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Assessment of the Capacity to Attract Foreign Direct Investment in the Oil and Gas Industry (A Case Study of Somaliland)

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Abstract
This research evaluates Somaliland's capacity to attract foreign investment, with a focus on the oil and gas sector. Attracting such investment requires a conducive and enabling environment. The primary objective is to identify key factors that facilitate foreign investment and highlight gaps that may hinder investment flows. The main incentives for oil and gas companies fall into two broad categories: below-ground factors (such as the presence of oil and gas reserves) and above-ground factors, which include socio-political stability, a comprehensive legal and regulatory framework, economic conditions, and the degree of freedom and transparency in the host country. Despite its potential, Somaliland faces significant challenges. Key obstacles include weak infrastructure, limited energy access, high electricity costs, overlapping regulatory frameworks, a constrained banking system, and the absence of international recognition. The study employs a qualitative content analysis, drawing on secondary data from public sources, archived documents from investment promotion agencies, and official government reports. The findings highlight critical areas for improvement: strengthening institutional collaboration, developing supportive oil and gas regulatory bodies, upgrading infrastructure (roads, ports, and energy systems), and engaging in strategic lobbying efforts. Addressing these challenges could significantly enhance Somaliland's appeal to foreign investors in the oil and gas sector and contribute to its economic growth.
Keywords: Foreign Direct Investment, National Oil Company, CPC Corporation Taiwan, Gross Domestic Product, Energy Security, and Resource Efficiency in Somaliland, Somaliland Electricity Access Project, Somaliland Electricity Sector Recovery Projects, Gas Exporting Countries Forum

Introduction
The chosen research topic is the "Assessment of the Capacity to Attract Foreign Direct Investment in the Oil and Gas Industry. A case study in Somaliland. Somaliland has demonstrated significant potential in the oil and gas sector and has a strategic geographic

location that enhances the chance of getting huge investments. (Mohamoud, M. A. 2018). Investment in the oil and gas industry is capital-intensive, and foreign investors seek a favorable and stable environment that supports long-term pledges and high returns. (Ghoddusi et al. 2022).

Exploiting oil and gas resources profoundly impacts modern life oil fuels vehicles, trucks, engines, and airplanes that drive contemporary economies. Additionally, refined oil products are essential in producing plastics, synthetic materials, lubricants, waxes, tars, and pavements, all of which are critical components of everyday infrastructure and industry. (Patidar et al. 2024).

To catch up on the importance of the research, the Somaliland economy has undergone a significant transformation in recent years. Imported goods and services are currently the backbone of national revenue. The vision of the National Development Plan is to enhance investments in resilient sectors such as agriculture, construction, telecommunications, oil, gas, and minerals. (Wanyoike et al. 2023).

To improve investment appeal, foreign investors typically assess several key factors, including proven reserves of oil and gas, population density, and the socio-cultural and geographic characteristics of the host country. These factors are especially relevant when evaluating opportunities in Sub-Saharan African countries. Recent statistics show Africa's total primary energy supply produced **21.5%** of oil and **18%** of gas. (African Union. 2024).

The region’s potential is noteworthy. According to GECF, the region’s energy demand is projected to increase by 82% between 2021 and 2050. Natural gas makes the most significant contribution to incremental growth in gas demand, accounting for 30% of the total increase. According to the World Bank, the population of Sub-Saharan Africa is projected to rise significantly, reaching between 1.5 and 2 billion by 2050. This demographic trend further underscores the strategic importance of the region for future energy development and investment. (Santley. et al. 2014).

Background of the Research

The research discusses and highlights the conducive environment that encourages International Oil Companies to invest in Somaliland's oil and gas sector. Such an environment means the existence of the enabling factors for the investment in the oil and gas sector, which is a high-value, long-term investment. These enablers include: political stability and absence of violence, the rule of law, government effectiveness, accountability and control of corruption, the existence of a comprehensive legal framework, and below-ground prospectivity. etc. (Haudi. et al. 2020).

