

MARKET ASSESSMENT REPORT IN BALANBALE AND HERALE DISTRICTS, GALGADUD REGION, GALMUDUG STATE OF SOMALIA

SUBMITTED TO

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LIST OF ACRONYMS

ASWJ	Ahlu Sunna Waal Jamaa
CBOs	Community based organization
CRM	Conflict Resource Management (CRM)
FGD	Focus Group Discussion
FGS	Federal Government of Somalia
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GMS	Galmudug Member State
IDP	Internally Displaced Persons
INGOs	International Non-Governmental Organizations
KII	Key Informant Interviews
LPI	Life and Peace Institute
SME	Small and Medium-sized Enterprises
SSF	Somali Stability Fund
UNDP	United Nations Development Programme
ZZF	Zamzam Foundation

Executive Summary

The market survey was commissioned by ZZF to provide contextual analysis of Balanbale and Herale districts in terms of rationale in targeting and in a conflict sensitive way, understanding the rationale of the economic development project activities being undertaken; and map the stakeholders in the areas of the interventions. The areas of study are currently experiencing enormous social and economic challenges that largely stems from protracted inter-clan conflict between Marehan and Dir communities over land and resource based conflicts. Historically, Herale area was part of Balanbale district but the collapse of the central government triggered waves of conflict that eventually led to Dir clan declare Herale as a district on its own. Despite the conflict with Marehan clan, internal divisions have dogged the Dir community over power and representation in Galmudug state formation. The protracted conflict has severely affected the economic development and disrupted social lives and resulted in displacements. The situation worsened with the severe drought that wiped out livestock. The cumulative effects of the conflict and drought have resulted in massive influx of IDPs in urban areas.

Methodology

The approach to the study was consultative, using participatory methods and appreciative enquiry. The market analysis adopted qualitative data collection approach. The qualitative component was used to obtain a richer understanding of the current context in both districts, clan constituencies and relations, economic opportunities and stakeholders in both districts and map existing investment in the productive and private sectors and challenges facing the youth and women as well as marginalized groups access to formal employment and explore citizens government relations). The data collection techniques involved 24 key informant interviews with Local traders, SMES, employers/contractors, financial institutions, unemployed youth, and 10 focused group discussions with women, SMES, unemployed youth, observations; complemented with in-depth literature review. Respondents were selected using various parameters that suit the research techniques. Information was collected with consent from respondents maintaining the highest levels of ethical standards to ensure data quality.

Findings

1. **Lack of employment:**The study found that majority of the youth and women groups lack jobs and therefore cannot find jobs. FGDS and KIs revealed that protracted droughts wiped out community assets and continued inter and intra-clan fighting has disrupted lives. The rationale for the proposed program activities will first create jobs for many of the current unemployed youth and women who have ambitions and ideas to start businesses.
2. **Glass ceiling:**There is high number of women entrepreneurs in Herale and Balanbale Districts. Women dominate almost 90% of businesses – especially the small-scale businesses such as milk selling, food courts, clothing shops, and tea selling along the streets. FGDs with women underscored that women economic participation is often restricted to menial activities such as kiosk or open-air trade, rather than ownership of larger private businesses or commercial enterprises. It was discovered that a majority of the women remain marginalised in businesses, leadership and governance positions despite their immense contribution in the society. The proposed activities target vulnerable women in providing business opportunities and income to boost their aspiration to break the glass ceiling.
3. **Lack of business skills:**The study finds majority of the small business owners lack formal business skills like good business practices such as bookkeeping, savings accounts and understanding the business environment. KIs with private sector groups underscored employers' struggle to find youth who have requisite skills enough to work for them. Thus, the program activities aim to create entrepreneurship trainings that will involve business management skills through organizing groups to work together.
4. **Clan influence:**FGDs and KIs revealed that many of the businesses are designed around clan and personal connections. This means that many consumers often purchase goods from shops belonging to their relatives or clan members to support their own and build loyalty that will guarantee them to get access to credit. The program aims to build inclusive businesses in which groups from various backgrounds are supported to build

business. Such business design is expected to break clan barriers and enhance integration and build business connection for small – scale business people.

5. Provision of grants:FGDs underscored there was no similar economic development program undertaken in the Balanbale and Herale districts. They observed that this will be the first time and welcomed it as an opportunity for boosting the local economy and expanding livelihoods for SMEs. The relevance of the project activities focuses on providing grants to small businesses based on their suitability.

The main sources of finance in Balanbale and Herale district

1. Personal saving: The vast majority of the small and medium enterprises holders explained they have used their personal savings as start-up capital. This source of finance is often takes time and may be diverted into other usage such as domestic use and health or other priority needs. There is a strong for SMEs to expand their businesses or divest into other enterprises.
2. Borrowing from family members or friends: The second most popular source of finance is borrowing from family members, relatives or friends. Some of the respondents explained this source of funds can be either in form or grant or credit where the person pays a later date once they have made the profit. Another form of borrowing that is mostly common and used by aspiring entrepreneurs is what locally known as “Adeysiin”, a process where a person goes to wholesaler and collect certain amount of goods at discounted price and puts a small margin. Once the goods is sold they keep the profit and return the money and continues for a period until they accumulate enough money to start own business.
3. Ayuto/Hagbad: This is a traditional method used as savings and credit scheme. This scheme is used as a source of funding mainly by women in many parts of Somalia. It involves a process where a group of women create a revolving fund in which members give credit to one another. This system is thriving and has been described by women respondents as the major sources of star-up fund for their enterprises. Vast majority of women in Balanbale and Herale districts are members of Ayuto and are active contributor. This system is built around clan, trust and friendship and members contribute certain amount of money that is collected either on weekly or monthly periods and is then is given to one member and continues in a cycle. This system has been described as one of the reliable sources but has many risks such as lack system of records and chances of defaulting is high. These types of funding has been established as an alternative to lack of credit facilities in their current location and sometimes high payment rates, bureaucracies involved are discouraging for individuals who wanted to borrow from the financial institutions in Mogadishu.

Gaps/ Barriers to access to financial services: The study found that there are numerous financial institutions mainly money transfer companies including AMAL, Dahabshil, Iftin, Tawakal, Jubba, TAJ and Hodan in Herale and Balanbale districts. Whilst these companies provide credit facilities to residents of Banadir and Kismayo they did not have these facilities in these locations. Interview with locals in both districts indicated several barriers to accessing credit services. These barriers include; lack of lending agencies in their locality, lack of information about availability of credit outside their current locations, they do not meet eligibility requirements for lending, cannot afford interest payments, do not have the required documents to apply for financing. Besides, interview with representative of these financial companies indicated the process of accessing takes time and involves a lot of process to avoid potential risks such as defaulting or any other challenges that can lead to loss of money.

Potential economic sectors for investment in Hera and Balanbale districts

1. Retail business and SMEs: Retail business of mainly selling consumables such as sugar, rice, beans and Spaghetti, cooking oil and detergents known as “Bagaash’ locally is a promising business opportunity that has been described as profitable, easy to manage and has the potential to create employment and for marginalized groups. The proximity of the districts to the Ethiopia border has the opportunity of increasing importation of

goods at a cheaper cost than importing locally because of insecurity and poor road networks. The opening of Somalia-Ethiopia border recently has raised hopes of locals of re-starting cross-border business. During the field study a lot of *Bagaash* comes from Ethiopia.

2. **Hardware business:** Respondents have observed there is high demand for construction materials such as cement, iron sheets, nails and timber and assorted construction materials for interior decor including lighting, furniture business. The demand for housing is growing and it's likely to grow because of increased availability of construction materials from Ethiopia. The relative peace and stability in the cities has seen rise in demand for plots. Some of the Diasporas communities and private sector groups are already buying land and building houses and commercial centres for business. Supporting such small-business will enable beneficiaries to target clients within and outside the cities. Considering that these goods can stay in the shelves for a short duration will not pressure owners to sale at throw-away prices.
3. **Tailoring business:** There are many textile shops that either sale or makes clothes or both. Sometimes, the shops owners are tailors or hire tailors to take advantage of high demand for clothes that are cheap and quality. These businesses are owned by both men and women. Similarly, there is small-scale women business who also engaged tailoring business while selling groceries at the household level. Respondents indicated several potential areas in which they can target. These areas include; making school uniforms for boys and girls, fashion dress for women, trousers and shirts for men as make quality curtains and customized bedsheets made from cotton materials. Interviews with women groups indicated they have the ability to import quality textile materials from Mogadishu or Ethiopia.
4. **Hospitality sector:** FGD groups and KII indicated there is high demand for restaurants that have adequate space and food because the current facilities are congested and sometimes get crowded. Being an oral society, Somalis cherish hotels or joints with abundant sitting space, quality tea, coffee to pass time or make deals and converse the developments with their friends away from home. Recently, hotels offering various delicacies have on the rise across Somalia and the trend is being replicated elsewhere.
5. **Livestock business:** Some of the male respondents explained the livestock business is one of the oldest business practices that locals engaged in. The sector is still vibrant with export of livestock such as goats and camels via Bosaso or Berbera ports are active. Besides, the sale of animals to the local markets is viable opportunity that business can engage. Presently, most of big business owner's sale goods to pastoralists on credit and in exchange receive livestock as form of payment.
6. **Fuel station:** Respondents identified sale of fuel such as petrol, diesel and kerosene as profitable business which is currently lacking. Currently, local vendors use traditional mechanism of storing fuel such as drums and Jericans of 5, 10 and 20 liters that are sold to clients. This practice is cumbersome and dangerous as the chances of leakage and fire explosion are likely.
7. **Fodder business:** Many of the businessmen have ventured into smart enterprises of breeding and keeping livestock such as Camel in restricted areas where they are fed. This is a new form of livestock production which has been gaining currency in the recent past. For instance, Balanble district has such ranches where livestock is kept. This type of business has seen an increase in supply of milk and is not affected by seasonal changes. Mostly the animals feed on grass which is normally is scarce and cumbersome process to find. Therefore supporting groups to grow fodder for sale to livestock owners is not only viable but also profitable business. The fodder business has been gaining currency in other parts of the country to combat climate and reduce resource based conflict. This fodder presents an opportunity where fodder production as a form of business could be introduced in which groups can sale to the ranch owners.

