy of mention include assisting the establishment of regional diaspora offices and enhancing the role of accredited Ethiopian diplomatic missions abroad in mobilising the diaspora. According to an informant based at the Ministry of Foreign Affairs, the establishment of the directorate played a crucial role in promoting efforts to mobilise the Ethiopian diaspora. For instance, the directorate has mainstreamed diaspora mobilisation as one of the major tasks of Ethiopian embassies around the world. Accordingly, Ethiopian diplomatic missions started to prepare specific plans for doing so. It is reported that so far they have organised discussion forums, exhibitions and consultative meetings. Moreover, the directorate plays a significant role in ventures aimed at expanding the institutional base of diaspora mobilisation mechanisms through lending support to efforts aimed at establishing regional diaspora coordination bureaus. In addition, it engages in initiatives for introducing enabling policy and legal frameworks (KIG8).

Upon the recommendation of the Diaspora Affairs General Directorate, a steering committee was formed in 2006. The steering committee comprises key federal government institutions like the ministries of foreign affairs, trade and industry, culture and tourism, labour and social affairs, the customs and revenue authority, and the department of immigration, as well as the National Bank of Ethiopia (KIG8).

Regional level

As is the case in all the constituents of the Ethiopian federal system, three different institutions dealing with issues of diasporic engagement exist in the Ethiopian Somali region. These include:

Diaspora Affairs Coordination Agency: Since its establishment in July 2012, the agency has served as liaison between Ethiopian Somali diaspora members and the regional government. Its mandates include: 'disseminating information to the diaspora community, facilitating diasporic involvement in regional development activities, assisting diaspora members to access efficient public services, fostering strong ties between the diaspora and local communities, and organising awareness creation programmes by sensitising diaspora members to positive developments unfolding in the region'. The agency is also responsible for supporting organisations and communities formed by the Ethiopian Somali diaspora groups by developing a database on the overall profile of Ethiopian Somali diaspora members (Proclamation No. 117/2004, Art. 4).

Prior to the establishment of the agency, diaspora affairs were handled by the Diaspora Information Department under the office of the regional president. The agency has reportedly facilitated issuance of over 3000 special identity cards to Ethiopian Somali diaspora members based in North America, Europe, the Middle East, Australia, New Zealand and Africa (KIG3). The same source stated that the agency has developed a database of Ethiopian Somali diaspora members whose exact number is not yet clearly known. It also organises bi-annual conferences, most often in Jigjiga, to familiarise diaspora members with emerging developments in the region (KIG3, KIG4).

Investment Bureau: This regional bureau facilitates the participation of diaspora members in investment activities in cooperation with the regional diaspora affairs coordination agency. It ensures access to investment opportunities and incentive packages for diaspora investors as stipulated in national policies (KIG2, KIG6). Experts based in the regional investment bureau stated that Ethiopian Somali diaspora investors are identified as primary targets for engaging in trade and investment (KIG6, KIG2). These are expected to fulfil a number of criteria of eligibility. These include submission of: (i) copies of special identification cards (Yellow Cards), (ii) business plans, (iii) support letters from the diaspora affairs agency, (iv) proof of ownership of a minimum of 25% of the total investment cost in their account, (v) trade registration licenses, and (vi) tax identification (TIN) numbers issued by the customs and revenue office (KIG6). Once the aforementioned are met, the bureau facilitates diaspora investments by issuing licenses that enable applicants to access investment land and bank loans. In addition to providing the necessary documents for securing land, the bureau undertakes follow-up support activities. However, Ethiopian Somali diaspora members are rarely interested in taking bank loans since they are wary of the bureaucratic hurdles involved (KIG2).

Trade and Transport Bureau: This unit is responsible for issuing trade licenses to diaspora members by treating them on a par with domestic private sector operators once they have ensured that they meet the established eligibility criteria (KIG5, KIG10). The licensing process is little affected by political considerations since licenses are acquired by virtue of possessing the Yellow Card (KIG5). However, since the process involved in acquiring the Yellow Card is highly politicised, obtaining trade licenses is nevertheless indirectly affected by political

considerations as is also the case with accessing public procurement contracts. Members of the interviewed local community members indicated that government projects in general and public construction projects and procurements in particular are awarded to pro-government local and diaspora business people (KILC7, KIDT1, KILC4, KILC5).

FINANCIAL AND POLITICAL REMITTANCES BY ETHIO-SOMALI DIASPORA

The migration of Ethiopian Somalis is directly associated with a number of factors associated with the fragility of pastoral livelihood system and colonial encroachment that later resulted in their dispersion across different neighbouring East African countries (Lindley 2005). Since the advent of the Somali state in 1960, the quest for Greater Somalia advanced by Somali politicians triggered conflict in Somali-inhabited areas of the Horn of Africa. Most importantly, the 1963/4 and 1977/78 Ethiopia–Somalia wars marked two successive waves of migratory movement of Ethiopian Somalis (Brons *et al.* 1995; Milstein 2015). The third wave is associated with developments that transpired in Ethiopia in the post-1991 years.

Following the introduction of the federal system in 1991, the Ethiopian Somali region was formally reconstituted under first the Ethiopian Somali Democratic League (ESDL) and, later on, the Somali People’s Democratic Party (SPDP) that closely cooperates with the EPRDF (Markakis 2011). Despite introducing changes in the structure of regional administration under the ESDP signified by creating new units of regional government dealing with security, the Ogaden National Liberation Front (ONLF) that had an elected mandate was ousted from the regional government in 1994 by EPRDF’s federal security forces. This was on the alleged pretext that it posed major security threats (Hagmann 2014a: 8). ONLF’s insurgent activities served as a push factor that precipitated the migration of thousands of Ethiopian Somalis. Since the ONLF is an Ogadeeni clan-based group, government counter-insurgency measures primarily targeted and affected members of the Ogadeen clan who endured ‘indiscriminate killings’ resulting from the actions of the Ethiopian Defence Forces (Hagmann 2014b: 731).

IOM (2013b) estimated that there were 2.5 million Ethiopian diaspora members in 2013, which also includes Ethiopian–Somali migrants. In addition to the conflict-induced migration mentioned earlier, there were also other factors that caused migration of Ethiopian Somalis. For instance, Ethiopian-Somalis whose out-migration to mainland Somalia between the 1970s and the 1980s was prompted by friendly reception and offer of better opportunities by the government of Somalia even in the absence of compelling push factors (Brons *et al.* 1995: 48).³

Despite the abundance of literature on the Somali diaspora (Lindley 2005, Chalmers

and Mohamed 2008, Horst 2008, David and Abdi 2009, Farah 2009, Hassan and Sally 2009, Hassan 2010, Abdile and Pirkkalainen 2011, and Hammond *et al.* 2011), scholarly works on Ethiopian Somali migrants are few. Worthy of mention are studies conducted by Gorse (2011) and, partly, Hagmann (2014b). Gorse (2011) studied the life experience of Ethiopian Somali diaspora groups in the United States and identified difficulties faced by the sample population. Gorse's study indicated that at least 30,000 Ethiopian Somali migrants took refuge in the US in the 1980s and brought to light that most political refugees among Ethiopian Somalis suffered from post-conflict trauma.

