

# SOMALI BUSINESS REVIEW

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**“FOREIGN INVESTMENT PLAYS A KEY IMPORTANT  
ROLE IN THE DEVELOPMENT OF A NATION”**





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# CONTENTS

## SOMALI BUSINESS REVIEW

SOMALIA LOGISTICS INDUSTRY: CURRENT STATE OF AFFAIRS AND FUTURE OUTLOOK .....	2
THREE CHALLENGES FACING SMALL BUSINESS OWNERS IN THE EARLY STAGES OF THEIR BUSINESSES .....	4
DOES CORPORATE SOCIAL RESPONSIBILITY MATTERS TO CORPORATE REPUTATION: CONCEPTUAL ANALYSIS .....	6
BINDING CONSTRAINTS OF ACHIEVING ECONOMIC GROWTH IN SOMALIA .....	8
FISHING OPPORTUNITIES, CHALLENGES AND IT'S FUTURE IN SOMALIA .....	9
FOREIGN INVESTMENT IN SOMALI AGRICULTURAL SECTOR: OPPORTUNITIES .....	10
FOURTH INDUSTRIAL REVOLUTION: THE RISE OF ARTIFICIAL INTELLIGENCE AND ROBOTICS .....	12
FROM STARTUP TO SCALEUP: HOW CONSULTANCY AND TRAINING CAN HELP LOCAL BUSINESSES GROW .....	14
WAYS EFFECTIVELY MANAGE YOUR ASSETS MEDIUM ENTERPRISE BUSINESS .....	16
HOUSING AND POSSIBLE REAL ESTATE BUBBLE IN MOGADISHU-SOMALIA .....	17
SAVINGS AND INVESTMENT PATTERNS OF SALARIED EMPLOYEES IN MOGADISHU, SOMALIA .....	18
HOW WE CAN GROW OUR ECONOMY .....	20
THE RETIRED STEEL OF MOGADISHU .....	21
WHAT YOU SHOULD KNOW ABOUT PERFORMANCE MEASUREMENT? .....	23

## Editorial

Even though there are plenty of opportunities, the growth of economy (both micro and macro level), through business or investment, whether foreign or domestic, has never been easy as pie. Despite this, there are ways of effectively managing one's assets, which are the individual's core economic possession, that help improve micro economy. Likewise, it is suggested that consultancy and constant training can help grow medium-sized, local enterprises. It is necessary that the latter should be familiar with ways to measure their performance, though. Given the above tips and techniques, there are numerous challenges and opportunities in the different economic industries of Somalia such as fishing, agricultural sector, real estate, and small-sized businesses. Finally, Technology and carefully planned logistics, coupled with better consideration of corporate social responsibility should cause economic growth from employee level to bigger corporate productivity.

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# SOMALIA LOGISTICS INDUSTRY: CURRENT STATE OF AFFAIRS AND FUTURE OUTLOOK

STEPHEN KAPOLON ASANGAI



## INTRODUCTION

Logistics may be acknowledged as that spine of the economy, giving productive and cost effective stream of products of which different business entities depend. Logistic business in Somalia, Mogadishu is evolving rapidly, it is the interchange of infrastructure, engineering, and Technology and sorts of service providers, which characterizes if the logistic business has the capacity on help its clients diminish their logistic division and give more viable services.

Regardless of the fragile economic sentiments, the logistics industry proceeds to witness growth due to the growth in retail, e-commerce and manufacturing sectors. The Global Logistics sector was expected to grow in the period 2013-14. Logistics industry is expected to rise by 2020. Rise of e-commerce logistics and increased domestic consumption will lead the way for the industry in the coming years. With a promise of growth and improvements, the service oriented logistics industry is estimated to expand beyond the horizons in the latter half of this decade.

## RECENT STATE OF AFFAIRS



The modern Somalia logistics sector is made up of inbound and outbound segments of the manufacturing and service supply chains. Of late, the logistics infrastructure has gained a lot of attention both from business industry as well as policy makers. The function of managing this infrastructure, to effectively compete has been slightly under-emphasized. Inadequate logistics infrastructure has an effect of creating bottlenecks in the growth of an economy. The logistics management schedule has the capability of overcoming the disadvantages of the infrastructure in the short run while providing cutting edge competitiveness in the long term. There exist many challenges and opportunities for logistics sector in the Somalia economy.

## CHALLENGES FACED BY THE RECENT LOGISTICS INDUSTRY IN SOMALIA

The most fundamental confront faced by the industry today is inadequate assimilation of transport networks, information technology and warehousing & distribution facilities. Regulations exist at a number of different tiers; the regulation is enforced by national authority through Turkey controlled company. However, the regulations differ from city to city (Mogadishu, Hargeisa and Kisimayu) holding back the creation of national networks.

Trained Manpower is crucial both for the third party logistics sector as well as the manufacturing and retailing sectors, which is very fragile at a practical level, i.e., IT, driving and warehouse as well as at a higher strategic level. The disorganized nature of the logistics sector in Somalia, its perception as a manpower-low industry and lack of ample training institutions has led to a deficit in skilled management and customer service personnel. There is a lack of IT standard, equipment and poor systems integration.

Poor facilities and management are the reason for high levels of loss, damage and deterioration of stock, mainly in the perishables sector. Part of the problem is insufficient specialist equipment, i.e. proper refrigerated storage and containers, but it is also partly down to lack of training. The practitioners and the academicians are now aware of the importance of logistics and supply chain; however the field is still under penetrated as far as research is concerned. It is essential to prioritize research and development so that the weaknesses in the industry can be taken care of and improved.

## RESOLUTIONS TO SOME OF THE CHALLENGES

Transportation is the stamina of every country's advancement and wealth and for the logistics industry to develop special prominence has to be on fabricating world-class road networks, recent freight facilities at airports and creation of logistics parks which need to be given a condition equal to uncommon investment Zones.

It is crucial to understand that the payback which can bestly be





practiced in logistics industry can be brought about by the companies by establishing training intuitions, so that there is upgrading in the overall service worth of the sector. Good storage and Warehousing facilities are significant for the enlargement of the logistics industry. With the increase in the transportation of perishable products, the logistics agencies needs to give a lot of importance to enhancing the Warehousing facilities.

Warehousing is essential to go to another level taking into consideration the varying dynamics of JIT (Just-In-Time) manufacturing, universal procurement and new models of sales and distribution. Emphasis on research and development is effective mainly because it promotes the use of native technology which can make the industry cost competitive and can also bring about enhancement in services thereby using better, effective and efficient services. Particular focus has to be on research in process excellence which can help to eradicate inefficiencies and bring Somalia logistics on par with global practices

## FUTURE OUTLOOKS

The logistics organizations are moving from a traditional setup to the integration of IT and technology to their operations to decrease the costs incurred as well as to meet the service demands. The growth of the Somalia logistics sector after civil war depends upon its soft infrastructure such as education, training and policy structure as much as the hard infrastructure.

To support Somalia's slow paced economy growth of logistics industry is very essential. It is estimated that the Somalia logistics industry will continue to show healthy growth annually, leading the rate of growth of the economy at large.

The global economic outlook, indeed that of Somalia, more so Mogadishu is expected to drastically improve as Somalia private sectors begins to tackle the economic recession. With a new government many policies are expected to be implemented which will give a fresh impetus to Somalia's growth engine particularly in the corporate and small and Medium-sized Enterprise sector which in turn will expand demand for the logistics sector.

With the implementation of taxes and other policies, the logistics companies, which are currently forced to set up many small warehouses across multiple markets can set up just a few, big warehouses region wise and can follow the hub-and-spoke model for freight movement from the warehouses to the different manufacturing plants, wholesale outlets and retail outlets. This growth is backed by the boom in the e-commerce sector and expansionary policies of the private firms.

This has increased the service geography (Mogadishu and Hinterland) of the logistics firms but they also have to meet the demands of quick delivery and tight service level agreements. The industry has moved from being just a service provider to the position which provides end to end supply chain solutions to their customers. Thus, all this has paved the way for further growth of Logistics and Warehousing industry in the coming years.



# THREE CHALLENGES FACING SMALL BUSINESS OWNERS IN THE EARLY STAGES OF THEIR BUSINESSES

ALI IBRAHIM MOHAMED



## INTRODUCTION

Starting a small business is a big achievement for many entrepreneurs but maintaining one is a big challenge. These days, a number of Small Business in Somalia grows steadily, and this creates an opportunity to make a conducive and reliable environment for Business. Small business owners make many alternative choices for them to arrive at the right decisions each day. Most of these decisions lack competence and they have minor controls. Some, however, are common to most small businesses and can have major control. Still, there are three pillars that are a challenge to the small business, these are; Time Period, People and Finances. The challenges and discussed below:

### 1. TIME PERIOD

Different growth theories emphasize the significance of saving and growth process. Studies in cross- countries shown that saving rate as one of the determinant factors for growth that burden countries with low saving tend to have low investment and no growth. Therefore, its important to build on the fact that adequate domestic saving that required sustainably finance private and public investment project. In generally luck of saving is the key reason why financial capital is a short supply and deter investment.