While Somaliland possesses untapped resources and the first discovery occurred in 1924 when oil seepage outcropped in Dhagax-shabele. The development of the sector is limited to upstream exploration activities, but the interest of international oil companies is growing. The country has many challenges that hinder the progress of the sector, such as poor infrastructure, higher energy costs, an overlapping regulatory framework, and banking constraints. The research problem is to examine how these challenges precisely affect foreign investment in the oil and gas sector.

Although various studies and reports recognize the presence of oil and gas resources in Somaliland and highlight the importance of oil and gas investment. There is a notable lack of research specifically examining the enabling factors that attract foreign investment to the oil and gas sector. Existing literature often generalizes the investment climate across the Horn of Africa or Somalia as a whole, without addressing the unique sector. This creates a critical gap in understanding the particular barriers and enablers that international oil companies consider when evaluating investment opportunities in Somaliland’s oil and gas industry.

Scope of the Research

The scope of the research is to assess Somaliland's capacity to attract foreign investment in the oil and gas sector. The study also improves crucial factors in attracting FDI to foster the economy of Somaliland. The research will point out the existing enablers, the areas that need improvement, and the lacking aspects.

Objectives of the Research

The general objective of the research is to examine and evaluate a state's readiness for attracting foreign direct investment from international oil and gas companies, and also highlight crucial factors that evaluate a country's readiness to attract foreign investment.

The specific research project includes;

1. To recognize crucial factors that encourage international oil and gas companies to invest in a particular host state
2. To assess the country's readiness to attract foreign direct investment from international oil and gas companies by examining opportunities, challenges, and key priorities.
3. To identify the oil and gas potential of the state in terms of existence and the availability of data.
4. To underscore important ways of increasing essential factors to encourage the IOC to invest in the Somaliland oil and gas sector

Significance of the Study

The study aims to find out crucial factors that could encourage IOCs to invest oil and gas sector of Somaliland. Before diving into the topic, it is important to understand the significance of the research. The research answers why Somaliland prefers to attract foreign investment from IOCs.

Over the last twenty years, Somaliland’s economy has undergone an important transformation. The livestock sector, traditionally the dominant sector of the economy, has continued to face challenges, including a range of man-made and natural calamities. (Hassan, 2020). Although the state still receives about a third of its total revenue from livestock exports, a recent policy change and economic development trajectory have made it possible to diversify the economy. (Madar, 2025).

This has led to the development of a range of new sectors and industries, including telecommunications, construction/ real estate, oil and gas, mining of minerals, and other service sectors, which are more resilient. Another significant factor is the fact that the politicians of the Somaliland state see oil and gas investment as a means of reducing poverty and creating employment. Modern, self-declared governments initiate a policy for utilizing natural resources to pursue an "earned sovereignty" strategy to make their case for recognition. This strategy emphasizes proving empirical legitimacy regarding democracy, security, economic viability, and adherence to international norms. (Scott Pegg. 2018).

Literature Review

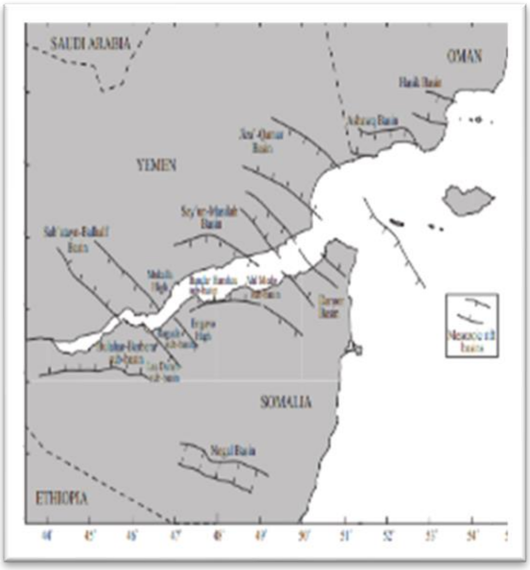
The literature review provides the background and context of the research problem and also constructs and highlights research opportunities and sheds light on gaps in the research by examining relevant articles through the existing arguments and findings. The main aim is to show that the current study uses the evidence and analysis of related previous studies. The literature review suggests aforementioned factors supported each other; the presence of oil and gas accumulation does not guarantee FDI inflow, instead of improving factors that mitigate risks and uncertainties for investors. The research will discuss and highlight such important things as below-ground potentialities (accumulation of oil and gas) and above-ground (facilitating) factors encompassing economic status, the Legal framework, socio-political stability, and the components of freedom, like freedom of speech and political and economic freedom. Contrasting different arguments will allow the readers to easily understand the research's aim and narrow the research gap. (Tocar, 2018).