Recommendations

1. Given the countless opportunities that knock at the doorway of the youth in Balanbale and Herale Districts, it is strongly recommended that business opportunities are urgently established in Herale and Balanbale districts. The youth should be supported to start businesses and build their economic lives and stay away from conflicts.

2. It is appropriate for the development partners, government and private sector foundations to team up and identify strategic interventions in order to address the plight of the rampant unemployment of many youth in the district especially through attracting private sector investment in the district.
3. Credit access to the youth should be explored by mobilizing the youth into professional associations and savings groups. Mobilization of the youth into groups would enable their capacity to access credits even from remittance agents who currently offer business loans. Group saving and credit access would self-regulate the repayment behavior of the members.
4. Training of the youth and women in entrepreneurship, book keeping and financial literacy must precede the advancement of credit to the beneficiaries given they lack the necessary skills in these areas of business. Formal training in these areas would enhance the capacity of the youth in properly utilizing credit facilities for enterprise development than for consumption.
5. Engage all the relevant stakeholders to ensure inclusivity in the participation of business competition.
6. Strong emphasis should be made on women participation especially women headed households and small-scale women entrepreneurs.
7. Develop a training manual that should be used as a guide during the entrepreneurship training.

1.0 INTRODUCTION

1.1 Background

The long-lasting civil war and lack of government support system have caused heavy damage on human and economic resources in Somalia since 1991. Consequently, Somalia became one of the poorest economies in the world. With the establishment of the Federal Government of Somalia (FGS) in 2012, the international community has been collaborating in attaining the Peace building and State building Goals (PSG) under the Somali Compact (2014-2016). It is recognized that state building with stable government function in Somalia is foremost important for peace restoration in East Africa and Gulf of Aden. Youth employment is highlighted under PSG 4 on Economic Foundations. Job creation for the youth is important in order to alleviate poverty and to prevent the youth from seeking alternative means of income from militias and criminal activities. PSG 4 addresses measures for promoting income generations, including short-term labor - intensive employment, skills development, and capacity building of training institutions.

FGS launched the National Development Plan (2017-19) in June 2016. This is the first national development plan developed by the central government in 30 years. The plan specifies development objectives and strategic policy priorities. Creating employment opportunities, especially for the youth, is highlighted under the social strategic objectives. It aims to achieve creation of 820,000 additional jobs with a GDP growth rate of 5.5% per annum as well as improvement and through expansion of education and vocational trainings.

With some of the worst human development indicators in the world, Somalia has faced years of protracted conflict, geo-political upheaval and severe drought. As a result, traditional markets have been heavily disrupted and critical infrastructure such as roads and irrigation systems have eroded after continual neglect. Between 2005 and 2011, GDP fell from around 2.3 billion USD to 1.1 billion USD², and Somalia is currently entertaining a trade deficit of around \$190 million.¹ The 2012 Human Development Report estimates per capita GDP at \$284, which is the fourth worst in the world.² Under these circumstances, the newly created Federal Government of Somalia (FGS) has been pre-occupied with addressing security and donor funding³, and has had little opportunity to invest in stimulating domestic economic growth.

The civil war and ensuing transitional phases of government have widened the gap between large market actors and small-scale enterprises and livelihoods. While some large-scale private companies benefitted from the chaos, local livelihoods suffered greatly. At a local level, the Somali economy is heavily reliant on informal sectors in agriculture and livestock, which have greatly suffered from drought and conflict. Few employment opportunities and a weak enabling environment for starting new business ventures has resulted in high levels of unemployment – just over half (54%) of 15-64 year olds are unemployed.⁴ Young people are especially at risk from poor labor market conditions, and may be drawn towards criminal or terrorist elements, both of which are highly active in Somalia.

The situation is critical. According to the UNDP, the youth are the largest population cohort in Somalia today, - 73% of the population is below the age of 30, with 67% unemployed. The problem is exacerbated by some of the poorest Human Development Indicators (HDI) for education (0.118). On average, Somalis are expected to attend 1.8 years of schooling in total, compared to 9.6 years in neighboring Kenya. Women are even more at risk from poor market conditions. Strong social customs such as early marriage, polygamy and high fertility rates make it difficult for women to participate in economic activity as they are forced to take on unpaid home-based work. In spite of these factors, some observers are generally optimistic about the prospects of private sector growth, particularly at a local level where Somali entrepreneurship is much lauded.

¹ UNDP Human Social development reports 2012. www.undp.org/sites/default/files/reports/242/somalia_report_2012.pdf

² UNDP Human Social development reports 2012. www.undp.org/sites/default/files/reports/242/somalia_report_2012.pdf

³ www.undp.org/sites/default/files/reports/242/somalia_report_2012.pdf

⁴ UNDP Human developments report 2012.

1.2 Project Description

Zamzam Foundation is implementing an economic development program dubbed “Enhancing Gainful Employment Opportunities in Balanbale and Herale Districts through income Generation and Experiential Skills Development” This project is funded by Somali Stability fund (SSF). The project is premised on market analysis undertaken in Balanbale and Herale districts by ZZF through interviews with various stakeholders. The market analysis was undertaken in June, 2018 to document market opportunities, mapping existing businesses, local perceptions, challenges and gaps in the districts.

The findings of the market analysis will inform the economic development projects that are to be implemented in Balanbale and Herale Districts. The two projects are interrelated in terms of economic activities and the number of targeted beneficiaries in each district. The overall objectives of the projects are to build community resilience through alternative livelihoods and enhanced market access to increase income and economic diversification in Balanbale and Herale districts, Galmudug state, with specific objectives to provide business management/Entrepreneurial skills to 150 caseloads (75 caseloads per location in group of 5 persons) selected from vulnerable youth members among men, women and marginalized groups and to create employment opportunities for 100 caseloads among the business management skills training graduates (50 caseloads per location in group of 5 persons) through business plan competition and provision of business start-up grants.

1.3 Purpose and Objectives of the market analysis study

The purpose of the market survey is to map and analyze in order to get knowledge about business opportunities and entrepreneurial skills available and operational for the youth and women in Herale and Balanbale Districts in Galmudug State in Somalia. The market analysis survey was commissioned to find out the rate of youth employment in the two locations and also find out the business skills among the youth and women in Herale and Balanbale. The aim was to examine and identify entrepreneurial skills and demand and analyze the existing economic activities practiced in the two locations. The market report also looks at the role of women and their involvement in the small-scale business activities.

The specific objectives of the market analysis report are:

1. Provide contextual analysis/understanding of Balanbale and Herale in terms of rationale in targeting and in a conflict sensitive way,
2. Understand the rationale of the project activities being undertaken;
3. Map the stakeholders in the areas of the interventions;

2.0 APPROACHES AND METHODOLOGY

2.1 Scope of the Assessment

The assessment focused on two districts namely Balanbale and Herale Districts in Galmudug State, Federal Republic of Somalia, to assess youth employment and business skills existing for youth and women. In addition, we assessed the involvement of the youth in business activities in the two districts mentioned.

2.2 Assessment Approach

The approach to the study was consultative, using participatory methods and appreciative enquiry. The market analysis adopted qualitative data collection approach. The qualitative component was used to obtain a richer understanding of the current context in both districts, clan constituencies and relations, economic opportunities and stakeholders in both districts and map existing investment in the productive and private sectors and challenges facing the youth and women as well as marginalized groups access formal employment and explore citizens government relations). The data collection techniques involved extensive key informant interviews, focused group discussions, observations; complemented with in-depth literature review. Respondents were selected using various

parameters that suit the research techniques. Information was collected with consent from respondents maintaining the highest levels of ethical standards to ensure data quality.

2.3 Data collection methods

The survey adopted varied participatory methods to ensure reliability, validity, and adequacy of data, comprising key informant interviews and FGD guides for project stakeholders and communities in the assessed areas. In-depth desk review of relevant literature was also carried out.

2.4 Key informant interview

Key informant interviews targeted relevant stakeholders including but not limited to youth leaders, women group elders in the area, local administrators, women and youth representatives, and business community representatives among others. 24 key informant interviews (KIIs) were undertaken with representatives of local administrations, women, youth representatives, small-scale business groups and community leaders.