### FOREIGN DEPT AS A CONSTRAINT

This is the first challenge that faces any business person. Few

appear to have enough time, even though they are working 72 hours a week or more. After working long hours for years, they feel being slave to their business, and they begin running from their business instead of running them. If you are working more hours than you want and not feeling like it is getting any better, then consider these propositions:

- Make a promise to yourself to reasonable work hours and hold yourself to them, which will cause you to elude low-value work.
- Take a good long look in the reflect and ask yourself “Am I failing to agent work that others could be doing?” Then agent appropriately.
- If not in place, establish more administrative structure in your daily activities, such as a daily “to do” list and time scheduling for key activities on your Activities.
- Tittle down the action items you are doing for a day or two, then evaluation them with an eye toward those that could be eliminated

### 2. PEOPLE

Every Business people is cute to the operation. One humble performer can have a major negative impact(s). An unexpected resignation by a key contributor can slow Production of goods or services. Finding new talent for growth or to backfill openings



can drag out for months because the owner is unfocussed by other activities or simply doesn't have the skill to find good talent. Encouraging the current team members can be ignored or not be an essential talent of the owner. If your business needs some help in the people area, here are a few ideas to consider:

- Decide those who are performing successfully and what action you will take to address this, then do so.
- Decide those who are contributing to your success and

within QuickBooks or your choice of accounting Packages?

### IN SUMMARY

Most of the new business people don't have any experience related their own field of business, so If you are a business owner who doesn't have any of these big challenges, it's possible you are not paying attention to one or more of them. Consider again. Don't miss this opportunity to recognize challenges faced by your businesses the time of startup and your work balance.



what you can do to motivate and retain them, then do so.

- Monitor a few hours to consider carefully the performance of each member of your current team

### 3. FINANCE

As the Managers of one startup frequently says, "Cash is royal." Businesses exist to make money and most small business owners run their finances without satisfactory planning. They monitor bank balances, accounts receivables, and expenses, but most don't have a basic financial predicting, reporting and observing structure in place. Many don't have the extra of a line of credit or other sources of financing to help them remain solvent when foreseeable financial speed accidents occur. If your business needs some help in the financial area, here is a short "best practices" specification to consider:

- Manuscript financial reporting procedures to assure timely reporting and item entries that you, your employees will follow it
- Build a forecast of all important financial data, such as revenues, accounts receivable, and key expense types.
- Promise to a regular schedule to review the reports, comparing your results to forecasts and previous time periods.
- Investigate short-term financial options such as a line of credit, credit card, silent investors, or other personal funds
- Get help to create a basic financial reporting structure, such as

### RECOMMENDATION

If you face one of the mentioned challenges, I recommend you to pay attention to the following points that will improve your business skill:

- You should have the knowledge to recognize the challenge
- You should carefully prevent the challenge before you meet then; (prevention)
- You should consult with experienced Business people
- Otherwise, you should go to Business consultant centers



# DOES CORPORATE SOCIAL RESPONSIBILITY MATTERS TO CORPORATE REPUTATION: CONCEPTUAL ANALYSIS

MOHAMED SANAY DALMAR



## 1. INTRODUCTION

In modern time, corporate social responsibility (CSR) has received growing responsiveness from the corporate world and developed as an integral part of the business. Consequently, CSR has established great courtesy from the academia as well. These interests on CSR both from practitioners and scholars, in the previous decade made CSR to be a well-known phenomenon. As a consequence, most of the organizations familiarized CSR into their business deeds and augmented the message over several channels on their CSR activities to shareholders. The notion of CSR has been studied for a long time. Carroll (1999) states that it first began being formally discussed in the 1950s, and experienced a significant growth of its concept both academically and practically in the 60s and the 70s as people began to aware of the social power.

Corporate Social Responsibility means that a company takes steps to certify that there are affirmative social and environmental properties related with the means the corporate runs. Businesses that involve in energetic CSR efforts yield stock of the manner they work in the world to integrate addressing issues including cultural and social, with the intention of profiting both. Despite of that, CSR models are not only increasing corporate performance but, they indorse change and growth all over the world, which will encompass serving people with scarce or no resources at all.

In Somalia, from the public sector perspective, a strong CSR program validates that for-profit seeking companies is dedicated to affiliating with nonprofits to make an impact on the community as a whole and a good example is road construction projects in which some of the private institutions and businesses take massive participation. Although most of the organizations disregarded to engage CSR activities from the initiation to implementation stages of those projects. But, returns from CSR costs are unstoppable in the long-term. Besides, Hormuud Telecom seems to be the foremost organization which has applied most of the CSR activities.

## 2. MOTIVATIONS OF CSR

With regard to motivation, the authors discuss it through applying a model of principle of motivations by Maignan and Ralston (2002). There are several categories about the motivations behind the company's practice of CSR. Maignan and Ralston (2002) conceptualized CSR and identified three principles of motivations behind CSR as follows:-

In value-driven, CSR is presented as being part of the company's culture, or as an appearance of its principal values, it also means that a company is internally affected while designing CSR by its philosophy such as corporate value. Godos-Díez et al (2011) also points out the importance of CEOs' perception of ethics and social commitments when a company is designing CSR activities.



In performance-driven, CSR is introduced as a part of the firm's economic mission, as an instrument to improve its financial performance and competitive posture." In stakeholder-driven, CSR is presented as a response to the pressure and scrutiny of one or more stakeholder groups.

## 2.1 EXTRINSIC MOTIVE

Executives may contribute to CSR for various reasons. The first reason is the financial motive that CSR contributes to the long term financial performance of the company. Many empirical studies find a positive relationship between CSR and profitability or shareholder value. There are several ways in which CSR can affect profitability. For example, CSR can improve the company's reputation in the consumer market and help firms to distinguish themselves from their rivals with the aim of increasing sales and market share. Investment in social initiatives can be as important as investment in advertising or R&D. Furthermore, a good reputation may also be rewarded by potential employees and the current workforce. A sound work climate may lead to more trust in the company, stronger commitment from employees, lower absenteeism and turnover rates, higher profitability and productivity, and a more positive attitude to work and good conduct.

## 2.2 INTRINSIC MOTIVES

Moreover financial-strategic motives, managers may also contribute to CSR for non-financial details. Managers' personal values and beliefs can be an important motivating factor for CSR, particularly in SMEs, but also for larger companies. While empirical evidence supports the view that CEOs tend to establish the ethical norms for corporations, middle managers can also play an important role in acting as socially responsible change agents and are able to exhibit their personal values through the exercise of managerial discretion. The financial motive is an extrinsic motive of CSR. It encourages CSR because it has instrumental value for profit or income. Non-financial motives often reflect intrinsic motives that perceive CSR as an end in itself, independent from (financial) benefits. We distinguish two types of intrinsic motives: CSR as moral duty and CSR as an expression of altruism. The moral duty to be socially responsible can be derived from ethical principles of moral philosophy or from religious principles.

## 3. CSR CONSEQUENCES

In Somalia, Companies that promote and engage the corporate social responsibility are gaining and will sustain their corporate reputation. For instance, Hormuud Telecom is one of the telecommunication companies in Somalia and it is promoting the most CSR activities like responding to the cyclical droughts, helping the poor and the whole society in general.

Hormuud Telecom Foundation is a non-profit organization funded by Hormuud Telecom Somalia Inc. The Foundation provides a formal process for charitable contributions to communities, community groups and NGOs in Somalia who are key partners in responding to social and economic development issues in the country. This organization provides, distributes and donates medical packages, petrol and wheelbarrows and many other facilities to the society.

Despite of that, Businesses that disregard corporate social responsibility run a risk to their bottom line and their brand. Consuming a bad reputation socially and environmentally can produce serious adverse effects on the overall firm's profitability and success. Furthermore, currently customers want to spend their cash on goods and services that they have faith in, and involve with businesses that keep ethical practices and meet their principles as well.

## 4. CONCLUSION

From an economist's perspective, companies increased engagement in CSR is most interesting to investigate. A potential change in the market is evident when more and more companies engage in CSR and voluntarily choose to carry a greater responsibility for society and the environment. This is why the Telecommunication industry is becoming the most researched area in Somalia. The 21st century business is pushing the limits of the traditional business thought. Corporate social responsibility, stemming from internal values or social and environmental pressures, is becoming the norm. The results of this paper demonstrate that CSR has become one of the most imperative drivers of corporate character. Investigation shows that organizations in all sectors may reinforce their corporate reputation by winning in CSR events. Also, the foremost problem is to recognize if the decision-makers' motivation originates from an ethical behavior to achieve profit. Corporate social responsibility is more than just a business trend or fad. Businesses that want to stay relevant to new generations and who want to help people in need around the world while increasing their own revenue and efficiency will benefit from embracing CSR. This concept paper recommends that:-

- Companies should have to recognize the positive effects of CSR on employee motivation, retention and recruitment or customer-related motivations.
- No matter for what motives organizations capitalize in CSR, all these reasons lead to better corporate reputation. As a consequence, businesses shouldn't delight CSR only as a promotional opportunity.
- Organizations should be engaged in CSR activities because of unselfish intentions
- What can corporate lead to a simple strong record of profitability is that of practicing CSR.
- Companies with strong prospects for future growth should in line their plans with the CSR activities.