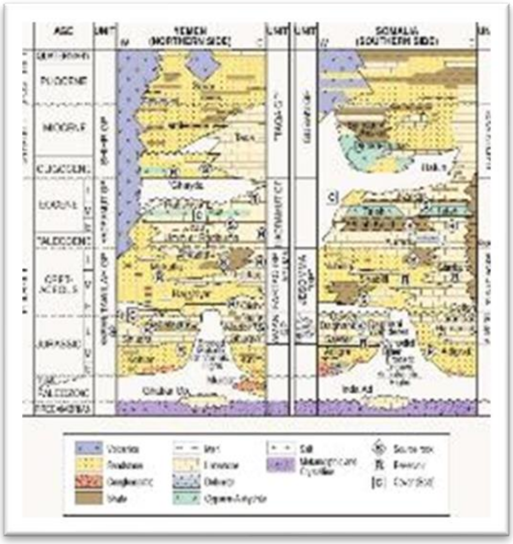
Foreign Direct Investment (FDI) operates through various models, with each developing country adopting a distinct approach tailored to its economic priorities and policy frameworks. FDI models are generally classified based on the strategic objectives of investors and the regulatory and economic environments of host countries. Commonly, researchers distinguish FDI models into three types, which are Greenfield investment, Merger and Acquisition (M&A), and the Joint venture investment. To analyze and follow the findings of these models, Ghana, Ethiopia, and Kenya have been selected as case studies. (Evans, et al. 2020).

Furthermore, the literature review critically analyses the aforementioned crucial factors that encourage attracting foreign investment, and the findings of the research will explicitly assert the existence of factors and the factors that need to be improved and are;

Below-Ground Productivity

Africa is one of the world's richest reserves in oil and gas potential, and the continent has many opportunities, but a significant portion of Africa's oil and gas remains unexplored. (Ussene. 2023). The continent is between major global energy markets, including Europe, Asia, and the Americas. The geological correlation process allows the reader to understand geological similarity. The process allows for reference to sporadic lithology and strata formed at the same age, but deposited in different locations, which will indicate geological similarity between different areas, regions, and countries. One of the world's few underexplored regions, which is extremely promising, is Somaliland, sometimes known as the de facto state, but in reality, is a member state of Somalia. Due to oil seepages in several regions of Somaliland, the existence of oil and gas in Somaliland has been known since the 1920s. (Radwan et al. 2021). The only way to confirm a functioning petroleum system is to identify large structures and the discovery of commercial accumulations that have escaped the restricted and sporadic exploration, which has only resulted in a few drilling operations. Somaliland's geology is remarkably similar to Yemen's because the two sides of the Gulf of Aden were separated in the Miocene (around 30 million years ago). Somaliland has several basins that may hold commercial hydrocarbons, and the reconstruction of the Arabian plate demonstrates that the productive basins in southern Yemen extend to the stratigraphy of the two equivalent nations. (Ali. 2006).





