



Assessment Report:

Empowering Somali Businesses through a robust digital platform initiative backed by real-life experiences

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ACRONYMS / ABBREVIATIONS

BBI	Business Banking Institute
EU	European Union
FGD	Focus Group Discussions
FGS	Federal Government of Somalia
GDP	Gross Domestic Product
GO	Guriga Oranje
KII	Key Informant Interviews
MSME	Micro, Small and Medium Enterprises
NDP	National Development Plan
NSA	Non-State Actors
UK	United Kingdom
USD	United States Dollar

EXECUTIVE SUMMARY

Guriga Oranje (GO) is a Somali driven initiative advocating, promoting, connecting, and organizing Dutch-Somali communities in both countries. Strategically, GO prioritizes information and skills development opportunities for local Somali entrepreneurs and jobseekers, advocates for policies promoting trade between Somalia and the Netherlands and building a strong network for the Dutch-Somali diaspora.

Guriga Oranje seeks to develop a digital platform supporting the growth and resilience of local Somali MSMEs in the agribusiness, energy, and water sectors. To enhance GOs understanding of Somali MSMEs capacity and existential challenges as the organization develops this digital platform, GO undertook an assessment of Somali MSMEs. The assessment covered (i) Somali MSME Capacity, (ii) Challenges Faced by Somali MSMEs and (iii) initiation of a Somali MSME digital platform.

The Somali MSMEs Assessment utilized stakeholder consultative approaches to build understanding on the Somali MSME sector. Twenty Somali MSMEs were engaged during the assessment with 13 of them being agri-business firms, 6 being from the energy sector and the rest being service providers in Mogadishu's water sector. Assessment findings show that Somali private firms/companies are predominantly partnership based with women having a 50% involvement in the ownership structure (20% of the firms employ women) while youth only have a 30% ownership involvement).

The Somali MSMEs have fairly robust organizational structures and documentation. Challenges facing Somali MSMEs include: (i) poor technical staffing levels, (ii) high costs of production, (iii) lack of access to formal credit sources, (iv) weak governance and regulatory structures, (v) lack of local standardization and quality assurance mechanisms and (vi) high exposure to global shocks.

The assessment finally recommends key elements of support areas for Somali MSMEs through a digital platform. The key elements for a Somali MSME Digital Platform include: (i) enhancing access to real time information for both the MSMEs and the public, (ii) Enhancing MSME networking and collaboration, (iii) enhancing access to environmental and climatic patterns for agri-businesses, (iv) empowering affordable MSME system automation, (v) enhancing access to markets / digital marketing platforms, (vi) enhancing access and linkage to formal credit providers and, (vii) enhancing access and linkage to Business Development Services providers.

1.0 INTRODUCTION AND BACKGROUND

After experiencing more than three decades of clan-based conflict and political upheaval, Somalia is now firmly on the path towards post conflict recovery. Somalis are currently engaged and driving the post conflict recovery narrative of their country from both within the country and from outside the country. There is marked political and social goodwill by Somali professionals and Somali diaspora communities to drive the socio-economic and political development of their country in what can best be described as the “Somali Socio-Political and Economic Renaissance”.

The Somalia diaspora communities, including refugees in neighboring countries, are scattered all over the world. The most important settlement countries for Somali diasporas are identified as the UK, US, Sweden, South Africa and the Gulf states (Kleist and Abdi, 2021). Meester, Uzelac and Elder (2019) contend that Somali migrants in the diaspora are characterized by their ability to adapt their ‘nomadic’ heritage to life in displacement, maintaining a high degree of mobility and strong social networks. As such, Meester, Uzelac and Elder (2019) opine that the Somali Diaspora are best approached as a transnational community spanning multiple countries, rather than a static diaspora settling into a new country while maintaining ties to Somalia. This multi-country community exerts multi-locational and multi-directional transnational influences on socio-political and economic decision-making processes whose impacts and influences are felt in Somalia (Kleist and Abdi, 2021).

A large number of Somali diaspora has been returning to their homeland (Somalia) in the past two decades to establish businesses and non-governmental organizations to help rebuild the country while also maintaining strong ties with their second home countries, primarily the United States and Western European countries. Among the returnees is a significant and active diaspora group of entrepreneurs from the Netherlands. This assessment aimed to study the opportunities and challenges encountered by these entrepreneurs and their initiatives in Somalia as well as their contributions to the local economy. The study on Somali MSMEs sought to explore the following issues:

- The slow pace of growth of micro, small, and medium-sized businesses.
- The lack of sufficient technical and operational skills and the mismatch between skilled workers and employers is considered to be a major challenge facing these businesses.
- The lack of capacity to cultivate the growth of MSMEs due to their inability to professionalize, train and develop their employees, specifically recruiting, onboarding, and retaining their existing staff talent which will enhance their technical and operational skills as companies.
- The impact of the lack of / the weak regulatory structures at both the Federal and Local levels.
- Challenges and barriers specifically faced by women-owned businesses which often face even more growth constraints, especially difficulties in accessing finance.
- Limited institutions that provide consultancy services that would address these challenges.

¹ Kleist, N., and Abdi, M., (2021) Global Connections: Somali diaspora practices and their effects. Rift Valley Institute

² Meester, J., A. Uzelac, and C. Elder (2019) Transnational capital in Somalia: Blue desert strategy.

Clingendaal – Netherlands Institute of International Relations. A CRU Report.

2.0 METHODOLOGY AND APPROACH

To execute a successful assessment of the Somali MSME Sector in Mogadishu, the consulting firm BBI utilized a mixed methodology. The first tool/approach in the mixed methodology was consultative meetings with the client; during these meetings, BBI met with the GO leadership to enhance the consultants understanding of GOs expectations. During this meeting, a consultative situational analysis was undertaken by the GO and the BBI. These meetings also served to set the scope of the MSME Assessment while also setting the pace for the consultative execution of the assignment by BBI.

