

The Informal Economy in Civil War: Hargeisa - Somaliland



Project Background

This study was undertaken as part of a 2.5 year research project on *Economic Recovery in Post-Conflict cities: the role of the urban informal economy*, funded under the DFID-ESRC Joint Fund for Poverty Alleviation Research (Project ES-M008789-1). The research explores the role of the urban informal economy in poverty-reduction, peace-building and development in post-conflict cities, and its scope to provide both livelihoods for the extreme poor and a platform for economic recovery.

Post-conflict recovery is a long and cyclical process and this research examines cities with different drivers of conflict, including urban areas in post-civil war settings, and cities affected by protest, violence or on-going turf wars. The research explores the drivers of conflict and links to the informal economy, examining both structural and individual factors that support/inhibit the informal economy's role and growth in post-conflict settings. Fieldwork is being carried out in four cities: Cairo, Hargeisa, Karachi and Kathmandu, exhibiting different facets of conflict and violence.

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1. Introduction

This report examines the role of the informal economy in recovery from civil war in Hargeisa and current development challenges.

1.1 Introduction to the report

This report summarises the findings from a research visit to Hargeisa during August 2016, to examine the response of the urban informal economy (IE) in the recovery from civil war during the late 1980s and early 1990s, and its role in current development trajectories.

In post-conflict cities, and many developing world cities across the globe, working in the IE is an important coping strategy. Worldwide, the contribution of urban informal enterprises to gross domestic product (GDP) and jobs is substantial. Even when political stability is assured, informality remains a structural characteristic of low-income economies, yet local and international policies see the IE as a temporary solution and rarely provide supportive and enabling environments for its development. In post-conflict settings, the IE's role is vital in providing livelihoods during recovery and in replacing basic services lost during conflict.

Hargeisa, capital of the self-declared state of Somaliland was selected for the research because the modern city has emerged from civil war. After a 10-year struggle, when thousands of people were killed and towns destroyed, and the heavy bombardment of Hargeisa in 1988 when the city was flattened, Somaliland finally declared independence from Somalia in 1991. Hargeisa is of particular interest because of the clan-led peace and reconciliation process, and its success in establishing a functioning government.

Thus, the core focus of interest for the research in Hargeisa is the trajectory of urban informal economy (IE) since 1988, how the IE changed during the conflict, its evolution and its current economic contribution today. The research team also sought to understand how different livelihood routes reduced the impact of violence and instability on poor people, and the role of the informal economy in economic recovery, as a basis for improving development interventions in Hargeisa. Within this framework, the report sought to address three main questions:

- How does the IE operate in Hargeisa today and what are the main challenges and problems?
- How can support for the IE contribute to wider development initiatives of poverty reduction and economic growth?
- What were the short-term and long-term impacts of conflict on the urban IE, and how did it respond? How does this response contribute to improved development outcomes?

1.2 Structure of the report

Following this introduction, the report provides a short background to the city of Hargeisa and the conflict of 1988 (Chapter 2) before briefly discussing the three-stage methodology used in the fieldwork (Chapter 3). The findings of the report are then set out in two chapters: Chapter 4 explores the characteristics of the IE in Hargeisa today. It builds a profile of the IE workers and businesses involved in the sector, as well as the challenges and problems that the IE faces, before concluding with a commentary on the potential protections against them, with particular attention to local governance structures. Chapter 5 discusses the impacts of conflict on society, but more specifically the short and long-term impact of conflict on the IE, and then evaluates how the IE responded to conflict in Hargeisa. The final chapter examines the IE's contribution to development and conflict reduction in the city, and sets out a series of recommendations to better support the urban IE in Hargeisa (Chapter 6).

Some basic service delivery is still informal - a water seller



2. Setting the Context: Conflict & the City

Hargeisa experienced an acutely disruptive conflict and, in the absence of humanitarian aid, post-war reconstruction has been community-led.

2.1 Introduction

This chapter gives a brief overview of the conflicts between 1982–1991 and 1994–1996 and summarises the socio-economic characteristics of Hargeisa today.

2.2 Conflict in Hargeisa

2.2.1 First Civil War

The Somali civil war has multiple and complex political, economic, cultural and social causes. Although politicised clan identity, the availability of weapons and the large numbers of unemployed youth have all been cited as contributing causes, the fundamental causes of the Somali conflict were competition for resources and power within a repressive state (Elmi and Barise, 2006).

Grievances in Somaliland were deep-rooted and stemmed from the inequality that results from the union of two former colonies. Somaliland received its independence from in 26 June 1960, but was independent for only five days before merging with Italian Somalia on 1 July 1960 forming the Somali Democratic Republic. While competition for resources between clans and corruption and cronyism within government had been evident in the post-colonialist democratic era (1960-1969) the establishment of a military regime in 1969 by General Mohamed Siad Barre worsened societal tensions (Elmi and Barise, 2006).

The concentration of power in Mogadishu led to the political and economic marginalisation of the north-western clans, and settlements in the region. Grievances were expressed in particular by the Isaaq clan, who felt excluded from the political process, and bore the brunt of the more brutal oppressive and exploitative policies of Barre's military regime.

The civil war in Somalia started in 1982 when the Somali National Movement (SNM), established in London in 1981 by the largely Isaaq diaspora who rejected military control of the north-west of the country, moved operations to Ethiopia and began active resistance to the Barre regime (Walls, 2009). Tensions heightened in 1988 when the attempt by the SNM to take Hargeisa and Burao was met with an extremely violent counter-attack by government troops and Barre gave his army a mandate to kill all but the crows (Al Jazeera, 2012). During May and June 1988 Hargeisa was shelled with heavy artillery and bombarded constantly from the air, leading to thousands of civilian casualties and mass exodus across the Ethiopian border and to rural areas of the country (Prunier, 1996; Human Rights Watch, 1990). The civil war destroyed transport routes and closed the Berbera port to animal trade which devastated the pastoral economy that depended on animal exports to Gulf countries (Ahmed and Green, 1999).

More than half a million people, many from the Isaaq clan fled to Ethiopia and around half a million became internally displaced (Jhazbhay, 2008). However, resistance was strong and by the end of 1990 the government controlled less than 10-15% of the national territory, the rest being in the hands of various clan-based political movements, with the north-west being held by the SNM (Prunier, 1996). These insurrections along with widespread famine forced Barre's forces to retreat to Mogadishu, and the eventual overthrow of the Barre regime in 1991 paved the way for the declaration of the north-west region as an independent Somaliland.

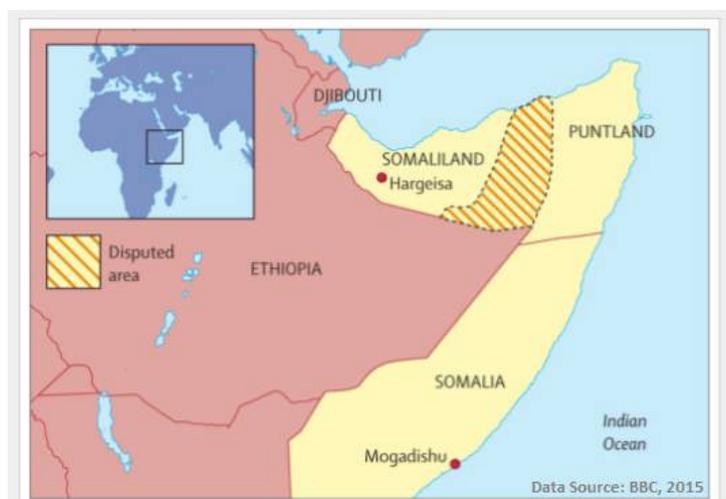


Figure 2.1: Map of Somaliland

2.2.2 Second Civil War and Reconciliation Process

The physical destruction of Hargeisa during the war was near total and the city had to be rebuilt in its entirety. Recovery was delayed due to the second civil war from 1994-1996 which was generally perceived to be in opposition to economic reforms in 1994/95 including introducing a new currency and fixing the exchange rate (King et al., 2003).

Thirty-nine clan-based peace and reconciliation conferences took place between 1990 and 1997, leading to restoration of relations between communities affected by war, establishment of a relatively stable security regime, establishment of local and national institutions of government, and creation of an environment conducive to growth and development (Walls et al., 2008).

2.3 Political and socio-economic characteristics of Hargeisa

Somaliland has never been internationally recognised and as such has received no foreign assistance. It is thus argued that state formation and accountability was dependent on building a viable tax base (Eubank 2012). Light regulation and lack of corruption has also helped a flourishing private sector to develop which has contributed to economic stabilisation in the country (Mackie et al., 2017).

Somaliland has been skilful in integrating traditional governance (*xeer*) with the apparatus of a modern state and the country has a working and stable political system (Jhazbhay, 2003; Kaplan, 2008; Shinn, 2002). Peace, stability a democratically elected government are the cornerstones of development, which has been “*supported by an unusually talented and active diaspora*” (Shinn, 2002). As highlighted by the United Nations and World Bank Joint Needs Assessment on Somaliland:

Since the beginning of the 1990s, Somaliland has seen remarkable progress on many fronts, not least in a unique reconciliation process, the creation and implementation of functioning governance and judiciary systems, and a democratisation process that has led to free and fair elections and multiparty legislative system. This has been made possible primarily through active involvement of a vibrant private sector, non-governmental organisations (NGOs), civil society, the participation of traditional leaders, and large inflows of remittances (UN and WB, 2006).

A constitutional referendum was held in 2001, and there have since been presidential, legislative and local council elections but the economy remains highly dependent on diaspora remittances and GDP *per capita* is estimated to be US\$347, the fourth lowest in the world. Poverty in urban areas is estimated at 29%, and only half of children aged 6-13 go to school (World Bank, 2014).

Hargeisa itself has undergone rapid reconstruction and expansion since 1994. In 2005 the city was estimated to contain 300,000 inhabitants, which had risen to 450,000 in 2007, and 780,000 in 2015. Generally, the population is growing at the rate of 3.1% annually and 15% of the population are internally displaced persons (IDPs), refugees, or returnees to the country (World Bank, 2012). Urban labour force participation rates are low, totalling 72% for men and 36% for women aged 25-54 (World Bank, 2012).