Picture 1: Comparison of petroleum geology and Yemen

As a result of the Yemen oil discoveries in the 1980s, Somaliland witnessed a significant increase in oil exploration activity. Conoco, Chevron, GECO, Quintana Oil Company, and Hunt Oil Company all entered the country and carried out extensive exploration. Recently, there have been several international oil companies operating in Somaliland, including Genel Energy, RAK Gas, and DNO. These companies have a licence for a total of 21 blocks. Up to date, nevertheless, no commercial discovery has been made. (M. Y. Ali. 2006).

Below-Ground Factors

Socio-Political Instability

The effect of Political instability on foreign direct investment is considered by economists as a serious disease harmful to economic performance. A country's political risks are a crucial factor that is considered by foreign investors while making an investment decision (Okara, A. 2023). Investors will prefer not to invest and risk their hard-earned capital in an unstable environment. Particularly, extractive industry investment requires socio-political stability as it is a high-value and long-term investment. (Hoehne 2013).

Foreign Investment plays an essential role in the worldwide economy by enabling the cross-border transfer of capital, technology, and expertise. (Totladze, et al. 2021). Political stability within a host country significantly enhances investor confidence by lowering risk perceptions, promoting transparency, and ensuring consistent regulatory frameworks, thereby encouraging long-term investment commitments. (Basavarajappa. 2022).

Civil war and armed conflict often lead to frequent government changes, and the absence of principles for controlling corruption dramatically affects FDI flow. Maher, D. 2023. Socio-political instability deters investor confidence, destroys infrastructure and institutions, increases operational costs, and disrupts the market due to the displacement of the population. Li, et al. 2017).

Economic stability plays an important role in encouraging foreign investment; the economy of the host state (investor seeker) will provide a snapshot to the investor due to the mutual benefit of the investor and the country. A country with good economic stability will provide the investor with predictable returns, consumer demand, and the ability to mitigate financial crises. (Groznykh, et al. 2020).

Economic Status of the Country

In the Aspect of economic status, developing countries usually have economic crises, and the domestic growth of the economy is a crucial factor in determining whether to attract foreign direct investment. Saleh, 2023. The majority of researchers concentrate on macroeconomic ideas (GDP) as the primary drivers of FDI inflows. These factors might be the primary determinant of foreign investment in some situations. Inflation, which means the instability of the currency, is another factor that negatively affects FDI inflow, such as labour costs, low labour wages encourage investors, especially in developing countries, and are available. (Yang, S. P. 2024). Trade openness in developing countries boosts their capacity to attract FDI flows. Countries that import goods and services have the opportunity to gain capital-intensive foreign investment, while exporting countries tend to attract FDI flows. (Berliandini. et al. 2025).

African Countries with a good GDP have access to restructuring their infrastructure and also have a greater opportunity to attract FDI flows. (Sijabat, R. 2023). Good Infrastructure development, such as roads, ports, energy, and telecommunications, will cultivate or encourage the flow of FDI and reduce risks for investors. (Cung, 2020). Reliable infrastructure and affordable access to energy encourage investors, and the Country's improvement will undoubtedly emerge as a frontrunner. (Sayah. et al. 2025).

Comprehensive Legal-Framework

A comprehensive legal framework is requisite for capital-intensive and long-term investment, such as the extractive industry. Normally, investors look before coming to the host country for such requirements. Based on this topic, a country with a clear, stable, transparent, and appreciable legal framework increases FDI inflows. (Topçu, 2024). A stable legal framework will provide investors with protection and the rights to avoid expropriation of their properties, and also provide a resolution mechanism that allows for resolving and handling disputes justly also Adopting international agreements, both Bilateral and Multilateral, provides an additional guarantee for the investors. (Perry. 2017).