# BINDING CONSTRAINTS OF ACHIEVING ECONOMIC GROWTH IN SOMALIA

ABDIAZIZ AHMED ALI



## INTRODUCTION

Generally Economic growth is more and more becoming a significant issue in the world economy and is something that every government seeks to obtain. Every country tries to extend his level of production, and promote high level of education in order to achieve economic growth. While 75% of Somali's youth is unemployment according to World Bank and just government beginning to function and the country had experienced a poor economic growth for many decades because of conflict. Before the 2000's different studies expresses to bring out the factors responsible for the poor economic performance and disagreement from developing region. Opinions varied but, why Somalia had been some of the poorest in the world it reveals to limited access to finance from both domestic and external sources, external debt, weak infrastructure, absence of developed legal system and inadequate human capital are the most significant constraints in economic growth. Furthermore political conflict is a feature that raises constraint. During the last two decades Somalia presents weak overall economic performance and has been less economically attractive in comparison to other developing countries. So in this article I will try to underline and also shed light on the binding constraints of achieving economic growth in Somalia.

## LOW SAVING IS A CONSTRAINT

Different growth theories emphasize the significance of saving and growth process. Studies in cross-countries shown that saving rate as one of the determinant factors for growth that burden countries with low saving tend to have low investment and no growth. Therefore, its important to build on the fact that adequate domestic saving that required sustainably finance private and public investment project. In generally lack of saving is the key reason why financial capital is a short supply and deter investment.

## FOREIGN DEBT AS A CONSTRAINT

historical debt is critical factor that constraints the growth Somalia

is obligated to \$5.3 billion of external debt and in the capability of future has view prospects to pay it back. While progress has been made in rebuilding in Somalia after two decades of civil war, it remains one of the poorest nations in the world. Languishing at the bottom of the united nations indicator tables. Debt in particular IMF restricts Somalia from borrowing for large-scale projects that can produce general changes in the economy or facilitate new revenue streams. In May 2017 the president raised the debt issue in speech at high level in London Somalia conference. He is quoted saying: "we have now developed a well defined milestones based road map to arrears clearance and normalization of relations with international financial institutions" the resident pledged personally follow the process at the same conference, UN secretary general Antonio Guterres said Somali's debt issue was not just economic and financial but, also "a moral question".

## WEAK INFRASTRUCTURE AS CONSTRAINT

Infrastructure includes physical capital such as critical energy power and water supplies, sanitation, telecommunications & transport networks, schools and hospitals Evidence shows a positive correlation between a country's development and the quality of its road network, Poor Infrastructure Causes higher supply costs and delays for businesses or Reduces labor mobility and makes hard the ability of exporters to get products to global markets that constraints the economic growth. According to the World Bank, transport costs are 25-30% of product costs in developing countries partially because of deficiencies in infrastructure.

The relationship between infrastructure and economic growth has been studied extensively, and poor infrastructure is identified by many as a binding constraint for doing business and for economic growth.

## ABSENCE OF EFFECTIVE LEGAL SYSTEM

In Somalia there is an absence of a developed or appropriate legal system in the following areas:

- Property rights are not protected
- The right to start a business is limited to a small section or a favored elite
- Consumer rights are not protected
- Employment rights do not exist
- Competition law is limited or absent

## RECOMMENDATIONS

Finally, removing these constraints can lead to higher economic growth and prosperity, and the nation should work to reform the financial sector, so as to mobilize the required finance for both private and public investment projects. Infrastructure development should be another priority for government in order to reduce information failure by promoting the benefits of education using market system to send out effective signals to encourage people to alter their behavior and to solve the failure to apply technology.

# FISHING OPPORTUNITIES, CHALLENGES AND IT'S FUTURE IN SOMALIA

OSCAR SAMWEL KAJIMBA



## INTRODUCTION

The fishing industry in Somalia is one of the major resources, which have remained untapped resource due to four factors. The first factor is the abundance of livestock, which makes people reluctant to utilize the resources in the sea. The second is the absence of vital and important infrastructure in the country. The third factor is lack of well functioning central government in the country for almost three decades. This issue caused by the sub-division of the country in to several clan-controlled regions, which are presently functioning as self-governing states. The fourth is the imperceptible of both local and international markets.

Fishing remains one of the most lucrative natural resources that if well exploited can uplift the living standards of the local people. Many solutions are available and the Somalis need only to copy from what is going on elsewhere and invest in commercial fishing.

There are a wide range of methods used to catch fish commercially – some of the small-scale methods of catching fish are relatively low-impact on the environment however, do not catch a large amount of fish. Whereas large-scale commercial fishing can catch massive amounts of fish, but it has wreaking havoc on the marine environment.

## ANOTHER METHOD IS CALLED PELAGIC TRAWLING

through the middle of the water column to catch fish that feed there. In waters around Britain and Ireland this is most likely to be mackerel and herring. Pelagic trawling does not actually cause much damage to the environment, as the nets are not dragging along the seabed. However, this type of trawling can catch huge amounts of fish. Atlantic dawn the biggest trawler in the world, can catch 400 tons of pelagic fish every 24-hours, and species such as jack mackerel have been fished down to a fraction of their former abundance in South American and Australian waters due to intensive pelagic trawling.

In relevance with above, another method is called Bottom trawling is a method of trawling, which drags a net along the seabed in order to catch fish that live and feed there. Bottom trawling is

sometimes referred to as demersal trawling as the nets are dragged through the demersal zone of the sea which is the area on and just above the seabed. Bottom trawling catches all the majority of commercially important species such as cod, haddock, plaice, sole and whiting. There are several types of bottom trawling. Somalia has the largest ocean shore in Africa; they can explore this method and get the fish from the deep of the Indian Ocean. Development partners with projects aimed at helping the fishing industry in Somalia have also made some strides in the fight to improve the fishing industry in Somalia. Projects like those of Fair Fishing and Oxfam are moving Somalia fisheries toward their sustainable development goals outlined by the Somaliland regional government in their Development Plan 2012-2016. Sam Omer Ghedi, Director of Planning and Coordination for the Ministry of Fisheries and Marine Resources Hargeisa, discussed these goals in his presentation on the panel, but he also cited another major impediment: lack of market access. According to Ghedi, there is unmet demand for fish in cities, both coastal and inland, and an even larger untapped export market to nearby countries such as Ethiopia, Djibouti, and Yemen. The inability to supply even domestic markets is a result of the low fishing capacity combined with a lack of refrigerated trucks or boats for transporting frozen fish. Ghedi sees this as one major opportunity for investment that would boost the economic viability of fishing ventures. He stressed, however, that there is a great need for fish stock assessments and a sustainable management plan in order to secure the future of the Somalia fishing industry.

In fact, Somalia should by now begin focusing on the hybrid boat engine, which is still just a prototype, this is part of a multimillion-dollar government-led effort to rescue fishing industry in Japan from rising energy costs, which are likely to return to rise again once the global recession ends and demand for fish comes back. It would also be recommended for Somali fishermen to try out on biofuel-powered marine engines, computer-engineered propeller designs and low-energy LED (light Emitting Diodes) lights on squid boats, which use bright lights to lure their catch. These methods cut down on the costs of production hence maximising profit for the fishermen.



# FOREIGN INVESTMENT IN SOMALI AGRICULTURAL SECTOR: OPPORTUNITIES AND CHALLENGES

HUSSEIN ABDI MOHAMUD



## INTRODUCTION

Foreign investment plays a key important role in the development of a nation. Sometimes indigenous capital is inadequate for the purpose of overall development of the country. Foreign capital is seen as a way of filling in gaps between domestic savings and investment. Somalia can attract much larger foreign investments than it has done in the past due to recovery of both security and economically. Furthermore, Somalia has an abundant of natural resources that are already recognized to foreign investors and will attract them for a long time to come. The most valuable step that Somalia can attract foreign investors is to set up a favorable environment, including a clear legal framework, the apparent flow of relevant information and respect for contract and property rights. Despite the increasing importance and dependence on agriculture, Somalia still remained less economy growth countries. The available statistics showed that agriculture accounts for about 65 percent of GDP. With these importances, the expectation would be that the agricultural sector receives prime consideration from government and private enterprises particularly in the area of funding. Conversely, successive governments over the years neglected agriculture and failed to diversify the economy from over dependence on Foreign Aid. While Somalia's agriculture remains largely subsistence-based with about 80 percent of agricultural output coming from rural farmers living on less than a dollar per day. But the collapse of government in Mogadishu in 1991 is felt in every way; e.g. social services have disappeared or are being supplied privately. This affects in many areas for

instance, to educate those who cannot afford to pay. Roads, ports, dams, flood control structures and irrigation systems have deteriorated from lack of maintenance. There has been no authority to establish or enforce the rules of the road for players in the economy and therefore no protection for competition, no independent enforcement of contracts or assurance of financial transparency, i.e. none of the measures that help make sure that the actions of businesses and investors ultimately benefit all. The low starting point to rebuild the capabilities of government in Mogadishu, as well as the Somalis' ambivalence about strong government, means that government will be limited under any scenario in Somalia. Long derided as a failed state, Somalia is now emerging as a success in agriculture with its 6.2 million hectares of virgin land for farming and expansive waters for fishing. With increased investment, smart regulation, infrastructure development, agreements between Somali and Turkey, sector coordination and improved branding, the Somalia has ample opportunities to capitalize on the growth of the agricultural sector in the Middle East and other regions of the Muslim world, while supporting the growing local demand.