2.4 Local government in Hargeisa

Despite the introduction of a formal democratic system, clan based politics and leaders still have a key role. This role is particularly apparent at a local level where elders help resolve disputes and maintain peace within communities (Rossi, 2014).

Though there is stability, local government faces challenges and the financial constraints and limited capacity hinder the implementation of policies (Mohamoud, 2012). A vague legal and regulatory framework means that there is no clear distinction about which taxes should be collected by the central government and by the local governments (Mohamoud, 2012). Hargeisa suffers from poor infrastructure and though local government has legal responsibility for the provision of key services insufficient resources means they unable to provide them (Rossi, 2014). As a result, expensive services such as garbage collection, water and electricity are largely delivered through private providers, rather than the municipality.

2.5 The informal economy of Hargeisa

The Somali private sector is dominated by Micro, Small and Medium Enterprises, many of which are informal (MSMEs). The majority of small and medium enterprises are in the services sector while the bulk of microenterprises are involved in trade (UNDP, 2014). In the city of Hargeisa, the IE provides about 77% of the total employment in the city (World Bank, 2012). Most of the enterprises are indigenously owned and family run (UNDP, 2014).

Through the private sector in Somaliland is strong, economic growth is hindered by the absence of legislative frameworks and adequate infrastructure and banking institutions though the impending National Development Plan should address some of these issues (World Bank, 2012).



Street vending is an important economic sector

3. Methods

This study adopted a mixed-method approach and used a combination of three key methods.

3.1 Introduction

This chapter summarises the key methods employed during the fieldwork for this research. The study adopted a mixed-method approach and used a combination of three methods, outlined below. Where possible the findings from Hargeisa have been linked to relevant points in the literature to show the extent to which the findings here reflect, or differ from, findings elsewhere.

3.2 Conflict mapping and resolution

IE workers engaged in a diverse range of economic activity were selected to participate in a three-day participatory workshop using peace-building and conflict-resolution approaches (Appendix 1). The workshop aimed to map the main urban actors involved in operation of IE value chains, and in its management and regulation in Hargeisa, and the conflicts between those involved, in order to strengthen the capacity of workshop participants to articulate any challenges they face, acknowledge different perspectives, and identify potential resolutions to those challenges (Appendix 2).

The workshop was facilitated by the NGO SONSAF (Somaliland Non-State Actors Forum) which aims to enable non-state actors in Somaliland to engage in domestic and international policy dialogue, to bring about a secure and peaceful future for the people of Somaliland. The workshop was facilitated by peace-negotiator, Joan McGregor, and attended by 24 participants from different market sectors, including food sellers, *qat* sellers¹ and transport workers.

3.3 Informal economy analysis

In order to gain in-depth comparative information of individual experiences, extended semi-structured pathways interviews were conducted with two groups. The first group included those workers who are involved in the IE in Hargeisa today. The second group consisted of those who were in Hargeisa before, during, or directly after the conflict of 1988, most of whom had worked in the IE but no longer do so having made the transition to formal work or are no longer working. Some of the first group had also been working in 1988 so had experienced the impact of conflict on their livelihoods. Two different questionnaire formats were used:

3.3.1 Interviews with IE workers today

Semi-structured interviews were conducted with 168 current IE workers in Hargeisa. For the purposes of this report “current IE workers” is used to refer to these interviewees. The questionnaire was designed to elicit people’s experience of the IE: the challenges and problems they face, engagement with local authority and the impacts of conflict. Questions fell under the following broad categories: people, business, links and networks (including engagement with local authorities), safety and security. If they could, respondents were then asked to comment on the impacts of the past conflict on society generally, and the IE more specifically.

In order to get a diverse range of participants, selection was based on a range of observed factors including gender, age, business type, business premises and district of business. Factors such as time restraints of the fieldwork, and the unwillingness of some IE workers to participate, means that an equal mix of participants within these groupings was not possible. This is acknowledged as a restriction within the data collection and methodology.

A brief profile of the 168 IE workers interviewed and their businesses is given below:

Gender

Some 94 men were interviewed compared with 74 women, a difference of around 12% of the total sample. This does not accurately represent the number of women in the urban IE in Hargeisa whose participation is thought to

¹ *Qat* is a narcotic leaf chewed (mainly in the afternoon) by many people in Hargeisa.

be greater than that of men (UNDP, 2014). This is likely to reflect willingness of IE workers to be interviewed, however it is more than a sufficient number of women to be able to draw conclusions about differences in experiences.

Age group

The vast majority of those interviewed were aged between 26–35 years. There were very few young (under 18 years) and older (55 years and over) involved in the interviews (Table 3.1). Although this makes it difficult to draw out differences in experience by age, the sample is broadly representative of the IE workforce in Hargeisa (ILO, 2012).

Table 3.1: Age group

Age Group	Frequency	Percent
0 -17 Years	2	1
18 – 25 Years	25	15
26 – 35 Years	79	47
36 – 55 Years	50	30
55+ Years	12	7
Total	168	100

Business district

Most IE workers (37.5%) interviewed conducted businesses from 26 June district, 25.6% had businesses in Koodbur while 23.8% worked in Gacan Libax. The remaining 13% worked in other areas across Hargeisa City. This is a good mix accounting for different income areas

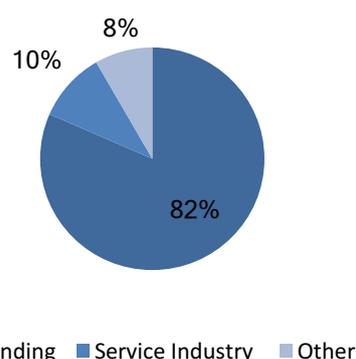
Business type

Some 82% of those interviewed were traders. Traders included those selling perishable goods such as fruit, vegetables, milk, cooked foods and raw meat, as well as non-perishable goods like *qat*, clothing and charcoal (Figure 3.1). The sample mainly focussed on traders, partly because they are often amongst the most vulnerable of IE workers, and also because several surveys list trade and petty trade as a predominant source of income in Hargeisa (ILO, 2012).

Some 10% of those interviewed were involved in the service industry including cobblers and tailors, as well as electrical repair services and money exchange services.

The “other” sector includes drivers, those running internet cafes and those working in the restaurant industry, which included tea shops.

Figure 3.1: Business type



Business premises

Over 55% of current IE workers interviewed operated from the street, 25% conducted business without a permanent roof (like a market place), while only 20% ran their business from within a roofed building. This is a good mix of varying degrees of precariousness and ensures a good mix to understand any variation in challenges.

Analysis

Numerical data from the questionnaires was analysed in SPSS. Simple descriptive statistics were used to explore distributions of each numerical variable. Cross-tabulation of variables against one another, particularly demographic indicators and current challenges within the IE sector, were used to explore associations within the data and to ascertain groups of people and businesses.

Only 29 of the current IE workers interviewed could answer questions about the conflict. These questions regarded the experience of conflict from a personal and business perspective as well as the ability of the IE to contribute to economic development and peace-building.

3.3.2 Interviews with workers in the Hargeisa at the time of conflict

A shorter questionnaire was used to interview 18 previous IE workers, who had been working in the IE in Hargeisa prior, during or soon after the conflict of 1988. These interviewees are referred to as “conflict-affected people” (CAP) within this report. The questionnaire asked respondents about current employment and previous job history but focussed mainly on questions regarding the impacts of past conflicts on the IE and society generally.

Analysis

The 18 interviews with people working in the IE around 1988 were analysed together with the 29 current IE workers who were also working in the IE around 1988 to assess the impacts of conflict on livelihoods and society. This gave 47 respondents in total who had been affected by conflict and the qualitative data was analysed and coded using NVivo.

3.3.3 Governance analysis

In parallel, key informant (KI) interviews were conducted with stakeholders, including central government ministers and ministries, senior staff from Hargeisa City Council, UN agencies, international and local NGOs, academics and community groups (Appendix 3). A total of 22 KI interviews took place, including a workshop with government agencies, SONSAF and IE traders. These interviews focussed on the historic and current role of the IE in Hargeisa, gender issues and work, national economic trajectories and current attitudes and policies of central and local government to the urban IE and potential opportunities within this.

Analysis

Again, analysis was performed using NVivo. This allowed KI interview write-ups to be coded alongside the experiences of the 47 IE workers affected by the conflict (Section 3.3.2) which ensured triangulation of data.



Women play an important economic role

4. Hargeisa's informal economy today

IE workers face a host of challenges in Hargeisa which restricts their ability to secure sufficient livelihoods and increases insecurity.

4.1 Introduction

This chapter describes how the contemporary IE in Hargeisa operates by examining the profile of workers and businesses and the challenges and problems they face. It also investigates potential ways to address these problems and improve support for the urban IE through the initiatives of central and local government and other urban actors.

The chapter draws on information from the 168 interviews with current IE workers, the 22 KI interviews, and secondary data where relevant.

4.2 Describing the contemporary informal economy in Hargeisa

This section builds a profile of some of the people and businesses working in Hargeisa today to examine issues of age, gender, migration status, business characteristics and business operations of those currently involved in various economic activity.

4.2.1 Profile of informal economy workers

Though the IE provides poor urban residents with crucial opportunities for income generation in conflict-affected situations, there are entry barriers to participation (Günther and Launov, 2012). This section analyses the profile of the current IE workers interviewed, with particular attention to structural inequalities such as gender, age, education, migration status and political affiliation, all of which have been recognised as factors which can enable or inhibit access to the IE, to examine the extent and type of barriers and challenges that operate in Hargeisa.

Age and gender

The breakdown of IE workers interviewed by gender and age was given in Section 3.3.1 but there are clear differences in the age profile of men compared to women.

Of those aged 18-25, 21% were men, compared with just 7% of women. In contrast, of those aged 36-55, 21% were men, compared to 41% of women (Table 4.1). As women and older people have been highlighted in IE research as potentially vulnerable groups, it is significant that in this study older IE workers are generally female.