Components of Freedom

Understanding the impact of different components of freedom on investment is crucial. On the side of democracy, has such important components for evaluating investors as a country's readiness to attract foreign direct investment. The components include freedom of speech, freedom of assembly, freedom of religion, freedom of personal property, and freedom of the economy. (Tag et al. 2022). Countries with a high level of freedom of speech often have a greater degree of transparency and accountability. Such transparency reduces corruption and nepotism and advocates for the well-being of human rights and the general improvement of the political decision-making influencing the socioeconomic development of countries. (Mitsi, D. 2023). Freedom of speech contributes to a favorable investment climate by enhancing transparency, stability, and legal certainty, all of which are critical factors for attracting FDI. (Hoehne 2008)

Research Methodology

The research topic is to examine the level of the country's capacity to attract foreign investment inflow and also evaluate the existence of such a factor. The topic is to assess the capacity to attract foreign investment in the oil and gas industry.

The researcher uses a research technique to collect data, and the suitability for choosing a research method, either qualitative or quantitative research, depends on the gap that the research project aims to evaluate and the specific objectives concerning you’re study. (O’Leary, 2020). The research methodology used in the research is qualitative content analysis, a method that allows for an in-depth examination of socio-political, economic, legal, and freedom issues. (Snyder, 2019). The research data used on the topic is secondary data gathered from public sources, government publications, and archives for relevant investment promotional institutions (Ministries) and interviews with investment and Oil and Gas sector experts. (Pérez-Sindín, 2017).

To get accurate and reliable data is important to get sufficient information about cross-cutting institutions. Some data require permissions to be public, or purchased, particularly the institutions responsible for promoting country resources and other institutions involving human rights and peace, and development academies. Cross-cutting institutions are the Ministry of Planning (Coordination), the Ministry of Investment and Industrial Development, the Ministry of Trade Development (Facilitating services), the Chamber of Commerce (Registered name of the company), and the Ministry of Energy and Minerals.

Source of Data

The source of data used in the topic is secondary data, which I have derived from different Institutions, especially the data on below-ground prospectives obtained from the Ministry of Energy and Minerals, above-ground data gathered from government publications, including National Investment policy data from the Ministry of Investment and Industrial Development other information acquired from investment promotion institutions. Furthermore, to understand the gap being filled by this research, it is important to get a snapshot of the policies issued by cross-cutting investment-promoting institutions. (Ruggiano, et al. 2019).

Ministry of Planning and Development	**Ministry of Investment and Industries**
NDP III underpinning themes of resilience and human rights are the key principles of providing the fundamental basis for development. It focuses on investing in Economic pillars (Economy, Energy and Extractive, Infrastructure development, Good governance, Social Development (Education, Health, WASH, and Social protection), Environmental protection, and Judiciary development.	Improved coordination of investment Public-Private Partnership Empowering Small and Medium Enterprises
Ministry of Trade and Tourism	**Ministry of Energy and Minerals**
Access of key MSME stakeholders, across all sectors of the economy, to the Government through Somaliland's Public-Private Dialogue (PPD) platforms. Creating full and fair opportunities for all, including marginalized groups and disadvantaged regions of the country. Support for developing and creating an open market and competitive MSME sector and economy.	Encourage petroleum exploration by attracting qualified oil companies and other investors. Encourage the development of Somaliland's industrial base. Establish mechanisms to benchmark performance against the oil companies.

To address the selection criteria, reliability, and coding procedures of the secondary data used in the study, data were obtained from relevant investment promotion institutions, including official reports and strategic documents. Proven data confirming the presence of oil and gas resources in the region were accessed through the Ministry of Energy and Minerals. Additionally, key investment and development policies, as well as the National Planning Policy, were reviewed and cited from the Ministry of Planning and other cross-cutting institutions. These sources were selected based on their credibility, relevance to the research objectives, and their role in shaping the investment climate in the oil and gas sector.

There is a lack of collaboration between cross-cutting institutions; therefore, this study identifies critical gaps in existing investment promotion institutions that hinder the attraction of foreign direct investment and also highlights areas that require collaboration among various institutions to enhance their effectiveness and create a more conducive environment for investment. The secondary data was used to systematically evaluate, interpret, and synthesize. (Kyngäs, H. 2019).

