Republic of Somaliland

Ministry of Investment and Industrial Development

SOMALILAND INDUSTRIAL ENTERPRISES SURVEY

AUGUST 2022

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1. INTRODUCTION

The development of productive capabilities has historically been a fundamental component of sustained high-growth rates. Industrial development ensures learning-by-doing and has strong spillover effects through horizontal and vertical linkages across sectors and activities. Albeit sectoral boundaries have become increasingly blurred due to the raise of high-productive agriculture (horticulture) and service (logistics) sectors, manufacturing still holds promise due to embedded increasing returns to scale properties and high potential for technological, organizational, and product-level innovation. The importance of developing a strong manufacturing industry is integrated in current African Union projects such as the African Free Trade Continental Area (AfCFTA), which aims at promoting continental and regional supply chains by capitalizing on the fact that manufacturing exports/imports are larger in intra-African trade as compared to extra-African trade.

Somaliland currently depends on external resources to sustain the domestic consumption of often very basic needs (e.g., food or household goods), putting pressure on its balance of payments and critically relying on remittances and foreign direct investment as compensation mechanisms for the ensuing trade deficit. The country has an active manufacturing sector with up to 63 firms registered at the Ministry of Investment and Industrial Development (MoIID). This notwithstanding, there currently is scant evidence of the state of these industries as well as detailed information about their characteristics. If they are to become a key player in regional value chains, efforts are needed to guide action to upscale their capabilities.

The Ministry of Investment and Industrial Development (MoIID) in collaboration with the Ministry of Finance Development (MoFD) has undertaken the Industrial Enterprises Survey (IES), summarized in this report. The survey aims at enticing information about the nature and characteristics of the manufacturing sector in Somaliland and is part of current efforts to develop the Somaliland Industrial Policy. The survey sheds light on the profile and performance of 42 manufacturing firms in Somaliland. The survey methods are based on non-purposive sampling and results, while not generalizable, offer insightful information about the current state of Somaliland's main manufacturing industries. This is probably the first government-owned industrial survey ever undertaken in Somaliland.

The report is organized as follows. The next section provides further background information about the survey and details its objectives. Section 3 outlines the main results of the report, organized by category. Section 4 concludes the study by summarizing the main tenets of the report with recommendations.

2. BACKGROUND AND OBJECTIVES

Somaliland reported a total of 63 registered manufacturing companies in 2020[1]. Amongst these industries, 34 were classified into Grade A, 28 into Grade B, and 1 into Grade C[2]. Some of the main products are water bottling and other beverages, construction materials, furniture, dairy products, or cleaning products. Yet Somaliland's exports are dominated by livestock products (61% of recorded merchandise exports in 2020[3]) and primary and low- value added products (frankincense, gold, daafi). The existing evidence thus suggest that most of the production by local firms caters to the local market. At the same time, there is some evidence that imported goods are competing with local manufacturing products in both cost and product quality.

Despite this information, there is very little evidence of the current situation of industrial firms in the country. For instance, extent to which firms connect with external markets, the type of goods they produce, their reliance on imported capital goods and raw materials, or the main challenges they face. In light of this, the overall aim of this survey has been to provide baseline evidence of the current state and performance of manufacturing firms established and producing in Somaliland. To this end, the survey has been structured so as to enquire about the following:

- Profile: sector, main product, number of employees, capital invested, ownership type
- Revenue and costs: sales, turnover, cost structure
- Input and sales: origin of inputs, destination of sales
- Employment: work status of employees, training programmes, skills level, social protection
- Challenges: financial costs, infrastructure bottlenecks, lack of skills
- Safety and environmental performance: new products, new processes, new machinery
- Institutional environment: government support, business associations

Information on these areas should help implement policy aimed at promoting manufacturing industries productive capabilities.

1 MoTT (2020 .(2021 Annual Progress Report. Hargeisa: Ministry of Trade and Tourism.
2 Companies with capital investments greater than 450,000$ are classified into Grade A, Grade B is given to companies with capital investments of between 450,000$ – 250,000$, and industries with investment levels below 250,000$ receive Grade C
3 MoF (2021d). 2020 Trade Statistical Bulletin. Hargeisa: Ministry of Finance Development.


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3. METHODOLOGY

The methodology is based on primary data collection through a structured interview with several sections: (i) profile, (ii) revenue and costs, (iii) inputs and sales, (iv) employment, (v) challenges, (vi) safety and environmental performance, and (vii) institutional environment. The questionnaire design was partly based on surveys used in other countries for similar purposes, such as WB (2017) Argentina Manufacturing Sector Questionnaire.

The target population of the survey were all manufacturing enterprises effectively operational in Somaliland and are registered at the Ministry of Investment and Industrial Development, which are totaled 63. Purposive sampling was used to select survey respondents, which is a non-probabilistic technique. The total sample size of firms interviewed for the survey was 42. Although the findings cannot be generalized, they provide the Ministry with benchmark data of the state and performance of industries in the country.

Interviews were conducted using the computer-Assisted Personal Interview (CAPI) software Kobo Toolbox, first half survey was conducted in November 2021 while the second part was completed in July 2022. Enumerators were officials from the Ministry of Investment and Industrial Development. Training was undertaken prior to conducting the interviews, aimed at ensuring enumerators have an appropriate understanding of the questionnaire and of the Kobo Toolbox software. The training sessions were supervised and coordinated by MoIID, the analysis of the data is primarily descriptive.

4. Results

4.1. Profile

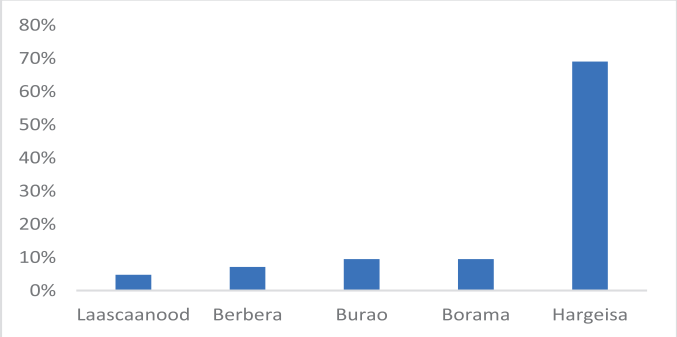
The number of years companies had been in operation varied across the sample. The oldest company had been in operation since 1999, while the survey also included 2 companies that just started operating in 2021. For the period spanning from 1999 to 2010, the survey included 16 companies, while the remaining 26 firms had no more than 10 years of experience (i.e., period 2011–2021).

45% of the companies had between 10 and 30 workers. 26% had between 31 and 60 employees, 7% had between 61 and 90, similarly 7% had between 91 and 100, and lastly, 15% of the companies had more than 100 workers. According to these figures and following the Somaliland MSME Policy[1] particularly on employment aspect, 78% of surveyed firms can be classed as Micro, Small, or medium enterprises while the remaining 22% were large enterprises.

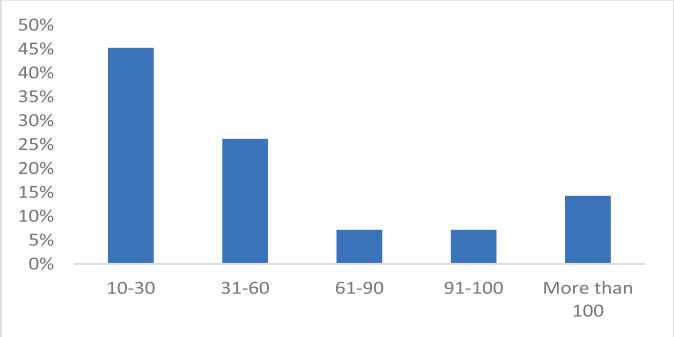
With respect to the MoIID classification, surveyed industries fell into the following categories: 18 industries with Grade A (starting capital of over $450,000), 22 industries with Grade B ($250,000 – $450,000) and two industries with Grade C (below $250,000). The average starting capital was $2.2 million, although starting capitals were generally much lower. In fact, 27 companies had starting capitals of $500,000 or less, 5 companies had between $1 million and $2 million and the median value was $368,000. On the other hand, there were 10 companies reporting starting capitals of at least $2 million, two of these reporting starting capital investments of $15 and $32 million.

Most of the respondents had their main factory located near Hargeisa (69%). 9% had their factories in Burco, 9% in Borama as well, 8% in Berbera, and 5% in Laascanod. For 36 out of 42 firms, the factory was located in an urban area and 37 of those spanned less than 1 kilometer in size. Interestingly, 21 respondents had subsidiaries in other locations, with Hargeisa being the leading city for secondary facilities, followed by Burco, Boroma, Berbera, Laascaanod, Wajaale, and lastly, Cerigavo. Indeed, some companies had subsidiaries in more than two cities, with one company having offices in all cities.