Table 4.1: Age group and gender

Age Group	% of Men n = 94	% of Women n = 74
0-17 Years	2	0
18-25 Years	21	7
26-35 Years	54	38
36-55 Years	21	40
55+ Years	2	15
Total	100	100

Education

Lack of educational attainment can increase vulnerability levels. Of the current IE workers interviewed 32% had no formal education, and only 38% had secondary or higher education (Table 4.2).

There was a significant difference between the educational attainment of different genders in the 168 current IE workers interviewed. Some 41% of women had no primary education, compared to 25% of men. In contrast, 49% of male interviews had been educated to secondary level or above compared with just 24% of women. Thus, women in the sample were generally older and had received less formal education than men.

Table 4.2: Education levels

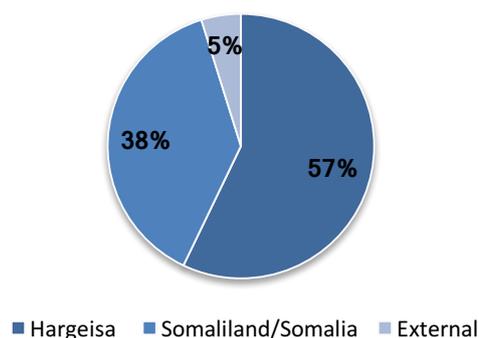
Education level	Frequency	Percent
None	54	32
Primary	50	30
Secondary	39	23
Higher	25	15
Total	168	100

Migration Status

Ethnicity, migration status, or nationality can also inhibit or enable access in the urban sphere (Sen, 2008). Only 57% of current IE workers interviewed were born in Hargeisa which means a significant proportion (43%) migrated to the city. Most of these are internal migrants with fewer than 5% born outside wider Somaliland or Somalia (Figure 4.1). Those that were born outside the country came from Ethiopia, Djibouti, Yemen and Saudi Arabia.

Birthplace is not the only indicator of movement; migration patterns and dates of moving are also important. Some 87 (52%) of the 168 current IE workers interviewed said when they moved to Hargeisa. Of these, 19 moved in the conflict-affected period up to 1996, and 28 moved soon after the end of hostilities in 1996. While there were 32 migrants who moved between 2004 and 2010, only 8 had moved in the last five years. Several people interviewed were born in Hargeisa, displaced during the conflict and later returned. Former IDPs are often presumed to have weakened social capital and are another vulnerable group within the urban IE (Haider, 2014).

Figure 4.1: Birthplace



Households

Large numbers of dependents in households can also increase household vulnerability. Within the sample, the number of people in a household ranged from 1-34 and the mean was 8.28. Similarly, the number of children in a household ranged from 0-18, and the average was 3.96. While the averages are not particularly high there were a large number of dependents in some households.

4.2.2 Profile of informal businesses

This section looks at the profile of IE businesses, with particular attention given to differences in business practices of the different demographic groups outlined above.

Key businesses

A recent study estimated that 77% of all employment in Hargeisa was informal in nature (World Bank, 2012). Within the IE, petty trade is the predominant source of income in the city (King et al., 2003). As discussed in Section 3.3.1, of the current IE workers interviewed, 82% were traders.

Business premises

Section 3.3.1 demonstrated that current IE workers interviewed operated from very different types of business premises, with some running businesses from the street, others from the market-place and others from a roofed building. Businesses operating from roofed buildings probably have higher turnover to afford rental or the costs of building a structure, and are therefore likely to be less vulnerable than those operating from the street or a temporary location. It appears in this study that the degree of precariousness is associated with both education levels and birthplace. Those born in Hargeisa are also more likely to trade from the street as opposed to a trading site with a permanent roof or roofed building than internal migrants (Table 4.3). Similarly, workers with limited formal education are more likely to run businesses from the street (Table 4.4).

Table 4.3: Business premises and birthplace

Business Premises	% Born in Hargeisa n = 96	% Internal migrants n = 64	% Born external n = 8
Street	67	39	38
No permanent roof	10	45	37
Roofed building	23	16	25
Total	100	100	100

Table 4.4: Business premises and education levels

Business premises	% No education n = 54	% Primary education n = 50	% Secondary education n = 39	% Higher education n = 25
Street	68	60	44	32
No permanent roof	19	18	41	28
Roofed building	13	22	15	40
Total	100	100	100	100

Business income

The average daily income (Somali Shillings) of each informal business was assessed. Daily income ranged from 1–500 shillings, however the mean was about 90 shillings a day, which is the equivalent of USD 0.16. Just under half of the current workers interviewed (45%) earned 20 shillings or less a day.

The average daily income was assessed and measured against some of the demographic groupings above. Of greatest significance was the discrepancy in income between men and women (Table 4.5). Generally, men earn more than their female counterparts with double the amount of men than women earning between 101–200 shillings per day. Conversely, 35% of women earn 0–10 Shillings a day in comparison to just 12.8% of men.

There was a link between education levels and income, and those with less formal education also earning less. Of those earning less than 20 shillings per day, 57% had no formal education compared with just 23% with secondary education. Conversely, 18% of primary school graduates earn 21–100 shillings a day compared with 40% of those with diplomas. As those with less education were predominantly women, this suggests that many women interviewees are doubly disadvantaged by limited education and low income.

There was also a degree of correlation between income and birthplace, with those born in Hargeisa earning less than internal migrants (Table 4.6).

Table 4.5: Daily income and gender

Average Daily Income Bracket (Shillings)	% Male IE workers n = 94	% Female IE workers n = 74
0–10	12	35
11–20	27	18
21–100	27	24
101–200	18	7
Over 200	16	16
Total	100	100

Average Daily Income Bracket (Shillings)	% born in Hargeisa n = 96	% internal migrants n = 64	% born external n = 8
0–10	29	13	25
11–20	24	20	25
21–100	25	28	12
101–200	6	25	0
Over 200	16	14	37
Total	100	100	100

People in business

Around 47% of all IE workers work alone, which can also signify vulnerability, 47% worked with family or friends, while 6% work with colleagues or employees. There is a difference between the number of people in a business and the business premises they work from, with those working from the street more likely to work alone than those working from a market place or roofed building (Table 4.7).

Table 4.7: People in business and business premises

Number of People in Business	% from street n = 92	% without permanent roof n = 42	% from roofed building n = 25
Work Alone	64	31	21
2 – 3 People	30	62	58
4 + People	6	7	21
Total	100	100	100

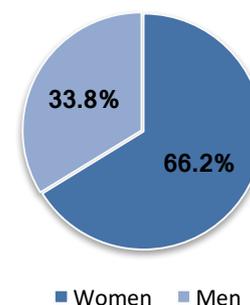
There is also a link between the number of people in a business and their birthplace and those who were born in Hargeisa (57%) were more likely to work alone than internal migrants (31%).

Seasonality of business

Studies have found that seasonal businesses bring “risks” to the income flow of informal workers, with decreased capital from the structural and cyclical features of the business increasing vulnerability (Lund and Srinivas, 2000). Of the 168 current IE workers interviewed, 54% associated their businesses with seasonality. The rainy season, summer period and winter periods were all highlighted as times in the year when business either increased, or decreased, for IE workers.

Some groups of IE workers were more affected by seasonality than others. Businesses run by women were more likely to vary by season than those run by men (Figure 4.2). Similarly, businesses run by workers with limited formal education, or by people over 36 years old were more likely to be affected by seasonal change. This is unsurprising, given that women predominate in the older age groups and generally have less formal schooling experience than men.

Figure 4.2: Seasonality of business and gender



4.3 Challenges and problems in the informal economy today

Worldwide, the IE is a structural characteristic of urban economies in low and middle-income countries and a source of innovation and jobs. However, even under relatively stable political regimes, state policy marginalises the urban IE and problems and challenges are commonplace (Brown, 2015). This section investigates some of the challenges and problems faced by IE workers in contemporary Hargeisa, specifically regarding decreases in income, lack of inclusion in government policy, economic variables, inadequate infrastructure and absence of skills and training provision.

Information on people’s ongoing challenges and problems were drawn from the conflict mapping workshop, the 168 interviews with current IE workers and 22 KI interviews.

4.3.1 Challenges in the informal economy

Of those 168 workers interviewed, 69% admitted they faced one or multiple business challenges.

Women were more likely to say they faced challenges or problems in their work than men with 78% of women stating they had challenges in comparison with 62% of men.

Also significant was the difference between those who worked from the street and other workers, with more of those working on the street facing challenges than those working from markets without a permanent roof or roofed buildings (Table 4.8). Similarly, people born in Hargeisa were more likely to face challenges than those born in wider Somaliland (Table 4.9).

Table 4.8: Challenges by business premises

Challenges in Business	% street n = 92	% no permanent roof n = 42	% roofed building n = 34
Yes	77.2	42.9	38.2
No	22.8	57.1	61.8
Total	100.0	100.0	100.0

Table 4.9: Challenges by birthplace

Challenges in Business	% Born in Hargeisa n = 96	% Internal migrants n = 64	% Born externally n = 8
Yes	78.1	53.1	87.5
No	21.9	46.9	12.5
Total	100.0	100.0	100.0

While there are challenges in the IE in Hargeisa today, they are significantly different from those faced in other countries where the research team has worked. For example, IE workers are frequently vulnerable to victimisation, police harassment, evictions and confiscations (Bromley and Mackie, 2009). However, very few involved in this study in Hargeisa had faced these challenges.

Out of the 168 current IE workers interviewed, only 7% had experienced any sort of harassment, eviction, imprisonment, theft of goods, or had been made to pay fines by municipal officials (Table 4.10). Furthermore, when explicitly asked about “laloush” (small scale bribes), only 5% reported ever having had to pay this to local authorities or others. This is extremely unusual in Africa and elsewhere.

In contrast trust, mutual association and community sharing seems to be a feature of the IE in Hargeisa which creates an enabling environment for its workers.

Trust develops in so many ways – father’s relative, mother’s relative, from the same district, cousin, by marriage, our past, neighbourhood, the same city, shared history. It’s something that you earn. We don’t cheat each other (most of the time)...If we see anyone attempting to threaten, we will tell them to stop and we will punish them...To us a receipt is unusual, what is important is ‘danwidag’ - sharing the same interest (K11, Market trader).

