

REPUBLIC OF SOMALILAND

ROUNDTABLE DISCUSSION

FOR THE IMPLEMENTATION OF THE NATIONAL MSME POLICY



WORKSHOP REPORT

10/10/2021

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Introduction

The Somaliland Ministry of Trade and Tourism (MOTT) in collaboration with Shaqodoon Organization hold on 3rd October 2021 a high-level consultative workshop about the five- year implementation strategy of the National MSME Policy at Baraar Hotel in Hargeisa, Somaliland. The Workshop has brought together all key stakeholders of the MSME sector including government agencies (Economy, Production, Energy and cross-cutting sector agencies), development partners, International and Local NGOs, financial institutions, BDS providers, academia and local government organizations. The overall aim of the roundtable discussion was to take stock of the MSMEs environment in Somaliland and explore how the different partners and stakeholders can work together to achieve the goals of the MSME Policy.

During the Workshop the MOTT has presented the MSME Policy and the template of the 5-year Implementation of the MSME Policy 2021-2025. The participants have addressed questions about the Policy and how it will be monitored during the implementation stage, where all necessary clarifications have been made.

Micro, Small and medium-sized enterprises (MSMEs) are a very heterogeneous group. MSMEs are found in a wide array of business activities, ranging from the single artisan producing agricultural implements for the village market, the coffee shop at the corner, the internet café in a small town to a small sophisticated engineering or software firm selling in overseas markets and a medium-sized automotive parts manufacturer selling to multinational automakers in the domestic and foreign markets. MSMEs constitute the largest number of companies in Somaliland and play a fundamental role in the creation of employment, the development of skills, and the diffusion of technological knowledge. They are also the largest contributors to the GDP (GoSL, 2018).

There is lack of knowledge about the MSMEs in Somaliland as there are limited researches available in the field. There are number of reports published and one of the most pressing problem is accessing finance from the formal financial system because financial institutions, particularly commercial banks, often view providing loans to them as too risky or involving high transaction costs.

For the sake of clarity, the workshop reminded participants of how MSMEs as defined, in accordance with the Policy. The definition groups firms based on a double criteria; assets and employment. Therefore, Micro enterprises are those firms with less than 5 employees, Small enterprises are those with 5-49 employees and Medium enterprises 50 to 199 (National Policy on MSMEs, 2019).

Within this context, the implementation of the policy is still pending and this roundtable discussion has supported to explore how best to unpack the policy and assist the government in the implementation of the policy and how the different stakeholders can contribute.

Objectives of the Workshop

- Understanding of the broad policy objectives
- Stakeholder mapping
- Establishment of a working group which leads the finalization of the Implementation Plan

- Provide a platform for discussion with the different stakeholders.
- Provide an opportunity for dialogue and debate on MSMEs.
- Contribute to the implementation of MSMEs.

List of Workshop participants

The workshop has brought together key Government officials and all other non-governmental Organizations of the sector stakeholders.

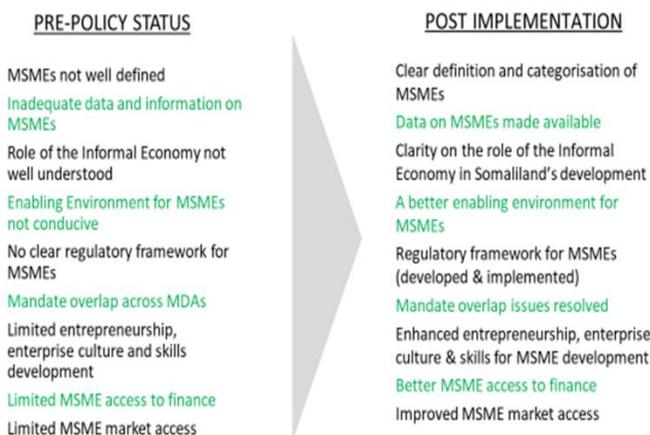
List of the Government Officials attended at the workshop include as following.

- Minister of Investment and Industries
- Minister of Trade and Tourism
- Deputy Minister of Trade and Tourism
- Chairman of National Quality Control Commission
- Chairman of Chamber of Commerce
- Director General of Ministry of Trade and Tourism
- Director General of Ministry of Employment and Social affairs
- Director General of Ministry of Energy and Mineral Resources
- Director General of Central Bank of Somaliland
- Director General of Ministry of Agriculture

Discussion

The discussion has encouraged the participants to understand the implementation strategy of the MSME Policy where they have been distributed with the skeleton of the implementation strategy document. The Workshop has detailed about the difference between pre-implementation and post-implementation status. This has sketched a clear picture for the participants that they fully understand the significance of the effective contribution to the implementation of the Policy.

The following diagram shows the change.