Informants among the sample population in Gorse's study stated that they benefited from education and employment opportunities in the US. Nevertheless, the study established that Ethiopian Somalis in the US were highly troubled by language barriers, discrimination, lack of secure livelihood, and cultural incompatibilities. Moreover, Gorse's study indicated that religious marginalisation targeting Ethiopian Somalis in the US was experienced following the 9/11 incident. The study also reiterated that Ethiopian Somali migrants in the US are known for forging a robust sense of common belonging and their intensive community networking through informal gatherings on different occasions. Most of the participants in Gorse's study stated a belief that such networks are important to overcome homesickness, cultural and language barriers, and alienation. True, but all of the above applies to Somali migrants in the US and elsewhere and hence is not specific to Ethiopian-Somalis.

Hagmann's study (2014b) on Ogadeen Somalis briefly shed light on their engagement in the host country. More significantly, it highlighted the role of information and communication technology, which assisted young Ethiopian Somali activists in the diaspora to popularise the plight of Ogadeeni Somalis by exposing the atrocities that took place in the region. Participants in Hagmann's study expressed their concern that agents of the Ethiopian Somali regional government living abroad pass on information on their involvement in opposition politics, which could be detrimental to their family members in the homeland. The study also indicated that some Ogadeeni Ethiopian Somali diaspora members in the United States suffer from post-traumatic stress as a result of their or their relatives' victimisation.⁴

According to Warnecke and Pranghe (2010), most of the Ethiopian Somali migrants in Germany began to arrive from the 1990s onward. They also note that Ethiopian Somali migrants had only one organisation in the 1980s, which was registered as the 'Ogadeen Relief Association' with branch offices in the United States and other European countries like the United Kingdom and Norway. In contrast, other Ethiopian diaspora groups, for example Oromo migrants, had around 27 registered organisations in Germany during the period in question. Membership in the 'Ogadeen Relief Association' was not limited to Ethiopian Somalis alone but also to others based in Somalia and Kenya who are members of the Ogadeen clan family. Hence this association was a predominantly a clan-based organisation, highlighting that Ethiopian Somalis are highly integrated with other Somali communities originating from neighbouring countries with a sizeable ethnic Somali population

(Warnecke & Pranghe 2010: 63). Although ethnic Somalis are connected to other Somalis across the border, this is mostly influenced by the clan factor.

Ong'ayo (2010) writes that five of the fifty-three registered Ethiopian diaspora organisations in the Netherlands belonged to Ethiopian Somali diaspora groups that mainly engage in human rights advocacy. However, these groups are wary of infiltration by Ethiopian government agents who aim to neutralise their efforts. Busk and Kessing's study (2014: 46–53) on Somali diaspora groups in Denmark describes how Ethiopian Somalis are actively engaged in political developments in mainland Somalia to the extent of forging collaborative partnerships with radical groups based there.

By and large, Ethiopian diaspora members play a significant role in the homeland economy by sending back financial remittances. This also holds true of members of the Ethiopian Somali diaspora. Establishing the volume of financial transfer by Ethiopian diaspora members is difficult due to lack of reliable data on the one hand and the prevalent use of informal money transfer mechanisms on the other. According to Freund & Spatafora (2005), between 45% and 60% of total diaspora remittance to sub-Saharan Africa including Ethiopia is transferred through unofficial channels. Moreover, a recent study sponsored by the European Union indicated that the informal flow of remittances to Ethiopia through some routes like Saudi Arabia and South Africa reached up to 78% of the total (Isaacs 2017).

Table 2. Official cash transfer from Ethiopian diaspora in 2015/16 (in million USD)

Continent	Cash transfer
North America	611.5
Asia/Middle East	1076.2
Europe	681.1
Africa	281.1
Australia	18.1
Others (rest of the world)	35.0
Multilateral transfers	0.6
Total	2,703.7

Source: Compiled from NBE (2017)

According to the National Bank of Ethiopia (NBE 2017), official cash transfers by Ethiopian diaspora sources in the year 2015/16 reached USD 2.7 billion (see table 2). This is estimated to be a total of USD 4 billion for the same year when remittances through informal channels are included. Ethiopian Somali diaspora groups have forged a common understanding with their relatives back home as regards financial remittances. Diaspora members feel obliged to financially support their kin in the homeland who, in turn, expect to be assisted (KIG3, KIDT2, KIDI5, KILC1, KILC3, KIDI2).

The General Manager of the Jigjiga Branch of Dahabshiil, a major Somali money transfer and banking company, stated that at least between 100 and 150 recipients visit the branch daily to collect money transfers remitted by diaspora senders. More

often, each of these receives between US \$100 and US \$150 (KIPS3). The same could be true of other branches in other towns like Kebridhar, Deghabur, Gode, and Raso. In addition, Dahabshiil provides money transfer and other financial services by partnering with Ethiopian banks operating elsewhere in the Ethiopian Somali region.

Table 3. Remittance flow through Dahabshiil Jigjiga branch (2007–2016)

Year	Transactions	Amount (in USD)
2007	24,699	4,260,797.07
2008	26,864	4,320,269.17
2009	20,060	2,528,572.16
2010	27,982	3,791,224.11
2011	36,188	5,262,607.21
2012	44,339	6,314,992.78
2013	42,164	5,706,505.86
2014	41,345	5,755,160.72
2015	32,062	3,848,491.79
2016	NA	6,236,508.64
Total (2007-2016)		48,025,129.51

Source: Dahabshiil Jigjiga branch (various years)

As indicated in table 3, the volume of diaspora remittances to Dahabshiil’s Jigjiga branch in 2009 was much below that of 2007 and 2008. This could be explained by the effect of the global financial crisis that unfolded at the time. Despite a significant increase in the number of transactions in 2013, the amount of transfer in 2013 showed only a slight increase, probably due to people remitting smaller amounts than had been the case earlier. The data for 2015 indicates that the number of transfers declined by a quarter when compared with those of the preceding three consecutive years. This might be explained by the ever-growing black market foreign currency transactions in the region including in neighbouring Tog’wajale at the Ethiopian-Somaliland border on the one hand, and the proliferation of competing money transfer companies in the region on the other hand.

Ethiopian Somali diaspora members are highly involved in domestic politics and the majority among these were critical towards the undoing of their home government. This was evidenced by their support to the adversarial position of the insurgent ONLF poised against the regime in Ethiopia. Among the ranks of Ethiopian Somali diaspora political groups whose main engagement is in political advocacy and activism, two major groups could be identified. These are: (i) ONLF members and sympathisers who actively engage in opposition politics and solicit political and financial support to advance ONLF’s goals, and (ii) pro-government groups whose numbers are on the increase following repeated foreign visits by the former regional president Abdi Mohammed Oumer and other officials. In addition, there is also probably a third group of Ethiopian-Somalis that presumably doesn’t have a particular political position.