Table 4.10: Problems with local authority

Type of Problem	Count of IE Workers
Harassment	1
Fines	1
Confiscations	0
Eviction	1
Imprisonment	1
Theft of Goods	7
None of the Above	157
Total	168

4.3.2 Specific Problems

This section investigates the specific challenges and problems that the 69% of current IE workers interviewed reported to experience in Hargeisa today. They were:

- Decrease in business
- Lack of inclusion in government policy
- Economic variables and lack of access to finance
- Lack of literacy, numeracy and business skills
- Difficulties with infrastructure and operating space

Decrease in business

Much emphasis is put on the survivalist nature of the urban IE and its importance for household resilience in times of shocks (Jha et al., 2013). A decrease in business threatens this resilience, and poses a threat to urban livelihoods. In this study only 16% of current workers interviewed reported a decrease in business in the last five years, while 40% claimed it had stayed the same, and 44% that business had increased. This reflects trends reported in a recent study on informal trade networks in wider Somaliland that suggests businesses and the economy are generally growing (Carrier and Lochery, 2013).

Of greatest significance was the difference between the genders with 27% of women experiencing a decline in business compared with just 7% of men. The decrease in business was attributed to various factors including the depreciation of the shilling against the dollar, inflation, price fluctuations, the saturation of certain IE sectors and the increased competition that results. The main reason cited, however, was drought which could perhaps be linked back to women more commonly working in businesses affected by seasons.

Lack of inclusion in government policy

Within wider Somaliland there is a lack of national legislation, policies and action plans regarding labour rights and employment, particularly in regards to the IE which is not effectively regulated at local government level (World Bank, 2012).

There is no programme to remove the informal sector. There is no policy or legal framework to promote or remove the informal sector. The informal private sector is left alone. The government is not helping but it is not hindering (K12, Senior government official).

Several government agencies support businesses, including the Ministry of Industry, the Ministry of Finance, the Ministry of Planning and Development and the Ministry of Labour, Employment and Social Affairs, while the Ministry of Commerce and Investment also represents larger businesses. However, these organisations have little contact with the urban IE. Indeed, the IE is not recognised in the Five Year National Development Plan 2012-2016.

In contexts where government regulation is weak, the urban IE tends to thrive, but it is difficult to introduce tax systems or business registration measures. Lack of legal status and social protection can also disadvantage IE workers, who may then be vulnerable to fluctuating policy and poor working conditions. Although generally there

is very little harassment of street traders and IE workers within Hargeisa, *qat* traders that participated in the conflict mapping workshop recorded harassment by local government tax collectors, which has led to problems with livelihood security in the sector.

Economic variables and lack of access to finance

For the purposes of this report economic variables are considered to be those which affect profit margins on an informal business and include price inflation, competition, and fees, all of which were acknowledged in the research as key problems for IE workers (Roever, 2014).

Price inflation and conflict between suppliers and IE workers over goods were cited by 17% of current IE workers interviewed as a severe problem. Participants in the conflict mapping workshop also recorded conflict between vegetable sellers and vegetable producers in Hargeisa, as price fluctuation caused profit differences that damaged business resilience and household income and also increased competition over customers amongst vegetable sellers themselves.

The current IE workers interviewed also admitted struggling with competition and fees. Competition over customers and saturation of the market by the same type of IE businesses affected 29% of current IE workers interviewed. The payment of fees to the municipality for the use of public space and amenities was usual (96% of current IE workers regularly paid fees), and highlighted as an expense which damaged already low business profit margins.

Lack of access to finance including savings, credit and insurance is also a problem in Hargeisa.

Petty trade comes and goes, the problem is that it is not sustained. They have no financial assistance, only support from the family, it's a survival economy (KI12, NGO worker).

There are major challenges; access to finance and expensive energy are the top challenges (KI7, Senior government official).

In the absence of formal finance or credit provision, remittances and informal cash transfers influence the ability of IE workers to start and maintain livelihoods ventures, particularly in times of economic shocks (Bradbury, 2008). However, while remittances have been extremely important in rebuilding the Somaliland economy and constitute around 40% of average household incomes in Hargeisa, very few current IE workers interviewed received remittances. Indeed, only 4% of the 168 current IE workers interviewed confessed to receiving cash transfers, questioning the availability of remittances for low-income groups and emphasising the need for better access to finance for the urban IE.

Lack of literacy and business skills

IE workers, particularly street traders and women, generally have less formal education than other groups. A government representative highlighted the lack of business skills within the IE in Hargeisa and the effect this has on the ability of urban IE workers to sustain their livelihoods.

[There is] no skilled manpower, small enterprises do not have the skills in marketing, [they] have entrepreneurship but no planning. They will open a shop, and get benefits for a short period of time. [They] don't have the capacity to break the frontiers. We need a paradigm shift to strengthen the whole Private Sector (KI7, Senior government advisor).

Women seem particularly vulnerable and struggle to improve their businesses to provide effective livelihoods.

[Women] are very wise people, even if not literate, but their businesses don't grow because they can't read and write (KI9, NGO worker).

[Women] have no experience in business planning. When I first started I went to a shop and bought some clothes, and found I had bought the most expensive ones. I didn't know to shop around... [Women struggle] in paying back a loan, the family are eating the capital she has, it's a problem. Some understand they need to pay back a loan but others don't... [There is also] lack of skills. When starting a business, they do not do an assessment. When they travel abroad to buy they don't include the cost of travel or hotels. Somaliland education is general, but it should focus on technical skills (KI15, IE worker and women-to-women loan beneficiary).

Difficulties with infrastructure and operating space

As demonstrated in Section 3.3.1 most current IE workers interviewed run businesses from the street and the lack of infrastructure, amenities or property rights, as well as inappropriate operating spaces were all cited as challenges to IE workers in Hargeisa. There is ambivalence within local government, which recognises that certain IE workers need to be in the street while acknowledging the congestion this brings.

The government is very relaxed about the informal economy. We are not applying the letter of the law, despite the crowded city. The problem can be prevented. The Municipality is building markets, but this [the street] is their territory and the only place they can find customers...We talk about good governance, but there is a lack of good workspace and the informal economy is crowded and abusing the city, it's difficult to regulate (KI5, Senior government official).

Participants in the conflict-mapping workshop highlighted the safety concerns that congestion brings with the absence of operating spaces and services in areas such as bus stations causing great conflict between street traders, transport workers and local people. Even when trading is permitted, as in markets, the space provided often fails to meet the needs of workers, either because of the location or the absence of amenities and services such as shelter, water, energy, storage and waste provision.

Despite the lack of adequate business space, physical safety while conducting business in Hargeisa did not seem to be an issue for the vast majority of current IE workers interviewed, with 98% feeling “very safe” in their business environments. Women felt slightly less safe than men with only 92% feeling business areas were “very safe” for women and some reports of theft and sexual assault. This corresponds with key informant interviews with local NGO workers:

Violence against women on the street and in the home is high.... There are security problems, and women coming home late from work sometimes get raped. We are now asking for safer cities and street lights. The government knows that rape is an issue...There is now a law proposed by the Minister of Labour and Social Affairs which says that any issue has to be solved in the courts (KI10, NGO worker).

Although IE workers reported feeling broadly safe, which is different from many other major cities, there are obviously some underlying problems. Women do seem to be slightly more vulnerable in the business environment, and more needs done to ensure business environments are adequate for all IE workers.

4.4 Potential protections from problems and challenges

Local government and other urban actors have an important role in ensuring legitimacy for the IE by providing support, combatting corruption and expanding participation in the post-conflict setting (Roberts, 2011). Of particular importance is their ability to facilitate the inclusion of groups who may feel marginalised (Ernstson et al., 2010). This section explores possible protections to the contemporary challenges for IE workers in Hargeisa. Several possible protections were investigated using data from interviews with current IE workers and key informants as well as from the conflict mapping workshop. Through this process, four key protections were identified that could dilute the challenges faced by IE workers in Hargeisa:

- Policy Inclusion
- Support for associations
- Increased literacy and business training
- Improved infrastructure and operating spaces

4.4.1 Policy inclusion

Senior officials from both central and local government contacted for this research recognised that it is necessary to begin genuinely supporting and empowering IE workers to overcome challenges in their businesses, by regulating and legislating for the urban IE. As one government minister explains in the quotes below:

This country has seen a tremendous recovery [and] we can see tangible progress. The private sector is leading the machinery, but we also need to see business improvement, capacity building, and a legal framework (as we cannot get help from the IMF or World Bank) (KI5, Senior government official).

We have weak institutions...peace without development has its own issues. Now we need strong government institutions and new strategies (KI12, NGO worker).

Recognition of the IE in wider employment strategies and the National Development Plan would raise the profile of the IE on the governmental agenda. However, legislative support at various levels is needed in order for the most vulnerable IE workers to be protected. For *qat* traders who participated in the workshop, for instance, the priority is regulation of designated trading spaces and working hours so they could trade without harassment from government or anti-*qat* lobby groups.

4.4.2 Support for associations

Associations, trade unions and co-operatives are well known approaches used by IE workers to enhance their livelihood prospects (Bonner and Spooner, 2011). There is a recognition amongst the Somaliland government that greater organisation and representation of IE workers is needed, particularly if the IE is to be included in the National Development Plan.

Development starts from a point and this is what drives the country forward. In our country, it's the vision and the power of the private sector which drives us forward. The government wants to bring a bottom up approach. The IE grows into larger enterprises, if there is no IE there will be no economy. So, it's extremely important that the IE is empowered (KI22, Senior government official).

Savings and credit associations, self-helps groups and co-operatives can also be important sources of savings and credit. Indeed, increased support for associations was highlighted in the conflict mapping workshop by vegetable sellers who were vulnerable to inflation and increased pricing from suppliers. Weak and ineffective as lone traders, association was cited as a key way to strengthen their position against more formalised agricultural farms and suppliers. In Hargeisa, there are some NGOs that have been working with groups, particularly women, to associate, organise and accumulate capital together which alleviates to some degree, the economic variables of business and the lack of access to credit of IE workers.