## OPPORTUNITIES OF SOMALI AGRICULTURE

After a recognized federal government in 2012, Somalia emerged out many years of civil wars and now ready to rebuild its economy. The newly elected government seen foreign Investment as a key component of rebuilding the economy, and actively encourages new investors. They have released multiple statements to this

effect and hosted conferences to promote Somalia as an attractive Foreign Investment opportunity. For instance, the government co-hosted the Somalia Trade and Investment Event with the Turkey in January 2018. The aim of the agreement was to highlight the potential of Somalia's natural resources and to demonstrate that Somalia is ready for Foreign Direct Investment. In general, since the early 2011, Turkey has broadened its relationship with Somalia in numerous areas including investment and trade. Turkey has now emerged as Somalia's major development, trade and investment partner, having taking the place of Europe and Arab League in Somalia's development agenda. While engagements between Somalia and Turkey are hardly new, they are now based more on economic ties, trade, investment and finance than on political affinity. Somalia-Turkey trade relations revolve majorly around the agriculture and livestock sectors. On other hand, most of Somali Diasporas intend to return into Somalia to invest and settle, and for this, they require modern banking, housing, education facilities, and infrastructure and technological and professional service support to make long-term investments more profitable. This is also a great opportunity for international investors to enter into partnership with this influential and successful group driving forward change and prosperity in Somalia.

### CHALLENGES

In general the agriculture sector of Somalia can be faced into three main challenges: first, Somalia's civil war formed a generation with limited supply of the skills demanded in the current labor market. Many donors have supported vocational training, with mixed results. The critical skill shortages in several key industries are not addressed in vocational training programs. Higher level technical skills are required, for example, to size, design and install refrigeration and ice-making equipment in fisheries (or to remove field heat in agriculture), or to design and install transmission systems for renewable energy facilities. Second, due to Somalia famine of 2015, the country's agriculture sector took a devastating hit from prolonged drought that led to acute shortages of water for irrigation. Somalia's rivers run dry starving fields of much needed water leading to food shortages and food price. The last but the most critical challenge is the investment rules and a regulation of the country is not prepared yet. The lack of FDI regulation and urban policy in the country primarily hinders foreign investment and foreign investors. In the past, in 1987 the first initiative of low-foreign investment was introduced but, the state has collapsed prior to the implementation of these attempts, up to now the Somali investment rule is on the table and the federal government is currently working on rules and regulations that could be widely used. The top of these challenges is finding adequate investment injection to the sector that could employ many people and provide speedy return on investment for investors

### CONCLUSION

Agriculture plays an important role in food security and economic development and most of the world's populations in rural areas depend directly or indirectly on agriculture for their livelihood. The large areas of suitable but unused or underused agricultural land in the countries naturally attract the interest of outside investors for instance, an estimated 1.6 percent of arable land is actually cultivated. In some regions such as South and central, land is abundant but water is extremely scarce. Establishing local land uses plans to help bring the interests in communities and investors

into line, and in a way that is consistent with sustainable resource use, is an essential element in ensuring that the most suitable land is selected for a given purpose. Somali has the large land for cultivation if well managed that can produce enough food to feed the country and meet the export demand. What is needed is just a boosting investment in the area of farming and providing subsidized agricultural inputs to the farmers in order to realize full and surplus supplied of food and none food items. Therefore, the Federal government should establish the platform that facilitates the foreign investors to come and invest the country.



“ Foreign investment plays a key important role in the development of a nation. ”

# FOURTH INDUSTRIAL REVOLUTION: THE RISE OF ARTIFICIAL INTELLIGENCE AND ROBOTICS

MOHAMED OKASH SUGOW

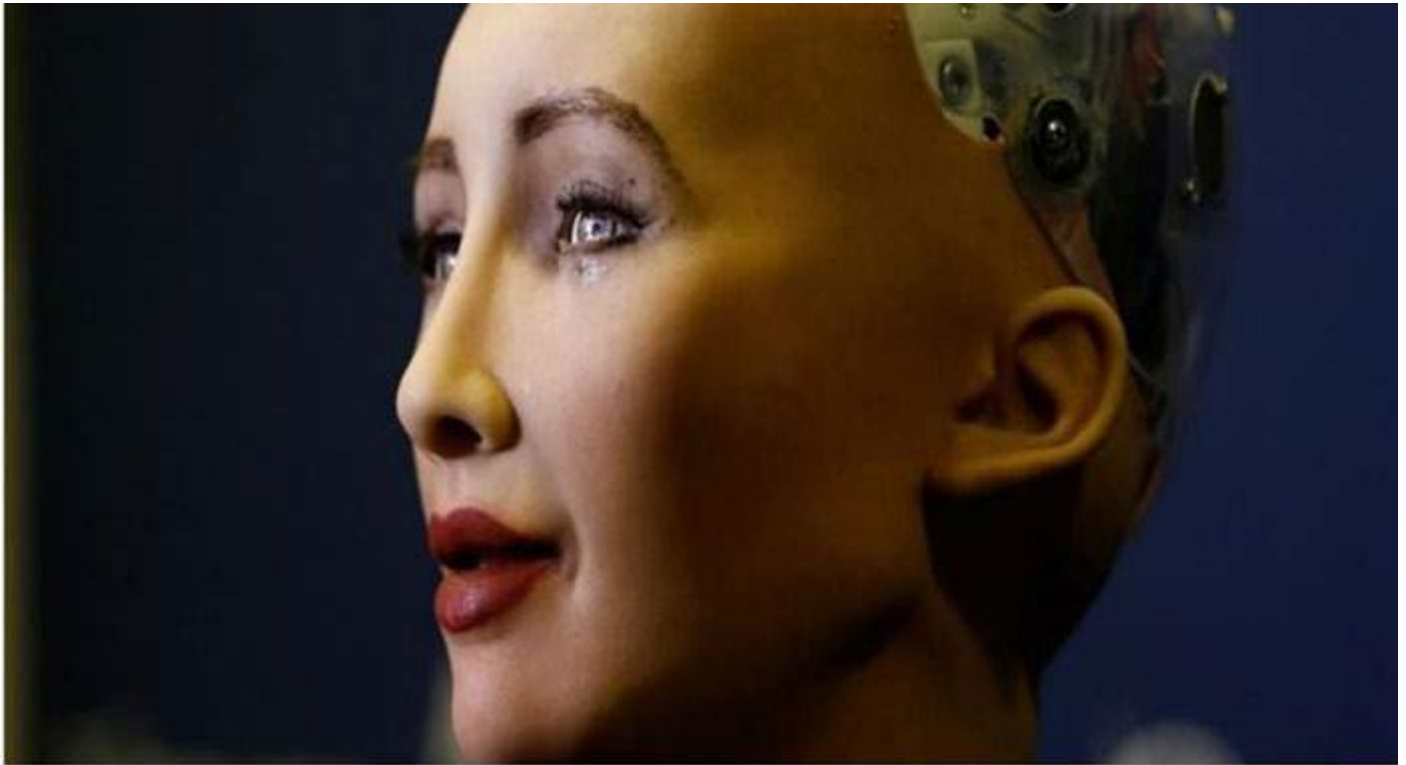


Image: REUTERS/Denis Balibouse

## INTRODUCTION

By the end 18th century, the first mechanical production was used for water and steam powder, First industrial revolution; at the beginning of 20th century which was introduced mass production with electric power, Second industrial revolution; after the use of electronics and technology to mechanize the production was taken place in the middle of the 20th century that is third industrial revolution, and today in the 21st century, the world realized the fourth industrial revolution which is a digital revolution (Klaus Schwab, 2016). Technological trends are fast and affecting the lives of the people; therefore, the emergence of the flying taxi, voice recognition software, drones, self-driving cars, and humanoid robots are some of the results of the development of artificial intelligence (AI). “About 100 years ago, electricity transformed every major industry. AI has advanced to the point where it has the power to transform; AI is the new electricity”(Andrew Ng). In recent years, AI has been widely discussed and divisive topic by the experts including Elon Musk, Stephen Hawking, Bill Gates and others. However, Robots and AI are making life easier and also taking some jobs from the human. It was recent when Sophia, a humanoid robot, was granted a citizenship by the kingdom of Saudi Arabia. Therefore, this paper attempts to provide a clear scenario about the rise of Artificial Intelligence and Robots in this fourth industrial revolution.