The second tool in the mixed methodology relied on various forms and sources of data to inform the study. In particular, the assessment utilized both secondary and primary data to build understanding on the Somali MSME sector. Literature review was the primary strategy that was used to collect secondary data which was used throughout the study from inception, development of data collection tools and identifying stakeholders to be engaged in the data collection and in the drafting of the assessment report. Literature review was an important component in informing the design and development of both the data collection tools and framing the inception report including finetuning the methodological approach for the assessment. BBI also utilized both Qualitative and Quantitative primary data collection tools in the assessment.

2.1 Data Collection

Primary data was collected using Key Informant Interviews and Quick Surveys as the key tools. The table below summarizes the key data types utilized in the MSME Assessment:

Data Collection Approaches and Tools

Data Category	Approach / Tool	Metrics
Secondary Data	Literature Review	Over 20 Reports Reviewed 10 Reports Referenced
Primary Data	Key Informant Interview	20 KIIs Conducted
	Quick Survey – Enterprise Profiling	20 Quick Surveys Conducted • 11 Agribusiness • 6 Energy • 3 Water Sector

To assess the needs of the target population and to identify existing challenges facing Somali MSMEs, BBI deployed an open ended KII guide and a semi structured Quick Survey Tool to collect MSME Specific data. The KIIs were administered on 20 representatives 20 selected MSMEs and representatives from MSMEs. KII participants were selected through purposive sampling taking into consideration the candidates' expertise, experience and knowledge about the MSME in question. The study also used snowball sampling or networking where respondents were located through referral networks within the membership of GO. Researchers got the initial KII contact details from GO which was then followed by referral or networking continues until the target number of participants was fully attained. BBI experts used the open-ended guiding questionnaire (attached herein as Appendix I) to obtain a thorough description of key priority

areas of the study. BBI further administered a structured quick survey tool of the selected 20 MSMEs for the assessment and collection of comprehensive, essential data on the targeted MSMEs. The structured quick survey tool sought to identify the specific enterprise traits of the targeted Somali MSMEs. Appendix 2 illustrated the Quick Survey Tool.

2.2 Data Analysis Systems

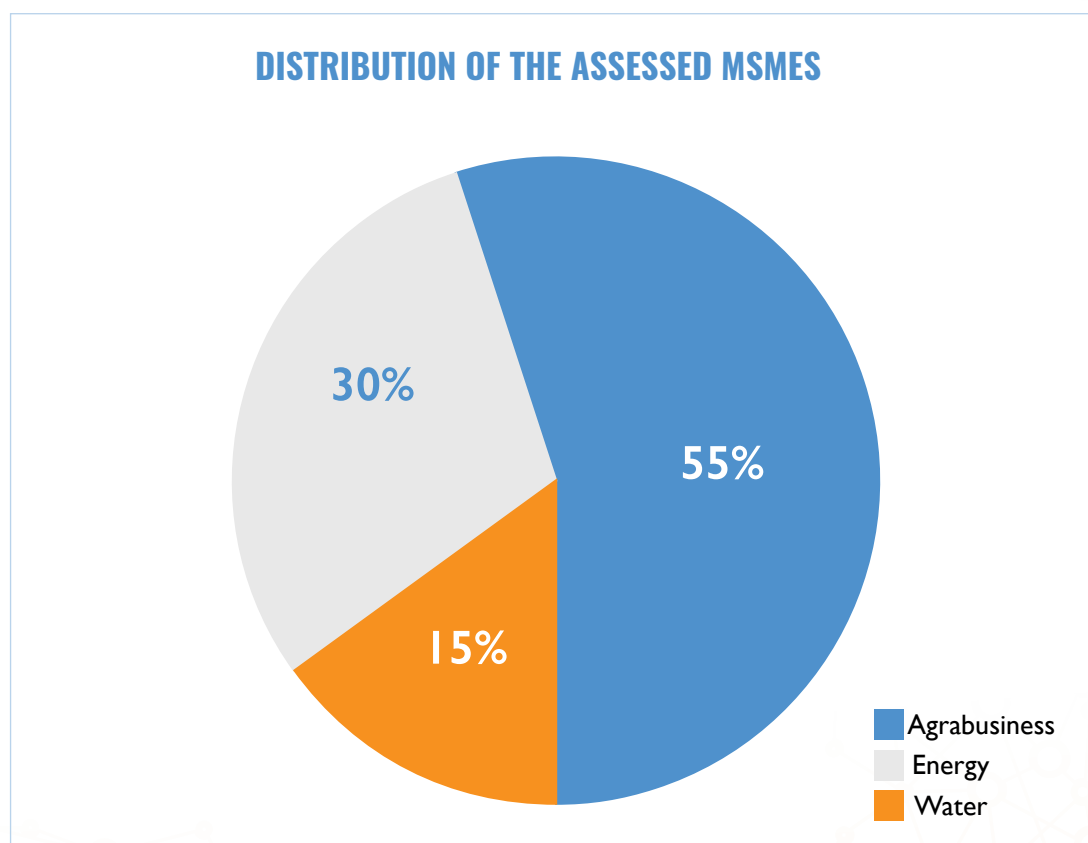
BBI recruited, engaged and trained 3 qualified and highly experienced enumerators who were tasked with the supervised collection of data from the identified MSMEs operating in Mogadishu. The Field Research Coordinator and Monitoring and Evaluation Specialist received (daily) hard copies of the duly filled questionnaires and other survey instruments and thereafter supervised data entry using a standard data entry scheme. The collected data was coded and entered into the Statistical Package for Social Sciences (SPSS) V20 and the entered descriptive analysis undertaken. For effective communication of results, BBI presents the findings using both tabular and graphical representations (tables, histograms, bars, and pie charts). BBI analyzed the data using an interpretative approach that relies on patterns, categories, and themes of responses that each question generates. These then form the foundation of the analysis. BBI utilized quantitative and qualitative analysis of the gathered data coupled with thematic analysis to identify key themes.