[We] encourage the formation of groups of 5 women, to set up credit unions. Around 15 groups have come together. There is a tailoring business that is [formed from] a cooperative of savings groups (KI10, NGO worker).

[They] agree minimum savings each week – 1,000 shillings, or 6,000 shillings, or \$5. They make small loans for up to 3 months – it might be \$500, and they repay \$10 a week. They charge a 'service charge' of 10% or 5% - this is investment which is returned to the group (KI14, NGO worker).

While the positive effects of savings and credit associations are widely recognised by both NGOs and local government, and there is demand amongst IE workers for them, there is a complete lack of evidence of the numbers of associations or cooperatives in Hargeisa.

The informal sector is the main employer. The main problem is that the informal sector is not organised. This is a major problem – we need to organise them – cooperatives and associations. However, they are conspicuous by their absence – you don't see them...we have no legislation for co-ops, so we can't regulate them. In Hargeisa, we might have 6,000-7,000 businesses but only a handful of associations. NGOs help some sectors, but we don't. [There is] no micro-policy or micro-programme to develop or support associations from government (KI2, Senior government official)

This lack of association is corroborated by interviews with current IE workers. Of the 168 workers, only 7% were part of a trade union or informal association highlighting the potential for increased association to encourage collective voice.

4.4.3 Increased literacy/numeracy and business training

The encouragement of associations, cooperatives and other business strategies can only happen if there is increased access to business training and skills resources among IE workers. As one IE worker who was part of the KI interview process states:

We need guidance, establishing cooperatives and associations, certified by the Ministry of Planning. In our three associations, we have 513 women registered. We are willing to merge with other associations to get heard. The meat traders tried to set up an association but it failed, they rented an office but could not pay the rent. We tried twice but had no resources so it failed, but I think now we will try again. If you are small you have no resources, if you are larger you have more resources. We need guidance on how to set up an association (KI22, Female IE worker, Meat seller).

There are some positive signs from local government in regard to funding business training for IE workers as a key government official explains below. However, access to such schemes is dependent on registration which is not available to all IE workers.

The WB has helped us set up the Somaliland Business Fund, and we are trying to attract SMEs. Providing training, small grants, microfinance and we are making grants of \$10,000-50,000. The launch is tomorrow. 100 people have so far expressed an interest. The condition is that you must have been registered for at least a year (KI5, Senior government official).

There is also acknowledgment from NGO workers that have been providing business training to IE workers that schemes are difficult to fund and to deliver.

In the urban [context] we focus on financial training... [but] financial training is difficultWhen we get donor support we give training for free (KI9, NGO worker).

Even when funding is received by NGOs and training can be delivered, there are not enough resources to reach some of the IE workers who need it most. Out of the 168 IE workers interviewed operating in Hargeisa, not one had regularly engaged with an NGO, demonstrating the need for an increase in access to business training.

4.4.4 Improved infrastructure and operating spaces

Despite the daily taxes levied by local government taxing on some informal business there is still a great need to improve infrastructure and operating space for the IE. Improved infrastructure and services at bus stands were highlighted by workshop participants as key to protecting street traders from conflict with other IE workers in the transport industry. Busy bus terminals and stops are often important locations for street traders to operate, because of the flow of pedestrians they generate. Improved infrastructure would not just protect vulnerable members of the IE and increase resilience but would encourage business growth and development as one government official explains below:

Its development of the bottom strata of society that's important. For example, they need microfinance and very basic facilities. [Small businesses] can grow if you give them shelter, for example (KI5, Senior government official).

4.5 Key findings

In most cities in sub-Saharan Africa, urban policy marginalises the urban IE and IE workers are often victimised and harassed (Lyons et al., 2012). This is not the case in Hargeisa, where IE workers interviewed reported very low levels of police harassment, with less than 7% of the 168 current IE workers interviewed stating they had experienced problems with local authority. Furthermore, there are high levels of trust and reciprocity amongst IE workers and in society generally, and a lack of effective municipal regulation which enables and encourages the growth of the IE.

Women in Hargeisa play a key role in the IE. Although they only formed 44% of the current IE worker sample, evidence from other reports suggests they are in the majority. That said, this study suggests that women are amongst the most vulnerable of workers, with a higher percentage of women interviewed who: were in older age groups; had less formal schooling and were in low-income categories, than their male counterparts. Policies and programmes targeted at support for women workers with limited formal education would therefore address some of the needs of vulnerable women workers.

While generally there is a positive environment for the IE workers, 69% of current IE workers admitted facing challenges. The main challenges were:

Lack of literacy, numeracy and business skills: Only 38% of IE workers are educated beyond primary school and lack of literacy and business knowledge means that there is a lack of capacity for business growth.

Difficulties with infrastructure and operating spaces: 55% of IE workers interviewed operated from the street without any designated trading space, or amenities such as water, electricity and waste management provision. This not only causes conflict between traders and other users of public space, but causes congestion in the city which causes health and safety concerns. Even when market spaces are provided by the municipality, they are often underused as they are inappropriately located or inadequate to meet the needs of IE workers. However, working environments are generally safe, although less so for women.

Business decrease: 15% of current IE workers had suffered a decrease in business over the last 5 years threatening household resilience and urban livelihoods, mainly because of increased competition.

Lack of inclusion in government policy: There is a lack recognition of the role of IE work in providing livelihoods for many households in Hargeisa. The IE remains unrecognised in Somaliland's National Development Plan, and there is no enabling regulatory framework. While this means that harassment levels are low and businesses can generally survive, there is also an absence of protection for IE workers.

Economic variables and lack of access to finance: The lack of access to finance and credit, and the fact that only 4% of IE workers receive informal cash transfers from family, means that it is hard for IE workers to start and maintain livelihoods ventures, particularly in times of economic shock.

Within the IE there are vulnerable groups emerging who are more affected than others by the challenges above. Women, tend to be older, and have less formal education than their male counterparts operating in the sector, which impacts on their livelihoods. Indeed, 27% of female current IE workers have experienced a decline in business over the last 5 years compared with just 7% of men. People born in Hargeisa also have lower education levels, and tend to be older, and are another vulnerable group in the contemporary IE. Out of the 168 current IE workers, 78% of those born in Hargeisa faced challenges compared with just 53% of internal migrants from wider Somaliland or Somalia.

These vulnerable groups tend to be involved in more precarious sectors such as low-income businesses, businesses that are affected by seasonality and businesses that are run from the street with no access to services. They also tend to work alone which increases vulnerability.

While 54% of current IE businesses are affected by seasonality, signalling a high number of vulnerable businesses in the IE generally, women are more affected than men, with 66% of women workers affected by seasonality compared with just 34% of men. Similarly, more current IE workers who were born in Hargeisa (67%) run businesses from the street compared with internal migrants (39%). Both women and people born in Hargeisa are also more likely to run low-income businesses compared to other IE workers.

The report has identified several key protections that could alleviate the challenges and problems in the contemporary IE in Hargeisa:

Policy inclusion to genuinely support and empower IE workers and their businesses. Small-scale enabling actions could begin to aid IE workers overcome some of the challenges above.

Support for associations: Enabling workers to organise into associations, trades unions or co-operatives can be important in providing a platform for IE workers to articulate and negotiate their needs, establish rights, and address conflicts in the urban context. Savings and credit associations and financial co-operatives can be important sources of savings and credit. Currently only 7% of IE workers interviewed were part of a trade union or informal association, and there is no co-operative legislation in the country.

Increased literacy and business training: Increased literacy and business training could address some of the difficulties of lack of formal education faced by some members of the IE. A focus on women would help the most vulnerable groups. However, training sessions should be affordable and timed so that people can combine training with income earning. Some training is provided by NGOs, but none of the current IE workers interviewed had engaged with NGOs, and increased training opportunities are needed.

Improved infrastructure and operating spaces: Despite over 90% of current IE workers paying daily fees to the municipality, there is virtually no infrastructure or provision for IE businesses, and trading space can be inadequate, congested and dangerous. Better operating spaces would not only protect IE workers and increase resilience but would encourage business growth and development.

While these measures could provide protection and support for IE businesses, the presence of vulnerable groups and businesses call for focussed interventions beyond the broader ones aimed at the entire sector.

Self-help, trust and enterprise are the backbone of Hargeisa's economy



5. The informal economy in conflict

Civil war has numerous impacts on the urban IE but this sector has huge potential to contribute to ongoing development outcomes in Hargeisa.

5.1 Introduction

This chapter will summarise the general effects of conflict in Hargeisa before investigating the short-term and long-term impacts of conflict on the urban IE. It will analyse the way in which the IE responded and the effect on development outcomes within Hargeisa. The findings incorporate qualitative data from interviews with 47 conflict-affected people (CAP) from two sources: a) 29 interviewees from the survey of 168 current IE workers who had experienced the conflict, and b) 18 previous IE workers who had been working during the conflict. These findings were combined with qualitative data from the KI interviews (KI).

5.2 General effects of conflict

Cities are often the arena for a range of global conflicts which all have devastating effects politically, socially and economically on their residents (Beall et al., 2011). Of the 47 CAP interviewed, 39 were in Hargeisa during the conflict, and 43 were affected directly by the conflict

5.2.1 Effects on families

The 43 CAP interviewed who had been directly affected by conflict summarised the main effects on their family unit (Figure 5.2). The majority defined loss of family and friends, displacement and loss of livelihood as the most damaging impact of the conflict.

5.2.2 Effects on women

Female experience of conflict is often complex and while women face victimisation and insecurity they are also active agents in resistance and conflict (Denov, 2007). This study explicitly sought to explore impact on women in Hargeisa. Women were active in supporting the resistance and one interviewee had acted as a courier from Djibouti to fighters in Hargeisa. However, the study also found that women faced particular problems during the conflict, with 24 of the 47 CAP claiming that women were *particularly* affected by conflict. Displacement and loss of family (particularly husbands and children) were both highlighted, but three effects were uniquely felt by women alone: gender-based violence; the need to become the household breadwinner; and a change of role in peace-building and political processes.