2.5 Focus Group Discussions

FGDs with community leaders, youth, and women, small-scale business holders and private sector groups in all the assessed sites were conducted. Purposive sampling technique was used to select FGD participants to participate in the market assessment. The use of this technique allowed for the selection of key participants who possess the knowledge, ideas and experiences that are particularly relevant to the assessment. These provided informative qualitative data regarding understanding the business sector, gaps, challenges and opportunities. In the selection of the participants, gender sensitivity and clan dynamics were taken into consideration.

Semi-structured questionnaires with open-ended questions were used and feedback recorded accordingly. A total of 10 FGDs (five in each district) was conducted across the targeted areas. The FGDs were divided into five groups: community leaders, youth, and women, small-scale business holders and private sector groups.

2.6 Desk Review

A comprehensive desk review of literature on economic opportunities and business skills among the youth and women in Somalia and Galmudug State was undertaken. The desk review conducted was specifically aimed at generating information from different sources on the youth involvement in business and entrepreneur skills demand among the youth and women in the target locations and further understand the prevailing conditions and identify any markers of change where possible.

2.7 Limitations

- The study was initially undertaken by a local consulting firm, however, the quality of the report was unsatisfactory and it was redone by ZZF team who conducted Key interviews and FGDs. This has taken some time and caused a delay in the submission of the report.

3.0 FINDINGS/ANALYSIS

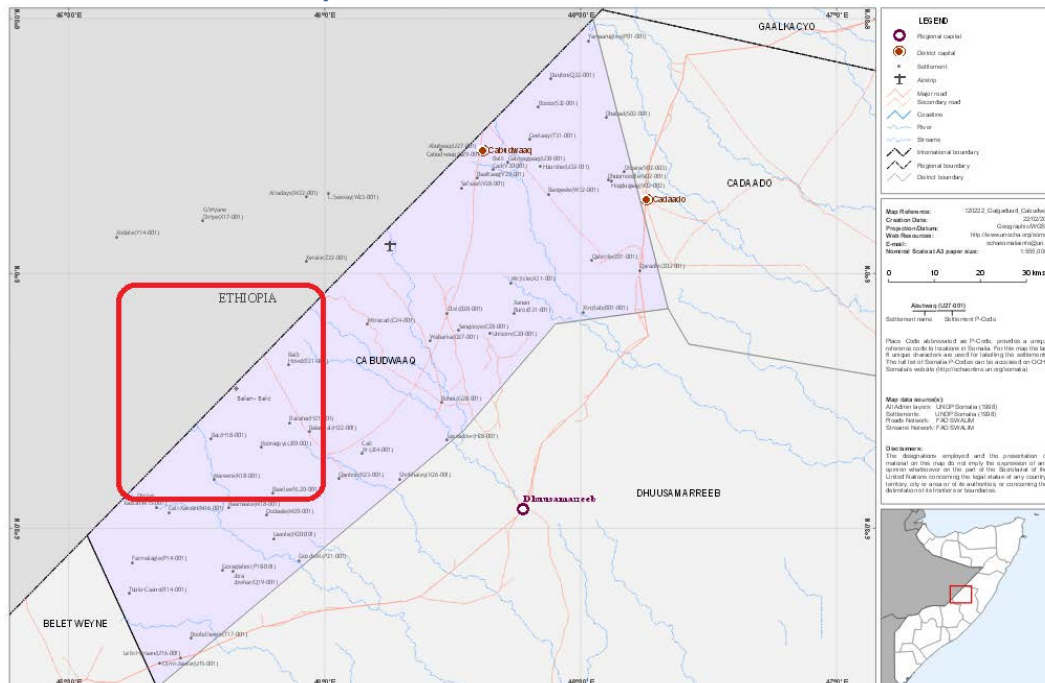
3.1 Contextual analysis of Balanbale and Herale districts

Balanbale and Herale districts are two neighboring districts situated in Western Galgudud region of South Central Somalia on the Somalia-Ethiopiaborder. The districts are third and fourth largest townships in Galgudud region. The Dir and Marehan are the dominant constituencies in Herale and Balanbale respectively with pockets of smaller clans. The two districts have several subdivisions; for instance, Balanbale district consists of six sub-divisions, namely: Dhagax-barkato, Canjiidle, Waaberi, Goronyo-hoor, and IDP while Hirale district has five sub – divisions; namely Lajide, Baragadirshe, Mayaran, Hurshe and Mirijicly.

During the central government, Herale district was administratively part of Balanbale district but the collapse of the state lead to clan conflict that heavily impacted cosmopolitan cities including Balanable district. Conflict erupted between the Dir and Marehan on many occasions that led the former to declare that they have annexed the area as their own district. However, this decision was rejected by the Marehan– fueling protracted conflicts that occasioned heavy casualties and destruction on both sides. Eventually, the Dir community seemed to have contained the onslaught and succeeded in declaring Herale as their own district but their efforts to get recognition for full-fledged district from successive transitional governments and the current has not been successful.

Sustained Peace building initiatives aimed at diffusing the tension and building social reconciliation has been delivered in the two districts since 2016 by Life and Peace Institute in partnership with Zamzam Foundation. The project succeeded in building community peace structures and facilitated community dialogues that offered a breakthrough for communities to dialogue and commit to peace. The community peace initiatives have succeeded in reducing tension and prevented renewed conflict. Whilst the conflict between the two communities have somewhat stopped following numerous successful mediations, the bitter conflict has left indelible scars that remains a hallmark in the relations between the two communities. The respective local administrations have been central in the peace building initiatives. They remain weak and lack resources and capacity to generate revenue as well as deliver services.

3.2 Balanbale district Snapshot



Adopted from UNOCHA 2018

Balanbale is the third largest district in the region; a region with an estimated population of 168,000⁵ with many displaced persons as a result of conflict and drought according to an Inter-Agency Assessment undertaken between July and August 2017. Balanbale is one of the districts in which new IDP settlements have been established to accommodate the influx of IDPs between 2016 and 2017. Bordering Ethiopia, the district is made up of six Sub-divisions, namely: Dhagax-barkato, Goronyo-hoor, Canjiidle, Waaberi and IDP.

Historically, Balanbale district was a military base during the military regime and in 1977, the district experienced the worst in form of militarized conflict in the region between Somalia and Ethiopia. A conflict analysis undertaken by Zamzam Foundation (ZZF) in 2017 indicates that while Balanbale has experience in inter and intra - clan conflict over the recent past, the magnitude of experienced conflict has been relatively of a lower threshold compared to other districts of the Galmudug Administration. Currently, there has been a cessation of conflict between the AhluSuuna WaalJamaa (ASWJ) and the Interim Galmudug Administration has come to an end with the agreement on cessation of conflict. This paved the way for increased focus on improving the welfare of the vulnerable communities in the newly formed state.

Balanbale hosts Marehan and Ceyr clans as well as other smaller clans. The collapse of the state triggered inter-clan conflict that altered the population of the city and led to ousting of Ceyr from the Balanbale to outskirts villages. The district has witnessed numerous bloody conflicts that stem from conflict over land and resources. The sustained conflict has paralyzed the local economy and deepened mistrust and divisions. Since 2017, ZZF in partnership with SSF and Galmudug Administration has been implementing the Wadajir Framework that successfully delivered social reconciliation between Marehan and Ceyr communities that produced peace accord. The project has created platforms for dialogue and strengthened community peace committees. The continued engagement has reduced the perennial clan conflict as well as casualties from the 10 deaths in a month to 10 deaths in 11 months. This sharp decline is attributed to joint efforts by Galmudug administration, ZZF and SSF to support the government initiatives to bring a lasting peace in the troubled region. Despite the relative success, numerous challenges and threats are abounding especially on the implementation to the peace accord. Internal political crisis in Galmudug state and particularly the Balanbale district have hampered efforts to enforce the accord and hold the spoilers to account. This further affected the formation of district council in Balanable.

The main livelihoods in Balanable district is livestock production mainly; camels, sheep, and goats, trade and commerce. Local merchants purchase livestock here and ship through the ports of Bosaso and Berbera every year. The city's livestock trade is at its most peak during the hajj period, when over a hundred thousand heads of livestock are sold and shipped to the Gulf States through Bosaso and Berbera ports. Since Balanbale is one of the districts located near the Somali-Ethiopian border, it serves as one of the main hubs that connect the two countries. It also has close economic relationship with the Somali region of Ethiopia and it plays a key role in the transportation of both countries. However, the sector took a hit and delivered below its capacity following the collapse of the state and continued communal conflict and collapse of cross-border business with Ethiopia's Somali region. Besides, given the strong dependence on livestock keeping, and commerce, the urban and rural markets are heavily influenced by seasonality with drastic price fluctuations in wet and dry seasons. According to FGD and KIs, commodity prices are often high due to the high cost of fuel and long distance of bringing in goods from Bosaso or Mogadishu ports. A sample of the basic imported commodity prices from residents in Balanbale reveals that indeed goods are very expensive for many of the residents who are facing severe droughts and cross-border conflict and high unemployment.