In due course, the Ethiopian government’s effort to neutralise ONLF’s influence

gained ground – thanks to its counter-insurgency campaign, in particular the use of the local special police force (*liyu* police) consisting of ethnic Somalis, predominantly members of the Ogaadeen clan (see Hagmann 2014b). Informants stated that a kind of patron–client relation has been forged between the regional administration and a section of the diaspora community following the appointment of president Abdi Mohammed Omar ‘Iley’ in 2010 (KILC7, KILC4, KIDT1, (KILC7, KILC4, KIDT1). Those who lend their political support to the regional administration were rewarded in different ways, in particular by facilitating their engagement in trade and investment in the Somali region. Key informants reiterated that the regional government favours selected diaspora investors by providing them with preferential treatment in terms of privileged access to land, credit and investment licenses (KIDI3, KIDT1, KIDT3). The sources of finance of Ethiopian Somali diaspora investors are both private and state-owned banks, personal savings, and other partners. However, support from the regional government is required when seeking loans from the state-owned banks like the Development Bank and Commercial Bank of Ethiopia.

Some informants pointed out that the regional government invests highly in order to secure diaspora support in its campaign against ONLF. Some informants, allege that a few diaspora clients who came back empty-handed became rich in a short period of time (KILC7, KIDT1, KILC4). Regional government sources also indicated that daily contact between regional ruling party officials and diaspora community leaders are underway (KIG3, KIG4). Regional government officials including the ousted regional president, Abdi Mohammed Oumer, reportedly use family and clan networks to garner support from diaspora members. Moreover, the government-owned Ethiopian Somali TV (‘ESTV’), which was established in 2011, became instrumental for the regional government’s effort to reach out to the diaspora community (KIG3, KIG6, KIG7).

DIASPORA INVESTMENTS AND BUSINESS MODELS

Diaspora investment in hotel and tourism, agricultural development, manufacturing, transport, and health and education services has proliferated in the Somali region since 2013. Similarly, increasing diaspora involvement in trading activities in import–export, auto and spare parts businesses, gas stations and electronics is recorded in 2013 (KIG3, KIG2). A news report by William Lloyd-George published by Inter-Press Service (3 April 2013) highlighted that Ethiopian Somali diaspora groups play a significant role in spurring the revival of the regional economy by creating jobs and providing goods and services. Diasporic investment in the region was at low ebb until 2013 when the diaspora policy was enacted. However, the role of the diaspora in promoting socio-economic development resulted in increased diaspora investment projects following the coming into force of the policy (KIG2, KIG6, KIG7).

Diasporic trading in the Ethiopian Somali region encompasses different sectors including livestock and processed meat, electronics, *khat* and cement. Of these, livestock export is the major one. Majid (2010) noted that the Ethiopian Somali region occupies an important place in the livestock trade network in the Horn of Africa by exporting around 50% of its total sheep and goat export through the port of Berbera (Holleman 2002). Regional livestock trade network connects the ports of Bossaso and Djibouti with local markets in and around Jigjiga, Hartisheikh, the Haud, Kebridhar, Warder and Gode (Umar and Baulch 2007). For most of the livestock exported from eastern Ethiopia, Gulf countries like Saudi Arabia, Oman and the United Arab Emirates are the major destinations. This is followed by livestock export to other Somali-inhabited territories through informal clan networks in Gode, Liban, and Afder of the Ethiopian Somali region (Majid 2010).

Despite the existence of informal trade routes, diaspora livestock traders are more interested in using official channels in order to avoid confiscation and fines by the government. Diaspora traders indicated that although the major source of livestock export is the Ethiopian Somali region, some livestock for export originates from neighbouring Oromiya region (KIDT5, KIDI5). Another area of engagement of the Ethiopian Somali diaspora in trade pertains to export of processed meat. For example, the Jigjiga Export Slaughter House Plc (JESH), established in 2013 with a capital outlay of 200 million Birr and owned by an Ethiopian Somali diaspora returnee, exports processed meat to the United Arab Emirates (KIPS1). Although diaspora investors from the Ogadeen clan dominate livestock trade, they collaborate with other clans in order to ensure safe passage of merchandise to places of destination (Majid 2010: 5–6).

Sale of electronics and other items is another field in which members of the Ethiopian Somali diaspora are involved by importing TV and radio sets, video recorders, mobile phones, laptops, and kitchen equipment. These items are purchased from wholesalers in Addis Ababa and Tog'wajale in Somaliland using official and non-official channels (KILC7, KIDI5, KIDT1). *Khat* also has a significant share in diaspora-led cross-border trade in the region. According to Jeffrey (16 June 2015), *khat* export from Eastern Ethiopia to Somaliland is valued at USD 524 million per year, which indicates that it generates more revenue than livestock export. A newly emerging trading activity in which diaspora members participate is export of Ethiopian cement to Somaliland through Djibouti and import of chemicals, construction equipment, vehicles, machinery and food items like rice, mainly from Asian countries (KIDT2, KIDT4, KIDT5, KIDI5, KIDT1, KIG10).

Data obtained from the regional investment bureau indicates that the value of total investment by foreign, local (including government) and diaspora operators in the Ethiopian Somali region between 2009/10 and 2015/16 was over 13.8 billion Birr (USD 654,338,549 at 2015 exchange rate) depicting an annual average increase of nearly 2 billion Birr (USD 94,831,674 at 2015 exchange rate). Between 2011/12 and 2015/16, the value of diaspora investment in 140 projects during the period in question was around 1 billion Birr (USD 47,415,837 at 2015 exchange rate). This is less than 15% of the total value of foreign, local (including government), and diaspora investment in the region for the same period (Ethiopia Somali Regional

State Investment Bureau 2017). In terms of geographic distribution, Fafen zone, which is the most populous, hosts 52 of the 69 diaspora investment and trading projects licensed between July 2010 and October 2012. Of these, more than 80% are in Jigjiga, which is the capital town of the region, and Fafen zone. This heavy concentration of investment in and around the regional capital is primarily dictated by relative state presence and capacity to provide basic public services including security.

Table 4. Zonal distribution of diaspora trade and investment in Ethiopian Somali region (June 2010–October 2012)

Zone	Projects
Gode	7
Fafen (Jigjiga)	52
Liban	3
Siti (Shinile)	3
Afdher	3
Korahe	1
Total	69

Source: Ethiopian Somali Regional State Investment Agency (2017)

Similarly, the 2017 data on the sectoral distribution of diaspora trade and investment shows variation, indicating a preference for investment in trade, hotels and agriculture, which constitute nearly half of total diaspora investment projects.

Table 5. Sectoral distribution of diaspora investment in Ethiopian Somali region (June 2010–October 2012)

Sector	Projects	Capital (in ETB)
Hotel	20	820,892,229
Education	3	7,000,000
Agriculture	10	38,700,000
Trade	21	565,156,294
Construction	5	49,308,591
Industry	2	11,780,237
Water drilling & bottling	2	22,000,000
Transportation	2	4,153,015,040
Slaughter house ⁵	1	41,000,000
Health	3	109,925,425
Total	69	5,818,777,816

Source: Ethiopian Somali Regional State Investment Agency (2017)

The regional trade and transport bureau’s database lists businesses that are classified as trading activities. These include: car and machinery dealerships, wholesale and retail trade, business centres, supermarkets and malls, drug and medical equipment supply, slaughter houses, transport services, real estate, bottled water production and distribution, bakeries, fuel stations, import and sale of food items, advertising and printing, parks and recreation centres, cafeteria, renting

buildings, production and sale of metalwork, furniture sales, etc.