3.0 FINDINGS

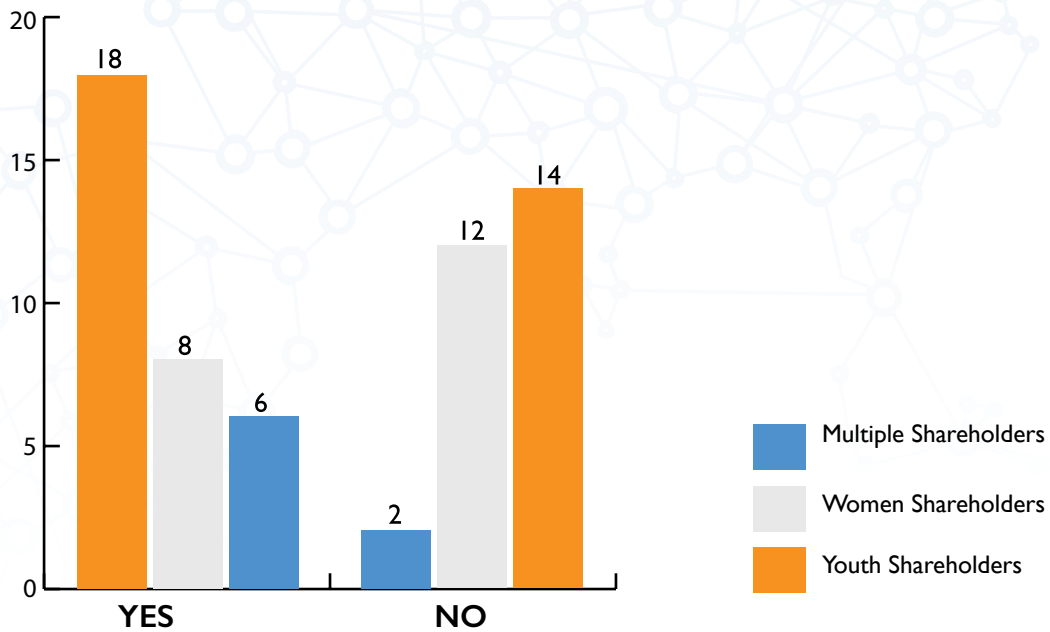
3.1 Somali MSME Business Profiles

A total of 20 business MSMEs participated in this assessment. A total of 11 agribusiness, 6 energy sector, and 3 water sectors were assessed during the assignment. This translates to 55% of the assessed firms being engaged in agri-business (all agri-business firms assessed were engaged in agricultural production and the sale of agricultural produce). 30% of the assessed MSMEs were engaged in the energy sector with all these firms engaged in the supply and installation of solar energy systems. 15% of the assessed MSMEs are engaged in the supplier and distribution of water to households in Mogadishu.

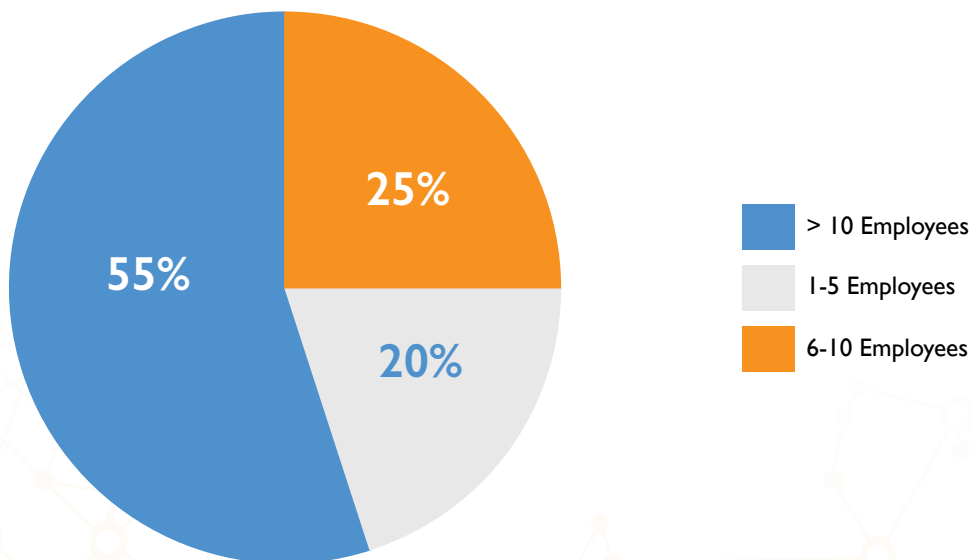


85% of the assessed firms had partnerships with clearly defined shareholding as their ownership structure, with 15% being operated as sole proprietorship as owner operators. At the same time, 50% of the assessed MSMEs had women as part of the ownership structure while about 30 percent also had the youth as shareholders in the company's ownership structures.

MSME'S OWNERSHIP STRUCTURE



In terms of employee engagement, 50% of the assessed MSMEs had engaged over 10 employees with Solargen having the highest number of employees at 346 employees. 25% of the MSMEs had under five employees while the final 25% had between 6-10 employees. Looking at the gender distribution of the employees, 50% of the MSMEs had women employees as part of their workforce. However, when looking at the proportion of female to male employees, a majority of the MSMEs had below 20% of the total workforce being women thus pointing to marginalization of females in the MSME workforce engagement. This may be attributed to either skills or religious – cultural roles of men and women within the Somali society.



In terms of the operational experience of the assessed MSMEs, only 15% of the MSMEs had been established in the pre-2010 period with a majority of the MSMEs (65%) having been established in the period 2016-2020.