## ARTIFICIAL INTELLIGENCE AND ROBOTICS

The world is changing; artificial intelligence is transforming the entire world for better. Countless people are conducting their daily business with machines powered by AI. Although some people scare about the technological trends, AI is the reality of today, and it is not any longer future concept. Historically, electricity was the major cause of industrial revolutions, but now the fourth industrial revolution, but today AI is dominating factor which is programming the machines with cognitive abilities for better and massive production. Startups and big corporations are heavily interesting the AI because many campiness believes that AI can boost their sales. For example, “Alibabashoppers of its Taobao e-commerce site can upload a picture of a product they would like to buy”(Knowledge@Wharton, 2017). Also, super-powers are in the race of AI investment. Both China and U.S are leading in AI investment, and most this investment goes to Machine learning, Computer Vision, Autonomous vehicles, virtual assistance and others (Manyika, 2016). AI race is aimed to boost both commercial and military powers. Schmidt, executive chairman of Alphabet, believes China is leading in AI research than U.S because of restrictive immigration policies to attract talented people from across the world. The development of AI needs a larger pool of investment and talented computer scientists.

Although there is growing concerns about the AI and Robots by





experts including Hawking, there is a much interest in them. Saudi Arabia and the United Arab Emirates are competing to be a global hub for innovation and technologies. Saudi announced to build a megacity powered by robotics and renewables for about half trillion U.S dollars, and the UAE has the world's first Minister for Artificial Intelligence, 27-year-old Omar Bin Sultan Al Olama. Truly speaking, the concerns are not possible to ignore; Hawking's concern is AI and Robots will overtake human jobs since humankind is not yet ready to acquire all the same skills of robots and AI. "The genie is out of the bottle. I fear that AI may replace humans altogether," (Hawking). Elon Musk, a Tech billionaire, also believes the Artificial Intelligence technology should be regulated to avoid risks. But there is another argument by Bill Gates and Mark Zuckerberg saying technology is not advanced to these worries (Jeremy Straub, 2017). There is a need that governments should regulate the artificial Intelligence because of avoiding future risks and defining robot's legal and social rights. Bill Gates once emphasized taxation of robots to combat inequality since they are taking jobs from humankind. All these are growing concerns and discussions.

### SOPHIA AND NEOM

Sophia is humanoid robot developed by Hanson Robotics. Although robots have no gender, Sophia has female shape and people assumes as female. Sophia can read and speaks and makes Jokes but lack deep understanding. Saudi Arabia granted a citizenship to Sophia; in the interview by Andrew Ross Sorkin, Sophia insisted "oh, I want to thank very much the kingdom of Saudi Arabia. I am very honored and proud of this unique distinction". There is still ongoing discussion about the rights and duties of robots. Professor Hussein Abass believes that granting citizenship to robot brings social and ethical concerns and humans are not ready to manage. Furthermore, the Professor Hussein raised hypothetical scenario "a policeman sees Sophia and a woman each being attacked by a person. That policeman can only protect one of them: who should it be? Is it right if the policeman chooses Sophia because Sophia walks on wheels and has no skills for self-defense?"

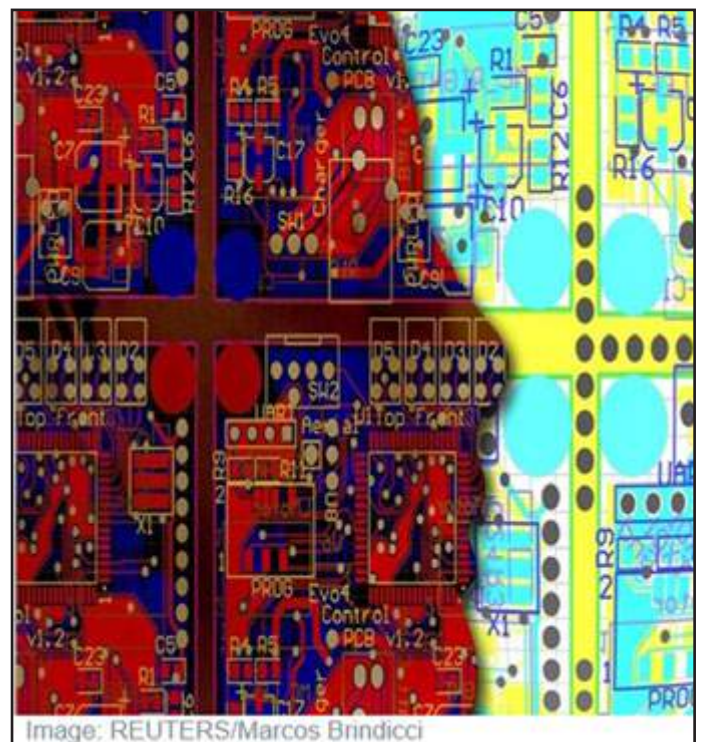
Saudi Arabia announced plans to build a new mega-city powered by renewable energy. The city was named NEOM which will be a hub for high tech business, industrial and entertainment zone towards modernity and innovation. The name NEOM originated from the amalgamation of Neo and Mustaqbal which means the

new future. Geographically, the city lies northwest coast on the red sea reaching Jordan and Egypt via a bridge with over 10.000 square miles that is 33 times bigger than New York City (Mimi Kirk, 2017).the city will back by more than 500 billion U.S dollars form the Public Investment Fund (PIF) and other local and international investors, therefore, NEOM will officially lunch in 2025.

### CONCLUSION AND RECOMMENDATION

Fourth industrial revolution is happening now, and Artificial intelligence is new high technology powering machines with cognitive abilities. Startups, corporations, and countries are highly interesting the AI investment for both commercial and military purposes. One of the latest AI developments was the humanoid robotics, Sophia. Although there are concerns the AI can be super intelligent to harm humans but the interest in AI and Robotics are still growing in this 21st century.

This paper provides numerous suggestions for peaceful technological advancement under the fourth industrial revolution. Countries both global north and south should encourage and increase the STEM (Science, Technology, Engineering, and Mathematics) graduates for better and competitive talented human capital for the Fourth Industrial Revolution. Academic societies should focus teaching programming courses at pre-college schools; therefore, policymakers should enact laws and policies to define the identity of robots and their legal and social rights. Also, there must be laws and regulation to protect humans from AI and robotics since there are real concerns about AI development to become highly super intelligent. Furthermore, Robotics companies should majorly focus technologies can tackle human problems like climate change, but not developing human problems. Finally, the paper advises being researched and published more about the AI and robots developments to establish in-depth information and knowledge.



# FROM STARTUP TO SCALEUP: HOW CONSULTANCY AND TRAINING CAN HELP LOCAL BUSINESSES GROW

Abdiwahab A. Elmi



## INTRODUCTION

Starting a new business is a risky, daunting undertaking, but very vital for the national economies. A startup is a company that is in the first stage of its operations. Typically, these companies are often initially bootstrapped and/or bankrolled by their entrepreneurial founders as they attempt to capitalize on developing a product or service for which they believe there is a demand. However, every new company should grow to fulfill the dreams of its founder(s) and that is where the need for scaleup comes in. According to Forbes.com, 90% of the startups fail globally and that figure could be much higher here in Somalia if startups were accurately documented and analyzed. General failure factors include lack of enough cash, lack of market need, poor marketing, mistimed product, and pricing and cost issues, but Somali local businesses, albeit the existence of the above, suffer from rather different challenges which may be uncommon to other Small and Medium Enterprises (SMEs) in other countries: Poor/lack of training and consultancy services, among other things.

Training and development have their roots in early 1800s but in 1950s soon after the World War II, companies started to want a way to train people efficiently and reduce expense while still getting high instructional value. Individualized instructions became prominent, which replaced teachers with materials that broke the learning into small steps with an activity afterward to

check comprehension. Fast forward, today's 21st century learning and training is more social, open and available than ever before and training is taking new dimensions.

On the other side, management consulting began to develop shortly after the rise of management as a unique field of enterprise in the late 19th Century, along with the Industrial Revolution. The early firms were started by university professors. The first management consulting firm was named Arthur D. Little, after the founding MIT professor, in the late 1890s. This firm originally specialized in technical research, but later became a general Management Consultancy. Fast forward, the first pure Management Consulting company was McKinsey & Company. McKinsey was founded in Chicago during 1926 by James O. McKinsey, an accounting professor from the University of Chicago. What was humbly started by Professor McKinsey before 92 years ago is today valued at \$ 10+ billion with 27,000 employees and 127 offices worldwide. Both consulting and training play crucial roles in fostering private and public institutions.

## TRAINING AND CONSULTANCY AS A PANACEA FOR SME FAILURES

Training is important in all professional lives, be it playing football, exercising in a military parade, and starting and running business. Entrepreneurs may ignore the importance of training in



# Corporate Consultancy



their startups due to lack of finance, or a lack of understanding of its contribution to their businesses, but all to the detriment to the potential flourishing of the newly-born babies.

There is an analogy used in the Galvanize company which brings tech education and entrepreneurship together in a collaborative campus. Their initial startup was like playing toddler soccer. Toddlers are great hustlers. If you put two teams of 4-year olds on a field and let them loose, you'll see 12 energetic people tripping over and kicking each other, chasing the ball en masse all over the field. It's frustrating to watch, and if you're an employee, it's frustrating to play.

Despite the chaos, you might find success because everyone on your team is willing to do what it takes. These traits are extremely valuable and likely an important part of your early team's culture. But as you scale -- adding offerings, more teammates, business functions and new leaders -- it's no longer just about getting stuff done, and your hustle culture can start to work against you.