A discussion on partnership arrangements that diaspora members have entered into with other actors within Ethiopia and beyond is illustrative for understanding the role of the diaspora in trade and investment. According to one key informant (KIDT4), there are four kinds of partnerships involving diaspora investors:

The *first* is one that is often created abroad by Ethiopian Somali diaspora members on the basis of either shared clan affiliation or personal networks. There are instances when partnerships are based on personal networks that overlap with clan affiliation, as is the case of the Eagle Transport Business Group.⁶ *Secondly*, partnerships are often forged between diaspora members and reliable and trustworthy business people in the region who possess both the necessary capital and experience for embarking on a given project. The local partners and diaspora investors operating in the Ethiopian Somali region evaluate each other on the basis of clan affiliation and prior record of good performance and experience of engagement in similar ventures. *Thirdly*, partnerships are formed between diaspora members and foreign nationals or companies, particularly when the investment requires considerable capital and high-level skills. Ethiopian Somali diaspora members often prefer to partner with foreign companies, particularly from the Gulf countries and India, due to the ease of bringing these on board in the import sector. For example, the Jigjiga based Durdur company owned by two Ethiopian Somali diaspora members imports chemicals from India and exports construction materials to Somaliland with the help of business partners based in India. *Finally*, there are claims that diaspora members forge partnerships with regional government officials who seek to legalise their ill-gotten wealth under the guise of diaspora investment in an effort of laundering 'dirty money' as legal investments (KIDT1). Under this arrangement, diaspora members either bring in small amounts of capital or are not expected to inject the amount required for qualifying as investors.

The comparative advantage of Ethiopian Somali diaspora members over their counterparts in Somali-inhabited territories outside Ethiopia is their easy access to private and public financial service providers that are concentrated in Jigjiga and Tog'wajale. Hassan and Sally (2009: 22) state that, for example, Somaliland diaspora members suffer from 'lack of official banking and financial institutions' in Somaliland in their bid to access credit. There are three major sources of capital for diasporic trading and investment activities in the Ethiopian Somali region: (i) personal savings accrued in the host countries; (ii) generating part of the capital needed for investment from relatives in the diaspora who partner as shareholders; and (iii) taking loans from Ethiopian public and private banks, which is less preferred due to the bureaucratic hurdles involved (KIG3, KIDI4, KIG2).

Diaspora remittances for expediting commercial and investment ventures in the region have both negative and positive impacts. There are two ways in which diaspora remittances positively contribute to economic life in the region. First, they cover significant amount of the expense of consumer items purchased by beneficiary households (KIG5, KIG10). This is important since many families depend on remittances to sustain established livelihoods. Second, several diaspora

members support their families and relatives by sending money to enable them start small businesses.

The Somali diaspora community makes use of three parallel remittance systems to transfer money to recipients (Lindley 2005). The most common among these is hand delivery of cash either by the migrant during his/her visit to the homeland or through other trusted individuals who travel back home on various occasions. However, this practice of carrying large sums of cash was rendered difficult as tighter controls abound at embarkation ports of origin, transit and destination following the terrorist attacks of 11 September 2001. The second type involves using import-export businesses to transfer money. Here migrants are not required to send money directly to beneficiaries in their homeland, but instead they pay for merchandise that local business people seek to import. In return, the latter deliver the equivalent amount to recipients in local currency. The third type involves agents in host country and the country of origin in which case the sender hands over the remitted money to the foreign agent who instructs his/her local contact to pay the recipient the equivalent amount in local currency (Lindley 2005: 9).

Hammond *et al.* (2011) have argued that remittances are a lifeline for Somalis across the Somali East Africa region. In most instances, remittances from Somali diaspora members cover living costs and expenses for schooling and health services for relatives. For instance, 50% of Hargeysa University students and 20% to 40% of private secondary school students rely on remittances to pay their tuition fees (Hammond *et al.* 2011: 65). Lindley (2013) indicated that remittances are pivotal for the survival of displaced Somalis. At times, remittances assist internally displaced people to migrate to another country (Lindley 2013: 296).

The negative effects of diaspora financial remittances are also apparent. From the perspective of local consumers, remittance money that recipients spend has led to a sharp increase in the price of consumer goods entailing serious inflation caused by increased purchase of items by those in the Ethiopian Somali region who receive money from abroad since the mid-1990s. Informants indicated that local traders were unable to compete with diaspora counterparts who command significant financial resources (KIG10, KIG5, KILC6). Hammond *et al.* (2011) have demonstrated that remittance-based relations between Somali diaspora members and their community members in the homeland put social and psychological pressure on the former.

Key informants in the regional government are of the view that political remittances by Ethiopian Somali diaspora members played a crucial role in entrenching peace and stability in the region as opposed to their previous practice of serving as source of funding and political support to ONLF (KIG4, KIG7). A group of Ethiopian Somali diaspora members was also involved in facilitating peace negotiations between ONLF and the government in 2015 in Nairobi by contacting the Kenyan authorities to serve as mediators (KIG4, KIG7). The decline in the ONLF's influence due to the counter-insurgency measures taken by the Ethiopian Somali regional special police force (*liyu* police) thereby winning over the diaspora, which no longer viewed continuing their activism and supporting ONLF as meaningful. This was

compounded by enhanced infrastructure development that in turn facilitated better economic performance in general and expansion of trading activities in particular. A combination of these factors gradually led to better security in the region. Previously, the transportation of goods within the region was problematic due to the security threat posed by ONLF but new improvements prompted a considerable desire to embark on trade and investment.

Social remittances by Ethiopian Somali diaspora groups also played a role through transmitting knowledge and skills acquired abroad. This was demonstrated by a returnee diaspora informant who established a computer training centre in 2005 with a capital outlay of USD 7,000. Reportedly, this facility helped in imparting skills and knowledge to the youth and civil servants in the region as regards application of computer technology (KIDI3). In addition, social remittances assisted in identifying the causes and consequences of marketing gaps by transmitting new ideas and information on areas of profitable business engagement from which local traders, with no educational background, benefited immensely (KIDI5).

THE POLITICS AND LIMITS OF ETHIOPIAN DIASPORA POLICY

A number of challenges militate against the efforts of Ethiopian Somali diaspora members to engage in trade and investment in their home region. Diasporic engagement in the Ethiopian Somali region is characterised by the ever-present excessive government control and clan favouritism. Due to the insecurity and political sensitivity prevalent in the region, the federal and regional governments exercise tight control over development processes and the economy. This is also the case in the rest of Ethiopia, including in regions without security challenges, which is attributed to the government's adoption of the developmental state model that leaves little room for investments beyond state control (Clapham 2018).

The fact that the regional government commands increased leverage following the decline of ONLF's influence since 2010, which enabled the former to effectively monitor and spearhead economic activities. According to repeated statements by federal and regional government sources, this has resulted in the progressive diminishing of illicit trading activities. This is evidenced by the increased tightening of government control over informal trade routes in the post-2009 period (Majid 2010: 13), further reinforced by the regional government's effort to create a favourable environment for involvement in formal trade and investment. Such a move is expedited through allowing importing merchandise without necessarily going through rigid procedures in accessing scarce foreign exchange. However, Eid (2014) argues that the measures taken by the government to formalise, regulate and monitor the livestock trade are primarily motivated by the Ethiopian government's quest to gain more foreign exchange. It is to be recalled that the volume of informal livestock trade originating from Ethiopia that favoured Somaliland and Djibouti from where livestock is re-exported to the Gulf market without generating hard

currency for Ethiopia relatively decreased. However, the Ethiopian government's attempts to 'control' and 'regulate' the livestock trade are not in line with the established practice of the livestock trading business and thus often proved to be ineffective.