Figure 1. (a) Location of main factory,

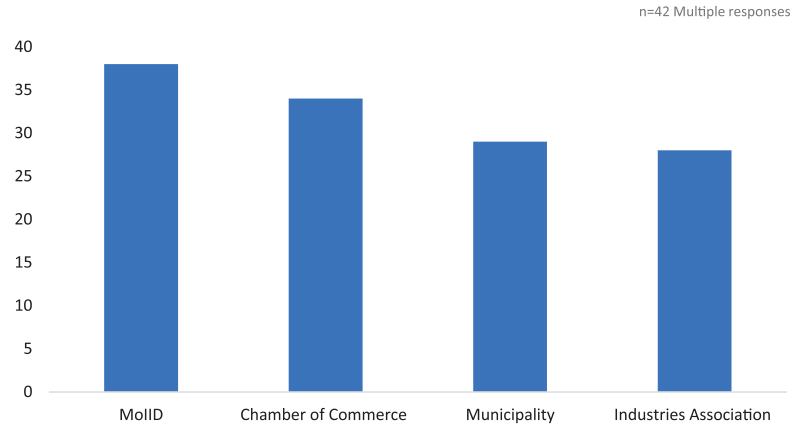


(b) Number of workers



1 MoTT (2019). Micro, Small, and Medium Enterprises Policy. Hargeisa: Ministry of Trade and Tourism

Figure 2. Institution of registration



24 companies were formed as a partnership, while 18 were constituted as single member company. Out of the total of 42 surveyed companies, 7 had a mix of local and foreign owners while 35 were solely owned by local businesspeople. In only 1 company women had the majority of the firm's ownership.

With respect to their registration status, all companies were duly registered with at least one of the following agencies: The Ministry of Investment and Industrial Development, the Chamber of Commerce, the Municipality, or the Industries Association. In fact, more than half of the companies (24) were registered with all 4 institutions, while only 1 was registered with no more than one institution.

The main products they produced are detailed in Table 1, classified into NACE (Rev.2) 2-digits industry codes. Apart from the main product, 6 companies were also engaged in producing secondary products. This included soap, bleach, hand washer, sanitizer, toilet soap, floor cleaner, flash cleaner; water and ChipsPVC wind; sodas; papers, Therefore, overall, the degree of product diversification within firms was low.

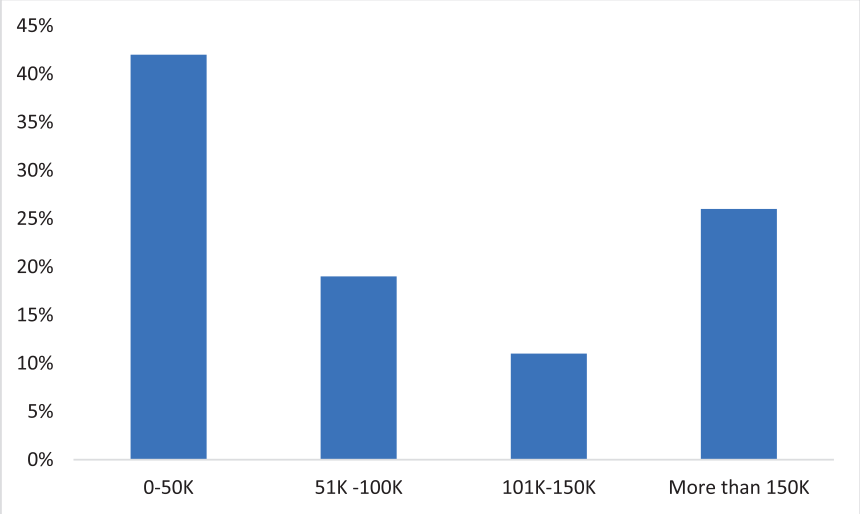
Table 1. List of produced goods and NACE Codes

Product	NACE (Rev. -2 (2digits Code
Chips	
Metal sheets (Jingad)	24
Furniture	31
Tiles (Marmar)	23
Flour (daqiiq)	10
Cleaning products	20
Ice cream papers	
Bottled water	11
Papers and Books	17
Distemper, paints	20
Soft Drink (Sharaab)	11
Foam mattress	31
Meat processing	10
Plastics	20
Gums and Resins	
Shopping bag	13
Soap (taydh)	20
Concrete	23

4.2. Revenue and costs

The distribution of semi-annual revenue levels across companies was relatively dissimilar. 43% of companies fell within the range between $0 – $50,000, thus generating a maximum of $100,000 per year. The second largest group was that of companies making over $150,000 every 6 months, accounting 26% of total surveyed firms. These are followed by semi-annual revenues within the ranges of $51,000 – $100,000 (19%) and $101,000 – $150,000 (12%).

Figure 3. Revenues (Jan-Jun 2021) (USD)



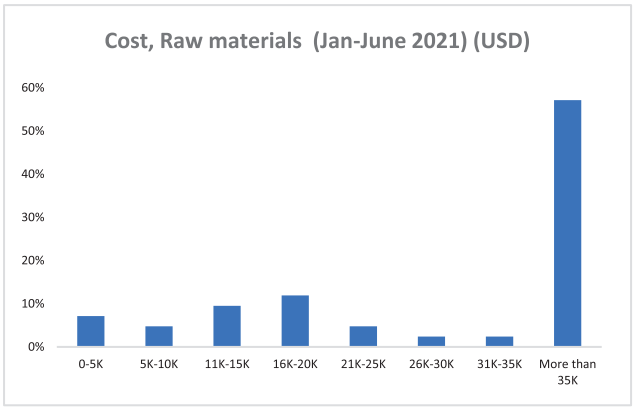
The survey also asked about the cost structure of these firms. The aim was to identify those items that were most relevant to their cost structure. While their input structure is different due to different production processes (including types of inputs), it is likely that firms share a similar cost structure for items such as transport or marketing. Results for all companies are shown in Figure 4. The figure identifies: (i) items for which the cost is clearly larger, (ii) items for which the cost is clearly lower, (iii) items with varying results. With respect to the items for which the cost is larger, the evidence seems to indicate that raw materials, and labor are the two most important cost components of industrial firms. As regards to the lower-cost components, the cost of land and the cost of marketing, transportation, taxes, and other services, is regarded amongst Most firms as the lowest. Finally, there seems to be more disparity in costs of energy, repair and maintenance.

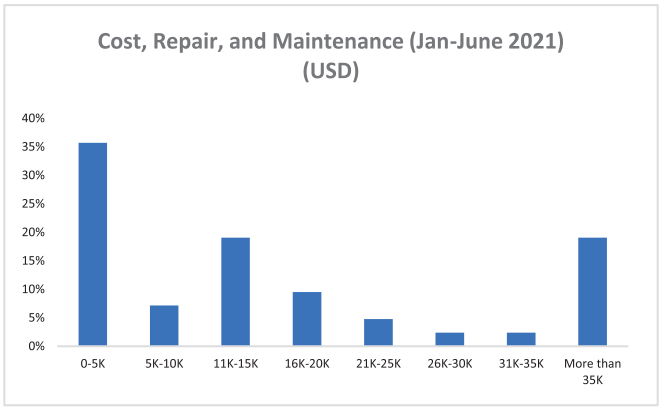
The survey also asked for further detail about loans that had been taken and their sources. Firms indicated private banks as the main source of loans, while one firm responded its loan came from a non-bank private financial institution. The latter might relate to NGOs such as Shuraako, or development partners' supported projects. In the figure below, the loan cost is high, probably explained by firms reporting the value of their obligations during Jan-June 2021, rather than short-term repayment costs.

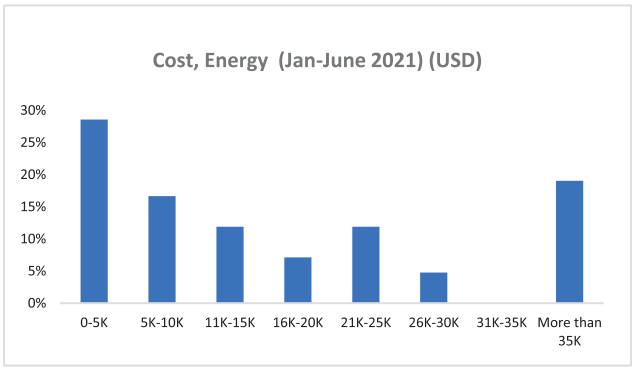
Since the graph below pooled data for all firms regardless of their size, it is likely that larger firms tilt the distribution

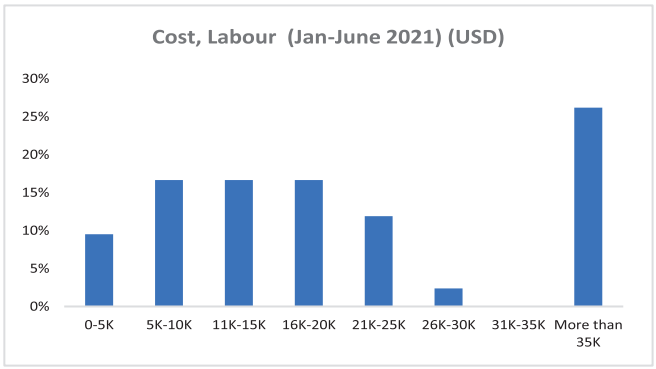
towards the 'over 35,000 range'. In other to refrain from potential biases, Figure 5 looks into the cost structure of those companies which reported revenues of $0 – $50,000. Overall, the distribution of costs by cost item is similar to that for the whole sample. Nevertheless, there is a greater disparity in the cost of labor, more skewed towards the lower end of the distribution. The cost of services, on the other hand, feature more clearly as less significant, lower than $15,000.