Imported Commodity Price Index

1 lit petrol = \$1.6

⁵ Interview with local elder in Balanbale on November 20, 2018

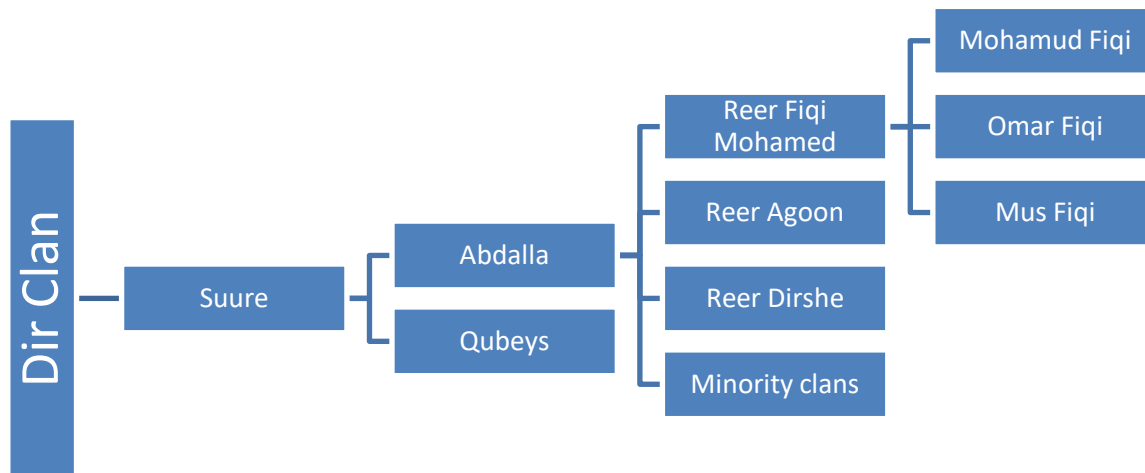
1 Lit Diesel=1.4
 Imported Rice 1 kg=\$1.8
 Sugar 1 kg =\$1
 Vegetable oil 1 L = \$2.8
 Wheat Floor 1kg= \$1.7
 White maize 1 kg=\$ 1.3

According to KIIs and FGDs, the main sectors of employment are textile, retail trade, hospitality, construction, wholesale trade and transportation and small-scale agriculture. In addition to agri-business, there is a diverse range of services and facilities available in Balanbale town. The tour of the town by the field team found that Small and medium-sized Enterprises (SME) are well represented in the local market, with a particular focus on hospitality – 18 small cafes, 6 hotels and 5 hairdressing/beauty salons.

3.3 Herale district Snapshot

Herale “district”⁶ was formerly part of Balanbale district of Galmudug state. It is a relatively small settlement that neighbors Balanbale district in Galmudug state. The area is home to Dir clans that annexed it from Balanbale district. The Dir clan is comprised of many sub-clans majority of who occupy Somaliland while substantial constituencies live in south central Somalia. Suure sub-clan is a branch of Dir family that occupies Herale district and comprised of various sub-groups.

Figure 1: Family tree of Dir clan in Herale district



Local communities are grappling with numerous challenges severe drought, intra and inter - clan conflicts, poverty, illiteracy and unemployment. Despite carving out Herale and declaring as its own district, the residents have experienced protracted intra-clan conflicts especially between Reer Mohamed sub-clan of Baha Afrah and the rest

⁶Herale settlement is not full-fledged district recognized by successive government; however, it's often referred to as district to avoid antagonizing locals.

of the family over leadership contests and representation in Galmudug state formation. The former group produced a prominent Sufi cleric and was allied to ASWJ group that opposed the state formation. The political contest between ASWJ and Galmudug state has had a major impact on the relations between the Dir clans. There was a rebellion against ASWJ backed faction by other clan factions that supported the formation of Galmudug state.

The disagreement resulted in a bloody conflict that saw the ousting of ASWJ backed faction that dominated the politics of the district for decades from Herale town to Hurshe settlement. Since this incident, there have been several unsuccessful attempts by the local leadership to resolve the conflict and allow people to return home.

Externally, there is also a deep mistrust among Dir clan vs Marhan and Dir vs Ceyr that has been ensuing for decades. The conflict between Galmudug administration and rival faction has had a bearing on the relation between contesting factions jostling for the control of the district. Although the Federal Government led by President Mohamed Abdullahi Farmajohas succeeded in reconciling the rival political groups. However, the agreement has not had a knock-on-effect on the rival Dir clan factions. This intra-clan conflict has hampered accessibility and assistance especially to the vulnerable community. This has seen many INGOs and CSOs working in the area with a lot of caution and then many of the youth and women remain unemployed and are susceptible to being involved in the conflict or crime. Fortunately, through conflict resolution programming, there has been reduced conflict recently and many INGOs and CBOs are starting to respond to emergency situation which does not meet the long-term needs of the community.

ZZF in partnership with LPI is implementing peace building program targeting local community structures in a bid to strengthen their capacity to dialogue and build peace platform to discuss and resolve political differences internally as well as strengthen cross-border peace initiatives geared to reconcile Dir clans with other rival clans. The results has been incremental and relations with erstwhile rival clans is slowly changing as the proponents of Galmudug state faction welcome other communities and share common interest and aspire to open the district for investment. KIIs argued the ousted ASWJ-backed leadership stocked intra-clan tension through political and economic exclusion, suppression and blackmail of proponents of Galmudug state.

According to respondents, the main sectors of employment are retail trade, textile, hospitality, construction, wholesale trade and transportation. The business sector is naturally segmented according to gender. This was notable during the data collection and evident in interviews with women FGDs and KIIs that underscored men tendencies to dominate medium and large-scale businesses than women who comprise the bulk of the workforce in small and micro enterprises. Field observations found that women play an active role and are the major players in the micro-enterprises. Retail, vegetable kiosks, textile shops and tea kiosks are dotted across Herale town and are the major sources of employment mainly for women and young people. A review of the commodity prices indicated imported price commodities are relatively expensive and out of the many poor vulnerable family especially women headed households and pastoralist drop out.

Imported Commodity Price Index

1 lit petrol = \$1.6

1 Lit Diesel=1.4

Imported Rice 1 kg=\$1.8

Sugar 1 kg =\$1

Vegetable oil 1 L = \$2.8

Wheat Floor 1kg= \$1.7

White maize 1 kg=\$ 1.3

3.4 Rationale in targeting and in a conflict sensitive way

3.4.1 Create Employment Opportunities

According to UNDP Somalia Human Development Report 2012, overall unemployment among people aged 15 to 64 is estimated at 54 percent in Somalia, up from 47 percent in 20027. Particularly, the report further indicates unemployment rate for youth aged 14- 29 is 67 percent—one of the highest rates in the world.⁸ Females experienced higher unemployment at 74 percent than males at 61 percent. These figures somewhat points to the challenges facing the youth are enormous. A 2012 survey in Somalia reported that more than 60 percent of young people intended to leave the country in search of better work opportunities⁹ while some engage in drug abuse or become vulnerable of being recruited into Al-Shabab ranks. The missing in link in the Somalia's stabilization efforts has been the role of youth in development, humanitarian assistance and peacebuilding. The UNDP report 2012, argues that a failure to invest in youth as an asset for the broader economy and society will continue to incur formidable costs, including the perpetration of intergenerational poverty and conflict.¹⁰

Over 70 percent of Somalis are under the age of 30; most face blocked transitions to adulthood due to multiple social, economic and political exclusions. This large generation has the potential to threaten the hard-worn relative peace, and stability in many of the parts Somalia. According to FGDs among elders in Balanble observed youth are like "double edged sword" that can be major drivers of peace and stability if they get employment but can also become major drivers as major actors in the conflict. Corroborating this assertion, UNDP 2016 human development report states that youth constitute the bulk of the participants in militias and criminal gangs, including Al-Shabaab. Many of the youth feel trapped in an environment of violent conflict, lack of employment, lack of education, poverty, unclear identity and a growing sense of marginalization are push factors for youth radicalization.

The protracted conflict shaped the patriarchal system that hitherto placed men as the head of the household but today that role has been transferred to women. During the data collection, it was observed both in Balanabale and Herale that many of the small-scale business operators were women. The role reversal in the family unit is clearly visible where many women household heads the breadwinners, engaging in small-scale enterprises. This is occasioned where many women lost husbands and other able-bodied family members to violence, leaving them to provide for and protect the children, the elderly and the sick. Other social practices such as polygamy and divorce have been cited as some of the factors that further seen an increase in the number of female breadwinners.¹¹

While women perform increasingly vital economic roles in Somaliathey experience many barriers to political and economic participation and often do not own much capital independently. Another dramatic development undermining economic development has been the massive displacement of people caused by conflicts, recurrent droughts and increasingly forced evictions.¹²

Young entrepreneurs operating in Somalia are faced with numerous challenges in their quest to pursue entrepreneurship as an option to meaningful employment. FGDs and KIIs underscored that the respective district face enormous challenges such as high unemployment and lack of opportunities especially among the youth and get involved in the violent conflict. For instance, majority of the clan militias are uneducated youth that engaged in fierce conflicts. The community elders observed the local administrations lack capacities to generate opportunities and many of the development have focused on peace building and conflict resolution. The elders underscored the

⁷ www.undp.org/content/undp/en/.../hdr/Somalia-human-development-report-2012.htm

⁸ UNDP 2012

⁹ <http://www.trust.org/alertnet/news/interview-powersharing-deal-may-break-somali-deadlock>.