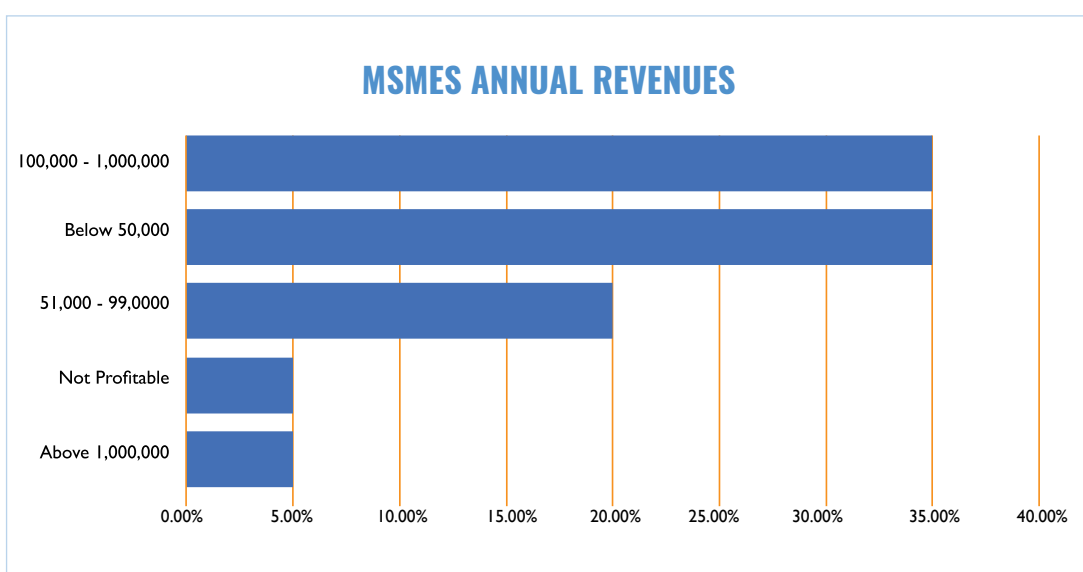
Year of Establishment	
Before 2010	3
2011 – 2015	2
2016 - 2020	16
2021 - Date	1

This points to the potential positive effects of increased political stability in the country on private sector operations as well as the contribution of the private sector to the post conflict recovery in the country. On the other hand, in terms of operational presence, a majority of the assessed MSMEs i.e., 65% had more than one office while only 35% were operating from one office location.

Number of Office Locations	
Number of companies operating out of one office location	7
Companies with more than one office location	13

Looking at the annual MSMEs revenues, 50% of the MSMEs had annual revenues falling below 100,000 USD while the rest had slightly above this figure. Importantly, one MSME reported to have been experiencing losses owing to adverse impacts of the Covid 19 pandemic while only

one from the energy sector reported annual revenues of above 1,000,000 USD. It is however important to note that all the MSMEs that registered revenues below 100,000 USD were in the agribusiness sector while the MSMEs in the energy sector reported revenues of above 100,000 USD. This calls for sustained efforts to address agribusiness profitability through capacity building and value chain development/support.



3.2 Somali MSME Capacity

Findings from the assessment showed that most of the organizations had moderate to strong organizational systems in place. Across all the metrics, the MSMEs with the assessed systems in place ranged between 80% to 95%. Key areas of concern were inexistence of the written corporate structure (15% of MSMEs), not undertaking annual organizational audits (15% of MSMEs), lack of marketing plans and strategies (20%) and inability of 20% of the MSMEs to generate fresh employment opportunities. Across the rest of the metrics, 95% of the targeted MSMEs had the required systems/strategies in place.

The assessed businesses predominantly traded within the local sector with their suppliers and clientele being locally based within the country and in particular their immediate surroundings. Whilst, about 50% of the MSMEs had more than one office, these were predominantly local satellite offices. This points to an opportunity for increased linkage and collaboration between

the local MSMEs and regional/international MSMEs networks and businesses. This can also provide an opportunity for local MSMEs exposure to regional and international business operational, management and technological approaches as well as collaboration in marketing products and sourcing inputs thus enhancing enterprise profitability.

During the assessment, below 9 key thematic areas focusing on organizational capacity were assessed i.e., existence of:

- Written corporate structure,
- Annual budget,
- Business strategy,
- Annual financial audit,
- Annual financial reports,
- Profitable operations in 2022,
- Marketing plan,
- Job creation in 2022, and
- Utilization of computerized financial and operational systems.

3.3 Key Challenges Faced by Somali MSMEs

MSMEs operating in Mogadishu in general are faced by numerous challenges that can be categorized as systemic, contextual, internal/external, etc. The assessed MSMEs highlighted the following as the common challenges that MSMEs are faced with in Mogadishu:

- Lack of experienced technical staff
- High Production Costs
- Lack of Access to Credit
- Weak governance and regulatory structures
- Lack of Standardization & Quality Assurance Bodies / Mechanisms
- Global Shocks

3.3.1 Low Engagement of Technical Staffing

Internally, the assessed MSMEs highlighted the lack of experienced technical staff as a key challenge impacting on their performance. Closely related to this, the MSMEs also experience challenges with attracting and remunerating highly skilled technical staff who will usually be few and highly sought after in the various industries. This challenge is further compounded by the acute graduate skills vs MSME technical skill demand among Somali youth besides graduate youth apathy when it comes to exploring job opportunities in the Somali MSME sector (Muse, 2021)

At the same time, the MSMEs also experience high rates of staff transition among the technical staff. This will often affect their consistency in production and the quality of services and products provided/delivered. At the same time, the highly experienced and qualified technical staff will ordinarily have high labor costs which has often forced the MSMEs to rely on imported labor from the neighboring countries in Africa.

³ Muse, M. Hassan, (2021) Is Unemployment A Choice In Somalia? How We Got Into 67% of Unemployment? Somali Business Review. <https://sbr.simad.edu.so/2021/11/16/is-unemployment-a-choice-in-somalia/>. Accessed on 12th Aug 2023: 12:13 PM

3.3.2 High Production Costs

High production costs in Somalia can be attributed to a number of factors including: (i) the lack of a local manufacturing industry, (ii) high costs of labor acquisition and retention, (iii) challenges in availability and access to local productive resources such as water and inputs such as seeds, pesticides and equipment, (iv) high costs of security, (v) inconsistent direct and indirect taxation regimes from different actors, and (vi) poor state of productive public infrastructure, such as roads. Poor infrastructure conditions lead to higher costs of operation in transportation and irrigation, longer production and transportation times, lower productive yields etc., increased operation and maintenance costs etc.

3.3.3 Constrained Access to Formal Sources of Credit

The high costs of production have often required higher levels of access to credit facilities. While Somali businessmen / community often enjoy access to informal forms of credit, they are faced with challenges in accessing formal sources of credit. Formal credit has the potential to be for bigger amounts and to be associated with other positive outcomes such as investments in better MSMEs governance and management systems as well as capacity building of the technical teams.