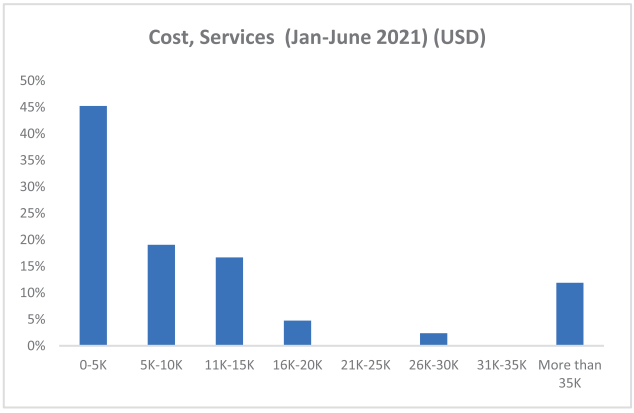
Figure 4. Cost structure by item, all companies (42 companies)

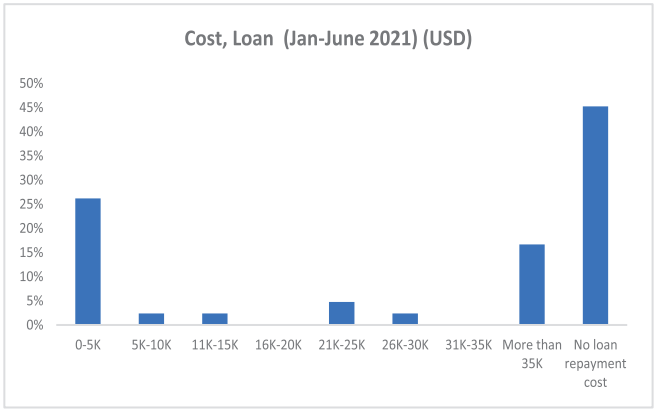


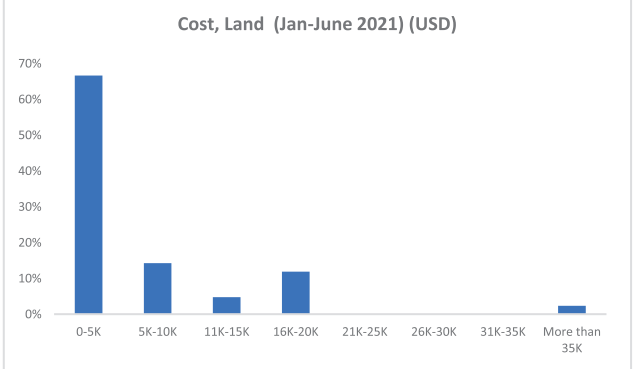












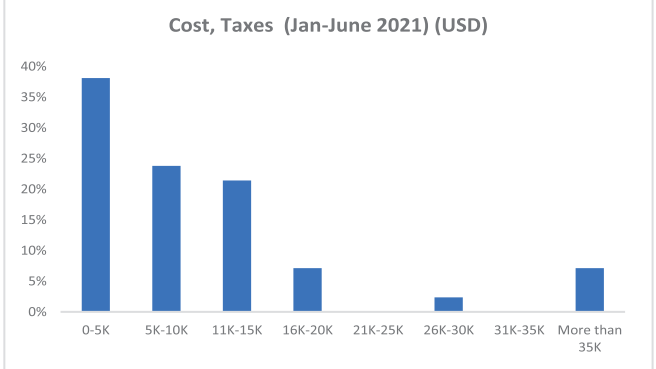
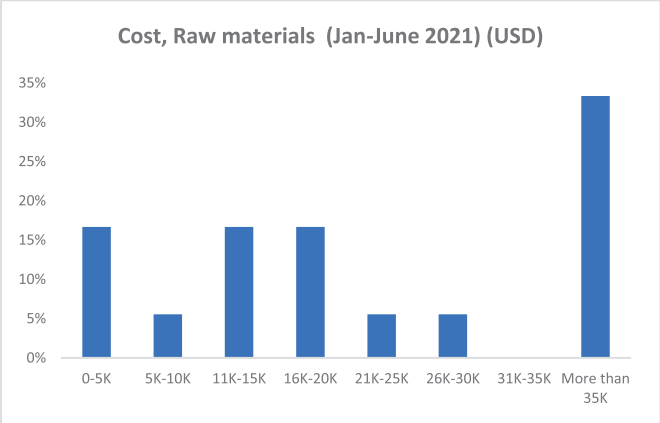
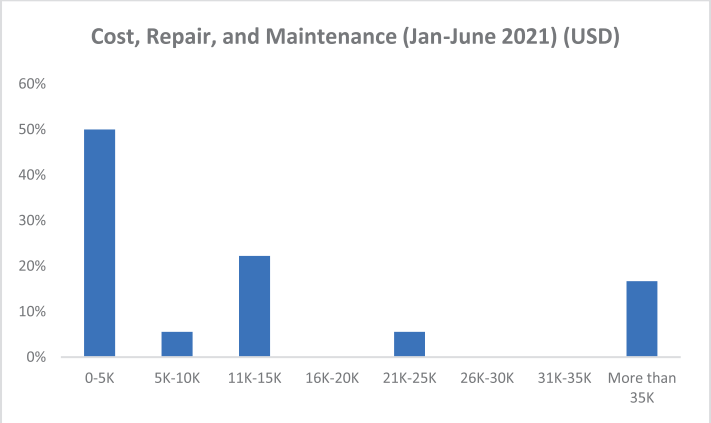
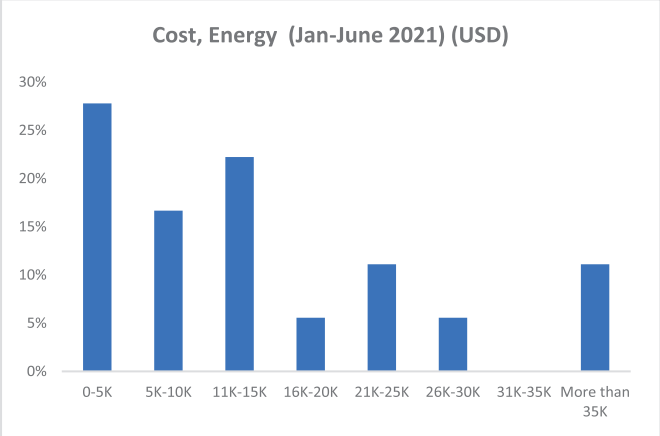
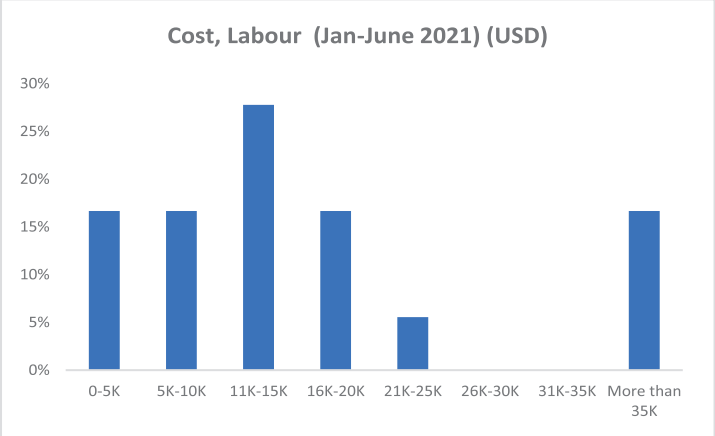


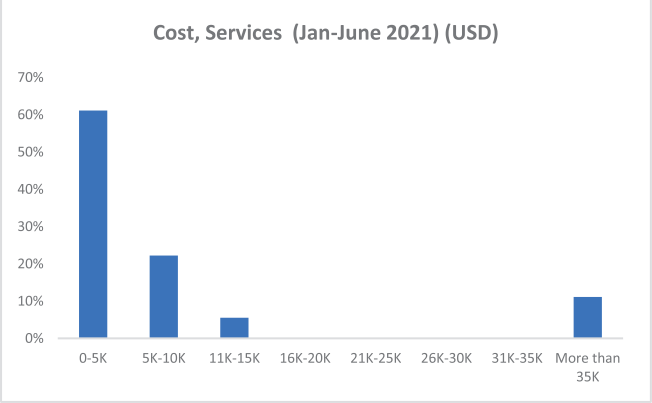
Figure 5. Cost structure by item, only companies reporting revenues of etween 0$ and 50,000$ per semester (18 companies)

