

# Impact assessment of the COVID-19 crisis on the informal business sector in Hargeisa.

## Summary Report

Somaliland Ministry of Trade, Industry and Tourism

16/06/2020

## Background

The COVID-19 pandemic has hit countries' economies around the globe. The severe measures implemented to halt the spread of the virus have resulted in a significant reduction in international and domestic trade. In most cases, the most vulnerable layers of society have been the hardest hit. The informal sector has traditionally been considered as one of these layers, not least due to the fact that the usual lack of registration of workers and companies precludes social protection policies to reach those in most need.

Against this background, the Somaliland Economic Sub-Committee for COVID-19 decided to undertake a quick assessment of the effects of the COVID-19 crisis on Somaliland's private sector, considering both formal and informal enterprises. To that aim, the Ministry of Planning and Development (MoPD) conducted a business survey of formal enterprises, published in May 2020<sup>1</sup>. Complementing that survey, the Ministry of Trade, Industry and Tourism (MoTIT), was responsible for surveying informal enterprises. The survey covered: (i) impact on revenue and workers, (ii) challenges faced and coping capacity, and (iii) main needs and recommendations for government action. In addition, basic profile questions were asked to produce evidence on some of the main characteristics of informal enterprises. A summary of the survey results is presented here.

## Methodology

The survey's population were informal enterprises in Hargeisa. Informal enterprises were defined as those enterprises that were not registered at the MoTIT and employed fewer than 10 workers. Micro and small enterprises not registered at the MoTIT but registered with Hargeisa's municipal authority or at the Chamber of Commerce were included in the survey<sup>23</sup>. Although these companies fulfilled the condition of being registered, they had other characteristics typical of informal enterprises such as firm size or family members' engagement in the business. Their inclusion allowed the MoTIT to extend the reach of the survey and produce higher-quality results.

Given the need to produce timely statistics and the complexity of informal sector surveys, the survey design followed a non-probabilistic method, namely purposive sampling. As introduced earlier, target respondents were enterprises with fewer than 10 employees and not registered at the MoTIT. The survey also targeted those areas with a high concentration of micro and small businesses, such as the main markets in Hargeisa. Home-based economic activities, which do not have a clear visible establishment, and the agriculture sector, were omitted.

The survey was conducted in Hargeisa during the first week of June 2020. Interviews covered 8 districts (*deegma*): Ahmed Dhagax, 26 June, 31 May, Ahmed Macalin Haruun, Gacan Libaax, Ibraahim

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<sup>1</sup>MoPD (2020), Business impact of COVID-19 Survey.

<sup>2</sup>See the MSME Policy (2019) for further information on the definition of MSMEs.

<sup>3</sup>For more information on companies' registration requirements, the reader is referred to Somaliland's Company Law (2018).

Koodbuur, and Sheekh Cumar Yusuf. Interviews also covered most economic activities, including services (retail, tea/coffee shops, restaurants, transport, and money exchange), and manufacturing (production of doors, wheelbarrows, water tanks, and tailoring). Most respondents belonged to the retail sector (food, clothes and khat sale). 85% of total enterprises were micro enterprises, the remaining 15% were small enterprises. The total number of interviews conducted was 176.

Interviews were conducted using the Computer-Assisted Personal Interview (CAPI) software KoBo Toolbox. Given the nature of the survey methodology, the analysis of the data is mainly descriptive and results are not representative. Even though some of the data collected were of low quality, efforts were made to ensure the validity of the analysis and it is considered that the survey results provide insightful information about the main impacts of the COVID-19 crisis on the informal sector in Hargeisa.

## **Main Results**

### **A. Enterprises Profile**

The survey helped collect information about some of the main features of informal businesses in Hargeisa. This is in addition to the information provided above regarding their size and the sectors they belong to.