¹⁰ UNDP 2012

¹¹ FGD with women in Herale and Balanble districts November 2018

¹² <https://www.bti-project.org/en/reports/country-reports/detail/itc/SOM/>

recurrent conflict between Marehan and Ceyr on one hand and Marehan and Dir clans on other hand can be resolved if complimentary activities such as peace building and economic development programs are delivered to create employment opportunities especially for the youth. Supporting small and medium enterprise cannot only spur growth but would be an employment route that can earn youth and women a decent income that leads to sustainable development and wealth creation.

Local administration officials also indicated 60% of the youth in Balanbale are between the age of 10-35 and majority of them are from vulnerable families and chances of getting a job is slim because of limited opportunities. Further, interviews with youth highlighted the employment is based on kinship and clan ties such that youth from political network and social connections get employment faster than their peers from smaller clans. This practices is common across Somalia has often diminished hopes of youth and women from minority getting jobs thus relocating to other areas or at times forces many of them to embark on an often-dangerous journey across borders in search of better lives or joining the Al-Shabaab terrorist group.

Besides, interviews with various stakeholders across the districts and field observation found out the potential business opportunities for investment that groups have proposed. The table below outlines these proposed economic sectors.

Table 1: Potential economic sectors for investment in Hera and Balanbale districts

Economic sectors	Business opportunities in this sector
Retail business and SMEs	<ul style="list-style-type: none"> - Retail business of mainly selling consumables such as sugar, rice, beans and Spaghetti, cooking oil and detergents known as “<i>Bagaash</i>” locally is a promising business opportunity that has been described as profitable, easy to manage and has the potential to create employment and for marginalized groups. - Currently, the cities have wholesalers who sale these commodities at wholesale prices and sometimes offer goods on credit to individuals or groups that have the ability to repay. This saves on the cost on transport and logistics. - Both districts have the many settlements that do not have retail shops and often businessmen from the cities deliver the goods to other smaller shops, kiosks and hotels thus increasing their sales. - The proximity of the districts to the Ethiopia border has the opportunity of increasing importation of goods at a cheaper cost than importing locally because of insecurity and poor road networks. The opening of Somalia-Ethiopia border recently has raised hopes of locals of re-starting cross-border business. During the field study a lot of <i>Bagaash</i> comes from Ethiopia.
Hardware business	<ul style="list-style-type: none"> - Respondents have observed there is high demand for construction materials such as cement, iron sheets, nails and timber and assorted construction materials for interior decor including lighting, furniture business. - The demand for housing is growing and it’s likely to grow because of increased availability of construction materials from Ethiopia. The relative peace and stability in the cities has seen rise in demand for plots. Some of the diasporas communities and private sector groups are already buying land and building houses and commercial centres for business. - Supporting such small-business will enable beneficiaries to target clients within and outside the cities. Considering that these goods can stay in the shelves for a short duration will not pressure owners to sale at throw-away prices.
Tailoring business	<ul style="list-style-type: none"> - There are many textile shops that either sale or makes clothes or both. Sometimes, the shops owners are tailors or hire tailors to take advantage of high demand for clothes that are cheap and quality. These businesses are owned by both men and women. Similarly, there is small-scale women business who also engaged tailoring business while selling groceries at the household level. - The demand for clothing is high and the market present profitable opportunities.

	<p>Respondents indicated several potential areas in which they can target. These areas include; making school uniforms for boys and girls, fashion dress for women, trousers and shirts for men as make quality curtains and customized bedsheets made from cotton materials. Interviews with women groups indicated they have the ability to import quality textile materials from Mogadishu or Ethiopia. The demand for fashion clothes is high among youth. They underscored the major obstacle has been lack of credit to invest in such business.</p>
Hospitality sector	<ul style="list-style-type: none"> - FGD groups and KII indicated there is high demand for restaurants that have adequate space and food because the current facilities are congested and sometimes get crowded. Being an oral society, Somalis cherish hotels or joints with abundant sitting space, quality tea, coffee to pass time or make deals and converse the developments with their friends away from home. Recently, hotels offering various delicacies have on the rise across Somalia and the trend is being replicated elsewhere. - Local hotel owners explained they aspire to establish to expand their hotels and introduce different cuisines but cannot this dream due to lack of credit.
Livestock business	<ul style="list-style-type: none"> - Some of the male respondents explained the livestock business is one of the oldest business practices that locals engaged in. The sector is still vibrant with export of livestock such as goats and camels via Bosaso or Berbera ports are active. Besides, the sale of animals to the local markets is viable opportunity that business can engage. Presently, most of big business owner's sale goods to pastoralists on credit and in exchange receive livestock as form of payment.
Fuel station	<ul style="list-style-type: none"> - Respondents identified sale of fuel such as petrol, diesel and kerosene as profitable business which is currently lacking. Currently, local vendors use traditional mechanism of storing fuel such as drums and Jericans of 5, 10 and 20 liters that are sold to clients. This practice is cumbersome and dangerous as the chances of leakage and fire explosion are likely.
Fodder sale	<ul style="list-style-type: none"> - Many of the businessmen have ventured into smart enterprises of breeding and keeping livestock such as Camel in restricted areas where they are fed. This is a new form of livestock production which has been gaining currency in the recent past. For instance, Balanble district has such ranches where livestock is kept. This type of business has seen an increase in supply of milk and is not affected by seasonal changes. Mostly the animals feed on grass which is normally is scared and cumbersome process to find. This present an opportunity where fodder production as a form of business could be introduced in which groups can sale to the ranch owners.

3.4.2 Provision of entrepreneurship skills and credit

The Somali people have been seasoned entrepreneurs defying political and clan barriers and trading across international borders. It is argued that SMEs account for 90 percent of employment in Somalia. This demonstrates that small and medium-sized enterprises (SMEs) are essential to unleash the entrepreneurial agility of the youth and have potential to contribute to poverty reduction when it creates employment through the startup of new entrepreneurship or the expansion of existing ones. The knock-on-effect is often an increase in social wealth by creating new markets, new jobs and production, increases thus contributing to higher standards of living for the population.

Starting a business requires a good level of applicable knowledge in management and accounting and an understanding as to how the market works. Many young people do not have these skills. Corroborating this observation, a study conducted by GIZ in Kismayo about the impact of entrepreneurship, small, medium enterprise training and provision of grants showed that 84% reported an increase in general living conditions. The study indicates majority of business groups who received training and good business practices performed well in terms of

proceeds compared in the past.¹³ KIIs with private sector groups revealed most business owners indicated that young entrepreneurs or those aspiring to start own business often face numerous challenges including lack of entrepreneurial skills, mentorship and startup capital and business plan before starting their activities. A spot check on existing business revealed that business owners do not keep proper and consistent record of sales and expenses. Majority of them do not have savings account and often use mobile money (EVC plus) as convenient mode of saving which is not prudent way of saving money.

The current level of skill in the labor market is difficult to assess objectively. However, high unemployment, lack of skilled workers, and high demand for skill training among small business owners indicate a substantial skills gap in the local market. According to FGDs with small business holders, the main obstacles for establishing a viable business in Somalia as a young entrepreneur include; lack of suitable business premises, insecurity, poor infrastructure,

Besides, the study examined the specific skills that employers and potential employers would like the employees of job seekers to have. Majority of them explained that lack of requisite skills is a major challenge that employers grapple with whenever they hire employees. They indicated the supply of skilled personnel for hire is one of the main problems. Employers cited several challenges that employees face are; lack of proficiency in literacy and numeracy skills, lack basic accounting skills and computer skills, lack of marketing skills, poor customer relations, lack business management skills and lack the self-drive to improve their skills. They indicated the current labor force is not adequately prepared to meet the demands of the job. Another issue that employers flagged is the get quick rich attitude of the youth without hard work. The sentiments were similar across the two districts. Somalia's education system is often argued not producing skilled workforce or trainable graduates. Besides, the two districts do not have TVET providers. Thus, the economic development project will address these issues by enhancing their skills during the entrepreneurship skills training.

3.4.3 The main sources of finance and gaps/barriers to access

Personal saving: The vast majority of the small and medium enterprises holders explained they have used their personal savings as start-up capital. This source of finance is often takes time and may be diverted into other usage such as domestic use and health or other priority needs. There is a strong for SMEs to expand their businesses or divest into other enterprises.

Borrowing from family members or friends: The second most popular source of finance is borrowing from family members, relatives or friends. Some of the respondents explained this source of funds can be either in form of grant or credit where the person pays a later date once they have made the profit. This is old methods of funding that family members have supported their siblings and sometime in-laws to pursue their dream. This form of business has been described as preferable because there is no interest, security or bureaucracies involved but is challenging where the person is expected to pay back the money at a fixed period of time. Another form of borrowing that is mostly common and used by aspiring entrepreneurs is what locally known as "Adeysiin", a process where a person goes to wholesaler and collect certain amount of goods at discounted price and puts a small margin. Once the goods is sold they keep the profit and return the money and continues for a period until they accumulate enough money to start own business.

Ayuto/Hagbad: This is a traditional method used as savings and credit scheme. This scheme is used as a source of funding mainly by women in many parts of Somalia. It involves a process where a group of women create a revolving fund in which members give credit to one another. This system is thriving and has been described by women respondents as the major sources of star-up fund for their enterprises. Vast majority of women in Balanbale and Herale districts are members of Ayuto and are active contributor. This system is built around clan,

¹³ External Evaluation report by Researchcare Africa on Somalia Reintegration Programme (SRP) funded by GIZ in Kismayo, Lower Jubba region, Somalia

trust and friendship and members contribute certain amount of money that is collected either on weekly or monthly periods and is then given to one member and continues in a cycle. This system has been described as one of the reliable sources but has many risks such as lack of system of records and chances of defaulting is high. These types of funding have been established as an alternative to lack of credit facilities in their current location and sometimes high payment rates, bureaucracies involved are discouraging for individuals who wanted to borrow from the financial institutions in Mogadishu.