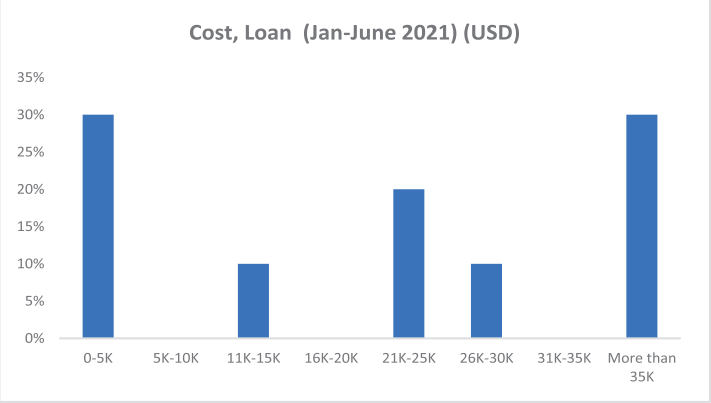


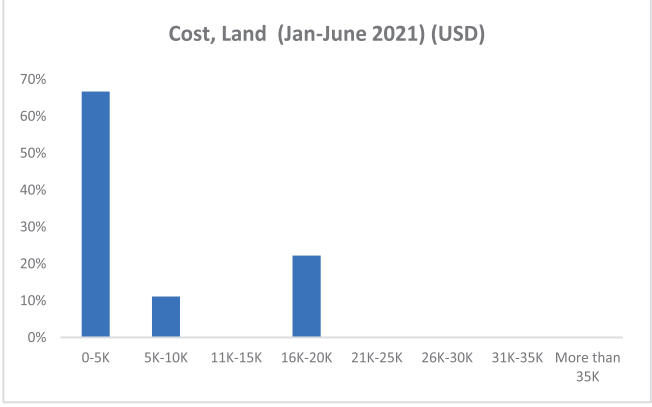


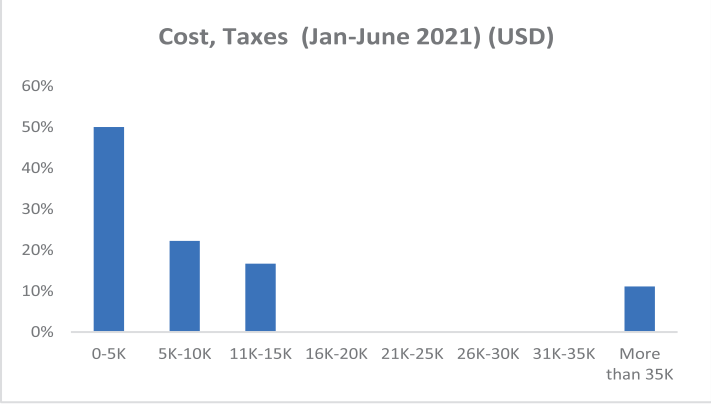










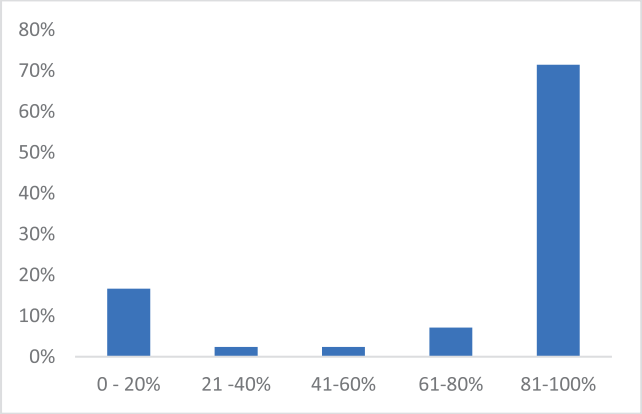


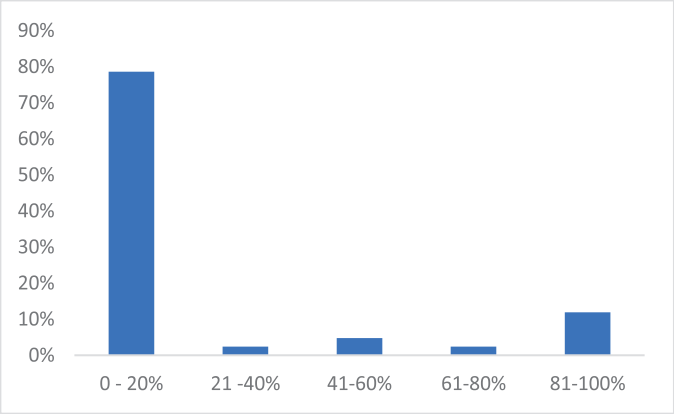
4.3. Inputs and sales

Except 7 enterprises, all firms sourced inputs from abroad. In particular, 30 firms sourced more than 80% of its inputs from abroad. For those inputs sourced domestically 15 firms sourced inputs from Marodijex, 8 from Togdher, 7 from Awdal, 4 from Sanaag, 5 from Saxil, and 3 from Sool. A few companies soured more than 60% of their domestic inputs from these regions. In most cases, this referred to firms that were based in such locations.

On the other hand, few companies exported their products. 21 companies sold more than 80% of their produce in Somaliland. There were only three companies exporting more than 80% of their products. Some companies exported some of their products, with 11 companies selling abroad between 20% and 50% of their throughput. Most of the exports were 'indirect', meaning companies cater for foreign markets but are not involved in the exporting process themselves.

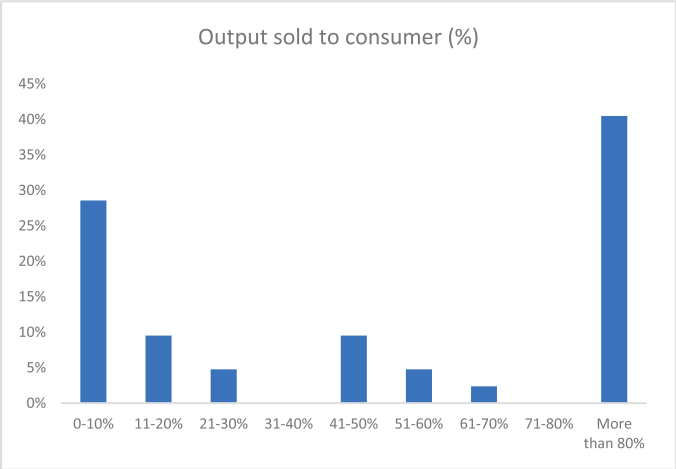
Figure 6. (a) Percentage of foreign inputs, (b) Percentage of domestic sales

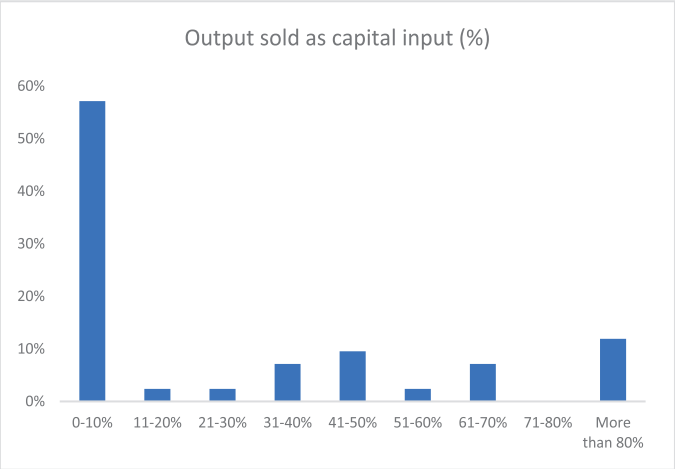


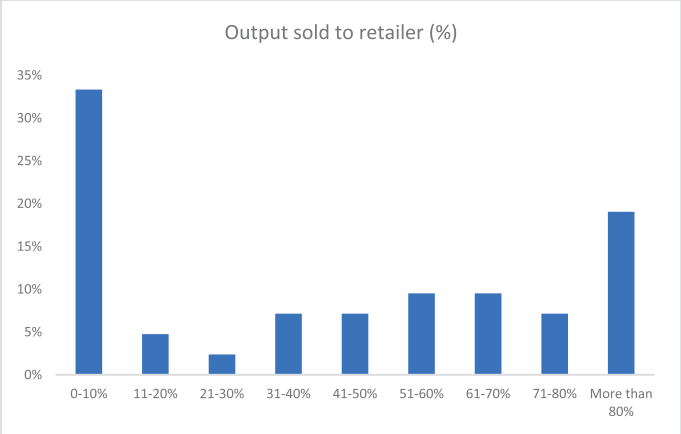


The survey also asked who they sold their product to. Only a few companies sold their products as capital inputs. Therefore, most of the firms mainly sold directly to the consumer or to the retailer. Amongst these two options, selling to the consumer was more prominent than directly selling to the retailer. Distinguishing between retailer and consumer aimed at identifying firms that had retail shops of their own.

Figure 7. Output sold by type actor

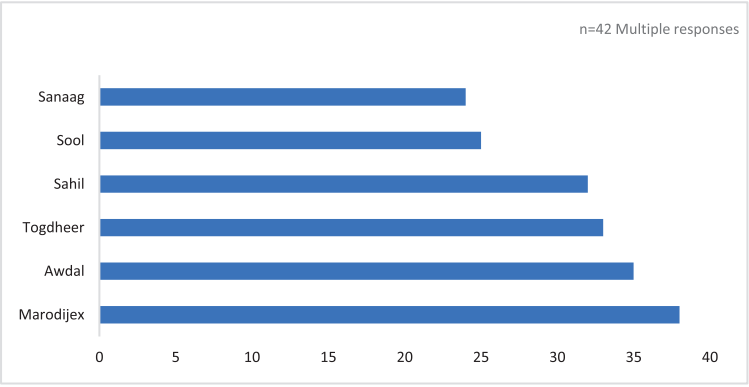






Finally, with respect to the destination of their goods they sell domestically, the survey found that most producers are engaged in all Somaliland regions. As shown in Figure 8., sales were relatively equally distributed across all regions, meaning many producers normally sell in all Somaliland regions. In this respect, Marodijeex and Awdal were the regions where most products were directed to, while Sool and Sanaag were the regions where the least number of firms were selling to.