As your organization becomes a more complex organism, you'll find that your team can no longer fit at one table, says Jim Deters, CEO and Co-Founder of Galvanize. At this point, you need to play a more sophisticated game. If team members are chaotically chasing each business challenge, or even worse, you, the CEO, are kicking the ball into the goal and making every decision, you're still playing toddler soccer. This is bad for your team, and your business will suffer.

## 1. FIRST THINGS FIRST: EMPLOYEE FIRST, CUSTOMERS SECOND

Our local business owners/managers wake up every morning and start their daily routine of running business as nothing has changed over night or nothing disruptive is going to happen in the near future. Most of them live on the laurels of success in the past and hope that their business will scale up easily. That is no longer true.

"What got you here won't get you there", write Dr. Marshal Goldsmith, #1 Executive Coach in the United States, and apparently so because there is not guarantee that the successful strategies and mechanism you applied some years ago will always lead you to another success.

If companies strive to grow, they have to invest in their people first by giving them proper trainings and advisory services to meet the increasing demands of the markets and customers and to outcompete in the hyper competitive environments they work in. Of course, customers are the life blood of the company, but an employee that has not been taken care of, trained and empowered is unlikely to give superb customer service.

## 2. TAP EXPERTISE AT THE RIGHT TIME AND SAVE MONEY AND TIME

Most of local business owners and/or managers like to think their businesses as one-man show where every thing can be resolved by him or her, but experience shows that every manager needs the advantage of an outside pair of eyes.

Even if you would prefer to tackle all business matters personally, engaging an outside expert when especially complex or sensitive issues arise can be an extra measure to ensure problems receive proper attention and are thoroughly resolved. It also can be useful to have a third-party's perspective on matters that require objectivity to verify that no mistakes have been made in a critical process.

What about if you are having difficulty in attracting potential customer as you put in place all needed resources? What about if your brand is not getting noticed as the result of stiff competition in the market? Given the fact that you have invested million of dollars into your business and your industry is booming, what about if your business isn't even meeting its most basic needs? A business consultant can assist you with the development of strategies for making improvements on most of these fronts. And if your venture is on the fast track for growth, a skilled consultant can provide insight that can enable you to seize new opportunities while avoiding common pitfalls that could derail your success..

## FINAL THOUGHTS

Local startups are impressive and growing with the improvement of security, influx of diaspora into the capital, and the reconstruction and renovation of the multiple key business areas of the capital. To scaleup one's business is a mindset issue. Sure, you need to have the right systems and processes, people, and plans. But you also need to think big to become big. With that thought of scaling up, you should never forget the importance of staff development and seeking consulting services that may help you unleash your dream, make a lot of money and have fun doing it.



# WAYS EFFECTIVELY MANAGE YOUR ASSETS MEDIUM ENTERPRISE BUSINESS

ALI IBRAHIM MOHAMED



## INTRODUCTION

Currently, Number of medium Enterprise business in Somalia growing so, if the scale of the business increases with also assets increase, you may not think of your business as having a lot of assets, but when you factor in items such as chairs and apparatus along with your Information Technology, you may have a large amount of investment just lying around. Significant what assets you have and where they are located can save you money by enhancing their use.

Are you still tracking assets on a bookkeeping or Asset Tracking Software that is designed to manage and track all kinds of assets? From IT equipment to furnishings and office equipment, having everything recorded in a single application will not only keep track of asset information, such as positions and their cost but allow for valuable reporting.

Here are four ways to effectively manage your assets, those are utilize technology, Record all of your assets into the software, and manage your assets. Utilize Reporting and Go mobile:

## RECORD ALL OF YOUR ASSETS INTO THE SOFTWARE

Noble asset tracking software solutions do so much more than keep count. An excellence app will allow you to track the assets account, appearance, purchase date, location history, related assets and much more. This not only tells you what you own and where it is located but also gives a complete history of the lifecycle of your assets.

## GO MOBILE

An application with mobile availability and barcode scanning abilities will allow you to track your assets from any position. This allows workers in the field to access an assets record without having to go back to the office, saving time and improving record keeping..

## MANAGE YOUR ASSETS

Confirm your assets are optimally consumed. Assessment your assets to identify old assets that may need to be substituted. You can also view repair histories to identify trends in problem equipment. Knowing what assets you have and where they are located will not only let you find them quickly but prevent you from unnecessarily replacing items you already have.

## UTILIZE REPORTING

Reporting, including graphs, allows you to see information at a glimpse and easily share the information with others. Valuable data, such as depreciation calculations allow you to not only see the assets you have but also how they are being used

## IN SUMMARY

Whenever your business growth correspondingly your assets increase, Most of the Medium Enterprise Business don't have IT programs to record their assets that will rise to lose or destroyed many assets. However The Business owners suitable to use their assets IT basis, that will increase reliability and be managing their assets.

## RECOMMENDATION

If you have a poor asset management problem, please consider the following points

- You should consult the experts have a good skill asset management
- You should develop IT based your Business system
- You should record all your assets in Software
- Finally, you should recruit IT professional



# HOUSING AND POSSIBLE REAL ESTATE BUBBLE IN MOGADISHU-SOMALIA

ISSE ABDIKADIR MOHAMUD

## INTRODUCTION

Housing or real estate bubble is a rapid increase in the market price of lands until they reach unsustainable price and decline in the future. Real estate bubble is economic problem. In Somalia it seems a new phenomenon that may hurt real estate investors and the economy of the country. Bubble may occur in real estate of Somalia because land prices are sold too high, investors and businesses invest too much, and people think they are wealthier than they are and spend too much, until they realize the prices are too far away from intrinsic value of the lands. The possibilities of real estate bubble can be figured out for the existing red flags in land prices of capital city of Mogadishu. The city was becoming too populated since it the centre of businesses in Somalia. Five year data of land prices and house rents indicated that some districts in Mogadishu are already increased with double digits during that five years, although constructions are increasing, but signals from land prices and house rents in some districts seems on path to bubble risk.

## RED FLAG INDICATION OF HOUSING AND REAL ESTATE BUBBLE

Since 2011 when households and businesses returned from outside Mogadishu area such Elash "Ceelasha" where they have displaced due to insecurity of Mogadishu, the capital city of Somalia was gaining residential population and booming businesses, it can see new businesses that were not existed before such cafeterias, restaurants, online businesses, supermarkets and petrol stations. Diaspora returnees also seem increasing. Considering those factors the need for lands increased either by the purpose of business or residence. Data collected from 17 districts of Mogadishu indicated that some districts are at risk of future bubble. Below are discussed the most remarkable districts.

### WABERI DISTRICT

Waberi is southeastern Benadir region of Somalia, important areas of public and business are located such Aden Adde international airport and famous business road Makka-Almukaram. Data from 2013 up to 2017 for land prices and house rents collected from individual and brokerage firms in Mogadishu indicated that since 2013 Waberi's land price increased an average of 49.3%, where the residential house rents increased double digit rate 200%. For example the house rent of Waberi in 2013 was \$150-\$200, in 2017 the rent of complete house rent with five rooms and two path rooms is between \$380-\$450, due to large business operate in Waberi district and condensed population in the area led the inflated prices of lands and residential houses.

### HODAN DISTRICT

Hodan district is also lies in southwestern part of Benadir region. It is one of the largest districts in Benadir districts. It is also one of the highest inflated land and house rent prices. Since 2013, Hodan's land price has increased an average of 84%, where the residential house rents increased an average of 172%. Some villages in Hodan district such as Taleeh and KPP house rents



increase more than double digit rate. This is so awful with in a period of less than five years, this is due to large occupied business and residential populations who mostly work in government or Non-government organizations..

### HAMAR-WAYNE DISTRICT

Hamar-wayne is one of the oldest districts in Benadir region, it locates southeast part of the Benadir region. Although most of the residents in Hamar-wayne are landlords, but tenants also available. During last five years rent house of Hamar-wayne district increased from \$250 in 2013 to \$620 in 2017, the rent house price is an average price with complete house or apartment. It is almost 140% increase with a period of five years. Although the existence of housing bubble needs a calculation of house price-earnings ratio. It is difficult to find household income for different districts. 140% increase of house rent with a period of five years is not good indication for stable prices; rather it is a red flag for housing bubble.

## CONCLUSION

House rents and price of land was extremely volatile and increasing quit widely, data collect from individual brokerages and brokerage firms with a period between 2013 up to 2017 indicated some districts may have possibly facing real estate bubble while other districts are not so awful. Three districts, namely; Hodan, Waberi, and Hamar-wayne are most inflating districts for the prices of land and house rents. Data indicated red flags for possibility of price bubble because some districts price increased double digit rate. Some investors have similar experience between 2008 and 2012. During that period, people displaced from Mogadishu to Elasha and other area for insecurity, many businesses and households purchased land with high price, and later when government of Somalia had taken over Mogadishu, people returned to the city, the price of the land in Elash dropped during a short period and continue to loss its value until now. .