Gender-based violence

The literature suggests that gender-based sexual violence is a common by-product and strategy of conflict and it often continues in the post-conflict environment (Nordås, 2013). In Hargeisa, 16 of the 24 CAP interviewed who claimed that women were particular victims of conflict, noted sexual abuse, rape and harassment during conflict as female experiences. One KI claimed that the habits of war persisted even after the peace. Her car was hijacked by the militia and the roof cut out for patrols.

Women become breadwinners

Conflict sometimes has the effect of changing women's role within the household. As the literature suggests women often become heads of household over the course of war (Mallett and Slater, 2012). Even where women are usually excluded from paid work because of traditional gender roles, in conflict situations where household survival is precarious, female participation in labour markets is mandatory (Beall and Schutte, 2006).

Figure 5.1: Effects of conflict on families



It is beyond the scope of this research to investigate how many women in Hargeisa entered the informal economy before and during the war, becoming the household's main breadwinner. However, case studies from the female CAP and KIs can be used to formulate an idea of the livelihood trajectory before, during, and after outright conflict for women in Hargeisa.

I worked in Somaliland before and after the war. I walked to Ethiopia during the crisis and lived in a refugee camp. There we had to collect water and wood, Somaliland men were the fighters. In the camps, we had to start some sort of business. Some could travel and brought dried meat and ghee from Djibouti, then they brought hard currency into Somaliland....Women were the breadwinners (KI11, Senior government official).

Researchers have found that women's entry into the workforce, tends to be sustained in the post-conflict period, and the can lead to empowerment for women and economic opportunities for them (Sørensen, 1998). This has certainly been the case in Hargeisa.

Women are still heavily involved in feeding families and the number is increasing by the day. There are critical problems of population growth and high unemployment. There are more women in the IE than men. Somaliland women can make their own decisions. They can travel, own property, even though we are a conservative Muslim nation. Women are becoming big business owners now, the main hotel in Burao is owned by a woman. Some women are involved in clothes imports from China (KI12, NGO worker).

While conflict undoubtedly provides opportunities for women to enter the job market, the increased opportunity and empowerment of women does not always translate fully into social or political rights in the post-conflict period and these are often neglected by local government (Herbert, 2014). While female social capital increased in Hargeisa due to women's participation in the labour market, the reversal in traditional gender roles over the period of conflict has caused tension within society and impacted marriages.

Since the civil war women have lost their traditional roles, because women normally feed the family...In many towns, women are the breadwinners and manage the resources...Psychologically this undermines men, the socio-economic norm is reversing (KI10, NGO worker).

If he is not educated he says, "a lady should stay home, what are you doing away?" Even if he is undereducated and unemployed he still insists on his wife staying at home...There is also a new trend of young men, able, educated but can't find a job. He blames the government, but the kids need food. Women have to go out, [it's] not a matter of choice. But the husband is used to getting food and qat and he is happy to be unemployed. [He] may even take another wife (KI15, NGO worker).

Role in peace-building and political processes

According to the literature, women often play a central role in informal reconciliation, by reviving local economies and rebuilding social networks (Sørensen, 1998). In Hargeisa women played a central role in the peace process as one KI articulates:

After the war [women] came together and said, "we have to have peace", so we went around the country...The peace was created under the trees in different regions. If one did not agree, his wife made him, because the peace is ours (KI11, Senior government official).

While women were key in informal peacebuilding discussions and in convincing sons and husbands to lay down arms, today they face barriers to political participation and are not fully integrated in national decision making. In Hargeisa, the clan structure, dominated by male elders, does not allow for female representation on an equal platform to men. There is an ongoing campaign by women's representatives, and discussions with government to ensure female quotas in parliament, but this has not yet been agreed.

We have been campaigning for a women's quota in Parliament for the last 5 years. When the current president came to power, he said he would include a quota of 25% in government would be women. However, parliament said it's unconstitutional and everyone should have an equal chance of being elected [but] there is a lack of women's political representation in Somaliland. There are 82 seats and only 1 woman (for Sanaag). [In the] House of Elders there was one woman, but she resigned due to family pressure. The problem was that she married outside her clan, she takes the husband's clan, so people feel she does not represent her clan (KI9, NGO worker).

Certain NGOs have been trying to change this through consultation between women and clan elders, campaigning for money to support female candidates, and by attempting to solve an apparent disconnect between female elites and grassroots female voters.

5.2.3 Effects to the supply of goods and services

Much of the literature on conflict surrounds the devastation to physical infrastructure and the disruption to the supply of goods and services this creates, impacting on the assets and livelihoods or the urban poor (Luckham et al., 2001). CAP were asked during the interview to describe the changes in supply of goods and services in Hargeisa during the conflict. Their answers were analysed through NVivo, which allows a 'word cloud' showing word frequency in response to questions. This provides a useful visual representation of words frequently mentioned in response to specific answers.

In response to the question about change in the supply of goods and services during the conflict, the word cloud suggests that water, food, and electricity supplies, as well as security, transportation services and access to health services were all affected by conflict in Hargeisa (Figure 5.2).

Figure 5.2: Disrupted goods and services



5.3 Effects of conflict on the informal economy

As the literature suggests, during conflict, economic turmoil leads to high inflation, loss of formal work and civil unrest. Initially, livelihoods are more constrained as vulnerability is heightened and job opportunities reduced (Farrington, 2015). However, as the conflict develops and certainly in the post-conflict environment, there is generally a large increase in the urban IE, as it expands to provide livelihood opportunities to vulnerable people (Beall and Schutte, 2006). This section looks at the impact of conflict on the urban IE as well as the way livelihoods responded in post-conflict settings. It then analyses whether the urban IE in Hargeisa can contribute to broader economic growth and violence reduction. This section uses data from the interviews with CAP, KIs and current IE workers from Hargeisa.

5.3.1 Short term effects

The immediate impact of conflict is often total collapse of urban infrastructure and livelihoods are often destroyed (Farrington, 2015). Out of 47 CAP interviewed 41 saw their IE businesses destroyed as a result of conflict in Hargeisa. These interviews, as well as interviews with KIs provided some reasons for this business collapse and each is summarised below.

Displacement was a major effect of conflict on the IE; businesses were abandoned as people fled from Hargeisa; and businesses failed because of the dwindling customer base within the city itself.

During the fighting, I lost \$407,000 in 1988 as a result of bombing and looting. I ran and was running for 20 days...There were 4 planes doing the bombing...People fled to Ethiopia, Djibouti, Jeddah (K11, IE market trader).

I lost all my customers at the beginning of the war, because all the people left...It caused me to go bankrupt and I lost all my business (CAP, Male vegetable seller).

The lack of security and transportation services during the conflict also destroyed business with looting of goods and operating spaces common place and goods hard to acquire due to the mined roads.

Everything was destroyed...During the conflict, revolutionary soldiers looted everything, goods from businesses, pipes, electric cables...Transport was a problem as all the roads were mined, there were no taxis (K11, IE market trader).

The physical infrastructural impacts of war affected the IE and even in the post-conflict period, there was a lack of adequate operating spaces and services following the warfare.

We left for Pakistan during the war, but we came back after. There was no electricity or running water...The whole city had been destroyed. There were refugee returnees, little money and no business. People were still leaving for the EU and the US (K112, NGO worker).

5.3.2 Medium term effects

Generally, as conflict continues, the IE performs a vital labour absorbing function through its ability to provide poor citizens with employment opportunities despite of, or because of, crisis (Vaillant et al., 2014). These

livelihood strategies are driven by blended motives of coping and survival, adaptation and accumulation (Farrington, 2015). Here, the focus is on different types of informal economies present in Hargeisa during the conflict:

- Conflict economies
- Replacement economies
- Refugee economies

Conflict economies

Some writers have discussed the emergence of ‘war economies’, which are inherently informal and linked to the markets that assimilate with armed violence of war (Taylor, 2014). These violent economies, which include the sale of and use of arms and opportunistic looting are attempts to provide alternative sources of income and accumulate assets in the midst of chaos (Davis, 2012). The looting of business in Hargeisa has been demonstrated in the previous section, but some male CAP interviewees also left their IE jobs to become soldiers during the conflict.

Before the conflict I was a truck driver and I was travelling to Djibouti bringing home goods. During the conflict, I couldn't do this and I became a warrior against the Somali government. Immediately after [the] war I become a truck driver which delivered water to Hargeisa (CAP, Male truck driver).

This not only demonstrates the presence of a conflict economy but also how Hargeisans adapted and diversified their livelihoods to cope with the loss of IE businesses in the city itself. In the absence of former work, the fighting presented a range of marginal informal work which became viable livelihood alternatives for conflict-affected city dwellers.

Replacement economies

In Hargeisa, the IE became vital in replacing services and utilities destroyed by the war within Hargeisa city which both provided livelihood opportunities for the conflict-affected urban population and replaced key goods and services which had been disrupted by the conflict.

The 47 CAP were asked if any informal replacement services emerged over the period of conflict, to replace the disrupted provision of goods. The quote above demonstrates how, after water supplies were damaged during conflict, people found ways to bring water to the city. This self-help approach was replicated across Hargeisa. Figure 5.3 represents a ‘word cloud’ from responses to the question about whether replacement services emerged during or after the conflict. It suggests that the main priorities were food, water, electricity and transportation and that an informal and sharing economy emerged to help people and refugees.

Figure 5.3: Replacement goods and services



Refugee economies

As demonstrated in the earlier section, migration was a key strategy in avoiding conflict and protecting livelihood sources after conflict, and many people who had fled Hargeisa ended up in refugee camps in Ethiopia, based near Dire Dawa. Refugee camps often provide ways for the displaced to combat unemployment as they adapt and acclimatise livelihoods to the new setting (Abdelnour et al., 2008). Several KIs reported the ingenuity of those who fled Hargeisa, often women and children who walked by night to Ethiopia and who found sources of income when they reached the refugee camps. One CAP still living in Hargeisa travelled around Ethiopia “bringing flour, sugar and oil to the refugee camps” while another made “biscuits and sandwiches to sell to the refugee people in the camps”.