Figure 8. Destination of sales by region

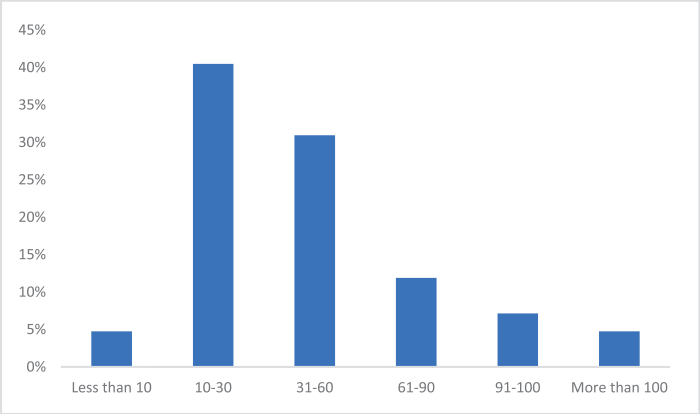


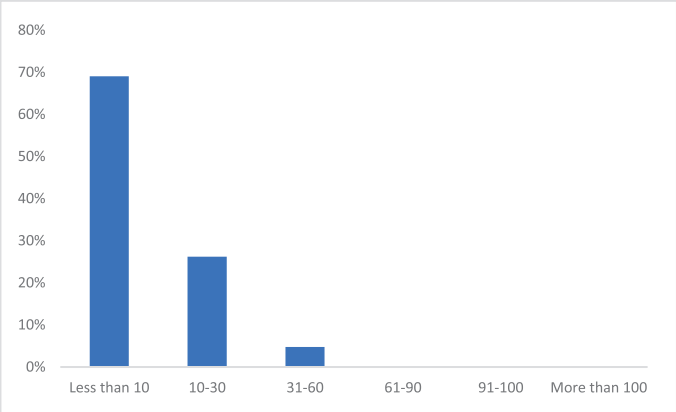
4.4. Employment

As mentioned above, 86% of surveyed firms had less than 100 employees, while 6 companies had more than 100 workers. When looking at the number of workers per firm by age range, the data show that most firms have workers aged between 31 and 50 years old. In particular, there are 19% of firms which reported having between 31 and 90 employees. In contrast, almost 64% of firms had less than 10 workers aged over 50 years old. The survey also broke down workers who are under 30 into the age groups 15-25 and 26-30. With respect to the former, 86% of firms had between 10 and 40 employees aged between 15 and 25. In addition 12% of firms had between 31 and 60 workers within that range. The figure is less noticeable for the age group 26 – 30, for which almost 79% of firms had between 10 to 40 employees, while the companies between 31 and 60 workers aged between 26 - 30 was 4%. Similarly, those between 61 – 100 workers were only 7%.

Figure 9. Number of workers by age range

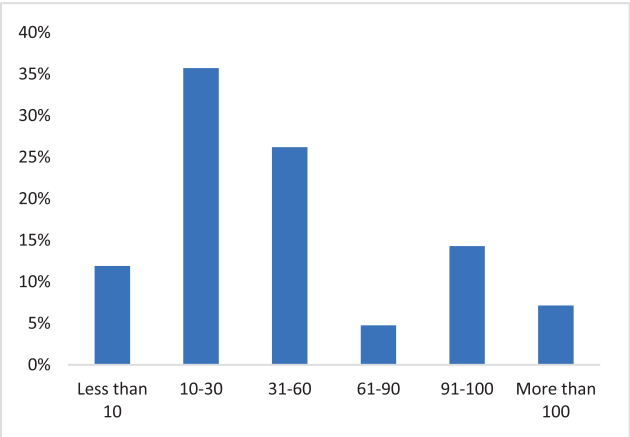
Figure 10. (a) Number of male workers, (b) Number of female workers

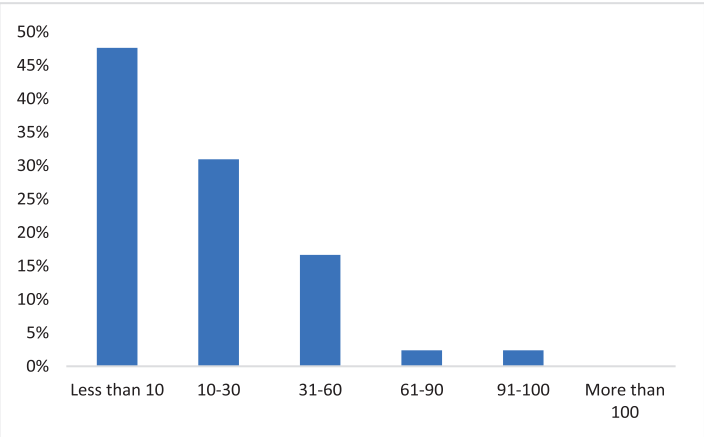




With respect to the time dedicated by workers to the firm, most of them were employed in a full-time basis. Nearly 26% of firms were employing over 60 workers on a full-time basis, against 4% in the case of part-time/casual workers. As per the latter, almost 50% of firms had between 0 and 10 employees in a part-time basis. It is important to highlight that although firms tend to employ full time workers, especially firms with over 60 employees, there still were 31% of firms employing between 10 and 30 workers on a part-time, or casual, schedule.

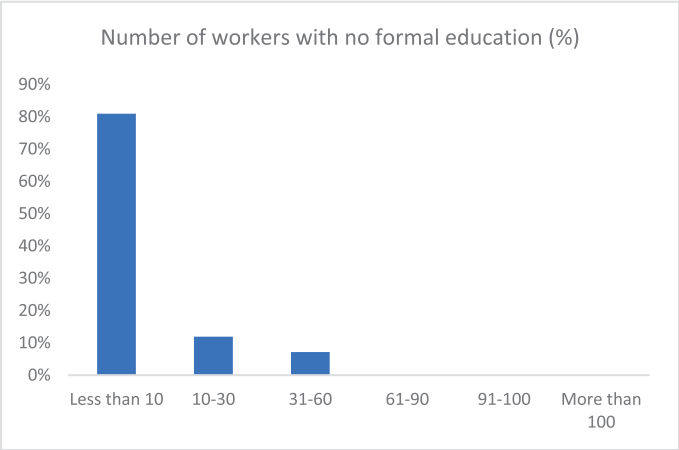
Figure 11. (a) Number of full-time workers, (b) Number of part-time workers

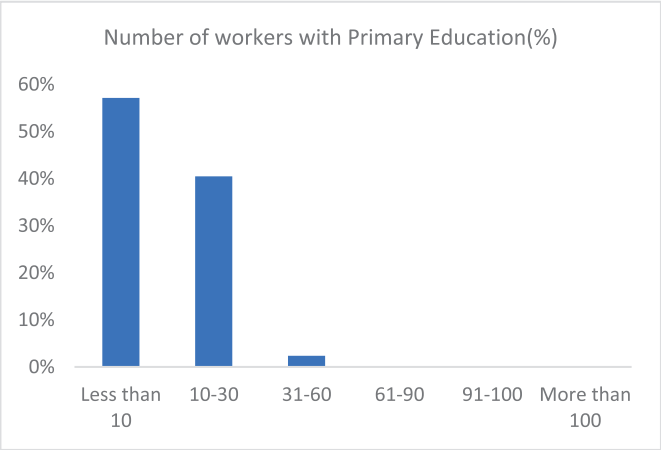


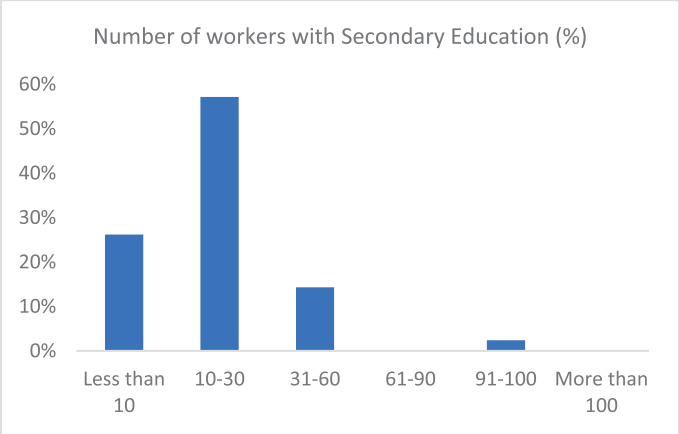


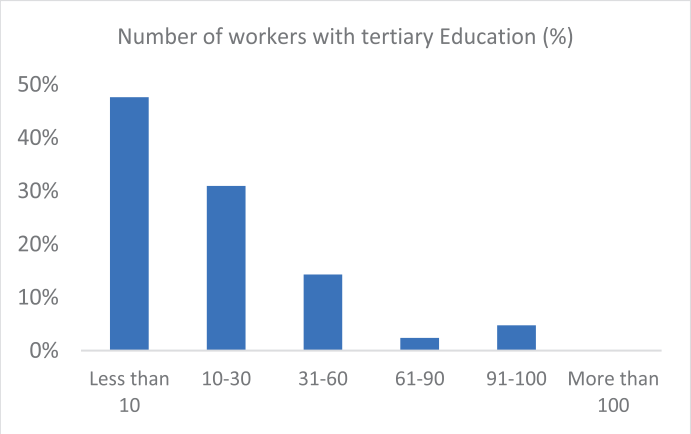
Finally, Figure 12 shows the education level of the employees. Firms employed workers with tertiary or TVET education in larger numbers. There were 2% of firms employed no more than 30 workers with primary education only, and as many as 57% of firms employed less than 10 employees with these qualifications. The trend is similar and even higher, if ever more pronounced, for workers with no formal education, with 81% of firms reporting employing less than 10 workers with these qualifications. In contrast, there were 14% of firms reporting employing at least 31 workers with tertiary education. The figure is almost similar for workers with TVET skills, there were 10% of firms reporting employing at least 31 workers with this qualification. Finally, the case of workers with secondary education, the most common case was companies employing between 10 and 30 workers, which accounted for 57% of total firms.