# SAVINGS AND INVESTMENT PATTERNS OF SALARIED EMPLOYEES IN MOGADISHU, SOMALIA

HUSSEIN ABDI MOHAMUD



## INTRODUCTION

The living standard in Mogadishu is increasing day-by-day and personal saving of salaried employees declined over time. Thus the salaried people have to start realizing the importance of savings and proper investment of their savings. As well as, they have to avoid spending money on heavy luxurious, life style and preferring the normal living standard. According to the result of survey most of employees saved too little, but they are aware about the saving of different investment avenues like safe and low risk avenues among the workers. In general the investment pattern and saving habits of employees is determined by their expectations from the various preferred avenues. Preference may vary due to various considerations i.e. Safety, Liquidity and Marketability and returns. Investment also depends upon the awareness about investment opportunities, level of knowledge and how these investment opportunities are evaluated and selected.

There are a lot of investment avenues available today in Somali market for an investor with an investable surplus. He can invest in Energy and Water, Business, Agricultural processing factories, consultancy firms and lands where there is low risk but low return. Before investing, every investor must consider certain factors which influence the investments. The main factors are safety – it is sometimes said that there is no completely safe and secure investment, return- price appreciation to purchase price

of the asset or investment, growth of capital-means an appreciation in value of investment. Furthermore, risk- means variability of the rate of return, liquidity- means easily converted into cash, and convenience- means ease of making investments. Rationally speaking, mostly investments in Somalia are designed to satisfy a goal like buying a house, a car for social status, Business and etc. Hence, the investors need to identify the objectives of their investment as well as their constraints. The main purposed of this study is firstly to determine the saving and investment patterns of Mogadishu salaried employees. Secondly, to determine the level of saving and the forms of saving performed by them. Thirdly, is to determine the method of investment practice and their awareness of risk management investment. The survey is based on personal interviews with the salaried people; using a structured question also observations are used. In Somalia, recent years, there has been a coordinated effort provided by local banks to empower saving and investment through giving them greater choice in the range of investments through Murabaha (Cost Plus) finance. After analysis the researcher found that the most investment avenue that salaried employees carry out is land investment through local Banks (Murabaha), while others workers even do not save less than 10% of their monthly salary. Further, it's observed that the level of income also influences the investment decision. Low-income groups prefer to invest land through local banks, whereas high-income groups prefer to invest in business sectors.



## SAVING BEHAVIOR

Personal saving has two primary functions. First, savings provide the economic security of a safety net. By transferring resources from the present to the future via savings, individuals are prepared to face unexpected and irregular financial circumstances. Second, saving leads to accumulation of wealth that enables individuals to improve their living standard and to respond to new opportunities. Investment climate must attract the people to save from their income at times even by forgoing the enjoyment of comforts and luxuries. A person can never sustain development and self-growth unless they have adequate savings. But in Somalia the context is somehow different, as the result of observations; it revealed that salaried people save less than 10% or even zero from their monthly income, a small number of them are saving through local banks by getting Murabaha finance. In general, savings through products are designed to help people overcome social and behavioral barriers to saving money, but many questions remain about how, and in which cases, these products work.

## INVESTMENT BEHAVIOR

Investment is the allocation of monetary resource to assets that are expected to yield some gain or positive return over a given period of time. Anything not consumed for today is saved for future use, it can be termed as an investment. It is actually pretty simple: investing means putting your money to work for you, essentially, it is a different way to think about how to make money. Investing is not gambling. Gambling is putting money at risk by betting on an uncertain outcome with the hope that you might win money. At this point, it is necessary to distinguish between certain activities, which are in the nature of gambling, and those, which are genuine investments. For example, if one purchase in \$500 lottery ticket, one may be sacrificing current consumption in the hope of winning high rate of returns, but one may not invest there. In gambling everything is uncertain and a purchaser of lottery knows that you will loss money if you do not win in any situation because winning is beyond your control. However, the Investor, not being a speculator, does not proceed with the assumption that he would lose his money because the act of investment decision-making process is there. The genuine investors would always have appropriate

information, which is well analyzed in relation to risk- return.

So, every investment teaches how we can use our accumulated asset to earn a monitory return in exchange for waiting to spend those assets on consumption and various factors are going to be influenced the salaried people to invest their savings into the various investment avenues.

## CONCLUSION AND RECOMMENDATION

Investments in capital goods are the prerequisite for the growth of an economy; therefore, the present study deals with saving and investment patterns of local employees so that their investment behavior is understood. During my observation I realized that before the banks started to provide Murabaha finance, the most of employees had no saving experience even though there might be few employees those save less than 10% of their monthly income, while the banks motivate them to do investment through Murabaha. According to the analysis of investments in financial assets undertaken by salaried employees, the majority of the employees are investing in land because they feel it's a safe investment. Some employees, though astonishing has been investing in Business Sector too but their investment is very small.

Keeping in view the aforesaid observations the following suggestions are recommended:

- The prominent reason for people not involving in the investment sector is lack of up to date information and fear about the large risks involved. The people can be positively motivated through magazines, circulars, leaflets, audio-video and programs.
- Investments in the form of Land have been found more popular among employees as it alone accounts for more than half the total investment made by them in the form of financial assets. These employees attribute safety the main reason for making investment in lands. Hence, it is suggested that employees should channelize their surplus in diversified way so that they may get good return.



# HOW WE CAN GROW OUR ECONOMY

FARHIA MOHAMED YUSUF



## INTRODUCTION

After the collapse of Somali Central Government in 1990s, we destroyed all sectors of development, including economic, education and health.

All over the world, and we for Somalis, understood that the education is the only way can the person to break the shell of poverty.

During the importance of education as a whole, In a speech held at Columbia University, at October 05, 2017 | 12:00 ET, 16:00 GMT, World Bank Group President Jim Yong Kim will introduce the Human Capital Project, an accelerated effort to encourage investment in people as a critical step to boosting inclusive economic growth and ending extreme poverty.

## WHAT WE NEED TO GROW?

Factors of production are an economic term that describes the inputs that are used in the production of goods or services in order to make an economic profit of the country. The factors of production include land, labor, capital and entrepreneurship.

Entrepreneurship is also considered an economic resource because individuals are responsible for creating businesses and moving economic resources in the business environment, which creates economic growth.

Labor represents the human capital available to transform raw or national resources into consumer goods. Human capital includes all able-bodied individuals capable of working in the nation's economy and providing various services to other individuals or businesses. This factor of production is a flexible resource as workers can be allocated to different areas of the economy for producing consumer goods or services. Human capital can also be improved through training or educating workers to complete technical functions or business tasks when working with other economic resources.

While our country Somalia is suffering for waste of number of generation lack of education, and these generations are among two factors of our production we must make human investment to get human capital. Education is an investment in human capital that pays off in terms of higher productivity. Investing knowledge and skill that people obtain from education, on-the-job training, and work experience bring growth and succeed in life.

## IMPORTANT OF EDUCATION IN OUR LIFE

The first thing that strikes me about education is knowledge gain. Education gives us knowledge of the world around us and changes it into something better. It develops in us a perspective of looking at life. It helps us build opinions and have points of view on things in life. People debate over the subject of whether education is the only thing that gives knowledge. Some say education is the process of gaining information about the surrounding world while knowledge is something very different. They are right. But then again, information cannot be converted into knowledge without education. Education makes us capable of interpreting things, among other things. It is not just about lessons in textbooks. It is about the lessons of life. One thing I wish I can do is, to provide education for all: no child left behind and changes the world for good!!

## IMPORTANCE OF EDUCATION IN OUR ECONOMICS

There is evidence that education has direct and indirect effects on national output. Educated workers raise national income directly because schooling raises their marginal productivity. They raise national income indirectly by increasing the marginal productivity of physical capital and of other workers. In highly educated countries the spillover effect on other workers is minimal, but in less-educated countries the spillover effect appears to be much larger. In all countries, the positive effect of rising human capital on the productivity of physical capital is required to offset the diminishing returns to investment in physical capital and make rising investment in physical capital financially viable in the growth process. The empirical results indicate that investment in schooling is subject to diminishing returns but that the marginal return at the national level is still considerable in highly educated countries, over 10% in 2005. In the least educated countries, the marginal return is much larger, in excess of 50%, but since most of this effect is indirect, its magnitude is not generally appreciated.

Achievement of these returns requires public investment in education because the direct return to the educated individual is insufficient to overcome the high cost of private financing. The results also indicate that investment in post-secondary education does not provide any additional effect on national income beyond the effect of investment in education generally. The implication is that governments may allocate their limited funds to primary and secondary schooling of the poor without suffering a loss in GDP growth.

These very high macro-marginal returns to education make it possible for poor countries including our country Somalia to grow very rapidly if they make a major public commitment to raising the average level of schooling of the masses.

We conclude our article while education is important every sector, and our country suffering for less economic stability and need rapid recovery to invest human capital, is an action to drive economic growth, Healthy, educated and skilled people build productive and stable economies.



# THE RETIRED STEEL OF MOGADISHU

OSCAR SAMWEL KAJIMBA



## INTRODUCTION

Metal recycling and scrapping is a lucrative business for many, especially in tough economic times. While it's a dirty and possibly dangerous job, high metal prices can dictate large financial returns. A scrapping business can generate money in two major ways: Some people will pay you to haul away junk, which you can then break down and sell to buyers. This is an idea which seems not to be noted by our people in Somalia.

