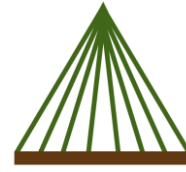




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RESEARCH BRIEF

Youth Micro-Entrepreneurs and Peace in Somalia

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Background

War, insecurity and fragility have for many years been the norm in Somalia. It was without a functioning for the last 26 years and continues to have significant governance challenges. The government does not have full control of the country with violence and Al-Shabab extremist group who controls the largest swathes of territory in the south hinders government's ability to govern the whole country effectively. Two regions in the North – Somaliland who declared independence from the rest of Somalia and Puntland have additional self-governing mechanisms and have achieved relative stability. The central and southern parts continue to face significantly more security risks mainly due to the presence of Al Shabab. The country depends almost entirely on external assistance for its development work. Without a functioning financial system, poor infrastructure and ineffective policy making and administration, on-going conflict and violence, it is not surprising that the country has one of the lowest sets of social and economic indicators in the world. It is the most fragile state in the world.

While many of the challenges that the country faces seem insurmountable, it is also a land of resilience and optimism. Leading the recovery, development and investment efforts are its diaspora. The newly elected president, the Prime Minister, the speaker of the parliament and one third - of the parliament members have lived abroad for some period and hold dual nationality. Importantly, most of the private investors to the country have been diaspora, and their role in development has been without doubt.

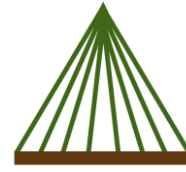
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However, the country is at a critical juncture and at the crossroads is its youth. With over 80% of the population under the age of 30, the youth hold the key for its future and it is through their eyes that a vision for peace and prosperity can be achieved. However, for most youth in Somalia, hopes are placed on limited choices and calculated risk taking with limited information and resources available. The recent research coming out of Somalia is inadequate partly due to the challenges of doing research in fragile contexts, and of those documents focused on private sector development that have come out, most have only highlighted the role of its entrepreneurial and patriotic diaspora. The reports on youth have focused primarily on the need for employment creation, without sufficient focus on youth entrepreneurship. Moreover, very few studies if any exist on the links between youth entrepreneurship and diaspora, the needs of youth entrepreneurs and the links between local entrepreneurship and peace. This paper partially fills this gap and focuses on the main challenges faced by youth-microentrepreneurs in three cities in Somalia – Mogadishu, Hargeisa and Basoso. It is part of a two-part study on youth employment and entrepreneurship in Somalia.

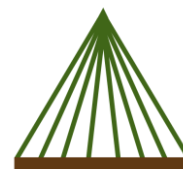
Political and Development Context

In 2012, an internationally recognised government was formed with the help of the international community. While this provided relative stability to the country after two decades of statelessness, the government had been largely ineffective in governing the country and plagued by corruption and clan-based politics. A new government came into power in February 2017 with the promise of better governance, stability and prosperity, but it is still too early to judge its effectiveness. Somaliland, a region of Somalia in the North-West had declared itself independent since 1991, but remains without any form of international recognition. The political stability of Somaliland is without doubt, and therefore, the region has prospered more than other parts of the country. Moreover, Puntland, to the east of Somaliland is also an autonomous region, but not as politically stable and largely governed by the state government of Puntland. Nevertheless, it has benefited from more political stability than the rest of Somalia to its south. Although it is the most dangerous place in Somalia where car bombing and explosions happen the capital city of Mogadishu is the most dynamic and developed of the cities in the South and as an important entre pot to the rest of the country. Apart from security threats posed by Al-Shabab, Mogadishu is also more developed than any of the cities in Somaliland and Puntland, the two biggest of which are Hargeisa and Basoso respectively.

In the recent past, news coming out of Somalia has continued to portray images of chaotic and inescapable misfortune. This has been particularly evident due to events surrounding piracy by Somalis of international ships crossing the Red Sea and coming close to the coast of East Africa, and continued terrorist attacks by Al Shabab rebels. Not surprisingly, it is the youth that are at the heart of these events, and reasons behind their presence in illegal activities are perhaps more economic than political. Lack of support for youth entrepreneurship and employment creation can be the biggest inhibitor for the reduction of



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violence and piracy, and engagement in productive initiatives. Another clear sign of the insufficient economic development for the youth is the continued emergence of severe drought and starvation in several parts of the country.

Somalis have a long heritage of entrepreneurship combined with nomadic movement, and not surprisingly, the people remain at comfort with the risk taking that is synonymous with both starting a business and voyaging into unknown lands in the search for prosperity. Within this historical context, and with several other push factors that come with insecurity, marginalisation, vulnerability and lack of opportunity, it has become the norm for many youth to try to leave Somalia. They hear stories of wealth and prosperity in foreign lands both from diaspora who have returned, but also agents of human smuggling operations. Though many do not realise that a departure from Somalia does not necessarily promise a better life, for the desperate, the unknown may be better than the known reality. The destiny for the youth left behind is often a struggle to survive. However, the environment is full of signs of entrepreneurship and possibility, and the desire to seek wealth with what is available. So not surprisingly, starting a business is not uncommon. Indeed, though Somalia continues to be one of the poorest countries in the world, entrepreneurship is a critical binding thread for national unity and an important source of development.