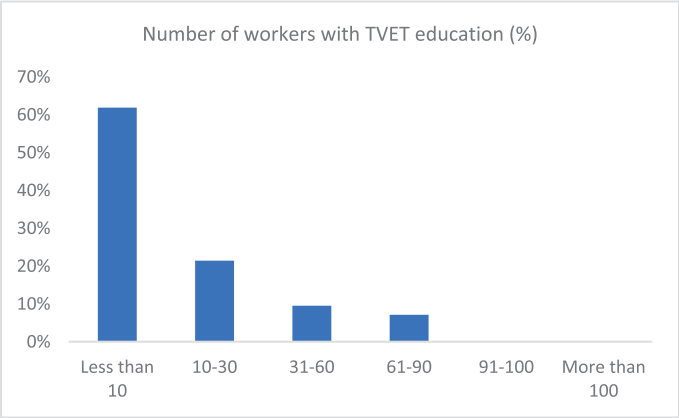
Figure 12. Number of workers by formal education attained











4.5. Challenges

The survey asked questions regarding the challenges that industrial firms were facing. In total, 12 different potential challenges were discussed during the interview. Firms were asked to rate each challenge in accordance with a scale ranging from 'No obstacle' to 'Moderate' and 'Severe'. The results are displayed in Figure 13.

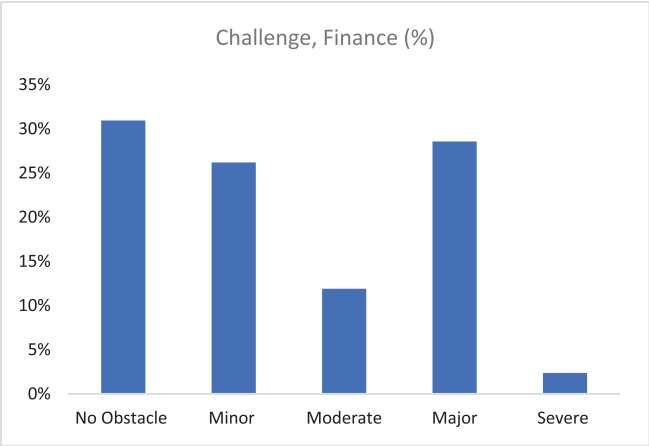
The 3 challenges that most firms perceived as the most important ones (ranked as 'severe') were costs of energy, input availability, and access to land. In all these three cases, issues were perceived as severe by at least 15% of respondents. costs of energy were, certainly, the most important challenges faced by most firms. In this respect, 53% of firms argued it was either a severe or a major challenge. The percentage decreases to 45% in the cases of both input availability and access to land. At a lower level, issues that approximately 10% of companies regarded as 'severe' were labour turnover, and market structure (either monopoly or too much competition).

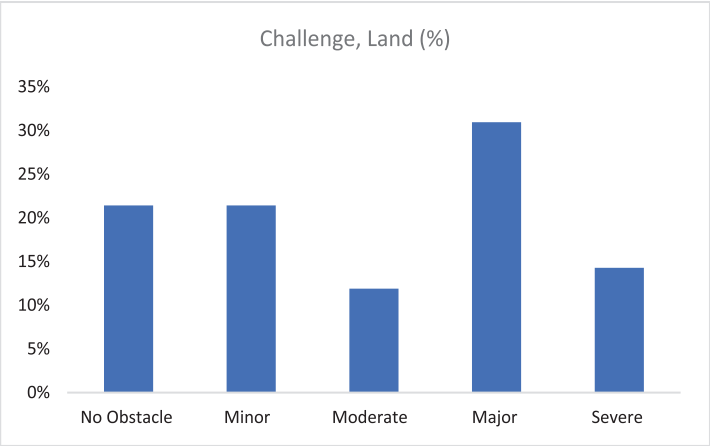
Focusing on firms identifying major challenges, there was certain consensus that the following challenges posed major hurdles to their businesses: market competition (too much or too low), and labour turnover. In all these cases, the percentage of firms indicating that such difficulty represented a major issue was over 31%. Aligned with the issues that were considered to be 'severe' (above), over 30% of companies answered that land access, and energy access and cost presented major challenges to companies' operations.

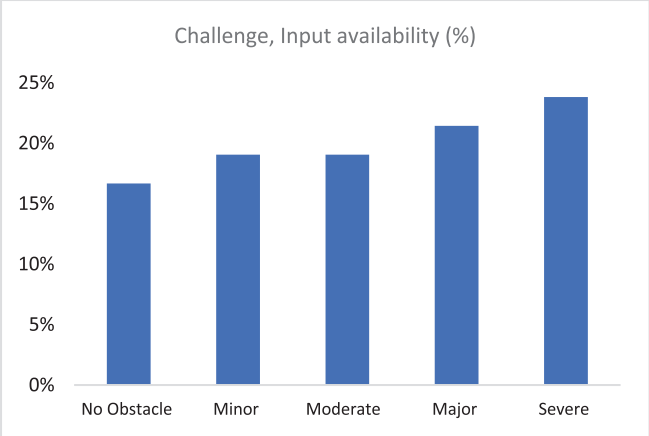
This notwithstanding, there was less consensus over how challenging government support, customs procedures, and Finance were, meaning that while a significant share of total respondents argued they perceived these as major challenges, there was another significant share of surveyed firms which did not necessarily perceived these as important hurdles to their business. In the case of finance, more than half of which is 57% of respondents argued it was either a minor obstacle or not an obstacle at all. The percentage was similar in the case of government support, and customs procedures.

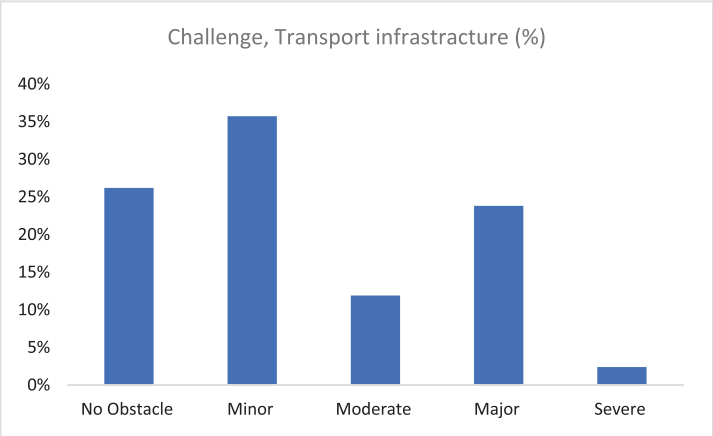
Finally, the challenges that most firms perceived as 'no obstacle' were transport, taxes and access to/or cost water. The percentage of firms that considered these challenges as either unimportant or minor was 62% when it comes to transport. As far as cost of water, and taxes is concerned, they amounted 60%. While this still means there is an important share of firms for which these issues are important, it does reflect a consensus over the fact that they are not as pervasive as the ones above.