3.3.4 Weak Governance Structures

Weak governance at both the MSME levels and at the local and national governance levels also serve as a key challenge to the operation and success of MSMEs in Somalia. Admittedly, an increasing number of Somali MSMEs have developed internal governance guidelines/documentations aimed at improving their own internal governance/management processes. Key challenges remain at the socio-political governance levels which is still characterized by the lack of clarity when it comes to the regulatory regime impacting on MSMEs and the entire private sector. At best, the regulatory regime has been incoherent while often, it is lacking. As a result, the MSMEs in Somalia are exposed to often ad hoc regulatory and taxation measures. Further, MSMEs are negatively affected by the various forms of corruption that are prevalent in Somalia thus serving as a bottleneck in MSMEs operations.

Weak socio-political governance structures often result in political instability and the common insecurity challenges that MSMEs must navigate. Insecurity directly contributes to high levels of indirect taxation especially when businesses must operate in locations that are not under the control of the formal government. Even then, the existence of poor infrastructure and numerous roadblocks and checkpoints negatively contribute to the cost of doing business and further pose logistical challenges in the MSME supply chain.

3.3.5 Lack of Formal Domestic/International Standardization and Quality Assurance Bodies / Mechanisms

This arises due to gaps in government regulatory services is another key challenge that Somali MSMEs must navigate. The agribusiness sector is particularly negatively impacted by this as it has often resulted in inconsistencies in agricultural yield levels. At the same time, inputs are imported from different countries often with no climatic correlation to Somalia thus affecting the agricultural productivity/yields. At the same time, banned and unsafe pesticides are available on the shelf thus leading to the possibility of toxic residue in consumed food products as well as pesticide and drug resistance. Without the existence and adherence to standards, it is literally impossible for Somali products to be sold internationally thus limiting the markets which Somali MSMEs can access.

3.3.6 Localized Effects of Climate Change

The MSMEs are also faced with the effects of climate change in the country and their impacts on production. In the agricultural sector, there have been increasing effects of climate change characterized by increased and longer drought cycles thus exacerbating the Somalia's water scarcity challenges while there are reportedly increased pest infestations such as the recent desert locust invasion across the Horn of Africa.

3.3.7 Global Issues

The Somali MSMEs are also exposed to global issues such as the Covid 19 pandemic which disrupted global supply chains thus negatively impacting on the costs of acquiring international products especially using global supply chains. At the same time, the War between Russia and Ukraine has also had a negative impact on the cost of productive inputs thus on average increasing the costs of imported goods. Currently, the commodity price inflation driven by the international US Dollar Rate Inflationary pressure is wreaking havoc on the international trade dynamics. This is having more acute effects on MSMEs in Somalia as many of the raw materials that they utilize are imported.

3.4 Comparative Advantages of Somali MSMEs

The comparative advantages that the Assessed Somali MSMEs revolve around access to a large and untapped market that offers potential for exponential growth during the country's socio-political and economic reconstruction. Somalia's natural resources are still largely untapped and provide opportunities for innovative start-up MSMEs in the energy, agricultural and water sectors (Shariff, 2012). Adoption of innovative technologies from across the world through the diaspora network provides an opportunity for technology and skills transfer into the country.

Somali MSMEs also largely rely on their reputation and clan / community networks from growth and capitation; these are often bound by kinship and trust (Shariff, 2012). This has often provided a soft form of accessible low risk and unconditional source of credit for Somali MSMEs. Assessed Somali MSMEs also cited their location, product diversity and high profitability as key comparative advantage areas.

3.5 External MSME Support History

External support is critical in promoting MSME growth and profitability. Of the assessed Somali MSMEs, only 30% had received external support in the recent past.

External support is provided by several private sector and NGOs based actors. The identified external support providers for the MSMEs included USAID GEEL, NRC, JA Solar, African Power Company, and local banking institutions. The external support provided largely fell in the areas of technical support (capacity building and technical skills development) and financing to either expand the working capital or purchasing equipment and assets.

⁴ Shariff, M. Mohamud 2012. Somalia can be reborn as a country of progress and prosperity. The Guardian: Poverty Matters Blog; Global Development. Uploaded on Wed 22 Feb 2012 21.16 GMT and Accessed on 12th Aug 2023 from: <https://www.theguardian.com/global-development/poverty-matters/2012/feb/22/somalia-reborn-progress-prosperity>

3.6 Proposed Somali MSME Support Areas

The assessed MSMEs identified the following as the potential priority MSME technical and capacity support areas that would benefit them. Most of the assessed firms identified business development training as one of the priority support areas that would benefit the MSMEs. In particular, the targeted MSMEs have identified financial management, agri-production, climate change adaptation, irrigation technologies, supply chain management, value addition, marketing and networking as the potential skills development areas that would benefit the MSMEs.

The other priority MSMEs support areas have been identified as access to low-cost and high-quality inputs, productive equipment, and access financial grants/resources to bolster working capital. Others include piloting and introduction of new technologies for the MSME's adoptions. Interventions geared towards infrastructural rehabilitation and support would enhance MSMEs performance and reduce operational bottlenecks. Roads, irrigation canals, public and community water sources, public/communal market spaces.

Beneficial MSME Support Themes	Proposed MSME Support Components	
Capacity Building	Technical Skills	Use of Technology
		Climate Smart and Climate Adaptive Agricultural technology
		Water irrigation systems training
		Laboratory seeds training
		Shallow wells construction
	Management / BDS Skills	Sales & Marketing, and market access training
		Financial Management
		Business Development training
		Supply chain management
		Quality assurance training
		Networking skills
		ICT Skills
		Data management and statistical skills
		Research and development
Equipment	Irrigation solar pump	
	Energy support	
	Cultivators / seed drills	
	Green houses	
	Irrigation equipment and channels	
Inputs	Seeds	
	Veterinary medicines	
Financial Support	Financial grants	
	Access to financial resources	
	Transportation support	
	Climate change adaptation financing	
Infrastructure	Cold storage facilities	

Investments in networking and marketing platforms through which Somali MSMEs can showcase and sell their products will go a long way towards enhancing MSME performance in Somalia. Other key areas of priority intervention are in the standardization of inputs particularly for the agri-businesses engaged in agricultural production.