- 52% of the enterprises surveyed employed family members.
- 38% of total firms were not registered as an enterprise in any of the potential administrative registers; Hargeisa Municipality, the Chamber of Commerce, and the MoTIT. Out of the remaining 62%, 95% were registered at the municipal authority, and only 5% at the Chamber of Commerce.

### **B. Income and Employment**

The questionnaire covered the impact of the COVID-19 crisis on businesses' revenue and employment levels.

- 92% of the enterprises saw their revenue decrease in the past month (May).
- 61% of informal businesses rated the impact of the COVID-19 crisis on their revenue as 'high', 26% as 'medium', and 13% as 'low'. Only 1 enterprise answered its income had not been affected by the crisis.
- 53% of surveyed companies answered they had dismissed or were planning to dismiss workers. 97% of these said they would dismiss from 1 to 5 workers.

### **C. Challenges and Resilience**

In this section, further detail on the challenges faced by enterprises is provided. Also, the questionnaire design allowed for a better understanding of how resilient informal businesses might be given the current circumstances.

- 90% of respondents said they fear their business may have to close due to the COVID-19 crisis.
- Nearly 41% of total firms surveyed answered their businesses would not be able to operate for longer than one month (under current circumstances). 42% of respondents said their business could keep in operation for longer than 2 months.
- Out of 6 different challenges:
  - 75% of respondents answered they were facing challenges due to low demand and lack of adequate cash flow to cover necessary expenditures.
  - Approximately 30% of respondents stated they were facing challenges related to the supply chain, such as expensive or unavailable raw materials, and closure of business partners.
- 78% of companies knew of businesses that had already closed.

- 80% of respondents had no access to funding. The remaining 20% of respondents had access to external sources of funding or own funding.
- 69% of respondents had no access to sanitisers and other personal protective equipment products.

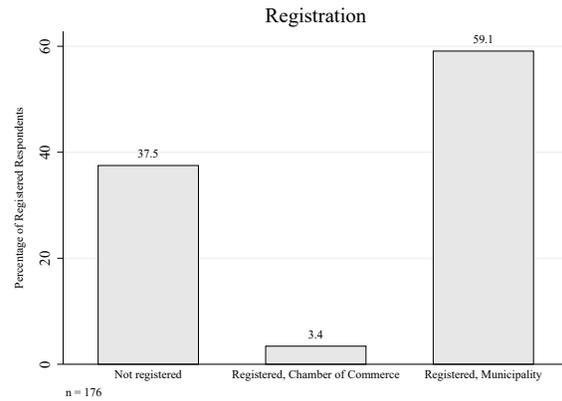
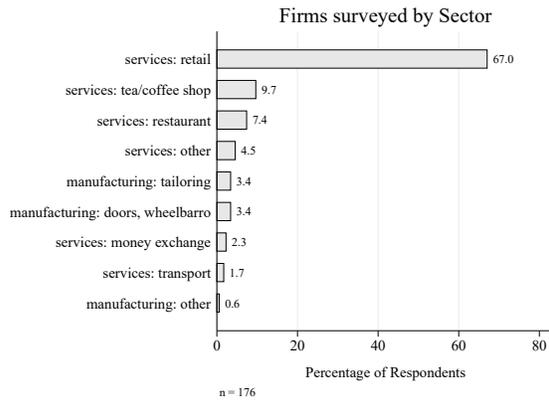
## **D. Needs and Recommendations**

To complement the sections above, questions were asked regarding the companies' most pressing needs and suggestions for government action.