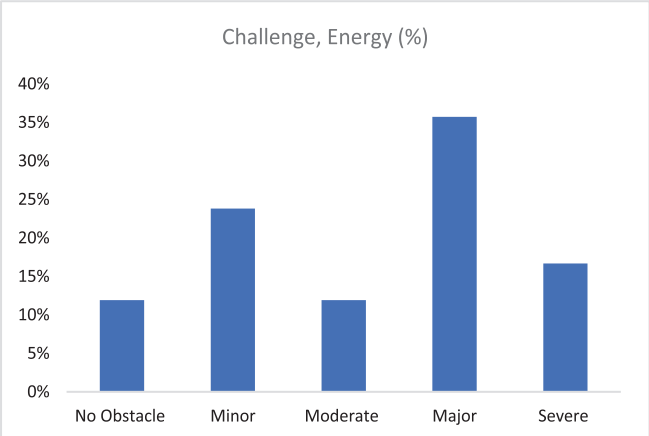
Figure 13. Challenges by component

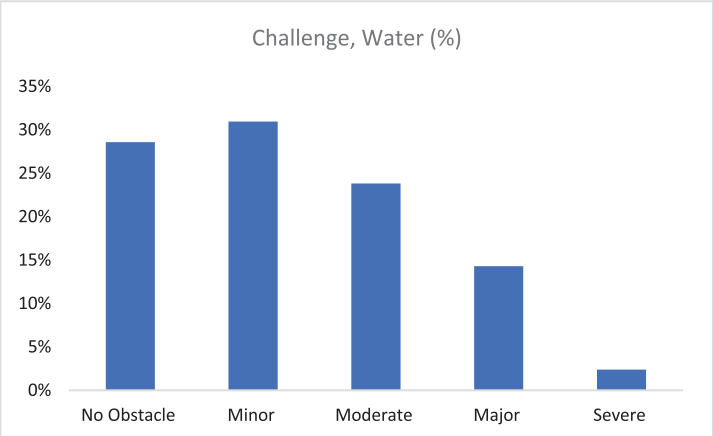


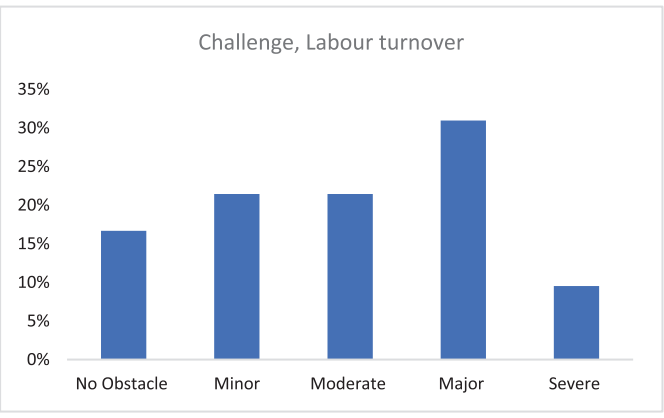


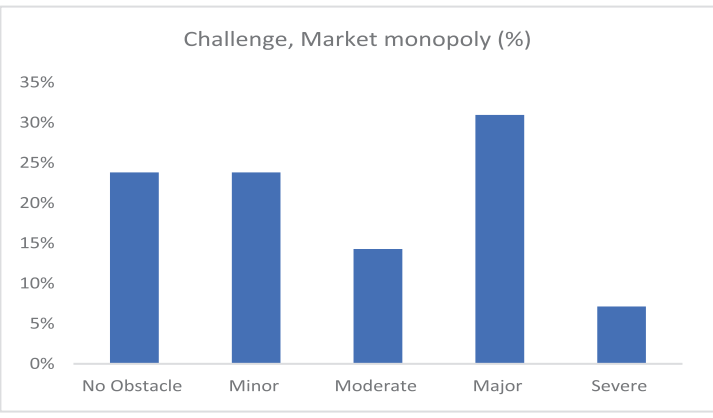


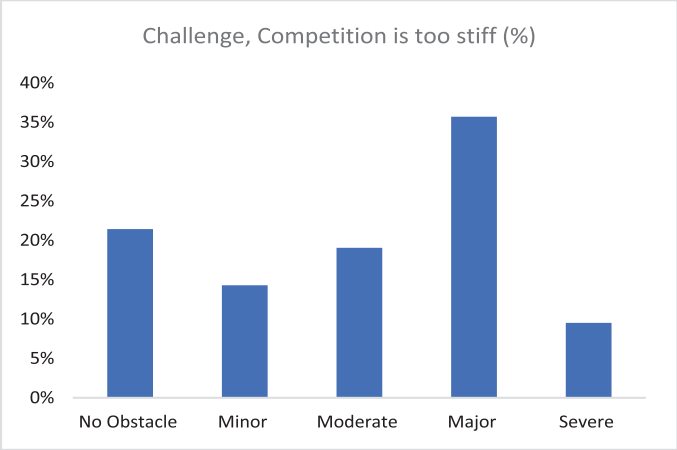


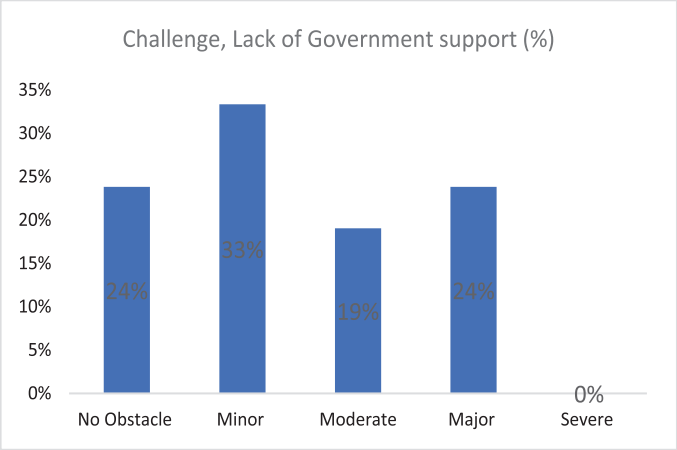


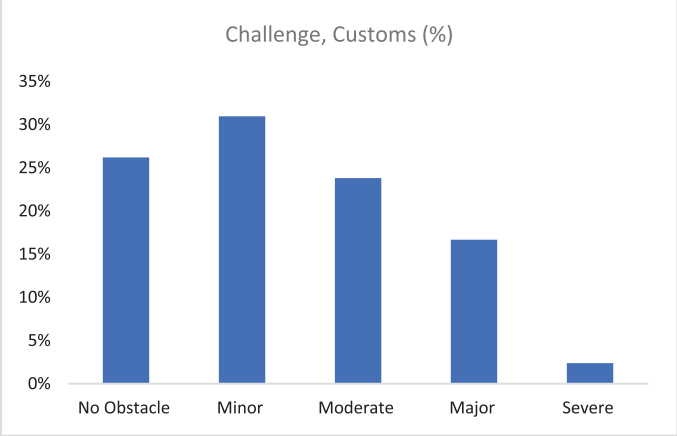












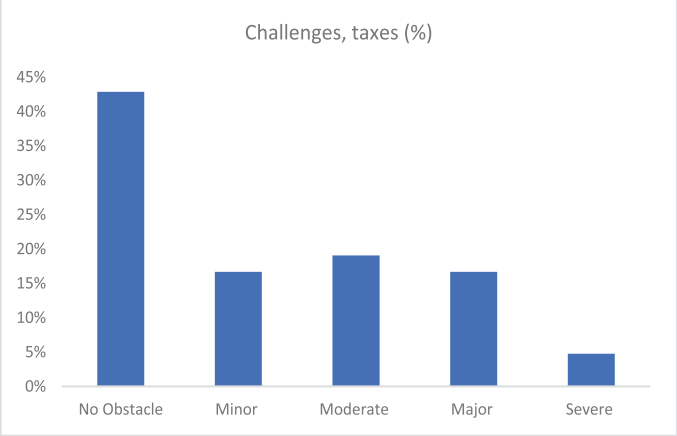


Figure 14. Challenges, summary

Severe	Major	Moderate (Less consensus)	Minor- No obstacle
Energy	Market structure	Finance	Transport
Input availability	Labour turnover	Govermnent support	Access to Water
Land		Customs procedures	Taxes

In order to understand better the difficulties that companies were facing, the survey asked open questions about whether firms were being able to successfully find the appropriate skills in the job market, compete with foreign firms, and export. In the case of skills, 30 out of 42 companies argued they find it difficult to find the right skills in the local labour market. In particular, firms reported technical and TVET skills as the most necessary for their operations. The most cited occupations were chemical engineering, electrical engineering, technicians, and maintenance and repair. Virtually all firms reported need for workers with the skills specified above. Other cited occupations were quality control (1 firm), painters and carpenters (2 firms), plumbers (1 firm), sales managers (1 firm), and specialists in cooling systems (1 firm). It is clear from these responses that TVET skills are the most demanded by industrial firms.

With respect to foreign competition, 14 firms argued they were struggling to remain competitive in the local market due to competition from foreign goods, against 28 who argued they were not. In particular, firms reported products coming from China, India, Bangladesh, Yemen, and Ethiopia as particularly relevant. Specific imported products that were competing with the respondents' goods were metal sheets (jingad), furniture, flour, sodas, and paints.

Regarding exports, 13 companies responded they faced difficulties in exporting their goods, specifying non-tariff barriers (6 companies) and tariff barriers (7 companies) as the main hurdle. With respect to non-tariff barriers, 3 companies indicated that difficulty to access a Letter of Credit, which is a requirement to export to Ethiopia, was a major impediment. The remaining company argued that an important barrier hampering its export efforts was access to foreign exchange.

Finally, the survey asked respondents to share insights about other potential issues they could be facing. Firms emphasized lack of local production of cartoons, tins, and calcium carbonate, poor infrastructure and lack of shipping lines, weather hazards (drought), low purchasing power of consumers, lack of local spare parts, and lack of fire workers. Another set of issues related to institutional barriers. Firms complained about regional and local taxes, high customs duties, difficulties in sourcing employment from abroad (immigration tax, visa application procedures), and difficulties accessing international payment systems.

4.6. Safety and environmental performance

The survey asked several questions related to the safety and environmental performance of firms, including questions on whether they had received an inspection from the relevant agency, or their waste management practices.

