



Commentary

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Private Sector in Somalia.

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Introduction

The private sector is the portion of the country's economy that is not directly governed by the government, and economic growth is the gradual rise in the quantity of goods and services produced per person overtime. Somalia has undergone a remarkable shift in recent years, which has been fueled by the brisk expansion of the private sector. These groups have established themselves as potent change agents, essential in reviving the economy and bringing about constructive change. The influence of private businesses on the Somali economy cannot be understated as the war-torn country continues to reconstruct itself (IMF, 2019). The private sector in Somalia has grown rapidly, demonstrated resilience, and continued to be a significant engine of the economy despite the difficult and nearly three decades-long battles. Construction, financial services, trade, telecommunications, and transportation (IMF, 2019). These industries expanded quickly and benefited from remittances from the diaspora. However, a lack of laws, the existence of anticompetitive elements, and severe security concerns continue to have a negative impact on business communities and obstruct the growth of current investments across the entire nation (World Bank, 2015). The following are the roles

1. Financial Growth

The private sector in Somalia contributes to financial growth in Somalia. Ever since the military rule was ousted in 1991, Somalia has lacked official financial institutions and a commercial banking industry. The State Insurance Company, the Somali Development Bank, the Central Bank of Somalia, and the Commercial and Savings Bank were all wholly owned state institutions in Somalia prior to the civil war. After the fall of the central government, private businesses began managing and operating fundamental financial services, including money transfers (early), and later made investments in the banking and insurance sectors. After the civil war, the financial industry developed and is now regulated by the central bank and includes private remittance companies, commercial banks, and insurances. Many local graduates had a work opportunity thanks to the investment in these services, which came in the form of employment or lower-level credits needed to manage modest investments. In addition, they offer medium-term investments for purchasing buildings, properties, and other items (Mohamed Mire Mohamed, 2019).

2. Telecommunication development

The private sector in Somalia promotes telecommunication development in Somalia. After the civil war, some Somali citizens launched new ventures, notably telecommunications firms, to revitalize the nation and compete to fill service gaps (Abdinasir M. & Sarah C., 2010). Today, Somalia provides some of the world's most cutting-edge telecommunications and internet services at affordable prices. These emerging telecommunications companies provide inexpensive mobile phone and internet services that are not offered in many other regions of the continent. The private sector dominates the nation's telecommunications, internet, radio, and television industries in substantial measure. Every city, town, and hamlets in Somalia receives services from Somali telecommunication providers (Mohamed Mire Mohamed, 2019). The private sector is thriving and expanding the boundaries of what is possible despite the difficult conditions in the nation. The telecommunications industry has expanded the greatest in comparison to other industries, Mohamed Abdi, ICT expert, claims. As a result, millions of Somalis now have access to mobile phones and internet services at reasonable prices. According to Abdi, "Due to the heavy investments in 4G, 5G, and fibre networks by privately owned operators, Somalia's internet service is now the lowest in Africa as well as the seventh lowest in the world" (Garowe Online, 2023).

3. Manufacturing development

The Somalia's private sector contributes to manufacturing industry development in Somalia. The manufacturing industry is crucial for emerging nations. According to Tybout (2000), it is viewed as a source of employment and advantageous spillovers. Before the civil war, Somalia had a thriving industrial history, with fifty-three small, medium, and big businesses managing the industry. The nation had the chance to create juices, textiles, canned meat, fruit, and fish, food items, sugar, alcoholic drinks, some cosmetics, beverages, and candies, among other things. In contrast to the past and the other countries in the region, it is today extremely low and few. According to data from Somalia's customs, imports of capital equipment for manufacturing and raw materials have increased during the last three years. This is an indication of that the future of manufacturing is brilliant for Somalia as a result of the society's entrepreneurship characteristic (Mohamed Mire Mohamed, 2019).

4. Infrastructure development

The Somalia's private sector promotes infrastructure development in Somalia. In Somalia, the private sector makes a significant contribution to infrastructure development. Private enterprises have stepped in to invest in and contribute to the rehabilitation of Somalia's main infrastructures when it comes to boosting other important infrastructure and services in the lack of the government's resources and capacity. Dahabshiil Group, Hormuud Telecom, Salaam Somali Bank, and Buruuuj, a construction company, alone, are thought to have invested billions in the country's core infrastructure over the past 20 years, ensuring long-term economic growth and sustainable development in industries like telecommunications, energy, finance, and construction (Garowe Online 2023; Mohamed Mire Mohamed, 2019).