Before the war there was not that much involvement [from women in the IE]. It started in the refugee camps when women started to manage the rations. They used the refugee portions to make money – improved the taste, and sold to the nomads. The nomads also became dependent on refugee hand-outs (KI12, NGO worker).

5.3.3 Long-term effects

Increase in urban IE

In the period when initial trauma of conflict has subsided and international aid may have left, economic recovery and development can begin and the IE tends to grow exponentially. It is key in providing jobs to the surviving and returning urban population, as well as economic migrants looking for opportunities in the post-conflict context (Beall and Schutte, 2006). In Hargeisa, established IE workers reported large increases in the IE over the period of conflict. This can be attributed to the ease and speed with which businesses and operating spaces can be set-up and run, particularly as government functions took a while to be re-established after the conflict.

It existed but was a quarter the size, and had no government support. It started to increase in 2003-2004. There were other markets like Waheen and Gobanimo which started under a fig tree in 1991. These were needed due to the expansion of the city. It was not legal, but people needed Gobanimo so it got sanctioned (K11, IE market trader).

Here they don't harass them [IE workers] because people know there is no employment (K15, Senior government official).

The growth of the urban IE can also be attributed to the increase in cross-border trade following conflict, something that continues today. Of the 168 current IE workers interviewed only 31% sold goods from Hargeisa with other areas including Dubai, Ethiopia, Thailand and China which suggests extensive cross-border supply chains (Table 5.1).

Table 5.1: Origin of goods

Country of origin	% of IE workers who sell goods
Hargeisa	31
Wider Somaliland	39
Dubai	22
Ethiopia	20
Other External	21

Sectoral change within urban IE

While the urban IE generally increases during and after periods of conflict, there are businesses within it that change more than others. Furthermore, the growth of these separate sectors can have different implications for development (Mallett and Slater, 2012). The CAP interviewed reported a number of different sectors that had been subject to significant change during and after conflict including the transport, fuel and water sectors. There were two sectors, however, that appeared to have grown most significantly in the deregulated conflict-affected environment: *qat* and charcoal. While these industries have provided livelihoods for the urban poor and contributed to the growth of the urban IE in Hargeisa, each has its own wider development implications.

The deregulation of *qat* over the period of conflict allowed for its development as a large import commodity with Hargeisa (Hansen, 2010). The *qat* industry is a major employer, particularly of women and is estimated to employ some 20,000 people (K17, Senior Government Advisor). However, there are issues with *qat* from a developmental viewpoint and it has been condemned for lowering human productivity, draining household income and increasing domestic abuse (Hansen, 2009). KIs reported the impact that *qat* has on family relationships and household income:

A man wakes up at 11:00am, eats lunch, gets high and begins fighting with his family, leading to domestic violence. Women are overburdened, we look after the babies, we are a wife and mother, a breadwinner, and [also] serve our communities (K115, NGO worker).

Furthermore, there is no restriction on the amount of *qat* entering the country and although it does provide an income for government there is relatively little tax on it, resulting in millions of dollars leaving Somaliland. While these problems have resulted in many people in Hargeisa calling for a ban or greater regulation of *qat*, the volume of IE workers in the sector creates issues of alternative employment provision.

There is a huge flight of hard currency to Ethiopia - \$420m and only \$21m is received in revenue [through the sale of qat]. [Qat] affects labour productivity and mental health. However, there are about 20,000 people employed in Qat, mostly women. And we cannot simply stop it. The pattern of consumption needs to be changed, for example, qat could be sold for a shorter period, and its 1-3pm in Djibouti, [as] the problem is chewing in the morning. [We also need to change] the tax, raise awareness [of its harmful effects] and create alternative employment for sellers who have no alternative (K17, Senior government advisor).

Other sources suggest that the estimated revenue might be even higher, for example that expenditure on *qat* imported from Ethiopia is \$524m a year – about 30% of GDP (Jeffrey 2015).

Another sector that opened up in the period was the charcoal industry. Women commonly trade non-food items such as firewood and charcoal which is an important sector in Hargeisa (UNDP, 2014). While it provides employment to many vulnerable people, the charcoal industry also overexploits limited natural resources around Hargeisa and there are major concerns about deforestation in the sparse semi-arid environment, resulting in many calling for greater regulation:

We have to discourage charcoal use, and stop the cutting of trees (KI16, Senior government official).

5.4 Contribution of the informal economy to development

This section focuses on the contribution that the urban IE has had, and can continue to have, on development outcomes in the city of Hargeisa.

5.4.1 Economic growth

The importance of economic growth in conflict dissipation in post-conflict settings is continuously highlighted (Collier and Hoeffler, 2004, Fearon and Laitin, 2003). If combined with higher post conflict incomes for urban populations, economic growth can significantly reduce the risk of further war (Collier, 2008). However, there has been conflicting opinions on whether small informal businesses can contribute effectively to economic growth in the post-conflict setting (Adam, 2008, Kremer et al., 2010).

In Hargeisa, the IE has enabled individual households to build resilience and survive in the conflict-affected city, however, KI reports of small businesses accumulating capital and creating jobs for others signals the ability of the IE to contribute to wider economic growth beyond the household.

Trade is dominated by small traders, shopkeepers and street traders as you will see. There are no Tesco's, M&Ss, no chains, only very small shops. There are some big business people, people who started with a couple of items, but now straddle the formal and informal sector (KI2, Senior government official).

One of the biggest fuel sellers started selling a tin of fuel. Now he is a millionaire (KI18, NGO worker).

While there is ability for the IE to contribute to economic growth, the accumulation of capital and promotion of employment opportunity is not reflective of every IE business as demonstrated in Chapter 4. Out of 168 current IE workers in Hargeisa, almost 50% work alone. The opportunities for growth and the ability of the IE to contribute effectively to GDP and other development indicators are questioned further by KIs.

As long as they can provide food and send their children to school it's enough for them, but they need to grow. The big question for Somaliland is how long will we remain like this? Where are the opportunities to grow? (KI12, NGO worker).

A key problem is that the IE is not documented – much of it is underground. The national GDP is estimated at \$1.6bn – we think it could be more (KI4, Senior government official).

Furthermore, as demonstrated earlier in the chapter, there are problematic development issues related to some sectors within the IE. While the *qat* and charcoal industry, for instance, are an important source of jobs and livelihoods, the growth of these sectors are not desirable long-term and raise questions about when and how government and other local actors intervene.

Regardless of the problematic areas of the IE, its scale, (it is the largest provider of urban jobs in Hargeisa) and its ability to contribute to development means that it should be a primary focus for economic and social planning, and not ambivalently tolerated (UN-HABITAT, 2008). Governmental regulation to *support and enhance* the urban IE, in accordance with the findings in Chapter 5 must be strengthened. Furthermore, emphasis on the quality of economic growth rather than the rate will ensure sustainable poverty-reduction by generating sufficient employment and even distribution of resources for vulnerable workers in the IE (CPAN, 2013).

5.4.2 Conflict prevention

It is not merely negative or uneven economic growth which risks development but the continuation of violent conflict and the link between employment generation and conflict reduction is well established in development policies (Collier and Hoeffler, 2004).

In Hargeisa, the role of the IE during and after conflict has been vital to conflict prevention and peace-building. As demonstrated earlier in the chapter, the IE provided jobs in the cities and refugee camps for many vulnerable groups, albeit not always in desirable sectors, which stopped engagement with direct conflict. It replaced services

that were disrupted, such as water electricity, and food which ensured initial stability. The replacement of services, infrastructure and goods through informal activity carried on during the post-conflict phase.

There was no electricity or running water [after conflict]. We used oil lamps, but within a year everything had changed – we got water and electricity. It was all the private sector. The transformation has been the result of the business community, it was all local initiative (K12, NGO worker).

Over the course of the conflict the IE also contributed to changing gender norms, which created opportunity for women to work. The ability to provide vulnerable groups such as women and those with limited formal education with jobs has been beneficial for the maintenance of peace and gradual development of the country. Indeed, the IE is key to ensuring the most vulnerable do not become targets for extremism, as KI interviews reveal:

Business in general is pro-peace. There is no business small or large who will like conflict. Normally people with no economic stake are involved in conflict. Business people are champions of peace and resist conflict (K12, Senior government official).

When there are no prospects for you, you are attracted by extremists; you need to target the bottom of society. The IE has to become a major component of development. We need to develop a national policy – the IE contributes to peace building, contributes to the younger generation and contributes to the national economy (K15, Senior government official).

It is not just employment generation but the way in which the IE is run in Hargeisa that enables and encourages peace. Trust, mutual association and community sharing, closely linked to the IE, creates reciprocation and also prevents the outbreak of further conflict.

All the informal owners show their interest to keep peace, so there is trust, it's not like Karachi! If we see anyone attempting to threaten, we will tell them to stop and that we will punish them (K11, Market trader).

Of course, there are negative aspects to the IE in peace and in conflict, and undesirable economies such as conflict economies built on looting, and the *qat* industry, both of which pose severe development questions for Somaliland. However, the importance of the IE to post-conflict resolution cannot be underestimated. As a result, it is vitally important that the IE is properly regulated, and IE workers, particularly vulnerable groups, supported both by central and local government and other urban actors. If not, there is the risk of disenfranchisement and marginalisation which can encourage conflict, as witnessed at the outset of the Arab Spring.

5.5 Key findings

The effects of conflict are felt at all levels of society. In Hargeisa, conflict effects included loss of family and friends, loss of livelihoods, displacement, imprisonment and ill-health and injury. Massive damage was inflicted on the city during the civil war, and goods and services such as water, food, electricity and transport were all disrupted.

Women are particularly vulnerable in conflict-affected situations and may have experienced unique effects of gender-based violence and the reversal of gender roles which sees women become household breadwinners and engaged in informal political processes. In post-conflict Hargeisa, the opportunities for women in the job market following the destruction of traditional gender roles has been maintained. However, the role in informal peace-building discussions after conflict has not transferred to political influence in the post-conflict sphere.