Gaps/ Barriers to access to financial services: The study found that there are numerous financial institutions mainly money transfer companies including AMAL, Dahabshil, Iftin, Tawakal, Jubba, TAJ and Hodan in Herale and Balanbale districts. Whilst these companies provide credit facilities to residents of Banadir and Kismayo they did not have these facilities in these locations. Interview with locals in both districts indicated several barriers to accessing credit services. These barriers include; lack of lending agencies in their locality, lack of information about availability of credit outside their current locations, they do not meet eligibility requirements for lending, cannot afford interest payments, do not have the required documents to apply for financing. Besides, interview with representative of these financial companies indicated the process of accessing takes time and involves a lot of process to avoid potential risks such as defaulting or any other challenges that can lead to loss of money.

In the absence of state regulation, economic actors in Somalia have been organizing themselves according to kinship or religious affiliation, with the so-called majority clans taking the lead. The kinship arrangement is arguably part of the market forces that has been cited as a hindering factor. For instance, “People only buy from people who belong to the same clan,” stated a number of businessmen and women across the two districts. Within clans, men dominate in economic and political matters. Structures of social control and trust within kinship groups or religious associations determine the parameters of economic interaction, instead of legal guarantees and general regulations. This could constitute a serious obstacle for entrepreneurs who are not from the dominant clans or who need to reach a critical size and attract clients from different backgrounds to be profitable

Insecurity and informality are other environmental challenges that limit investment and entrepreneurship among the young entrepreneurs in Herale and Balanbale Districts. Rival militia clans or Al-Shabab control the surrounding towns or villages or the trade routes and this makes the businesses difficult to operate. The traders pay more expenses to bring goods to the two districts and subsequently this makes the traders to sell at a higher price. Poor roads networks are also another challenge. The roads surrounding or serving Herale and Balanbale Districts are in poor states and this affects the businesses activities. This will also contribute to the high costs of goods as the traders incur extra expenses to bring goods to the markets. Given that pastoralism and small-scale agriculture are mainstays of the constituents in Balanbale and Herale district, climatic changes such as failed rains or prolonged droughts exposes to loose livelihoods, and diminishes households and coping mechanisms.

3.4.4 Understand the rationale of the project activities being undertaken;

Somalis face a daunting development challenge to overcome the legacy of two decades of sustained conflict and fragility—but substantial progress is now being made. The new government inherited a dysfunctional economy facing high levels of poverty and inequality, a youth bulge, high unemployment, and large infrastructure gaps. The Federal Government of Somalia (FGS) has embarked on a process of structural, legislative, and institutional reform.¹⁴

ZZF is one of the few development agencies that successfully delivered numerous projects in Balanbale and Herale districts. ZZF in partnership with SSF is delivering the Wadajir Framework program in Balanbale district which has achieved several milestones, the proposed economic development is complement the achievement made in

¹⁴ www.undp.org/content/undp/en/.../hdr/Somalia-human-development-report-2012.htm

consolidating the peace initiative by promoting small-medium enterprises targeting women and youth who have been central in the peace building initiatives. The economic development project access to start-up grants to boost build cooperatives. Besides, ZZF has also partnership with Life and Peace Institute (LPI) to deliver Conflict Transformation and Inter-Clan Joint Resource Management (CRM) project since 2012 in Balanbale, Guriel, Herale and Mataban districts in Galgadud region in south central Somalia.

Presently, ZZF in partnership is intending to implement economic development program in Balanbale and Herale districts in Galgadud region. The overall objective of the program is aimed to build community resilience through alternative livelihoods and enhanced market access to increase income and economic diversification. The specific objectives of the project are to; provide business management/Entrepreneurial skills to 150 caseloads (75 caseloads per location in group of 5 persons) selected from vulnerable youth members among men, women and marginalized groups; and create employment opportunities for 100 caseloads among the business management skills training graduates (50 caseloads per location in group of 5 persons) through business plan competition and provision of business start-up grants in Herale and Balanbale. The proposed program will engage community stakeholders to identify and select 150 youth marginalized members (75 per location) that will receive business management training course. The training is geared to enhance entrepreneurship skills and cultivate entrepreneurial culture, competencies and understand different types of business. Further the program will train beneficiaries on how to develop business planning training and guidance on developing business plans. Beneficiaries will be organised into groups. Each group will submit business plans of their choice for funding. ZZF in collaboration with community members will evaluate the business plans and give grants to the best teams that submit smart business plans that is achievable.

The study found that majority of the youth and women groups lack jobs and therefore cannot find jobs. FGDS and KIs revealed that protracted droughts wiped out community assets and continued inter and intra-clan fighting has disrupted lives. These combined effects of these issues have forced many families to migrate to urban areas. The influx of the displaced persons has increased competition for labor in urban areas thus diminishing the prospect of employment. The rationale for the proposed program activities will first create jobs for many of the current unemployed youth and women who have ambitions and ideas to start business.

Another key finding made was the high number women entrepreneurs in Herale and Balanbale Districts. Women dominate almost 90% of businesses especially the small-scale businesses. Women dominate businesses activities such as milk selling, food courts, clothing shops, and tea selling along the streets. Women are the backbone of family livelihoods in most rural areas in Somalia. FGDs with women underscored that women economic participation is often restricted to menial activities such as kiosk or open-air trade, rather than ownership of larger private businesses or commercial enterprises. It was found that majority of the women remain marginalised in businesses leadership and governance positions despite their immense contribution in the society. The proposed activities targets vulnerable women in providing business opportunities and income to achieve their aspiration to break the glass ceiling.

The study finds that majority of the business owners lack formal business skills such as good business practices such as bookkeeping, savings accounts and understanding business environment. KIs with private sector groups underscored employers struggle to find youth who have requisite skills enough to work for them. Thus, the program activities aim to entrepreneurship trainings that will involve business management skills through organizing groups to work together as groups. Corroborating the strong relationship between skills development and business growth found out that study on GIZ project in Kismayo revealed that majority of the beneficiaries who received entrepreneurial training and start-up grants doubled their proceeds and open new business outlets.

FGDs and KIs revealed that many of the businesses are designed around clan and personal connections. This means many consumers often purchase goods from shops belonging to their relatives or clan members because to

support their own and build loyalty that will guarantee them to get access to credit. The program aims to build inclusive businesses in which groups from various backgrounds are supported to build business. Such business design is expected to break clan barriers and enhance integration and build business connection for small business holders.

The opening of Ethiopian border widens potential business opportunities in these two districts and increases the economic opportunities for the business communities and more so for marginalized and vulnerable groups such as women and youth. The proposed program will strengthen the capacity of existing small businesses in setting up financial system and improving marketing skills and adopt sound financial practices so that they compete for these business opportunities floodgates opened by the opening of the border.

Youth in Herale and Balanbale Districts are not involved so much with businesses activities but rather they are idle and involve themselves in idle talks or sports. Bearing in mind the intra or inter clan conflicts, the youth are in danger of taking part in these conflicts. Creating employment opportunities through imparting business skills and giving them startup capital will reduce the risks of youth involvement in other vices such as crimes, clan conflicts, radicalization or illegal migrations.

FGDs underscored there was no similar economic development program undertaken in the Balanbale and Herale districts. They observed this will be the first time and welcomed it as an opportunity for boosting the local economy and expanding livelihood opportunities and household income. The relevance of the project of the project activities focusses on providing grants to small business based on their suitability.

3.4.5 The role (participation) of women in business

According to the UNDP Human Development Report from 2012 women in Somalia are systematically marginalized and excluded from various development sectors and leadership position. This has resulted high levels of gender inequality and inhibiting cultural practices that make it hard for women to find jobs due to early marriages and cultural restrictions¹⁵. Interviews with women businessmen and activities on women economic participation revealed vast majority of them are engaged informal businesses and excluded from the formal sectors. Arguably the cultural ceiling has pushed more women to join the informal sector to improve their livelihood conditions. During the field visit almost 90% of the small scale enterprises are managed by women in the two districts-an indication of the determination to succeed. An ILO study in Hargeisa and Mogadishu found that almost half (47%) of female entrepreneurs had not received any education and could neither read nor write¹⁶.

FGD with women groups pointed out enormous social and economic challenges that often limited their ability to grow and build own business. This includes; lack of local connections, lack of credit facility, lack of literacy and numeracy skills and support to expand their business. They underscored the heavy burden of being single mother and having to raise kids and meet their basic needs. This has seen women become the main actors engage in small-scale enterprise such as operating tea shops, selling milk, textile and running food kiosks and selling khat,. The situation is even worse for women from IDPs or non-locals as they face discrimination to get unemployment and are considered risky to engage as they can leave anytime

Women have established cooperative locally known as Ayuto/Hagbad as a strategy to raise funds for the economic and social projects. This is a traditional method used as savings and credit scheme. This scheme is used as a source of funding mainly by women in many parts of Somalia. It involves a process where a group of women create a

¹⁵ UNDP Human Development Report from 2012

¹⁶ ILO study on Institutional and Policy Assessment of Factors Affecting Women Entrepreneurs in Micro and Small Enterprises in Hargeisa and Mogadishu

revolving fund in which members give credit to one another. This system is thriving and has been described by women respondents as the major sources of start-up fund for their enterprises. Vast majority of women in Balanbale and Herale districts are members of Ayuto and are active contributors. Some of the women members explained that the scheme enabled her and her members start small businesses. Most of Ayutoo members have used the contribution to start priority businesses such as sale of groceries, opened tea shops, and sale of food stuff and tailoring business, enabled them buy land.