Informants believe that enforcing legislations and policies aimed at encouraging the participation of the diaspora in socio-economic processes in the region is seriously hampered by clan favouritism (KIDT4, KIDI3, KIDT1, KIDT3). Clan favouritism is expressed by dishing out preferential treatment in facilitating access to licenses, land, and credit. Both local and diaspora traders face challenges resulting from the entrenched practical norm of clan favouritism that militates against their business and investment endeavours (KIDT1, KILC4). Notably, there is a widespread belief among non-Ogadeeni diaspora members that the regional administration, whose leadership is under those from the Ogadeen clan family, favours those from the Ogadeen clan who dominate the trade and investment landscape (KILC7, KIDT1, KILC6).

There are other challenges that impede diaspora members from returning back for good. These relate to the difficult business environment prevailing in the homeland, which is further compounded by prevailing uncertainties characterising the security situation in the region's neighbourhood like Oromiya and Harari. There are also other factors that deter the quest of Ethiopian Somali diaspora members to resort to reverse migration. The first pertains to lack of reliable information about the existence of favourable business and security environment in the Ethiopian Somali region. As Michaelson (1999) claimed, this was a serious challenge in the late 1990s. However, local officials are of the view that the problem related to lack of reliable information on business opportunities and better security is now resolved following the establishment of the regional diaspora office (KILC7, KIDT1, KILC6). Nevertheless, members of the diaspora community complain that the aforementioned problem still persists. Second, poor quality infrastructure and services fail to cater for the needs of diaspora members who have been exposed to relatively better living conditions while in the countries of asylum (Michaelson 1999: 9–10). However, several improvements in infrastructural development and proliferation of new hotels and service centres have been witnessed in the region since the mid-2000s thereby availing better living and working conditions for diaspora investors (KILC7, KIDT1, KILC6). Third, insecurity prevailing in the region caused by state collapse in neighbouring Somalia and ONLF's insurgency continue to pose a serious challenge, which is further exacerbated by the recently deteriorating Somali–Oromo relations. Although there prevails improved security situation over the past decade, threats posed by extremist forces like al-Shabaab appear to be still lingering.

Findings from interviews conducted in Jigjiga revealed that not all diaspora members benefit equally from the extended privileges stipulated in government policies on the diaspora. In principle, returnee diaspora members who seek to invest in businesses are eligible for accessing a number of privileges. However, Ethiopian Somali diaspora members are subjected to other criteria in practice, as described below.

First, a diaspora returnee or investor interested in doing business in the region needs to prove that he/she is 'peace loving'.⁷ To this end, the concerned individual is required to produce a letter of recommendation to this effect from Ethiopian Somali diaspora association officials in the host country who monitor diaspora members' activities in the host country and who regularly communicate with the regional authorities.

Secondly, any diaspora member who seeks to engage in trade and investment should either support or be willing to support the regional government and its officials. As regards engaging in trade and investment, prior meetings between the authorities and the concerned diaspora members are arranged for consultation and exchange of views on different issues including their political position and plan to support government efforts for peace and stability (KIG3). Hence the entire process is highly politicised in the sense that one's political position is more important than his/her business idea and acumen including benefits that the proposed venture could entail. The official diaspora policy and legislations in place stipulate equal treatment to and opportunities for all diaspora members. However, any indication of association with an opposition group or upholding contrarian views opposed to the those of the government automatically nullify the possibility of accessing these benefits in practice (KIDT1).

Third, diaspora members from the Ogadeen clan have enjoyed preferential treatment in the past in the form of privileged access to public services and resources like land, public contracts, and trade and investment licenses by virtue of their clan and family affiliations with decision makers (KIDI3, KIDT1, KILC5, KIDT3).

During interviews with diaspora returnees, they repeatedly stated that government agencies' inefficiency and lack of institutional capacity represented major hurdles for effective diaspora engagement in investment and entrepreneurship. This view is commonly shared by diaspora members, regardless of their relation with the government and whether they enjoy preferential treatment or not (KIG3, KIDT4, KIDI3, KIDI5).

One key informant (KIG3) stated that the regional Diaspora Affairs Coordination Office regularly receives complaints from diaspora members who are dissatisfied with the services offered by government agencies. These complaints often relate to delays in the installation of electric lines and frequent power outages, lack of uniformity in the implementation of tax exemption procedures, and unresponsiveness to legitimate diaspora claims and demands. According to a diaspora investor (KIDI5) 'services that public offices deliver are too slow and inefficient and more often cases take too long before decisions are made'. Members of the study team also witnessed during the field visits that working hours were not strictly observed by several government officials and functionaries.

If one compares the Ethiopian Somali diaspora members with the Somali diaspora in the neighbouring Somali-inhabited territories, it becomes apparent that in terms of participation in and influence on local politics, the record of the first is poor

compared to the latter. This is due to the fact that the Ethiopian diaspora policy explicitly prohibits diaspora returnees from engaging in domestic politics. On the contrary, diaspora members in Somaliland, Puntland and mainland Somalia are allowed to engage in politics, even to the extent of competing for parliamentary seats (Hassan & Sally 2009: 15). Indeed, many ministers and members of parliament in Somalia at federal and regional levels have dual nationality, including the current prime minister Hassan Ali Khayre, who holds a Norwegian passport.

Ethiopian Somali diaspora members engaged in investment and trading activities are offered conventional loans by public and private commercial banks for running small-scale businesses such as hotels, transportation, agricultural projects and manufacturing. In addition to applying for conventional loan schemes, the banks have begun introducing Islamic loan services. For instance, Wogagen Bank provides two types of Islamic loan services: firstly, *Muraba* that involves loans for the procurement of construction equipment, machinery and vehicles, and borrowers are expected to pay back the money with certain value addition. Secondly, *Estisnna* loans consist of bank investments in a certain project such as financing the construction of a building or setting up a factory plant for the client, who is expected to pay back the cost of the project including some amount of additional money for services provided (KIPS3).

There is a special loan arrangement offered by the Development Bank of Ethiopia, which provides loans to local, diaspora and foreign investors in selected sectors like commercial agriculture, agro-processing, manufacturing, and mining and related extractive industries. In the case of local and diaspora investors, the bank requires that clients deposit at least 25% of the total investment cost in advance in order to get a loan of up to 75% of the total investment cost for a term of 20 years. Meanwhile, foreign investors are expected to deposit 50% of their total investment cost in order to be eligible to borrow the remaining amount (KIG1).

The Development Bank of Ethiopia has introduced two types of loans that fall under the category of Islamic banking. These are designated as lease financing and project financing. In both cases, the criteria for lending are cumbersome according to our informants. For instance, in the case of lease financing more than 16 requirements need to be met in order to obtain the loan.⁸ Project financing, meanwhile, involves more than 30 requirements (KIG1).⁹ The study team learnt that Ethiopian Somali diaspora members often avoid these loan schemes due to the bureaucratic hurdles involved (KIG2).