Methodology

The research focused on two overall questions – 1) What are the key entrepreneurship challenges that youth in Somalia face? 2) How important is youth entrepreneurship for conflict reduction and peace-building in Somalia?

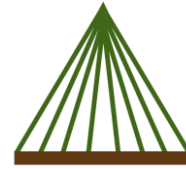
To undertake a comparative analysis, three important cities in the country were chosen - Mogadishu, Hargeisa and Basoso. Six youth, three men and three women, were interviewed from each city in January 2017 leading to a total of eighteen respondents. A structured qualitative questionnaire was used to collect the information with the support of three field assistants, one in each city. Research assistants were supervised regularly to ensure quality of information obtained. Support was also obtained from known local universities in each of the three locations to ensure that field work was completed timely. Responses were written on paper in Somali and later translated into English. The activities they were engaged in were as follow:

	Basoso	Hargeisa	Mogadishu
1	General retail	Selling clothes	Selling aluminium
2	Selling shoes	Selling shoes	Selling clothes
3	Selling perfume	Teaching centre	Selling sweets and women's clothes



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4	Selling Petrol	Selling beauty products	Electronic and computer shop
5	Selling fruits and vegetables	Selling women's clothes	Computer shop
6	Carwo shop	Women's sports centre	General retail

There were significant challenges to undertaking the research, the most important of which was that youth do not like to be interviewed and treat such initiatives as being without value unless there is an immediate benefit. It was not possible to interview an individual for more than 30 minutes and thus the length of the questionnaire had to be reduced to about ten questions. Achieving a gender balance was also difficult as women were less inclined to agree to be interviewed without the presence of others. The presence of security risks also reduced the scope of the study, particularly in Mogadishu.

Key Findings

Overall, there was a high level of optimism among the youth entrepreneurs and almost all appeared confident about their ventures. Their initiatives showed a high level of resolve and ambition and none regretted having made such a decision. In Hargeisa, most businesses were started with moral support of family members and an assessment of the market gaps, while those in Basoso were started to improve their or family economic situation, but without much family support. In Mogadishu, there was no theme that emerged regarding the reason for starting or links with family members.

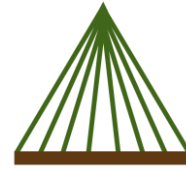
Regarding the desire to start a business, there is little difference between females and males, but the nature of their businesses appear to be distinct. While many males were inclined to start enterprises that were more targeted to both men and women customers, female entrepreneurs appeared to mainly focus on products and services that targeted women.

Most businesses in Mogadishu and Hargeisa started with self-funding or with capital from family members, while most those in Basoso got small funds from diaspora or financial institutions. Overall, only three individuals out of the eighteen had received funding support from the diaspora. The lack of funding by diaspora into micro-businesses in Hargeisa and Mogadishu is surprising mainly due to the large influx of remittances as well as the large increase in diaspora investment into the country over the past five years. This can be explained by the fact that remittances are probably being used for consumption, and the diaspora investment funding is going into business ventures without the involvement of local youth micro-entrepreneurs.

The youth led micro-businesses were facing significant challenges. These included gaps in funding, skills and access to markets. Many in Mogadishu also stated that they lacked



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sufficient support networks and did not have the moral or financial support from friends and family. Only those in Mogadishu mentioned the security issue as a challenge for their businesses. However, those in Basoso noted that the overall economy was going down and thus the economy was not stable to engage in business successfully.

In terms of the future, those in Hargeisa were the most confident as they did not appear to have any overarching concerns beyond business challenges. Those in the other two cities were concerned about external political, security and economic issues as much as the business-related challenges.

In all three locations, respondents viewed that there were clear links between entrepreneurship and peace. The nature of the relationship, however, differed. Those in Mogadishu felt that improved security would support business creation and development highlighting that a reduction in conflict was a prerequisite for business growth. In Hargeisa and Basoso on the other hand, youth saw business as a driver of continued peace. They did not view conflict and security matters as hindering business like in Mogadishu, but clearly development initiatives were felt to be critical for long term peace.

Conclusions

This research has highlighted the critical importance of understanding the contextual differences and similarities within the country. It also questions some of the underlying assumptions that have emerged in the recent past about Somalia's development and political trajectory. While diaspora remittances and investment have been critical for the country's recovery efforts, it appears not to have optimal impacts on local micro-enterprises, especially those in Mogadishu and Basoso. Even for those in Hargeisa, the level of funding was low. Diaspora funding needs to be better channelled for youth to obtain funding in ways that can better support them and their families.

Youth require significant support, including finance, skills training, market linkages and information. There is a large dearth of support for enterprises to growth despite the high level of entrepreneurial attitudes. Most important in terms of needs is skills training. Moreover, it is important to note that one could expect that youth in rural areas or smaller towns were probably facing even more difficulties and thus require more assistance, especially regarding skills training, finance and connections to markets.

Despite all the challenges, youth in all three cities were positive about engaging in entrepreneurship micro-businesses, and clearly viewed business as a route for peacebuilding. Initiatives that can support micro-businesses to grow will thus have a direct impact on reduction of violence. The youth in Somalia hold the key for the future and thus deserve more support so that they can play a positive role in peace and development of the country,