Research Findings

Analyzing or discussing the findings of the research comes after the author presents the findings of the research. This research is qualitative, and the method is content analysis from relevant citations. The research originally begins with intellectual questions of ‘‘**Assessment capacity to attract foreign direct investment in Oil and Gas sector’’** and the ultimate goal is to study or investigate crucial factors that encourage FDI. This chapter analyses or concludes the levels of targeted factors that encouraged foreign investors and also identifies areas to attract foreign direct investment, particularly International oil and gas companies.

Improved or required areas to measure in Somaliland are noted above; each factor will demonstrate how Somaliland has improved. Furthermore, the vital thing in this research is to highlight the lacking areas where the cross-cutting institutions collaborate easily on ways to improve or enhance efficiency on crucial factors.
The following factors we will suppose are the main driving factors or encouraging factors for foreign investment, particularly International oil and gas companies, and are;

Below-Ground Productivity
The aspect of the below-ground factor of oil and gas productivity in Somaliland is clear, regarding ongoing exploration activities in Somaliland. Recently, many oil and gas companies requested exploration licenses from the Somaliland government (de facto state), which is registered London Stock Exchange. Presently, international oil and gas companies operating in Somaliland have 21 licences and are: Genel Energy, DNO, ANSAN, and Rak Gas. (Mohamoud, 2018).

In 2009, TGS- NOPEC geophysical company completed and processed the interpretation of a speculative seismic and aeromagnetic survey in Somaliland, which consisted of 5,300 km of marine 2D seismic. Approximately 34,000km of high-resolution aeromagnetic data cover the onshore area. In January 2018, BGP Inc., a Chinese national seismic contractor, surveyed 3,500 km of 2D seismic acquisition for Genel Energy on blocks SL6, SL7a, SL10, and SL13. In July 2018, 800 km of 2D seismic data were acquired for RAK GAS on block SL 9. In 2019, Genel Energy and RAK Gas performed further or detailed studies to increase the probability of finding a commercial accumulation and decrease the risks of unsuccessful drilling. Both of them carried out micro-seepage and macro-seepage.

Above-Ground Encouraging Factors
Socio-Political Stability of Somaliland
Somaliland, a self-declared and unrecognized state, recently marked thirty-four years of de facto independence from the Somali Republic. However, under international law, it remains a part of Somalia, and both the international community and the Federal Government of Somalia continue to regard Somaliland as a constituent region of the Somali state.

Somaliland has transformed into one of the Horn of Africa's most stable democracies. Over the past decade, its citizens have participated in five electoral processes. (Abi, 2024). This commitment to democratic governance has fostered a sense of stability and self-determination, setting Somaliland apart in a region often marked by conflict and uncertainty. In November 2024, the 6th president of Somaliland was elected in a fair and democratic election.

One notable weakness in the socio-political system that requires improvement is the role of the traditional leadership, which in many ways gets mixed up or looks hybrid system with the executive role and mandate. The ever-growing mutual influence of the two sides at times becomes an obstacle to the democratic system and encourages nepotism and mismanagement of projects.

Economic Status of Somaliland

Somaliland's economy is defined by principles of economic liberalism, free enterprise, and competition, with minimal government regulation to foster dynamism and growth. Over the past thirty years, Somaliland's economy has seen a significant transformation. The livestock sector, which has traditionally been the dominant part of the economy, continues to face challenges from various man-made and natural disasters.

A new policy shift has emerged by promoting economic diversification. This policy recommends that the government encourage the growth of various new sectors, including the Extractive sector (Oil, Gas, and Minerals), telecommunications, construction, and other resilient service industries. Gold mining currently plays a major role in the economy, even though the mining is done somewhat disorganized way, where much of the revenue pay-passes through the government, due to the remoteness of the mining areas, and some illegal mining.