Furthermore, use of appropriate and well-suited seeds will contribute to increased agricultural productivity thus enhancing enterprise profitability. Addressing regulatory bottlenecks and security concerns that negatively impacts the ease of doing business will also go a long way towards promoting Somali MSMEs performance.



3.7 MSME Proposals for the Proposed Digital Platform

The assessed Somali MSMEs have specific design needs and uses for potential digital platforms; this section looks at some of the critical design elements/attributes for the proposed digital platforms. Some of the key issues that should be considered in such a platform include:

- **Enhancing access to real time information** for both the MSMEs and the public / buyer: Information can be provided on opportunities for collaboration, commodity pricing and supplier details and locations, weather and climatic patterns and forecasts, emergency news updates and bulletins, client testimonials and referrals.
- **MSME Networking and Collaboration Hubs:** Digital platforms can help MSMEs to connect with other businesses, suppliers, and customers. This can help MSMEs to share information, learn from each other, and collaborate on projects / trade partnerships. Importantly, with such an approach, such a digital platform can be used to link Local Somali Based MSMEs with diaspora and international trade and partnership opportunities.
- **Enhancing information access to agri-businesses especially towards environmental and climatic patterns:** Farmers must have readily available, accurate, and current information on crop prices, weather forecasts, pest control, disease management, and agricultural techniques for agricultural MSMEs. Access to such information can enhance the agribusiness' early preparedness while enhancing the adaptation to the frequent climatic related risks and shocks such as floods, drought and pest infestations.
- **Enhancing Access to Affordable System Automation:** For the MSMEs providing services, digital platforms can be used for billing, and tracking usage thus enhancing transparency and building trust while also enhancing MSME's efficiency. This can also be used by MSMEs dealing with commodities as the customers can use automated digital platforms to order, give feedback and review purchased products, execute payments etc. This will result in improved customer service and satisfaction as it will also provide a mechanism through which customers can give feedback to the MSMEs on their products and services.
- **Enhancing Access to Markets:** Digital platforms also have the potential for expanding market access both locally and globally as they can serve as market linkage hubs between sellers and buyers. This global outreach opens doors to higher selling prices and a broader customer base, increasing profitability and market reach. Online stores, provide opportunities for increased sales for the MSMEs and can eliminate the need to maintain significant physical sales points. With proper planning and implementation, digital e-commerce platforms can reduce marketing costs for MSMEs in Somalia.
- **Enhancing Access and Linkage to Formal Credit Facilities Providers:** Digital platforms can also be used for B2B linkage and collaboration, providing mechanisms through which local MSMEs can be linked to international business development and credit facilities providers. Through the registered and accredited platform members, quick linkage to BDS Services and Formal Credit opportunities can be availed to members alongside opportunities for consistent business capacity development. Digital platforms can grant farmers convenient access to financial services like loans, insurance, and savings accounts. This accessibility empowers farmers to invest in their businesses and withstand challenging circumstances.
- **Enhancing Access and Linkage to Business Development Services:** Digital platforms can provide a mechanism through which targeted and focused business development service providers can be linked to registered Somali MSMEs that onboard onto the digital platforms. This would form a quick mechanism through which BDS providers and initiatives identify MSME partners to work with given their strategic objectives. At the same time, the digital platforms can be used to link Somali MSME to international and regional mentorship and business incubation opportunities.

4.0 CONCLUSIONS

This MSME Capacity Assessment entailed detailed consultations with 20 Banadir based MSMEs in the agri-business, energy and water sectors. From the results of the assessment, BBI determined that a majority of Somali MSMEs (85%) are partnerships with about 50% of them having a woman in the ownership structures while the youth will often be engaged in the ownership of about 30% of Somali MSMEs. MSMEs are significant employers in Somalia with 75% of the assessed Somali MSMEs engaging 6 employees and above with about 20% of their employees being women.

A majority of the MSMEs were established post 2016 pointing to an improvement in the business climate as socio-political and economic recovery processes pick up pace in Somalia. This points to the importance of governance stability to MSME performance and profitability. Importantly, this also points to the role of Somali diaspora in MSME growth and performance as the governance/post conflict recovery timeline is correlated to Diaspora returns and an increasing role of Diaspora returnees in the local Somali Economy.

With 13 of the 20 assessed MSMEs being drawn from the agri-business sector, it is informative that more than 50% of the assessed MSMEs reported revenues of below USD 100,000. On further analysis, all the MSMEs with revenues below USD 100,000 were agri-businesses thus pointing to an acute investment and capacity building need for Somali Agri-businesses. The assessed firms in the Energy and water sectors showed reasonable profitability with even one—Solargen raking up revenues above USD 1,000,000.

A high proportion of the assessed Somali MSMEs reported to have the requisite organizational documents and structures in place. A few of the assessed firms reported gaps in the areas of: (i) having a written corporate structure, (ii) having marketing plans and strategies in place and low / limited enterprise growth and expansion.

The assessed companies reported several challenges which can be identified as the key challenges that Somali MSMEs face. These are: (i) Inaccessibility of highly qualified technical staff, (ii) high production costs, (iii) lack of access to formal credit, (iv) weak and unpredictable governance and regulatory structures, (v) lack of local standardization and quality assurance mechanisms, and (vi) exposure to global shocks.