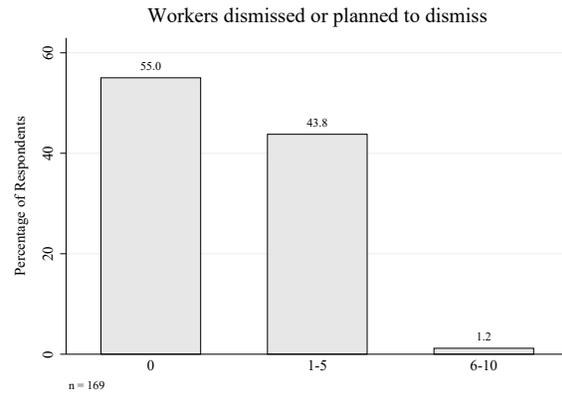
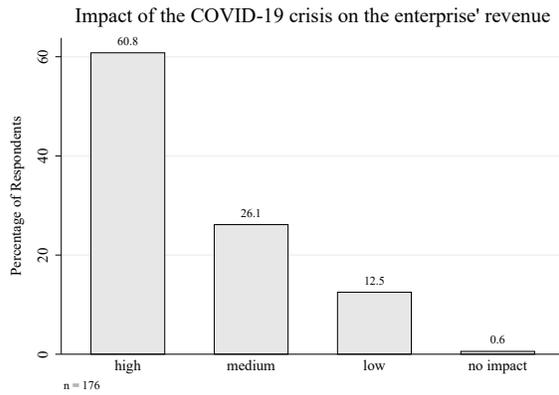
- The most common answer was access to finance and supporting household expenditures (bills and food expenses). Financial mechanisms suggested ranged from loans to grants and subsidies. Related recommendations for government action were:
  - Provide workers' compensation/unemployment benefits.
  - Ensure access to sanitisers and protective equipment.
  - Raise awareness across Somaliland about the measures being implemented and the perils of the virus.
  - Provide targetted support for MSMEs.

# Annex: Graphs and Tables

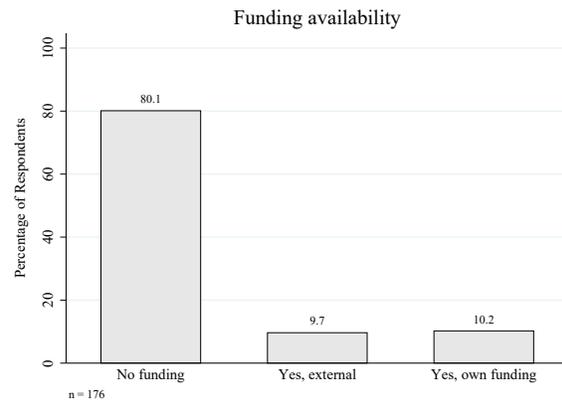
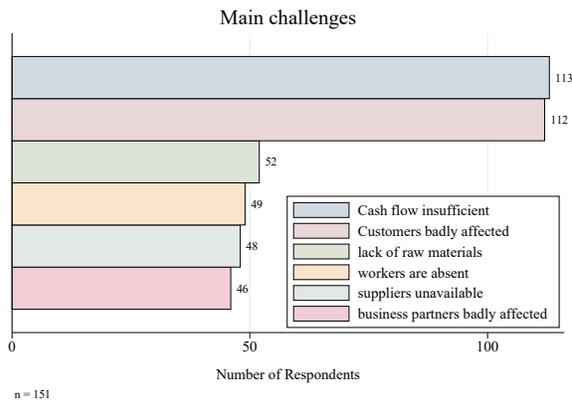
## A. Enterprises Profile



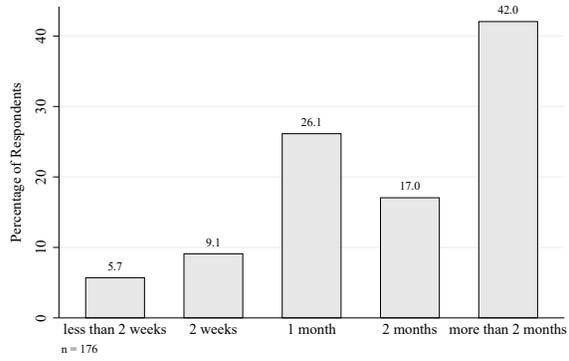
## B. Income and Employment



## C. Challenges and Resilience



Expected enterprise survival time given current circumstances



Number of companies the respondent knows have closed due to the COVID-19 crisis