The current loan system by Ethiopian banks is incompatible with the needs of diaspora members seeking to engage in trade and investment. Informants expressed their frustration with the mode of operation of the existing banking system. Religion is one factor that impedes easy access to bank loans, given that Somalis profess Islam, which prohibits the faithful from entering into transactions based on interest payments in the absence of Islamic banking arrangements by conventional banks (KIG1, KIG2). This gap is currently being addressed with the gradual expansion of interest-free banking services in the region and elsewhere. However, the Jigjiga-based Ethiopian Somali microfinance institution, supported

by USAID and Mercy Corps, has been providing small-scale Islamic banking services to its members in the region since 2011 (Goeldner & Anderson, *The Guardian*, 19 March 2015).

Following the adoption of the Islamic banking proclamation and the associated directives enacted in 2008 and 2011 respectively by the Ethiopian government, Islamic loan services belatedly began to be practiced in 2013. The Oromiya International Bank pioneered the provision of such a service (*World Bulletin*, 3 April 2014).¹⁰ Nowadays, with few exceptions, almost all public and private banks in Ethiopia provide Islamic banking services.

IMPLICATIONS OF DIASPORA INVESTMENT FOR STATEBUILDING AND REGIONAL INTEGRATION

This section looks at the role of the diaspora in Somali East Africa on state building and then turns to those in Ethiopia's Somali region in particular. Despite red tape and widespread corruption, diaspora members have striven to boost development efforts in Somalia and Ethiopia in various ways. Their various remittances have made important contributions to development, humanitarian assistance and reconstruction efforts (Hammond *et al.* 2011). Menkhaus (2008) noted that Somali diaspora members salvaged Somali communities in mainland Somalia and the Greater Horn of Africa from total economic deprivation. Generally, the Somali diaspora's role and position towards its family members back home is marked by opposing dynamics. On the one hand, customary practices oblige diaspora members to financially support their relatives in times of need. On the other hand, 'second-generation Somali diaspora members – youth born or raised outside of Somalia – are often reluctant to send back remittances to family members with whom they have little or no connection at all' (Hammond *et al.* 2011: 64).

According to Horst (2008: 330), Somali diaspora remittances may intensify inter-clan conflicts as in the case of the conflict in Mudug and Galguduud regions between the Saleebaan and Sacad sub-clans of the Hawiye-Habar Gidr clan between 2004 and 2006. However, Somali diaspora groups also regularly participate in peacemaking processes. Moreover, the participation of diaspora members in re-institutionalising the constituent units of the fledging Federal Government of Somalia can be observed in their taking part in government, thriving political parties, parliament, and the civil service, thereby contributing to statebuilding efforts.

Hassan (2010: 10–28) argues that investment ventures owned by Somaliland diaspora members boosted people's motivation for engaging in national reconstruction efforts. Indeed, the support extended by the Somaliland diaspora to local efforts aimed at statebuilding in the breakaway entity is considerable. For

Hassan (2010) and Chalmers and Hassan (2008), diaspora financial and material remittances helped sustain local projects that partially led to the restoration of basic social services. It is to be recalled that diasporic involvement in trading and investment activities in Somaliland ensured relative economic stability in Somaliland in general and Hargeisa in particular. As a result, luxury hotels, telecom and money transfer companies, shopping malls, residential buildings, and small industries proliferated (Hassan 2010: 8).

Political remittances from the Somaliland diaspora also contributed to the democratisation process, facilitating the transition from clan-based governance to multiparty politics. From the mid-1990s onward, diaspora members played a major role in the statebuilding process through pacification of the Somaliland society by working in tandem with traditional leaders and the Ethiopian government. In the post-2001 years, Somaliland has been viewed as one of the hubs where advances in peacebuilding and democracy are underway (Hassan 2010; Hoehne 2015: 46–48). This led to a situation that enabled diaspora members to participate as candidates in the periodic elections. A similar pattern of extensive diaspora involvement in Puntland's domestic political process has also been observed (Hoehne 2015).

In mainland Somalia, diaspora politicians became part of the process that led to the establishment of the defunct Transitional National Government (TNG), which was formed at the Arta Peace Conference held in Djibouti in 2000. Diaspora participation in the conference is believed to have offset the unbridled influence of different armed groups by fostering civilian participation and representation (Hassan and Sally 2009). It should be recalled that the first prime minister of the TNG and several members of the cabinet and parliament were diaspora returnees. The diaspora community also supported efforts to protect the public interest in Somalia in the face of the 2011 famine crisis; at that time AMISOM's peacekeeping interventions were intensified as the major pillars of state reconstruction efforts (Ismail 2011; Lewela 2012).

Another contribution of the Somali diaspora relates to provision of social services. In some localities, returnee diaspora members in mainland Somalia revived educational and health service systems by paying the salaries of teachers, health workers, and caretakers in orphanages. As a dominant pattern, the involvement of diaspora members is more visible in localities from where they originated than in other places (KIG4). Similarly, qualified diaspora returnees supported local educational institutions by establishing private clinics and hospitals and taught at elementary and secondary schools as well as colleges and universities (David & Ghedi 2009).

Although they play an indirect role in shaping the political dynamics of the study region, Ethiopian Somali diaspora members, unlike their counterparts in other territories of Somali East Africa, cannot directly take part in political processes. The political role of Ethiopian Somali diaspora members has mostly been limited to facilitating pro-government peace negotiations and denying support to ONLF's insurgent activities. Most importantly, the termination of financial and political support that sections of the diaspora community used to provide to ONLF led to a

significant improvement of the security situation in the region. This move was accompanied by diaspora involvement in peacebuilding by facilitating negotiations between the government and the different ONLF factions (KIG3). However, the relative improvement of the security situation cannot be totally attributed to the role of the diaspora, since it was the government's counter-insurgency campaign that decimated the ONLF's military capabilities.

The engagement of returnee diaspora members in trade and investment augmented the volume of the regional government's revenue in two ways: trade and investment activities that generate tax revenues for the state; and diasporas' involvement in import-export business helped in earning increased amount of foreign currency accrued from trading activities in addition to what they bring in from their personal savings and other sources. These, in turn, contributed to financing the expansion of infrastructure and social services in the region. Moreover, employment for young people in diaspora-owned companies boosted the former's integration into the labour market. For instance, according to government sources, between 2010 and 2017 over 11,107 employment opportunities were created in Ethiopian Somali diaspora investment projects (Ethiopia Somali Regional State Investment Bureau 2017).

Diaspora involvement in the provision of education has played an essential role in producing more qualified human resources. Unlike educational institutions that are established by the government or by local entrepreneurs, those run and owned by diaspora members expose trainees and pupils to international curricula and academic programmes. This pertains to the case of MERI International School in Jigjiga whose teaching is in line with curricula accredited by Cambridge University (KIDI2). Similarly, ILAYS International College owned by a diaspora member, which is also based in Jigjiga, offers training programmes in collaboration with international partners based in the United Kingdom and Malaysia (KIDT3).