The Infrastructure of the country is marked as the least ranked infrastructure in the world, but there has been extensive improvement in road construction for the last ten years, and also improvement of Berbera port, which is the main gate of the country. Dubai Port (DP) World was granted a 30-year concession to expand, modernize, and manage Berbera Port in a deal valued at around USD 442 million. The agreement also involves developing the Berbera Corridor, which connects the port to the Ethiopian border.

Energy is one of the key driving factors for a newly industrializing, middle-income economy, and providing a high quality of life to all its citizens in a clean and secure environment. Somaliland's electricity access is limited, and the cost is higher than in East African Countries (Ethiopia, Kenya, and Uganda). The electricity cost in Somaliland is around **1**$ dollar per kilowatt, this price is one of the highest electricity costs in the world. In contrast, the rate of electricity cost in the neighboring country of Ethiopia is approximately **0.05$** per kilowatt. The factor that caused electricity access to be limited and expensive in Somaliland, **99%** of power generators use diesel. (LASER. 2016).

The improvement of the electricity sector in Somaliland was supported by international donors such as the World Bank, the UK, NIS Foundation, and USAID. Implemented projects include ESRES, SEAP, SESRP, PROSPERIS, and the Berbera Solar Project funded by the UAE. Below are the projects supporting local electricity suppliers to minimize the cost of electricity.

Table 4.1
Energy projects contribute to cost efficiency.

Location	**Partners**	**Solar PV**	**Connections**	**Reduced Carbon Dioxide emissions**	**Reduced Electricity Price ($/kWh)**
Burao	HECO	500kWp	34,982	800 tonnes/yr	From $0.70 to $0.40
Gabiley	Sompower	354kWp	3,641	550 tonnes/yr	From $0.8 to $0.5
Borama	Aloog Electricity	400kWp	16,782	622 tonnes/yr	From $0.79 to $0.4
Sheikh	Beder Electricity	200kWp +250kWh battery	1,435	300 tonnes/yr	From $1 to $0.8
Berbera	Berbera Electricity Company	1 MWp +2mWh battery	5,958	1,554 tonnes.yr	From $0.5 to $0.30

One issue that poses a significant challenge to foreign investment is the issue of banking and money transfer into the country from overseas. Since Somaliland is not internationally recognized, direct money transfer from the national bank to other international banks is not possible, and as companies do not usually wish to use other common money transfer agencies due to transparency procedures, the money has to go through the Bank of Djibouti before being transferred to Somaliland. According to the Ministry of Energy and Minerals, this route brings about higher fees as well as delays in delivering the money.

On a positive note for investment is that, unlike several developing African countries, the Somaliland currency exchange is relatively stable (US$1 being around 8,000 Somaliland Shillings). The GDP per capita of the country is marked as one of the lowest in the world, with common about 2 billion received remittances from Somali communities around the world. (UNICEF, 2019).

Legal Framework of Somaliland

The legal framework of a country plays a crucial role in attracting foreign direct investment. Countries with strong legal systems that uphold the rule of law and protect property rights are more appealing to foreign investors. When investors feel their assets are secure, they are more likely to invest. Common law systems are more favorable for other laws, but Islamic laws are the perfect laws for ruling and resolving disputes. In reality, the comprehensive legal framework of Somaliland is a very astonishing law. Recently, some acts, regulations, and policies have been in place, including the foreign investment law, the Upstream Petroleum Act, the Upstream Petroleum policy, the Petroleum Revenue Bill, and the favorable Production sharing agreements. Fiscal regimes of oil and gas in Somaliland are attractive and classified into four components, which are;

a) One-off contract payment (Signature bonus, Discovery bonus, Production bonus, and Benchmark bonus).

b) Annual contract payment (Surface rent, capacity building, L. community fund registration and approval fees).

c) Activity-based contractual payment (payroll tax, withholding tax, capital gain tax, import and export duties, and environmental tax)

d) Production-based contractual (Royalties, production-profit sharing, government participation, and corporate income tax).