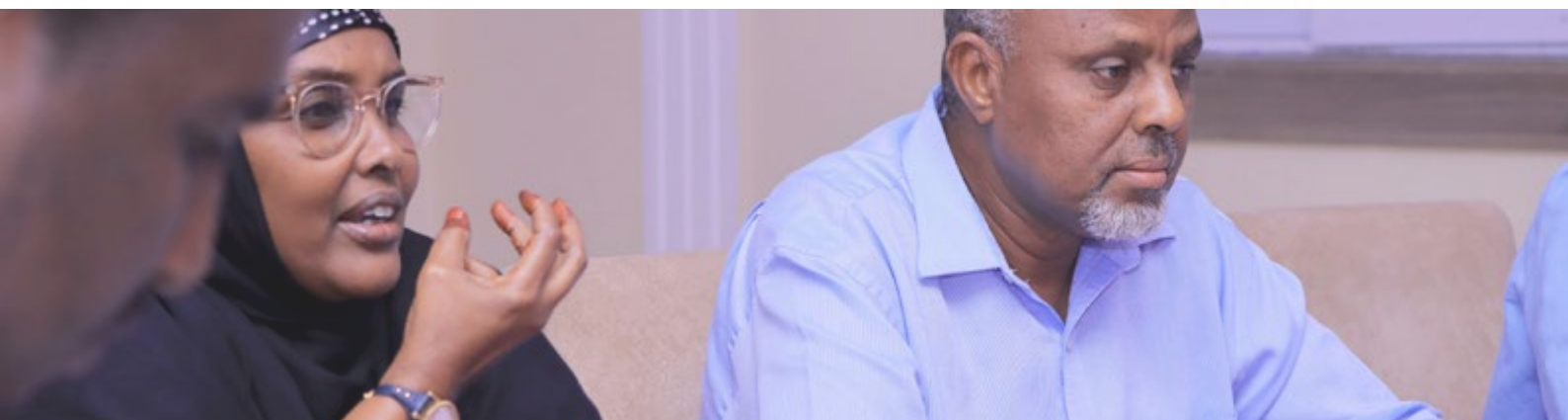
5.0 RECOMMENDATIONS

To contribute to the growth of the resilience Somali private sector, there is a great need to focus on re-inforcing identified comparative advantages of the Somali MSME sector. These were identified by the assessed firms to include:

- The largely untapped Somali market and resources given that Somali remains a net important of most commodities including agricultural produce.
- A high youthful population that can easily be turned into a ready innovative workforce driving the MSME sector in the country.
- Strong networks and linkage with the diaspora community which can provide technical innovation and knowhow.

Potential digital platforms that can have positive impacts on Somali MSMEs should at a minimum enhance access to information for both MSMEs as well as their clients thus contributing to efficiency and transparency. At the same time, such platforms should also enhance MSME collaboration and trade while also enhancing access to credit facilities. Platforms that can also be leveraged to deliver capacity support, mentorship with local, regional, and global providers will also be successful. At the same time, future potential digital platforms should also cover the skills and capacity gaps of the Somali MSMEs by providing opportunities for capacity building and skills development.

Emphasis should be put on leveraging North-South Collaborations for skills transfer through actual training and mentorships. Further the digital platforms should provide opportunities for investment support and linkage for the Somali MSMEs from the global North with a particular focus on leveraging diaspora investments into Somalia.



6.0 APPENDECES

5.1 KII questionnaire

GURIGA ORANJE

CONDUCTING CAPACITY ASSESSMENT, IDENTIFYING EXISTING CHALLENGES, PROPOSING SUPPORT PACKAGES FOR MSMEs IN MOGADISHU

KEY INFORMANT INTERVIEW QUESTIONS

The aim of the key informant interviews (KIIs) is to conduct a capacity assessment, identify existing challenges, and propose support packages for MSMEs in Mogadishu. The information and the outcome of this study will support the establishment of a digital platform to support the growth of Micro, Small, and Medium Enterprises (MSMEs) in Mogadishu.

Personal Information

Business Location: _____

Gender: M F

Age: _____

Employment status: ☐ Employee ☐ Manager ☐ Owner ☐ Partner

Level of Education: None primary secondary vocation college diploma bachelors masters

Residence: _____

No.	Key Question	Probing Question	Findings (Please use this area as your note-taking space for finding).
1	Please briefly describe yourself.	Describe your background, what you mainly do, and what kinds of preparations helped you become a successful entrepreneur.	
2	Tell us about your most important business accomplishment thus far in your life.	Determine what assets, skills, knowledge, and other factors allowed you to become successful.	

3	Describe the nature of your enterprise.	Determine the startup date, the core business activity, product/service, form (solely owned, cooperative, partnership, local club, etc.), industry, and model (production, distribution, retail, service, etc.).	
4	What is your monthly income?	Determine monthly business revenue. Determine monthly expenses of operating the venture and net profit. Determine what qualities make the venture maintain profitable prices. Determine whether the market of this venture is growing or shrinking. If possible, determine the annual turnover of 2021 and 2022 and the projected annual turnover of 2023 and 2024.	
5	What are your internal control and cash control mechanisms?	Determine business management skills, accounting/finance procedures, training, strategies, and knowledge that can be replicated.	
6	Who are your suppliers?	How do you choose your suppliers? How do you maintain good business relations with them? Determine location (local, international, etc.) and what they supply and how as well as challenges.	
7	How many workers are in your business?	Determine the number of males and females. How many of them are youth? How many of them are full time and how many are part-time? Is the number growing? What is the pattern? What are other community benefits in terms of job creation? What leadership skills help you manage and cultivate your workers?	

8	What challenges do you face or anticipate facing?	Determine: Is it a lack of certain skills, lack of knowledge, difficulty to penetrate the market, lack of access to capital, environmental or other challenges? Determine specific challenges faced by youth and women. What are your coping mechanisms?	
9	Determine: Is it a lack of certain skills, lack of knowledge, difficulty to penetrate the market, lack of access to capital, environmental or other challenges?	Determine the type of support (e.g., training, financing, mentoring, marketing, network, family support, etc.) and from whom.	
10	Determine specific challenges faced by youth and women. What are your coping mechanisms?	Who are the main market actors in your district, customers, and competitors? How do they influence the well-being of your enterprise?	
11	How do you market your products/services?	Determine marketing tactics used to attract and retain customers.	
12	Explain the types of skills you possess which make you and your team successful: () Basic skills (arithmetic, reading, writing, grammar, etc.) () Soft skills (leadership, teamwork, interpersonal, etc.) () Entrepreneurship skills (business plan, resource mobilization, ability to articulate new ideas, etc.) () Business skills (marketing, time management, accounting, etc.) () ICT skills (Excel, Powerpoint, Word, email, social media, graphic design, etc.) () Technical skills (mechanic, carpenter, electrician, interior designer, repairer, etc.) () Other: _____		
13	What kind of additional knowledge, skills training, or support do you need?	Determine what type of skills are needed (business, soft, technical, basic, or entrepreneurship skills. Determine the details of the kind of support requested.	
14	In your assessment, what is the need for a digital platform?	Determine specific needs. Determine specific areas of support/skills training that should be included in the platform. Determine inputs regarding how it should be designed and what information it should contain.	