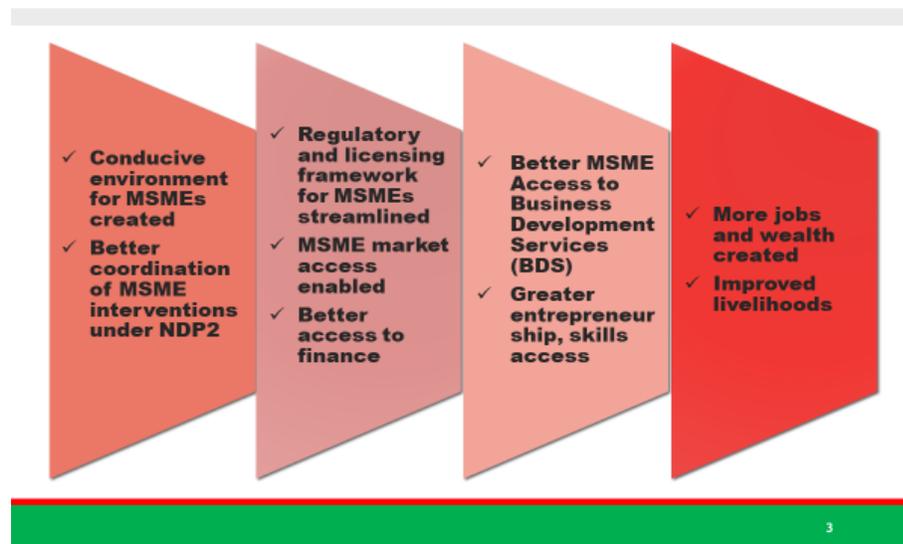


Workshop expected outcomes:

- Platform for dialogue and discussion on MSMEs established.
- Better coordination mechanism provided with key stakeholder identified.
- Implementation plan of MSMEs Policy proposed.
- Regular MSMEs forum created.

Additionally, the implementation of the Policy seeks to achieve the below outcomes:

Outcomes of the MSME policy Implementation



Remarks from the Minister of Trade and Tourism

The Minister of Trade and Tourism, who officially opened the roundtable discussion, has addressed at the workshop and highlighted the importance of the conference where he stated following points. Micro, Small and Medium Enterprises and their potential contributions to Economic Growth. While there still lacks a universally accepted definition, MSMEs are widely recognized for the important contributions they make to sustainable development, in terms of economic growth, creation of decent jobs, provision of public goods and services, as well as poverty alleviation and reduced inequality.



MSMEs comprise a major share of total private sector entities in both developed and developing countries. According to a recent “Enterprise Survey” in 2013 conducted by the World Bank Group in Somaliland shows that the MSMEs particularly the informal economy employs at least 77% of the workforce with a high level of mutual trust and much lower levels of harassment.

Challenges to MSMEs in the informal economy:

1. Lack of literacy and business skills: According recent research on the informal economy in Hargeisa conducted by Cardiff, Gollis Universities and SONSAF, nearly 33% of the current informal economy workers had no schooling (including 40% of women). I am happy that the Ministry of Education is present at the meeting today and will present us how it plans to tackle these challenges and what progress has been achieved to date.
2. Difficulties in infrastructure and operating spaces: with their limited financial means, good basic infrastructure is important to MSME business operations. Access to a stable electricity supply, road networks, ports and airports, water supply, as well as ICT, and in particular, broadband internet, is important to fostering private sector development and reducing the challenges that MSMEs already face in growing their businesses. The informal economy research suggests that 55% of the informal economy in Hargeisa had poor quality working spaces. With the presence of ALGASL (Authority for Local Government Associations) we will know more on how the Local Authorities plan to tackle this challenging issue with the support of JPLG project and the progress achieved to date.
3. Decrease in business: 15% of MSMEs have experienced a fall in business over the last five years as suggested by the “Enterprise Survey” of the World Bank Group in 2013 due to lack of skilled manpower, energy, better enabling environment and limited access to finance.
4. Lack of inclusion in government policy: there is little protection for workers in the informal economy or recognition in the last 5-Year NDPI (2012-2016). In response to this challenge, the Government has ensured to broadly highlight the role of MSMEs in NDPII, particularly the informal economy and the good news is that we are here today at this meeting for the consultation of the implementation framework of the MSME Policy which prioritizes the emergence of new enterprises, the proper formalization of the informal economy and strengthening of existing enterprises.
5. Access to finance: limited access to finance is almost a universal challenge for MSMEs. In the short term, the lack of liquidity can leave enterprises unable to pay workers and suppliers or cover overheads, plan, and achieve economies of scale in the medium to long run. The current credit gap is estimated at US\$ 1.2 trillion for formal MSMEs and US\$ 6 trillion for informal MSMEs around the world. About 70% of MSMEs in emerging economies countries lack access to credit.
6. Imperfect information and capacity gaps: entrepreneurs and MSMEs suffer disproportionately from asymmetric information, including lack of market information, as suggested by the “Enterprise Survey”. Many entrepreneurs and MSMEs also struggle to find the support needed to strengthen their business management, marketing, record and bookkeeping, strategic and financial planning, to be able to grow, formalize their business operations, capture market share and also cope with shocks. Lack of professional business management skills may further limit MSME entrepreneurs’ appreciation of the value of research and development (R&D) and innovation in promoting productivity. This

would eventually affect growth of MSMEs to a higher value knit along the global value chain.