This system is built around clan, trust and friendship and often excludes no-clan members. Ayuto members contribute certain amount of money either on weekly or monthly period which is then given to one member and a continuous a cycle. This system has been described by women as reliable source. Despite its popularity the members lacks capacity and do not have internal control system and records to prevent potential defaulting.

3.4.6 Map the stakeholders in the areas of the interventions;

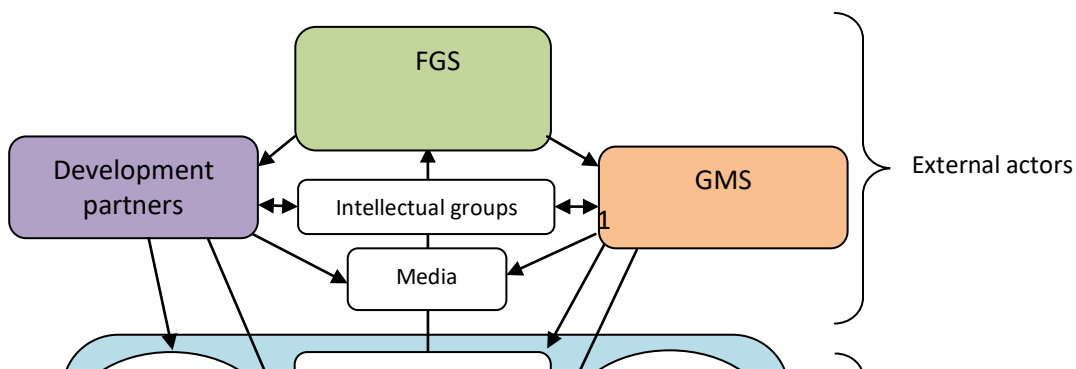
There are different stakeholders in the respective districts of Balanable and Herale. These stakeholders are involved and working in various sectors in the districts at different levels including; dominant institutional actors contributing to stability in the community included security agencies, Galmudug administration, donors, media and intellectual groups as external actors. Internal actors included community leaders, elders and religious leaders together with village committees, volunteers and women and youth groups. Somalia National Army and National Intelligence units

Balanbale district

As shown in Figure 2 below, the dominant actors in Balanbaledistrict include Government administration, security agencies, donors, media and intellectual groups as external actors. Internal actors include community leaders, elders and religious leaders together with village committees, volunteers and women and youth groups. Village committee and community leaders work closely with security system to enhance stability. At the individual level, Elders play reconciliation role while administration deal with security matters.

Women groups conduct mobilization and sensitization on peace and order while youth groups and volunteers undertake co-ordination role. At the institutional level, the federal government with support of Galmudug state administration implements decisions made at the government level while donors provide financial and logistical support, the media play the role of community sensitization and provision of information. The intellectual community mobilizes resources, create awareness to the international and local community and conduct surveys for information generation. International development actors (donors) also play an important role in enhancing institutional mechanisms and laws that serve to entrench peace and particularly women’s rights.

Figure 2: Actors in Balanbale district



These actors play complementary roles and enjoy local support but differ in their allegiance. For instance, Balanbale district has two district commissioners; Deputy President of Galmudug state sacked the incumbent district commissioner and appointed an interim district commissioner but was re-instated by President of Galmudug on what is seemingly indicative of their political differences and tactics to undermine each other. The deputy president hails from Balanbale district from one of the dominant Marehan sub clans and is highly respected and has close relations with Federal Government. He has shown his unwavering support to the federal a sharp contrast to President of Galmudug state that has joined his peers from other states to announce that they have cut relations with the federal government.

The leadership tussle in the executive is part of major political crisis that has rocked Galmudug state. That has parallel systems each with its own president, parliament and speaker. One faction of Galmudug state is based Dhusamareeb town while the splinter camp is based in Adado town. The political differences have deepened the political crisis and have heavily impacted the development projects such as Wadajir Framework. The district council formation process has been postponed indefinitely until the political stalemate is resolved. The government commitment and participation was crucial in conducting the district council formation but their absence of the government meant that going ahead with sensitive process was seen as counterproductive and could result potential problems.

Ahlu-Sunnah Waal Jamaa (ASWJ), a Sufi sect is another political and social actor that that has wide following especially in the central regions. The group has recently agreed to a political merger with Galmudug state that will build a broad-based federal government that will bring on board all the opposition camp. However, the merger has not been successful as section of the political leaders felt excluded and felt ASWJ hijacked the process after it taking majority of the seats in the parliament, introduced *Shura council*-body of *sufi* cleric with executive powers and allegedly orchestrating the impeachment of the Galmudug speaker.

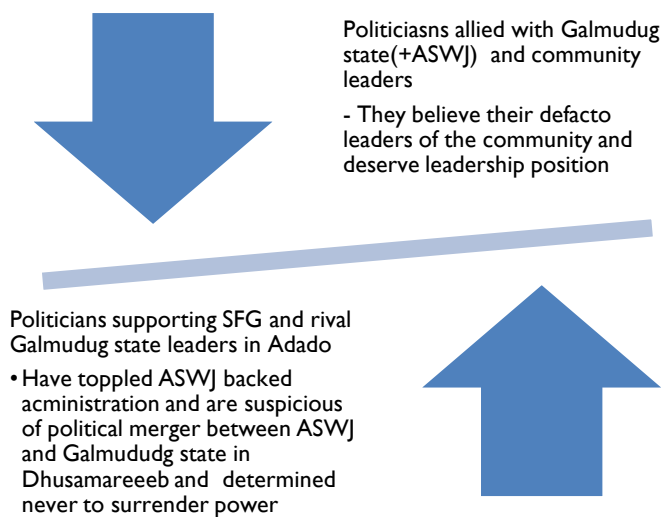
Herale district

Intra-clan conflicts between the dominant sub clans have undermined the unity and development in the areas. For instance, ASWJ and Galmudug state are major political actors as well as community leaders, politicians, youth and diaspora. Traditionally, the district is home to ardent followers of the *Sufi* doctrine espoused by ASWJ and

propagated by a prominent cleric who died three decades ago. The followers of the Sheikh have kept the mantle and became the uniting factor. However, divisions over who should get what position and where in the Galmudug state formation emerged between the various sub groups. The dominant sub groups declared support for Galmudug state while the few sub groups led by district commissioner vehemently opposed the idea declaring support for ASWJ. The standoff triggered conflict that involved ASWJ backed faction and the rest that eventually the ousting of the former. The Galmudug backed faction replaced the local administration and appointed a new District commissioner. The internal rift widen following the political merger between Galmudug state and ASWJ. Given that the latter had gained strong influence in the negotiation it's appointed its loyalists in to key government positions. Among those appointed to key positions is the former district commissioner who controlled a village in Hirale district. The wider community felt betrayed and declared their support for rival Galmudug faction in Adado town.

Despite these political, rifts the community has strong traditional system that is held as constitution especially on resource mobilization and sharing and diya payment as well as sharing political positions at the state and federal level. According to women FGDs and youth groups, the community has informal system of aid distribution especially cash for work, relief, and income generating. Community leaders in Herale town ensure inclusivity across community in the district. This tradition has been instrumental in building ownership and sustainability during the implementation of ZZP projects in the district. Having such system is useful sometimes but lack of trust among worrying groups could be a challenge to ensuring equitable allocation of resources. The division among communities in Herale will require separate trainings to be held in different areas as bringing all the groups would be difficult and expensive.

Figure 3: Political actors in Herale district



4.0 Conclusion

Over 70 percent of youth are unemployed mainly due to lack of skills. Youth skill capacity gaps are enamours in Herale and Balanbale Districts. Despite the high population of youth in the area, there are no business opportunities for them. Engaging youth in the two districts recovering from years of conflicts will offer high dividends to the entire community as they are currently idle and jobless. Key sectors where the youth would get

jobs include the building and construction sector, information technology, and energy. The youth will also be able to create their own jobs than to seek when empowered with these skills.

There are limited private sector investments in Galgadud to offer youth with ready jobs. However, opportunities for self-employment in professional areas are irrefutably huge. Equipping the youth with business skills will easily earn for them a living. In terms of market accessibility, markets are existent in Galgadud but no formal one is available in Herale and Balanbale Districts. The current market conditions are not conducive for businesses, and thereby requiring infrastructural improvements. Improving the conditions of these markets will boost the economic potential and this could offer opportunities for the women and youth. Besides there are no reliable credit institutions that can easily lend the youth with credit for starting businesses. Friends and relatives are among the only sources where youth can run for some basic help, but not a reliable source for business credit financing.