Companies produced waste of different sorts. All companies had one way or another to deal with such waste. The most common waste disposal measure was to give their waste to the local government or to a private waste management company. Some companies recycled their products. The third most common way to deal with waste was burning it. Finally, some companies also reported either disposing waste to a dedicated dam or burying it.

Companies often work with hazardous materials. In the survey, there was a total of 5 companies reporting that as part of their manufacturing process, hazardous inputs were being used. These were TDI,

methylene diphenyl diisocyanate (MDI), liquids, Hydrochloric acid and other acids, plastics, and MCL. When asked for the management of such waste, most companies responded that they had specific management measures. Only two companies said to burn or dump hazardous waste.

Related to hazardous materials, 26 companies indicated they had a laboratory while 16 said they did not. This is aligned with the number of companies managing chemical products (9), such as those using chlorine, titanium, petrol chemicals, calcium, polyethene, and anti-foams. Also, most of the firms having a laboratory and/or using chemical inputs followed indications of chemical manuals and standards.

In addition, the survey found that all but one firm had in place safety measures. The most common types of measures applied were the use of protective equipment, including gloves, masks, and helmets. Apart from this, firms reported employees wearing helmets, having cars in case of need to reach a hospital, and having fire and environmental safety measures in place. In this respect, 33 firms (79%) responded they give workplace safety training. These include training about Covid-19 risks, laboratory practices, ISO 9001, hygiene and sanitation, first aid, fire safety, and training to deal with hazardous materials.

This notwithstanding, when asked about the laws they were actively attempting to comply with, in relation to safety and environmental measures, most industries did not give a clear answer. Those industries who did reply said to follow existing laws, indicating the National Health Policy, the Environmental Management Act (Law No. 70/2018), and the National Veterinary Code. It is surprising that many industry representatives were not able to make reference to the Environmental Management Act (Law No. 70/2018) when the Act has provisions for the management of, for instance, hazardous waste. Probably, the low level of inspections (only 11 companies, accounting for less than 26% of surveyed firms, responded they had been visited by the relevant inspector) does not help ensure compliance with current regulations.

4.7. Institutional environment

The last component of the survey was the institutional environment within which firms operate. 18 industries indicated they were receiving support from the government. Out of these, they all indicated they received tax exemptions. They also indicated receiving support in the form of security and from ministries other than the Ministry of Finance (which grants import tax exemptions), such as from the Ministry of Trade and Tourism or the MoIID.

34 out of 42 industries responded they were part of an association. These associations ranged from the Chamber of Commerce (12 industries) to the Somaliland National Industries Association (28 firms). Interestingly, some firms were also involved in associations in Djibouti (Djibouti Industrialists Association) and Ethiopia (Ethiopian Quality Assurance Agency).

Industries also indicated they participate in events where they can meet other firms, establish relationships with the government, or display their products. Some of these events were trade fairs, NGO-organized fairs, industry association meetings, and the Somaliland Industries Exhibition.

Finally, industries were asked what type of support they expect from the government. They indicated that they would expect the government to support them by further reducing taxes (e.g., local and regional taxes), helping with marketing, and restricting the entry of foreign products. Tax exemption was the most cited measure industrial firms expected the government to enact.

5. Summary and recommendations

The present report has shown the main findings of the MoIID Industrial Enterprises Survey, undertaken between November 2021 – June 2022. The IES intends to shed light on the current state and performance of manufacturing firms established in Somaliland. The IES interviewed 42 firms out of a total of approximately 63 active industrial firms in Somaliland. 18 were classified into Grade A, 22 into Grade B, and only two firms into Grade C. The median starting capital value was $368,000, although 10 firms reported investments of over $2 million. 69% of surveyed companies had their main factory near Hargeisa, and 34 out of 42 produced one main product only. 24 were constituted through partnerships as opposed to sole proprietorship, and 7 had a mix of local and foreign capital in the ownership structure. The survey shows that most companies are registered with all relevant institutions.

Firms reported different semi-annual revenues, varying from $50,000 to over $150,000. 43% of firms reporting less than $50,000 ($100,000 per annum) and 26% reported revenues of over $150,000 ($300,000 annual revenues). This was complemented with information on the cost structure. The survey indicates that the most important cost components are raw materials and labour. The lower-cost components were land and cost of marketing, transportation, taxes, and related services. There was more disparity with respect to repair and maintenance, and energy costs.

Results showed the 'networkness' of local manufacturing firms with respect to the origin and destination of inputs and sales. All firms except only 7 sourced inputs from abroad and for 30 firms such inputs represented over 80% of total inputs. On the other hand, only a few companies were export-oriented. In this respect, 21 companies sold more than 80% of their produce in Somaliland. In this case, products were reported to be sold in all regions in more or less equal shares. There were only three companies exporting more than 80% of their goods. Some companies a modest share of their total sales, with 11 companies selling abroad between 20% and 50% of their throughput. Most of the exports were 'indirect', meaning companies cater for foreign markets but are not involved in the exporting process themselves. Most sales took the form of final goods, with only a few companies selling to other firms (i.e., capital goods).

Most of companies had workers aged between 26 and 30 years old or between 30 and 50 years old. The age range 15-25 years old was also prominent, although less important than the other two. Female workers did not feature prominently, with only a few companies having more than 31 female employees. Companies having from 31 to over 100 male employees featured more prominently. While most companies had full-time workers in large numbers, casual/temporary workers were also in high use. There were 31% of firms employing between 10 and 30 workers on a part-time basis. With respect to the education level, 57% of companies employed between 10 and 30 workers

with secondary education. On the other hand, a larger percentage of companies employed larger number of workers if they had tertiary of TVET education.

The report has also shown evidence of the challenges firms perceive as most/least important. These have been classified into four categories. The most severe challenges were input availability, energy, and land (access and cost). Major challenges were market structure (too much/not enough competition), and labour turnover. Challenges for which there was less consensus were finance, government support, and customs procedures.

Finally, in the range of minor/no obstacle were access to water, taxes, and transport. Regarding the latter, while companies registered with the MoIID are exempt from paying import and profit taxes, they are still required to pay local/regional taxes.

With respect to safety and environmental safety, companies argued they comply with regulations but were unable to name which. This might be aligned with the low percentage (26%) of firms which had received an inspection by the relevant agency. This notwithstanding, most companies responded having (i) safety training and occupational safety measures in place, (ii) appropriate means to manage and dispose hazardous materials, and

(iii) ways to deal with waste, most notably giving it to either the local government or a private waste management company, although the third most common way to deal with waste was burning it. 26 companies indicated having a laboratory equipment/facility, and 15 companies said they manage chemical products.

Finally, with respect to the institutional environment, 34 out of 42 industries were part of an association such as the Chamber of commerce or the Somaliland National Industries Association. They also indicated they participate in events where they can meet other firms and organizations, including government agencies. 18 firms said they receive support from the government, most notably through tax rebates and exemptions. Giving tax rebates and exemptions (e.g., local/regional taxes) was the single most mentioned measure they perceived the government should enact to support their business. 3 companies indicated government could help with marketing, and by restricting the entry of foreign products.

Based on the above, what does this tell us about the manufacturing sector in Somaliland?

- Somaliland currently has a disjoint industrial structure. Firms rely majorly on imports for their inputs, and only a few firms sell their products as capital inputs. This means that inter-firm horizontal/vertical linkages are scant.
- Most companies cater for the local market. Capacity to export seems limited, while firms face competition in price and product quality from other countries. The latter tendency is only set to increase with the Berbera Port.
- Most companies produce one type of product, thus product diversification is limited and the complexity of factories' operations could be low (e.g. one production line, no changeovers).
- Companies still rely on employees with low levels of formal education, but there are also many firms employing employees with medium-level formal education and this is probably

increasing due to gradual improvements to the country's education system.

- However, firms have clearly indicated they lack local employees with technical/ TVET skills. Fostering the industrial sector means targeting TVET education.
- Only 7 out of 42 firms had foreign capital in their ownership structure (joint venture between local and foreign citizens). This means that (i) established industries are mainly locally owned and embedded in the local dynamics of the country, and that (ii) there could be room for attracting capital and increasing Foreign Direct Investment.

What measures hold promise and would be worth exploring further, if the objective is to strengthen the capabilities of the manufacturing sector?

- Explore targeted training that aims at creating a cohort of expert technical employees who can respond to the current demand for workers with skills in chemical engineering, electrical engineering, technicians, and maintenance and repair operations.
- Ensure create strong connection between the local TVET centers and the current demand for workers at Industries.
- It is interesting to note that the main and, in most cases, only way businesspeople perceive the government can help is by reducing or removing taxes. The government can in fact do significantly more to enhance the competitiveness of its industrial sector. In parallel to undertaking measures that go beyond taxation (e.g. examples above), it would be warranted for the government to communicate to business people the different ways in which it contributes to the development of the manufacturing sector so that the narrative is not one of ever-reducing income and import taxes, given the latter constitute a crucial source of revenue for the Somaliland state.

It is worth noting that this is just a preliminary survey. Further action is needed to come to an understanding about the specific measures that would be necessary in the short- and medium- term. This will require, for instance, extending the survey to all industrial firms, consultation with firms on the points with high potential, coordination with the Chamber of Commerce, etc.

REPUBLIC OF SOMALILAND