

In the 1970s and 1980s, the public sector provided most of the output of the small industrial sector that existed. It was only during the conflict that private sector economic activity grew. Somalia's entrepreneurial private sector is now one of the country's main assets and an important partner for development actors. The private sector has helped to some extent mitigate the devastating consequences of war and drought. Somali entrepreneurs have adapted well and even flourished in a stateless, conflict-ridden economy.

Over the last two decades, there has been significant private sector investment in livestock, trade, money transfer services, transport and telecommunications services, which has largely been funded by remittances from the diaspora. Livestock trade remains the backbone of the economy and 60% of the population derives a livelihood from pastoralism-based livestock production. It has been estimated that Somali women make up over 60% of business owners, but are by no means a homogenous group, consisting of microenterprises as well as medium to large enterprises and businesses connected to the diaspora. The Somali diaspora is the major investor in the country and is estimated to provide 80% of the start-up capital for small and medium-sized enterprises. Though parts of the private sector have flourished, there is still no secondary or manufacturing industry in Somalia.

Worth noting is the ICT sector, where companies have been generating substantial profit and employ around 25 000 Somalis. This sector has flourished under a self-regulated regime and makes an important contribution to the economy. According to the Groupe Speciale Mobile Association (GSMA), Somalia is a market with 11 operators and 4 million mobile connections. Telephone and Internet services are available across most of Somalia, which has one of the lowest international call rates in Africa. Still, the growth in ICT has been geared mainly towards voice/SMS services. This is because Internet services remain very expensive, primarily because they rely mostly on satellite connectivity. In terms of ICT applications, electronic money transfer services are flourishing. The practice has grown due to the very limited formal banking sector. The growing availability and use of ICT is also helping enhance women's activity in the economic and public sphere.

In Somalia, the private sector also plays an important role in the provision of water and sanitation services as they have filled the void created by the lack of public provision of such services. Entrepreneurs throughout the country have built berkads and drilled private boreholes, and provide services throughout the main cities.

Although the private sector has grown and displayed resilience, it may soon reach the limits of its potential if further reforms to the enabling environment, particularly security and access to finance, are not pursued. It has also been noted that, in the absence of appropriate sector regulation, the emergence of monopolistic or anticompetitive behaviour may be discouraging new businesses from entering the market, and small and medium-sized businesses from growing. The lack of financial intermediation has also constrained business growth, as businesses must rely on their own funds or borrow from friends/family members to expand – a constraint that certainly favours the rich and incumbents in a sector.

In order to address these concerns, a Public Private Dialogue was initiated in 2016, as part of the process to prepare the National Development Plan 2017-19, with a focus on growing the private sector and creating a more conducive environment for private sector activities. It is envisioned that this work will continue in 2017.

The private sector is also constrained by infrastructure that has been destroyed during the civil war or is currently dilapidated. A good example is the provision of electricity, which is currently provided by private sector operators, and is thus expensive and unreliable. The rehabilitation and development of infrastructure across Somalia will be essential in supporting



entrepreneurship and ultimately industrialisation. Better infrastructure will help attract much-needed investment into the country, which will be critical for socio-economic development, and will contribute significantly to improved security and stabilisation.

At the end of 2016, the AfDB established a multi-partner Somalia Infrastructure Fund (SIF). The SIF is part of the Somali Development and Reconstruction Facility (SDRF), an architecture under the Somalia New Deal Compact for mobilising and channelling development support to Somalia, which already houses and co-ordinates two additional multi-partner trust funds managed by the World Bank and the UN. Through the SIF, the AfDB aims to mobilise and channel resources to priority projects, including capacity development, in the energy, transport, water and sanitation, and ICT sectors. Following the preparation of Infrastructure Needs Assessments (INAs) in these sectors from 2015 to 2016, and subsequently a consolidated and endorsed SIF Project Pipeline, AfDB has already identified a pipeline of infrastructure projects for funding through the SIF.

It is evident that these four infrastructure sectors hold the key to the resumption of growth and development in Somalia and especially to the expansion of private sector productive activities. According to the NDP, the federal government's vision is to build a strong and growing national economy, driven by a competitive and vibrant private sector, based on a sound public regulatory framework, which delivers jobs and prosperity for all, enhances revenues for government and affordable services for citizens. Therefore, it will be vital that all relevant stakeholders are brought on board to bring this vision to reality.