Ethiopian Somali diaspora members have also contributed to statebuilding efforts by partnering with the Ethiopian Somali Development Association (ESDA), which was established in 2012 to support the provision of social services including peacebuilding and other development ventures (ESDA 2017). As is the case with other development associations that are affiliated with regional ruling parties,¹¹ ESDA is closely associated with the ruling Somali People's Democratic Party. By and large, the operations of these entities are financed through a mix of membership contributions and support from the government and other funding agencies. Hence, they are located in between the arenas of governmental and non-governmental organisations (Clark 2000).

ESDA undertakes activities that strengthen community participation and empowerment by enlisting over 3,000 diaspora members, each of whom pays USD 25 upon registering and contributes USD 15 as annual membership dues (KIG9). Moreover, some among the diaspora members offer voluntary services by transferring knowledge, diffusing skills, and donating health and school equipment through the association (KIG9). Diaspora members provided substantial financial support to ESDA and the regional government to assist victims of the 2015/16

drought (KIG3, KIG9). Moreover, some Ethiopian Somali diaspora members provided considerable support towards the construction of the Great Ethiopian Renaissance Dam (GERD) by heeding the call of the government to buy bonds. For instance, one London-based diaspora member bought bonds worth USD 200,000 (KIDT2). This can be viewed as a strategic move on the part of the individual to curry favour with the government in the form of preferential treatment to export *khat* and cement to Somaliland and access available business opportunities.

As stated in the first chapter of this working paper, the dispersion of Somalis across different localities of East Africa (Djibouti, Ethiopia, Kenya and Somalia) took place over a long period. Lewis (2002) noted that this dispersion has been one source of political conflict and disputed territorial claims. The governments and political actors in the aforementioned countries designed and implemented incoherent and contradictory policies and strategies that rendered possibilities for forging cohesion and amicable interface between Somali communities in East Africa farfetched. For instance, the state of Somalia has advanced an irredentist claim over the Somali-inhabited territories of Ethiopia, Kenya and Djibouti, whose regimes felt threatened by such a stance since the early 1960s. As a result, promoting cross-border interaction among Somali communities in the sub-region was rendered difficult, if not totally impossible.

Trade and investment activities of Ethiopian Somali diaspora members are not limited to the Somali region of Ethiopia alone since they link the country and the study region with markets in neighbouring countries. Many members of the Ethiopian Somali diaspora own businesses in more than one country, for example, Somaliland, Djibouti or Kenya. While investing in the Somali-inhabited territories of East Africa, Ethiopian Somali diaspora members take clan affiliation and favourable business environment into consideration in terms of both political stability and of returns on investment.

Those who are unable to return to Ethiopia due to either political or personal reason often establish their businesses in Kenya or Somaliland. In all cases, their businesses in neighbouring countries are linked with firms based in Ethiopia. This is also true of diaspora entrepreneurs originating from Kenya and Somaliland who establish firms in Ethiopia or elsewhere in one or another locality within Somali East Africa due to the same reason (KIDT5). To keep cross-border trading activities going, Ethiopian Somali diaspora returnees frequently undertake business trips to Somaliland and Kenya. Hence they are imbued with a potential opportunity of choice for operational space that allows them to promote sub-regional economic integration through formal and informal mechanisms. Most importantly, cross-border trade and investment are important issues on which the Inter-Governmental Authority on Development (IGAD) has focused with a view to bringing about sub-regional economic integration. For instance, the 2008 IGAD summit emphasised the need for people-to-people interactions as a basis for promoting cross-border investment by using cultural ties to consolidate regional cooperation (Abdi & Seid 2013). This initiative was upgraded to an advanced level in April 2012 with the introduction of the IGAD Protocol on Free Movement of Persons that calls for granting investors and traders permanent and temporary residence permits and the

right to work in member states.¹² It could thus be envisioned that increased formal and informal cross-border engagement of the Ethiopian Somali diaspora in East Africa enhances interaction between Somalis in the sub-region despite the reluctance of governments to open up their borders.

CONCLUSION

There is increasing evidence that diasporic engagement in trade and investment in countries of origin shapes local and national political economies, which is demonstrated by recent developments in Ethiopia's Somali region. Despite the shortcomings identified in this study, diaspora members' investments in trade, business and services have undoubtedly contributed to economic development in eastern Ethiopia. In Ethiopia's Somali region, improvements in the security situation and the government's public relations campaign allowed for the mobilisation of the Ethiopian Somali diaspora. This led to an expansion of diaspora-owned projects in the region, buttressed by holding diaspora focused bi-annual conferences and the implementation of a considerable outreach programme to the diaspora. The return and subsequent engagement of Ethiopian Somali diaspora members in trade and investment is not solely driven by a quest for profit. Although there are many who return with the aim of furthering personal economic gains, a significant number of diaspora returnees are interested in maintaining their connection with the homeland.

Diasporic reverse migration and subsequent engagements in Ethiopia's Somali region are supported by a series of regulatory frameworks and institutional arrangements. These regulate and facilitate diaspora investments and their role in state-led development processes. But the study highlighted how diaspora-owned projects are not evenly distributed in terms of geographic location and economic sector. Most are concentrated in predominantly urban centres, particularly in Jigjiga, where relatively better services and security provisions are available. Sector-wise, agricultural and construction projects dominate others in terms of capital outlay, numerical size, and as most preferred fields of engagement.

Institutional support, designed and implemented to encourage diasporic participation, has positively affected socio-economic development and statebuilding. However, Ethiopian Somali diaspora interlocutors believe that there are several shortcomings that remain unaddressed and that cast doubts on the sustainability of the existing diaspora policy. Among the major challenges that constrain diaspora trading and investment activities are: clan-based discriminatory practices and undue preferential treatments, excessive securitisation of economic activities that place favouritism over and above other considerations in order to ensure regime survival, proliferation of illicit trade, bureaucratic inefficiency and low institutional capacity, lack of adequate infrastructure and services, and inadequacies that underlie the workings of banking systems that do not meet the

pressing legitimate needs and demands of the diaspora.

From the government's perspective, the primary significance of facilitating diasporic engagement is associated with the quest to entrench security and regime survival by neutralising ONLF's support base both on the home front and beyond. Success in this regard, therefore, is not measured by the high numbers of returnee diaspora members or by the amount of money invested, but rather by the adverse impact on ONLF's efficacy in both financial and political terms.

A paradox emerges from the analysis of the political economy of diaspora investments and remittances in the Ethiopian Somali region. On the one hand, Ethiopian diaspora policy explicitly underlines that diaspora returnees and investors must abstain from engaging in local or national politics. In a sense, this is a reflection of an Ethiopian particularity, namely if one considers the role of the Somali diaspora in neighboring countries including Somaliland, mainland Somalia, and even Kenya. In these countries, members of the Somali diaspora can hold positions in government and participate in elections. On the other hand, even though Ethiopian Somali diaspora investors are not allowed to engage in politics, the screening process for allowing them to involve in trade and investment is distinctly political as it is premised on the criteria that they support the government's peace and development initiatives. Hence what emerges in the case of Ethiopia's diaspora policy is a tension between denying the diaspora from having a role in politics while at the same time politicizing diaspora involvement by insisting on their loyalty to the government.