In 2007, a number of investors visited Mogadishu to survey the opportunities available for investment. One of the things they noted was the plenty of metal scrap that lay all over the city, which they took advantage of and exported immediately. Mr. Mahesh Ayra and Majdi Bashir after touring the bullet-scarred streets of Mogadishu for two weeks, stated "that they were mesmerised by the business opportunities Somalia's shattered capital city had to offer".

The investors have purchased scrap metals worth millions of dollars from a company in Mogadishu and they did so without the help of armed guards -- an unusual step in one of the world's most lawless cities, now enjoying a semblance of order after 15 years of anarchy.

"We have already purchased 27 metric tonnes of scrap metal worth over \$5 million (2.6 million pounds)," said Bashir, an Egyptian working for Kuwait-based Dana Group Centre, which includes companies dealing with construction, real estate, and food and information technology.

This tells us how much we have in dollars that we lay all over on the streets of Mogadishu. This is an opportunity that we need to exploit as a people. Scrap metal has big market in the neighbouring countries such as Kenya; Ethiopia and even in China and other bigger markets. Business minded individual could easily start the business and make hay out of the scrap. Find out how to start a scrap metal business to decide if it can be a wise investment of time and resources is discussed below:

## 1. BE ABLE TO IDENTIFY AND SORT DIFFERENT METALS

Buyers will be purchasing specific metals by the pound. You will need to accurately identify your scrap for sale. To do this, first use a magnet to check the metal's ferromagnetism (whether or not the magnet sticks). Weigh this information with the metal's appearance, weight, and item of origin. There are five major metals that will likely make up the bulk of your scrap.

Iron and its alloy steel have many uses and are probably the most common metal you will be scrapping. Iron is ferromagnetic, strong, and lighter than most other metals except for aluminium. While normally different shades of gray, it rusts into a reddish brown.

- Aluminium is non-ferromagnetic and very light. Like iron, it is ubiquitous.
- Pure copper is slightly pink, while lower grades are a reddish brown. It tarnishes into a jade green colour. Copper is non-ferromagnetic and slightly heavier than iron. You'll find copper in wiring and quality cookware.



- Bronze is an alloy of copper but is worth significantly less. It is a much lighter, almost gold colour. It is commonly found in instruments, decorations, and pipe valves.
- Lead is extremely soft and heavy. It is typically used to make bullets and as radiation shielding. Keep in mind that lead is extremely toxic, so use protection when handling anything you suspect to contain it.
- Keep in mind that within these basic categories there are also many different grades with their own properties. For example, most stainless steel is non-ferromagnetic. Additionally, you will probably come across rarer valuable metals if you scrap
- Electronics. Study these before starting your business.



## LEARN HOW TO DISASSEMBLE OBJECTS FOR SCRAP

The first thing that strikes me about education is knowledge gain. Education gives us knowledge of the world around us and changes it into something better. It develops in us a perspective of looking at life. It helps us build opinions and have points of view on things in life. People debate over the subject of whether education is the only thing that gives knowledge. Some say education is the process of gaining information about the surrounding world while knowledge is something very different. They are right. But then again, information cannot be converted into knowledge without education. Education makes us capable of interpreting things, among other things. It is not just about lessons in textbooks. It is about the lessons of life. One thing I wish I can do is, to provide education for all: no child left behind and changes the world for good!!

## IMPORTANCE OF EDUCATION IN OUR ECONOMICS

In order to sort your scrap, you will likely need to break down larger items into smaller component parts. Some objects can be taken apart easily with simple tools, while others will require a blow torch or a metal saw. The item type will determine exactly what steps you will need to take.

- While many buyers will purchase wiring as-is, some scrapers choose to strip it themselves to get the full copper value. Figure out if the difference in price is more than the cost of your time and labour. Stripping wire may be worthwhile when you are first starting your business, but less important later on. **Keep track of metal prices.** Check metal prices regularly to be aware of what to charge and what to pay for scrap. To do this, simply use the Internet to search for “commodity trading prices.” Be sure to ask local contacts in case your area sells at a different rate. It may be a good idea to offer a fixed rate when buying scrap while, asking buyers for close to the market rate when selling. **Purchase or rent a vehicle for your business.** Pick a truck or van that is large enough to transport large amounts of scrap metal. If your business focuses on scrapping smaller high tech items, you may be able to use a personal Sedan instead.
- Protect the inside of your vehicle from possible damage or staining.
- If renting, make sure the rental company allows for commercial use of the vehicle.
- Cut down operating costs by choosing a vehicle with good fuel efficiency set up an area for your scrap. You will need a place to sort, disassemble, and store your scrap metal. Depending on how much and what type of items you plan to collect, this could be as small as a storage unit or trailer. If you want a large yard, you will have to lease or purchase an open space. Either space must be secure to prevent theft and possible liability in the event of an injured trespasser. **Invest in protective gear.** Dealing with scrap metal can be dangerous and may subject you to cuts, tetanus, blunt trauma from falling objects, and even possible radioactive or otherwise hazardous waste.
- Hardhats should be worn when hauling bulky items or when near stacked metal.
- Wear thick spill-resistant gloves and boots when working with scrap. Respirators are necessary if hazardous particulates, such as asbestos, may be present.
- Wear welding goggles when cutting metal. with the above preparations, one is set to go. Sometimes it might appear expensive hence the need to work with a partner. It is a venture whose future remains bright in Mogadishu and less capital intensive as compared to the returns. Let us try it out folks.



# WHAT YOU SHOULD KNOW ABOUT PERFORMANCE MEASUREMENT?

ISMAIL MOHAMED ALI



## INTRODUCTION

Decades-ago expression of “If you cannot measure it, you cannot manage it” by Garvin(1993) is deemed relevant in our modern days. Think about the situations where things are going to fail but no one is aware of that, or they are doing well even though the reason is not clear. Performance measurement is very vital in order to identify problems and take corrective actions before the problems deteriorate. It is continuous process where the feedback of measured performance is used as recommendations for further improvement.

There are three measurement principles to bear in mind. What do we measure? (Let it be the performance of particular aspect of an organization such business process). Why do we measure? (To make, for instance, an evidence-based improvement). How do we measure? (The methods and tools).

The performance measurement can be devoted to company operations, decision making, business processes, new equipment or software tools used, methods applied as well as the performance of people such as employees and managers, to name but few.

The literature of performance measurement is rich with amazing performance measurement approaches. Some of them are prouder organizational performance measurement approaches such as Balanced Scorecard (BSC), performance pyramid, and Business Excellence. Others are used to evaluate specific aspects such as business processes. The devils’ quadrangle (time, quality, cost, and flexibility) is one of them.

The existing approaches are widely used and they are relatively simple and straightforward. Another way is to start the measurement process from scratch where performance indicators are derived from the business objectives and its success factors. The latter is said to be more challenging but could have amazing results.

Performance measures are generally divided into two main categories: financial measures and non-financial measures. Financial measures include monetary units such as cost, expenses, revenues, income... and it is referred to be more traditional and quantitative in nature. The non-financial measures belong to a vast array

of indicators including, but limited to, time, efficiency, effectiveness, reliability, customer satisfaction, innovation, and growth

Data and its technology have pivotal role in performance measurement. In fact, you can spot the performance gaps based on the performance-related information that you have. So data should be properly collected, analysed and presented to users who measure and monitor performance.

In the past, there were data mining, data warehousing and business intelligence those are still relevant. In the modern days, there are data science and big data analytics. For both, tools are available. Tableau, Qlik Sense, and Weka, Hadoop, Spark, Storm and MapReduce are very few examples of them.

It may not be necessary to have sophisticated tools; even spreadsheets and the well-known relational databases (e.g. SQL, Oracle) have much to do with data analytics and performance measurement. Nevertheless, the tools to be used primarily depend on the size of businesses and organizations and their data needs.

Data for performance measurement can be divided into two types. The first is the typical results of work performed. Examples include the number of customers served, amount of work completed and amount of cash received. The other is related to data about the work itself. Examples may include the time it takes to serve customers or to perform tasks, the energy spent, amount of rework, and how accuracy was maintained.

Who is responsible for the performance measurement? The responsibility of performance measurement falls on the shoulders of anyone who would feel the pain if things go wrong. It is the job of managers, business owners and sponsors, etc.

Do we know the difference between enablers of performance and measures of performance? Factors like having good technology and quality people enable and contribute to good performance. Those like efficiency and customer satisfaction measure the performance.

Other concepts of performance measurement include performance baseline and performance target. Performance balance denotes the current state of organization’s performance which future efforts are launched from and compared with. In contrast, performance target is the level that we “fight for” to achieve.

It is necessary for businesses and organizations to continuously measure and monitor their performance. Having performance-related information helps understand performance gaps and take actions for improvement. There are tools, methods and principles for performance measurement. Some factors influence performance, others evaluate performance. Setting performance baseline is the starting point, having a performance target directs efforts and drives outcomes.





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