Overall, skills gaps among the youth are huge and there are no institutions to fill these gaps in order to enable the youth to participate optimally in economic development in the area. Despite the female youth having most of the vulnerability and lacking equal opportunity in accessing education, there are no institutions to spearhead the empowerment of the women and youth to overcome such barriers.

Findings

1. **Lack of employment:**The study found that majority of the youth and women groups lack jobs and therefore cannot find jobs. FGDS and KIIs revealed that protracted droughts wiped out community assets and continued inter and intra-clan fighting has disrupted lives. The rationale for the proposed program activities will first create jobs for many of the current unemployed youth and women who have ambitions and ideas to start businesses.
2. **Glass ceiling:**There is high number of women entrepreneurs in Herale and Balanbale Districts. Women dominate almost 90% of businesses – especially the small-scale businesses such as milk selling, food courts, clothing shops, and tea selling along the streets. FGDS with women underscored that women economic participation is often restricted to menial activities such as kiosk or open-air trade, rather than ownership of larger private businesses or commercial enterprises. It was discovered that a majority of the women remain marginalised in businesses, leadership and governance positions despite their immense contribution in the society. The proposed activities target vulnerable women in providing business opportunities and income to boost their aspiration to break the glass ceiling.
3. **Lack of business skills:**The study finds majority of the small business owners lack formal business skills like good business practices such as bookkeeping, savings accounts and understanding the business environment. KIIs with private sector groups underscored employers' struggle to find youth who have requisite skills enough to work for them. Thus, the program activities aim to create entrepreneurship trainings that will involve business management skills through organizing groups to work together.
4. **Clan influence:**FGDs and KIIs revealed that many of the businesses are designed around clan and personal connections. This means that many consumers often purchase goods from shops belonging to their relatives or clan members to support their own and build loyalty that will guarantee them to get access to credit. The program aims to build inclusive businesses in which groups from various backgrounds are supported to build business. Such business design is expected to break clan barriers and enhance integration and build business connection for small – scale business people.
5. **Provision of grants:**FGDs underscored there was no similar economic development program undertaken in the Balanbale and Herale districts. They observed that this will be the first time and welcomed it as an opportunity for boosting the local economy and expanding livelihoods for SMEs. The relevance of the project activities focuses on providing grants to small businesses based on their suitability.

The main sources of finance in Balanbale and Herale district

1. **Personal saving:**The vast majority of the small and medium enterprises holders explained they have used their personal savings as start-up capital. This source of finance is often takes time and may be diverted into other usage such as domestic use and health or other priority needs. There is a strong for SMEs to expand their businesses or divest into other enterprises.
2. **Borrowing from family members or friends:** The second most popular source of finance is borrowing from family members, relatives or friends. Some of the respondents explained this source of funds can be either in form of grant or credit where the person pays a later date once they have made the profit. Another form of borrowing that is mostly common and used by aspiring entrepreneurs is what locally known as “Adeysiin”, a process where a person goes to wholesaler and collect certain amount of goods at discounted price and puts a small margin. Once the goods is sold they keep the profit and return the money and continues for a period until they accumulate enough money to start own business.
3. **Ayuto/Hagbad:** This is a traditional method used as savings and credit scheme. This scheme is used as a source of funding mainly by women in many parts of Somalia. It involves a process where a group of women create a revolving fund in which members give credit to one another. This system is thriving and has been described by women respondents as the major sources of star-up fund for their enterprises. Vast majority of women in Balanbale and Herale districts are members of Ayuto and are active contributor. This system is built around clan, trust and friendship and members contribute certain amount of money that is collected either on weekly or monthly periods and is then is given to one member and continues in a cycle. This system has been described as one of the reliable sources but has many risks such as lack system of records and chances of defaulting is high. These types of funding has been established as an alternative to lack of credit facilities in their current location and sometimes high payment rates, bureaucracies involved are discouraging for individuals who wanted to borrow from the financial institutions in Mogadishu.

Gaps/ Barriers to access to financial services: The study found that there are numerous financial institutions mainly money transfer companies including AMAL, Dahabshil, Iftin, Tawakal, Jubba, TAJ and Hodan in Herale and Balanbale districts. Whilst these companies provide credit facilities to residents of Banadir and Kismayo they did not have these facilities in these locations. Interview with locals in both districts indicated several barriers to accessing credit services. These barriers include; lack of lending agencies in their locality, lack of information about availability of credit outside their current locations, they do not meet eligibility requirements for lending, cannot afford interest payments, do not have the required documents to apply for financing. Besides, interview with representative of these financial companies indicated the process of accessing takes time and involves a lot of process to avoid potential risks such as defaulting or any other challenges that can lead to loss of money.

Potential economic sectors for investment in Hera and Balanbale districts

1. **Retail business and SMEs:** Retail business of mainly selling consumables such as sugar, rice, beans and Spaghetti, cooking oil and detergents known as “*Bagaash*’ locally is a promising business opportunity that has been described as profitable, easy to manage and has the potential to create employment and for marginalized groups. The proximity of the districts to the Ethiopia border has the opportunity of increasing importation of goods at a cheaper cost than importing locally because of insecurity and poor road networks. The opening of Somalia-Ethiopia border recently has raised hopes of locals of re-starting cross-border business. During the field study a lot of *Bagaash* comes from Ethiopia.
2. **Hardware business:** Respondents have observed there is high demand for construction materials such as cement, iron sheets, nails and timber and assorted construction materials for interior decor including lighting, furniture business. The demand for housing is growing and it’s likely to grow because of increased availability of construction materials from Ethiopia. The relative peace and stability in the cities has seen rise in demand for plots. Some of the Diasporas communities and private sector groups are already buying land and building houses and commercial centres for business. Supporting such small-business will enable beneficiaries to target

clients within and outside the cities. Considering that these goods can stay in the shelves for a short duration will not pressure owners to sale at throw-away prices.

3. Tailoring business: There are many textile shops that either sale or makes clothes or both. Sometimes, the shops owners are tailors or hire tailors to take advantage of high demand for clothes that are cheap and quality. These businesses are owned by both men and women. Similarly, there is small-scale women business who also engaged tailoring business while selling groceries at the household level. Respondents indicated several potential areas in which they can target. These areas include; making school uniforms for boys and girls, fashion dress for women, trousers and shirts for men as make quality curtains and customized bedsheets made from cotton materials. Interviews with women groups indicated they have the ability to import quality textile materials from Mogadishu or Ethiopia.
4. Hospitality sector: FGD groups and KII indicated there is high demand for restaurants that have adequate space and food because the current facilities are congested and sometimes get crowded. Being an oral society, Somalis cherish hotels or joints with abundant sitting space, quality tea, coffee to pass time or make deals and converse the developments with their friends away from home. Recently, hotels offering various delicacies have on the rise across Somalia and the trend is being replicated elsewhere.
5. Livestock business: Some of the male respondents explained the livestock business is one of the oldest business practices that locals engaged in. The sector is still vibrant with export of livestock such as goats and camels via Bosaso or Berbera ports are active. Besides, the sale of animals to the local markets is viable opportunity that business can engage. Presently, most of big business owner's sale goods to pastoralists on credit and in exchange receive livestock as form of payment.
6. Fuel station: Respondents identified sale of fuel such as petrol, diesel and kerosene as profitable business which is currently lacking. Currently, local vendors use traditional mechanism of storing fuel such as drums and Jericans of 5, 10 and 20 liters that are sold to clients. This practice is cumbersome and dangerous as the chances of leakage and fire explosion are likely.
7. Fodder business: Many of the businessmen have ventured into smart enterprises of breeding and keeping livestock such as Camel in restricted areas where they are fed. This is a new form of livestock production which has been gaining currency in the recent past. For instance, Balanble district has such ranches where livestock is kept. This type of business has seen an increase in supply of milk and is not affected by seasonal changes. Mostly the animals feed on grass which is normally is scarce and cumbersome process to find. Therefore supporting groups to grow fodder for sale to livestock owners is not only viable but also profitable business. The fodder business has been gaining currency in other parts of the country to combat climate and reduce resource based conflict. This fodder presents an opportunity where fodder production as a form of business could be introduced in which groups can sale to the ranch owners.

5.0 Recommendations

1. Given the countless opportunities that knock at the doorway of the youth in Balanbale and Herale Districts, it is strongly recommended that business opportunities are urgently established in Herale and Balanbale districts. The youth should be supported to start businesses and build their economic lives and stay away from conflicts.
2. It is appropriate for the development partners, government and private sector foundations to team up and identify strategic interventions in order to address the plight of the rampant unemployment of the many youth in the district especially through attracting private sector investment in the district.
3. Credit access to the youth should be explored by mobilizing the youth into professional associations and savings groups. Mobilization of the youth into groups would enable their capacity to access credits even from remittance agents who currently offer business loans. Group saving and credit access would self-regulate the repayment behaviour of the members.
4. Training of the youth and women in entrepreneurship, book keeping and financial literacy must precede the advancement of credit to the beneficiaries given they lack the necessary skills in these areas of business. Formal training in these areas would enhance the capacity of the youth in properly utilizing credit facilities for enterprise development than for consumption.

5. Engaging all the relevant stakeholders to ensure inclusivity in the participation of business competition.
6. Strong emphasis should be made on women participation especially women headed households and small-scale women entrepreneurs.
7. Develop a training manual that should be used as a guide during the entrepreneurship training.