5. Development of Energy

The Somalia's private sector contributes greatly to the development of energy sector in Somalia. In the recent years in Somalia, BECO, a privately held electrical business, has reportedly invested **\$170 million** on expanding the nation's electricity network, according to Mohamed Sadiq, Director of International Relations for BECO. Additionally, he noted that the business has committed to investing **\$220 million** in green energy. According to Engineer Mohamud, the chief technical officer of BECO, who was presenting at the SOMINVEST conference in Mogadishu, **30%** of BECO's electricity production is derived from renewable sources, and they want to increase that percentage to **70%** in the upcoming year 2024 (Garowe Online, 2023).

6. A Source of Livelihood and Job Creation

The Somalia's private sector especially businesses create economic opportunities and greater wealth and also act as the biggest employers in urban areas. It offers employment possibilities to the labour force, serves as a major source of support for a large number of households, facilitates commerce, aids in the economic recovery, and generates income at both the national and subnational levels. Despite the informality in the labour and production markets, a large number of skilled labourers are employed by the private sector, either through employment in other people's firms or as independent contractors in their own small businesses. In Somalia, small- and medium-sized businesses play an important role in the life of many households in urban areas, while agriculture and livestock play this function in rural areas. Businesses help society maintain a comfortable standard of living by creating job possibilities (Mohamed Mire Mohamed, 2019).

7. Enhancing and Facilitating Trade (Export and Import)

The private sector in Somalia contributes to the enhancement and facilitation of trade in Somalia. Somalia has lost its trade connections as a result of the lack of an active government institution in the previous three decades that might help the business community. The private sector, on the other hand, did not wait for this and worked hard to overcome all these difficult obstacles. Political instability, a lack of security, a lack of financial and credit support for the business community, and the fragility of the government institutions were among the urgent issues (Hassan, Mohamed, Isak, & Mohamed, 2018). Another study by Mohammed, Isak, and Dr. Ali (2015) found that Somalia's export industry was dominated by agricultural goods, notably cattle. Business communities attempted to satisfy domestic societal demand through trade (for importing) or domestic sourcing through local productions. Additionally, the majority of Somalia's exports are made up of living animals like camels, sheep, and goats, along with their hides and skins, butter, bananas, sesame, sesame oil, natural gum, various kinds of fish, aquatic items, and so forth. These are Somalia's primary export goods. Construction materials, food, clothing, footwear, automobiles, Khat, fuel and petroleum products, medicines and hospital supplies, electric and electronic devices, cosmetics, and other items are among Somalia's key imports.

8. Revenue source for the government

The private sector in Somalia has become one of the major sources of revenue for the government of the Federal Republic of Somalia. Businesses have been submitting several tax forms to the federal, state, and local governments during the past ten years. However, compared to recent history of the civil war, their contribution was substantial despite the fact that their revenue funding to governments was smaller than legally needed. By broadening the tax base both horizontally and vertically, the government hopes to improve tax collection from enterprises and continue to mobilize domestic revenue (Mohamud & Iask, 2019 and Isak, 2018).

CONCLUSION

The private sector has contributed to Somalia economic growth in several ways such as: enhancing and facilitating trade, infrastructure development, manufacturing industry development, source of revenue to the government, development and improvement of trade, contribution to the economic recovery, a source of livelihood and job creation and provision of goods and services. Thus, it's evident that private sector in Somalia has emerged as important drivers of economic growth. They are transforming key sectors in Somalia such as telecommunications, finance, and energy. These have contributed to rapid economic growth in Somalia. Even though, there are some pressing challenges in which the private sector has been operating such as weak legal and regulatory framework, existence of monopoly in some sectors, working in a challenging environment due to political instability and doing business at high cost that hinder the role of private sector in promoting economic growth in Somalia. Never the less, Somalia is on its way to economic recovery and is huge potential market for most of modern services that is leading to rapid economic growth in Somalia.

RECOMMENDATIONS:

- Somalia's corporate and private sectors to participate active in the expansion and investment in new and current firms through technology because it is beneficial to the national economic growth.
- Federal Government of Somalia should establish appropriate authorities to maintain the market's economic health by strengthening institutionalization of the government agencies required to control the market and better managing the business sector to attain rapid economic growth.
- The Federal Government of Somalia should create a safe and secure environment for both domestic and foreign investment, improve country's infrastructures, develop an effective market policy and government regulations towards market while targeting eliminating the challenges to boost the role of private sector in promoting economic growth in Somalia.



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