To date, the MoTT has strived to support the MSME sector. Some examples of projects undertaken by the Ministry are the following:

1. Promoting access to business information through Xoogsiye. Also, conducted a financial sector survey as part of the Xoogsiye project, but useful beyond the project itself.
 - Context: Xoogsiye Business Information Center, providing better information mechanisms to the private sector. As part of this, the MoTIT conducted a quick (simple) survey on the main services offered by the main financial players in Somaliland. Could serve as a starting point to generate further collaborations aimed at promoting the financial sector in Somaliland and their link with businessmen & entrepreneurs.
 - Results: mapping main financial players and the main services they offer. Addressing the issue of lack of information about financial services provided in the country.
2. Informal Business Sector Survey and COVID-19.
 - Context: COVID-19 reduced the number of customers through social distancing and further restrictions on free movement, including a severe drop in tourists and international trade.
 - Results: informal small- and micro- businesses in Hargeisa severely affected. Reduction in revenues, reduction in employees, and company closures. The most affected, with high financial risks include educational service providers, tourism, entertainment, accommodation and food services
3. Finalization of MSME policy (Currently engaged in its implementation)
4. Coordinating of Government relevant Agencies to MSMEs (While we plan to Establish MSME Committee who follow up and oversight progress and constraints of MSMEs)
5. Simplification of Business registration and Licensing Process (One Stop Shop)
6. Finalization of Licensing Act
7. Increase of Business registration process through launching of Business Licensing Inspection Project
8. Drafting of Intellectual Property rights Act

Conclusion and Action Points

The most important outcome of the workshop was the creation of the Technical Working Group, which will expedite the completion of the MSME Implementation Plan skeleton (attached for your information) and be responsible for coordinating the design and implementation of the Plan.

Governance structure of the Technical Working Group:

- Chair: Ministry of Trade and Tourism
- Secretariat: Shaqodoon

- Members;
 - 4 NGOs (Oxfam, DIA, VNG and SOS)
 - 5 government agencies relevant to the Economic Sector (Ministries of Finance, Investment, Central Bank, SLQCC, Chamber of Commerce).
 - 2 government agencies relevant to the Production Sector (Ministries of Livestock & Fishery and Agriculture)
 - 1 government agency relevant to the Energy Sector (Ministry of Energy and Mineral Resources) and
 - 1 Cross-cutting Sector government agency (Ministry of Employment and Social Affairs)

The main action points resulting from the workshop are the following:

- Develop the Technical Working Group terms of reference, early October 2021.
- Finalize the 5-Year Implementation strategy of the MSME Policy, end of October 2021.
- Hold validation workshop for the 5-Year Implementation Plan of the MSME Policy, end of November 2021.

The Ministry of Trade and Tourism will follow up the technical committee members and discuss with them about speeding up the pending tasks before ending of the year 2021.

Please double click below for the 5-year Implementation Plan skeleton.



**Template for MSME
Implementation Plan**

Annex

List of participants

Agenda

3 rd October 2021		
Time	Description	Responsible
08:30am – 9:30am	Preliminaries & Climate Setting <ul style="list-style-type: none"> ▪ Introductions+ Participant’s registration ▪ MSME Policy Presentation include Five-year Implementation Plan skeleton of the Policy (2021 – 2025) 	MOTT, ALL
9:30am – 10:00am	<ul style="list-style-type: none"> ▪ Remarks by Shaqodoon ▪ Remarks by Key officials (Ministers, Chairmen and DGs) 	OFFICIALS
10:00 am – 10:15am	Plenary <ul style="list-style-type: none"> ▪ Comments / Questions / Observations 	ALL
10:15am – 10:30am	<ul style="list-style-type: none"> ▪ Refreshment Break 	ALL
10:30am – 12:30pm	Grouping of the participants to fill in the skeleton of the Five-year Implementation Plan of the MSME Policy	ALL
12:30pm – 02:00pm	<ul style="list-style-type: none"> ▪ Prayers & Lunch Break 	ALL
2:00pm – 2:30 pm	Presentation by groups on the filled skeleton of the Five-year Implementation Plan of the MSME Policy	ALL
2:30 pm	Conclusion <ul style="list-style-type: none"> ▪ Closing Remarks ▪ Session Evaluation 	MOTT and Shaqodoon

Photos