Moreover, the current procedure for accessing government finance and credit that is available for diaspora entrepreneurs does not accommodate the ambitions of diaspora members to broaden and intensify their economic activities. Several informants who provided data for this study believe that there are instances where the money used by some diaspora members for investment and trading activities is not generated abroad. It is, rather, obtained locally as a reward for their allegiance and support to government programmes. As a result, some local community members voiced their opinion that illicit interactions between government officials and diaspora investors occur under the guise of the official Ethiopian policy that seeks to garner diaspora investments in the country.

A final point that is worthy of mention relates to the ramifications of diasporic engagement in investment and trade for connecting eastern Ethiopia with other Somali-inhabited territories in East Africa. In addition to cementing the intra and inter-clan linkages of Somalis, most of the returnee migrants who left the country prior to 1991 had stayed in mainland Somalia and northern Kenya before settling in the West. Hence Ethiopian Somali diaspora returnees have the potential to interlink cross-border Somali communities, either through engagement in trade and investment in two or more places, or through frequent visits and contacts with business partners and relatives on the other side of the borders. As informants repeatedly mentioned, Somali communities are less prone to be confined to the politico-administrative boundaries of the individual countries they inhabit. Consequently, trading activities of Ethiopian Somali diaspora members that target

markets in neighbouring Somaliland, mainland Somalia, and to a lesser extent northern Kenya, contribute to forging economic integration between Somalis in the entire East African sub-region.

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LIST OF KEY INFORMANTS

Government officials and experts (KIG)

- KIG1: expert based in Development Bank of Ethiopia, 24 March 2017, Addis Ababa.
- KIG2: expert based in Ethiopia Somali Regional State Investment Agency, 30 June 2017, Jigjiga.
- KIG3: expert based in Ethiopia Somali Regional State Diaspora Engagement Affairs Agency, 26 June 2017, Jigjiga.
- KIG4: official based in Ethiopian Somali Regional State Diaspora Engagement Affairs Agency, 25 July 2017, Jigjiga.
- KIG5: official based in Ethiopian Somali Regional State Trade and Transport Bureau, 26 July 2017, Jigjiga.
- KIG6: expert based in Ethiopia Somali Regional State Investment Agency, 25 July 2017, Jigjiga.
- KIG7: official based in Ethiopian Somali Regional State Bureau of Finance & Economic Development, 27 July 2017, Jigjiga.
- KIG8: expert based in Ministry of Foreign Affairs, 23 May 2017, Addis Ababa.
- KIG9: expert based at Ethiopian Somali Development Association, 27 July 2017, Jigjiga.
- KIG10: expert based in Ethiopian Somali Regional State Trade and Transport Bureau, 26 July 2017, Jigjiga.

Private sector (KIPS)

- KIPS 1 expert based in JESH, 23 July 2017, Jigjiga area.
- KIPS 2 expert based in Dahabshiil Money Transfer Company, 24 May 2017, Addis Ababa.
- KIPS 3 expert based in Wogagen Bank, Jijiga Branch, 27 June 2017, Jigjiga.

Private local community (KILC)

- KILC 1 local community member, 1 July 2017, Jigjiga.
- KILC 2 local community member, 1 July 2017, Jigjiga.
- KILC 3 local community member, 1 July 2017, Jigjiga.
- KILC 4 local community member, 24 July 2017, Jigjiga.
- KILC 5 local community member, 26 July 2017, Jigjiga.
- KILC 6 local community member, 26 July 2017, Jigjiga.
- KILC 7 local community member, 27 June 2017, Jigjiga.

Diaspora Traders (KIDT)

- KIDT 1 diaspora trader, 24 July 2017, Jigjiga.
- KIDT 2 diaspora trader, 27 June 2017, Jigjiga.
- KIDT 3 diaspora trader, 27 July 2017, Jigjiga.
- KIDT 4 diaspora trader, 28 June 2017, Jigjiga.
- KIDT 5 diaspora trader, 28 June 2017, Jigjiga.

Diaspora Investors (KIDI)

- KIDI 1 diaspora investor, 25 July 2017, Jigjiga.
- KIDI 2 diaspora investor, 27 July 2017, Jigjiga.
- KIDI 3 diaspora investor, 29 June 2017, Jigjiga.
- KIDI 4 diaspora investor, 27 June 2017, Jigjiga.
- KIDI 5 diaspora investor, 30 June 2017, Jigjiga.

END NOTES

¹ Exchange rate for USD 1 on December 2015 stood at Ethiopian Birr 21.09.

² Moreover, article 14 of the proclamation states that there are different reasons on the basis of which beneficiaries could lose the privileges resulting thereof: securing entitlements based on false information, engaging in terrorism or drug smuggling, holding citizenship of a country that is at war with Ethiopia, serving as a member of either the military or intelligence service of another country, and seeking privileges that run counter to Ethiopia's national interest.

³ The presence of relatives in neighbouring countries at times served as a factor that led to out-migration (KIG3, KIDT5, KIDI3, KIDI5).

⁴ Several key informants affirmed this claim (KIDT2, KIDI 3, KIDI5, KIDI2).

⁵ This does not refer to the Jigjiga Slaughter House (JESH), which exports processed meat to Gulf countries. It is another firm known as the Jigjiga Slaughter House that sells its products in the local market.

⁶ This is the first bus transport company operating in the region. It is owned by a group of Ethiopian Somali diaspora members. It transports people and light merchandise both within the region and to Addis Ababa.

⁷ Euphemism used for classifying people who are either supportive of the government or not involved in anti-government activities.

⁸ The applicant should submit his or her application along with documentation that includes the following: (i) investment certificate, (ii) principal registration certificate, (iii) taxpayer identification number, (iv) land ownership certificate, (v) pro forma invoices from three suppliers, (vi) letter of confirmation about the availability of utilities (electric power, road and water), (vii) business and loan track record documents, (viii) confirmation letter on fulfilment of tax obligation, (ix) confirmation of the environmental friendliness of the project, (x) letter of testimony from officials of diaspora associations abroad attesting the applicant is not hostile to the home government, (xi) profile of company management staff, (xii) source of equity, (xiii) project feasibility study, (xiv) marriage certificate, (xv) construction agreement with a licensed contractor, (xvi) VAT registration certificate, (xvii) contractual land lease agreement, etc.

⁹ Besides criteria required for lease financing other requirements like (i) approved plan blueprints, (ii) bill of quantity, (iii) takeoff sheet, (iv) construction permit, (v) soil test, (vi) deposit confirmation letter, etc. have to be met.

¹⁰ Due to the fact that the majority of Muslims in Ethiopia are in Oromiya regional state, Oromiya International Bank managed to mobilise 300 million birr in the initial two months alone following the commencement of the service. By the end of 2017, out of its total earnings the share of Islamic banking reached 34%. See <http://www.chinagoabroad.com/en/article/ethiopia-s-islamic-banking-industry-expanding-but-challenges-lie-ahead> accessed on 13 June 2018

¹¹ These are the Amhara Development Association, Tigray Development Association, Southern Ethiopia Peoples' Development Association, and Oromiya Development Association.

¹² According to Ambassador Tewolde Gebre-Meskel, IGAD Peace and Security Director, the organisation plays a leading role in regional integration by fostering cross-border infrastructure development and networking, free movement of people, and trade between member states (*Ethiopian Herald*, 21 February 2018).