Freedom of Somaliland
Freedom plays a significant role in encouraging factors that facilitate the ways to attract foreign direct investment. Developing countries that promote economic freedom characterized by minimal government intervention, open markets, and property rights often become a frontrunner for attracting foreign direct investment. In Somaliland, political freedom has steadily diminished. Authorities exert pressure on journalists and public figures, and minority clans experience both political and economic marginalization. Additionally, violence against women remains a significant issue.

Some of the above-ground factors are favorable, including the rule of law, and political stability, Whereas other areas, including control of corruption, regulatory quality, government institutional capacity, and government effectiveness and accountability, seem to be reasonable but need improvement to attract and maintain such investments from international oil and gas companies So that the fight against corruption should be made more comprehensive and focus on the whole chain of petroleum decision chain rather than the revenue alone.

Conclusion and recommendation
This conclusion section highlights several key factors influencing foreign investment, particularly in the context of Somaliland's oil and gas sector. Despite this, Somaliland presents several encouraging factors. Politically, it has maintained relative stability since it declared independence in 1991, largely attributed to its clan-based governance and traditional leadership structures. Economically, the country supports free enterprise with limited government intervention. However, the lack of international recognition continues to hinder its financial systems, particularly in banking and international money transfers, which must be routed through neighboring Djibouti. Nevertheless, Somaliland has demonstrated monetary stability with a consistent exchange rate, outperforming many African nations in this regard.

In conclusion, Somaliland possesses several encouraging attributes that make it a viable candidate for attracting foreign direct investment in its oil and gas sector. While there is a need for improvements in certain areas, as previously discussed, efforts should be directed toward addressing these internal challenges.

Recommendations
This recommendation is to identify and narrow the objective of the research and the key areas requiring improvement to encourage foreign investment. It is directed to the Somaliland and the relevant authorities.

- ✓ Establish comprehensive petroleum institutions, including a national oil company, regulatory agencies, revenue authorities, and an environmental agency.
- ✓ Provide financial and technical support to the Ministry of Energy and Minerals and national oil companies to develop skilled labor.
- ✓ Boost GDP by investing in sustainable sectors such as agriculture, telecommunications, and extractives (mining).

- ✓ Enhance the legal system by moving away from a hybrid approach rooted in traditional practices to effectively address legal gaps in Somaliland.
- ✓ Engage in lobbying or campaigning efforts to gain international recognition and overcome banking barriers.
- ✓ Improving public understanding of the oil and gas sector exploration and exploitation, its legal framework, activities, timelines, and the associated fiscal instruments
- ✓ Focusing on licensing rounds rather than a direct bilateral approach to get more investment and uphold the transparency required for the awarding of oil and gas blocks
- ✓ Engage with speculative companies to acquire data in order to reduce the information asymmetry between the host country and companies.
- ✓ Improve infrastructure to make resources accessible.
- ✓ Establish and maintain strong and effective cooperation between relevant cross-cutting organizations to avoid a mismatch of approaches and legislation.

Research Theoretical and Contextual Contributions

This research contributes both theoretically and contextually to the existing body of knowledge on foreign direct investment (FDI) in fragile and unrecognized states. Theoretically, it extends FDI discourse by applying established investment models to a unique context, Somaliland, where conventional assumptions about statehood, recognition, and financial systems do not fully apply. This challenges the dominant paradigm that international recognition is a prerequisite for FDI viability, highlighting instead how political stability, local governance structures, and monetary consistency can serve as alternative anchors of investor confidence.

Contextually, this study fills a notable gap by offering empirical insight into Somaliland’s oil and gas sector, an area previously underexplored in academic literature. It provides policy-relevant findings that can guide local decision-makers in crafting targeted reforms and strategies to attract investment, despite international isolation. Furthermore, it offers valuable implications for other de facto states or emerging economies seeking to leverage internal stability and resource wealth in the absence of global recognition.

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