5.2 Quick Survey Questionnaire

GURIGA ORANJE

CONDUCTING CAPACITY ASSESSMENT, IDENTIFYING EXISTING CHALLENGES, AND RECOMMENDING SUPPORT SOLUTIONS FOR MSMEs IN MOGADISHU

SURVEY FOR PRIVATE COMPANIES

Guriga Oranje aims to conduct a needs assessment of target MSMEs, identify key challenges, and propose support packages for the benefit of MSMEs in the greater Mogadishu area. The target group is established as local MSMEs and large-scale businesses with high potential to scale up and grow their markets, thereby creating jobs, with a particular focus on agriculture, energy, and water. The study will also put a greater emphasis on women-owned businesses. The information and the outcome of this study will support the establishment of a digital platform to support the growth of Micro, Small, and Medium Enterprises (MSMEs). The specific objective of this mini-survey is to collect data for the MSMEs specifically companies that mainly work in the energy, agriculture, and water sectors to identify existing capacity gaps and what kind of support is needed by these companies.

Your participation is important to produce an objective and informative study report. Please complete this mini-survey by responding to the questions below and filling them out in this questionnaire. The completion of the survey takes approximately 5-10 minutes of your time. Thank you very much for your time and participation in this study.



I. General Information

No.	Questions	Responses						
1.	Name of business							
2.	When was the business established?							
3.	Sector of business	☐ Energy ☐ Agriculture ☐ Water						
4.	Main location _____	Other locations: _____						
5.	Total number of employees	<table> <thead> <tr> <th>Male</th> <th>Female</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Male	Female	Total			
Male	Female	Total						
6.	What is the gross annual income of your company? (Please place X by the appropriate answer).	___ Less than 100,000 ___ 100,001-1 million ___ 1-5 million ___ 5-10 million ___ Above 10 million						
7.	Number of shareholders:	_____ shareholders						
8.	Percentage owned by women:	_____ %						
9.	Percentage owned by youth (Ages: 15-35)	_____ %						
10.	Does the company have a written corporate structure?	___ Yes ___ No						
11.	Does the company prepare a yearly budget?	___ Yes ___ No						
12.	Does the company have a business strategy?	___ Yes ___ No						
13.	Does the company conduct an annual financial audit?	___ Yes ___ No						
14.	Does the company prepare annual financial reports?	___ Yes ___ No						
15.	Did the company make a profit in 2022?	___ Yes ___ No						
16.	Does the company have a marketing plan?	___ Yes ___ No						
17.	Did the company create new jobs in 2022?	___ Yes ___ No						
18.	Does the company use computerized systems for its finance and operations?	___ Yes ___ No						

II. Challenges/ Opportunities

A.	What are the key challenges your company faces? (Please list FIVE MAIN challenges). 1. 2. 3. 4. 5.
B.	What are the key advantages your business has? (Please list FIVE MAIN advantages). 1. 2. 3. 4. 5.
C.	What will be the most beneficial support activities your company needs? (Please list the MOST FIVE IMPORTANT options). 1. 2. 3. 4. 5.

I. **Relevance of skills/knowledge of company employees.**

1. At what level are you satisfied with the knowledge and skills of your workforce?

____ Not satisfied ____ Somewhat satisfied ____ Highly satisfied.

2. **If satisfied**, what are the most prominent strengths that your workers bring?

- ☐ Strong field-specific knowledge and skills in the respective area of specialization
- ☐ Strong business skills/knowledge
- ☐ Leadership skills
- ☐ Soft skills
- ☐ Language proficiency
- ☐ Professional ethics
- ☐ Other (please specify): _____

3. **If not satisfied**, what are the most identifiable weaknesses?

- ☐ Weak field-specific knowledge and skills
- ☐ Improper academic field
- ☐ Weak soft skills
- ☐ Weak language skills
- ☐ Poor professional ethics
- ☐ Other (please specify) _____

IV. Cooperation between the company and expert institutions

1. Does your company currently receive, or has it previously received support from local or international expert institutions? ____ Yes ____ No
2. If yes, what kind of support did you receive?
 - ☐ Financing
 - ☐ Training/mentoring
 - ☐ Technical support
 - ☐ Operations support
 - ☐ Volunteer
 - ☐ Advocacy
 - ☐ Other: _____
3. Describe the local and international expert institutions or individuals that support your business?
 - ☐ Government
 - ☐ Universities
 - ☐ Consultant
 - ☐ Aid organizations
 - ☐ Volunteers
 - ☐ Family members
 - ☐ Other: _____
4. Are you satisfied with the support you currently receive? ____ Yes ____ No

About Guriga Oranje

Guriga Oranje (GO) is a non-profit diaspora organisation that aims to advocate, promote, connect and organise Dutch-Somali communities in Somalia and the Netherlands. Guriga Oranje was started in 2016 by small group of Dutch-Somalis in Mogadishu. They all had moved back to Somalia or have been here for some time. Guriga Oranje consists largely of business investors and professionals who play an active role in the development of Somalia economically, politically and socially. Our members are pioneers of a 'Made in Somalia' brands, products, service providers in different sectors.

Guriga Oranje builds bridges, beyond than between Somalia and the Netherlands. We believe that by bringing together a variety of people, from diverse backgrounds, contributes in the sustainable development of Somalia and connects-the-dots. GO aims to have a collaborative relationships with Dutch Embassy, Dutch knowledge institutions, NGOs, European embassies and trade and investment promotion institutes.—This places uniquely between the public and private sector, and ushers in a significant increase of bilateral trade and investment.

Guriga Oranje facilitates information and knowledge sharing to the Dutch and Somali companies/organizations and to those looking for information about business, investment opportunities in Somalia and on different thematic areas to enable more effective policy and decision-making.

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www.gurigaoranje.so
info@gurigaoranje.so
+252 610 888111

 [@gurigaoranje.so](https://twitter.com/gurigaoranje)
 [Guriga Oranje](https://www.linkedin.com/company/guriga-oranje)
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