Conflict has had numerous short-term, medium-term and long-term impacts on the urban IE in Hargeisa:

- **The short-term effect** of the conflict was the total destruction of livelihoods and 41 out of 47 CAP had witnessed the destruction of their businesses during conflict. Displacement decimated the customer base in the city and IE workers fled leaving their businesses behind. Lack of security encouraged the looting of businesses and the disruption to transportation services posed practical challenges for the supply of goods. The destruction of physical infrastructure due to the bombing decreased the availability of safe and adequate business spaces.
- **In the medium-term** the IE responded positively, performing a vital source of livelihoods to people from Hargeisa – those who fled to neighbouring countries, fought in the war, or stayed in the city. Conflict economies erupted as men took up arms to fight in the conflict while others looted businesses accumulating assets in the chaos. More positively, replacement economies also emerged which substituted services, utilities and goods destroyed during conflict. Finally, refugee economies, providing vulnerable people, mainly women, opportunities for income generation, also developed.
- **In the longer-term**, the IE increased dramatically as weakened controls enabled the speedy establishment and operation of new businesses. Specific sectors were particularly successful and grew more than others and this period witnessed the burgeoning of the *qat* and charcoal industries. Though both sectors are major IE employers in Hargeisa today, they pose severe development issues. *Qat*, has been condemned for lowering human productivity, draining household income and increasing the incidence of domestic violence and mental health problems. Meanwhile, the charcoal industry leads to deforestation in the environs of Hargeisa.

The IE has huge potential to contribute to ongoing development and peace-building processes in the city of Hargeisa.

- **Economic Growth** has been cited as a major requirement for long term peace in conflict-affected cities. In Hargeisa, the IE enabled individuals to sustain household livelihoods, and some businesses were able to accumulate capital and employ others, deepening their contribution to economic growth (although others remained small-scale). Some sectors that have increased pose severe development challenges, for example the increasing use of imported *qat*. However, the scale of the IE and the fact that it provides the majority of urban employment demands that it be a primary focus for economic and social planning.
- **Conflict-Prevention** and employment generation have also been linked in development literature and there is evidence that an effective IE can reduce the likelihood of further violence. In Hargeisa the IE provided jobs to many over the course of conflict, most notably enabling women to enter the job market, and replaced services that were disrupted. Importantly, it provided opportunities for vulnerable groups, including women, refugees and

people with limited formal education to sustain livelihoods which strengthened the peace-keeping agenda. The characteristics of the IE, which is largely based on trust and reciprocity also encouraged and enabled peace. It is important, then, that the IE is recognised as a legitimate component of the city's economy, and that vulnerable IE workers supported, to ensure that there is limited risk of disenfranchisement and further conflict.

6. Conclusions and Recommendations

6.1 Introduction

This chapter summarises the key findings from the report. It then sets out a series of recommendations and lessons relating to the IE in the conflict-affected city of Hargeisa.

6.2 Key Findings

In many cities in sub-Saharan Africa urban policy marginalises the urban IE and IE workers are often victimised and harassed (Lyons et al., 2012). In contrast, in Hargeisa there is very little police harassment; with less than 7% of the 168 current IE workers interviewed stating they had experienced problems with local authority. Furthermore, there are high levels of trust and reciprocation amongst IE workers and society, and a deregulated environment which all enables and encourage the growth of the IE.

While Hargeisa is generally a positive environment for the IE sector, 69% of current IE workers admitted facing challenges. The main challenges were:

- **Lack of literacy, numeracy and business skills:** Only 38% of IE workers are educated beyond primary school and lack of literacy and business knowledge means that there is a lack of capacity for business growth.
- **Difficulties with infrastructure and operating spaces:** 55% of IE workers interviewed operated from the street without any designated trading space, or amenities such as water, electricity and waste management provision. This not only generates conflict between traders and other users of public space, but causes congestion in the city which causes health and safety concerns. Even when market spaces are provided by the municipality, they are often underused as they are inappropriately located or inadequate to meet the needs of IE workers. However, working environments are generally safe, although less so for women.
- **Business decrease:** 16% of current IE workers had suffered a decrease in business over the last 5 years threatening household resilience and urban livelihoods, mainly because of increased competition.
- **Lack of inclusion in government policy:** There is lack recognition of the role of IE work in providing livelihoods for many households in Hargeisa. The IE remains unrecognised in Somaliland's National Development Plan, and there is no enabling regulatory framework. While this means that harassment levels are low and businesses can generally survive, there is also an absence of protection for IE workers.
- **Economic variables and lack of access to finance:** The lack of access to finance and credit, and the fact that only 4% of IE workers receive informal cash transfers from family, means that it is hard for IE workers to start and maintain livelihoods ventures, particularly in times of economic shock.

Within the contemporary IE particular groups are vulnerable to the challenges above, including older women, and women with little or no formal education. Indeed, 27% of female current IE workers have experienced a decline in business over the last 5 years compared with just 7% of men.

These vulnerable groups were more likely to have low income and be involved in precarious business activities, such as those run from the street, with no access to services, or affected by seasonality. Some 54% of 168 current workers in businesses in the IE were affected by seasonality, signalling a high number of vulnerable businesses in the IE. Women are more affected with 66% of women running businesses affected by the seasons compared with just 34% of men. Similarly, more IE workers who were born in Hargeisa (67%) run businesses from the street compared with internal migrants (39%). Women and those born in Hargeisa are also more likely to run low-income businesses compared to other IE workers. They also tend to work alone which increases vulnerability.

The report has identified several key protections that could alleviate the challenges and problems in the contemporary IE in Hargeisa:

- **Policy inclusion** to genuinely support and empower IE workers and their businesses. Small-scale enabling actions could begin to aid IE workers overcome some of the challenges above.

- **Support for associations:** Enabling workers to organise into associations, trades unions or co-operatives can be important in providing a platform for IE workers to articulate and negotiate their needs, establish rights, and address conflicts in the urban context. Savings and credit associations and financial co-operatives can be important sources of savings and credit. Currently only 7% of IE workers interviewed were part of a trade union or informal association, and there is no co-operative legislation in the country.
- **Increased literacy and business training:** Increased literacy and business training could address some of the difficulties of lack of formal education faced by some members of the IE. A focus on women would help the most vulnerable groups. However, training sessions should be affordable and timed so that people can combine training with income earning. Some training is provided by NGOs, but none of the current IE workers interviewed had engaged with NGOs, and increased training opportunities are needed.
- **Improved infrastructure and operating spaces:** Despite over 90% of current IE workers paying daily fees to the municipality, there is virtually no infrastructure or provision for IE businesses and trading space can be inadequate, congested and dangerous. Better operating spaces would not only protect IE workers and increase resilience but would encourage business growth and development.

While these measures might support the IE generally, the presence of vulnerable groups and businesses, and the needs of specific sectors, calls for focussed interventions beyond the broader ones aimed at the entire urban IE.

The effects of conflict are felt at all levels of society. In Hargeisa, conflict effects included loss of family and friends, loss of livelihoods, displacement, imprisonment and ill-health and injury. Massive damage was inflicted on the city during the civil war, and goods and services such as water, food, electricity and transport were all disrupted.

Women are particularly vulnerable in conflict-affected situations and may have experienced the effects gender-based violence and the reversal of gender roles which sees women become household breadwinners and engaged in informal political processes. In Hargeisa, although the destruction of traditional gender roles provided opportunities for women in the job market, and gave them a key role in informal peace-building discussions, it has also caused conflict within families.

Conflict has had numerous short-term, medium-term and long-term impacts on the urban IE in Hargeisa:

- **The short-term effect** of the conflict was the total destruction of livelihoods and 41 out of 47 CAP had witnessed the destruction of their businesses during conflict. Displacement decimated the customer base in the city and IE workers fled leaving their businesses behind. Lack of security encouraged the looting of businesses and the disruption to transportation services posed practical challenges for the supply of goods. The destruction of physical infrastructure due to the bombing decreased the availability of safe and adequate business spaces.
- **In the medium-term** the IE responded positively, performing a vital source of livelihoods to people from Hargeisa – those who fled to neighbouring countries, fought in the war, or stayed in the city. Conflict economies erupted as men took up arms to fight in the conflict while others looted businesses accumulating assets in the chaos. More positively, replacement economies also emerged which substituted services, utilities and goods destroyed during conflict. Finally, refugee economies, providing vulnerable people, mainly women, opportunities for income generation, also developed.
- **In the longer-term**, the IE increased dramatically as weakened controls enabled the speedy establishment and operation of new businesses. Specific sectors were particularly successful and grew more than others and this period witnessed the burgeoning of the *qat* and charcoal industries. Though both sectors are major IE employers in Hargeisa today, they pose severe development issues. *Qat* has been condemned for lowering human productivity, draining household income and increasing the incidence of domestic violence and mental health problems. Meanwhile, the charcoal industry leads to deforestation in the environs of Hargeisa.

The IE has huge potential to contribute to ongoing development and peace-building processes in the city of Hargeisa.

- **Economic Growth** has been cited as a major requirement for long term peace in conflict-affected cities. In Hargeisa, the IE enabled individuals to sustain household livelihoods, and some businesses were able to accumulate capital and employ others, deepening their contribution to economic growth, although others remained small-scale. Some sectors that have increased pose severe development challenges, for example the increasing use of imported *qat*. However, the scale of the IE and the fact that it provides the majority of urban employment demands that it be a primary focus for economic and social planning.

- **Conflict-Prevention** and employment generation have also been linked in development literature and there is evidence that an effective IE can reduce the likelihood of further violence. In Hargeisa, the IE provided jobs to many over the course of conflict, most notably enabling women to enter the job market, and replaced services that were disrupted. Importantly, it provided opportunities for vulnerable groups, including women, refugees and people with limited formal education to sustain livelihoods which strengthened the peace-keeping agenda. The characteristics of the IE, which is largely based on trust and reciprocity also encouraged and enabled peace. It is important, then, that the IE is recognised a legitimate component of the city's economy, and that vulnerable IE workers are supported, to ensure that there is limited risk of disenfranchisement and further conflict.

6.3 Recommendations

This section sets out the recommendations of the research team under five broad headings: national government actions; building the capacity of IE workers; municipality actions; meeting the needs of the most vulnerable, and international lessons from Hargeisa's experience

Recommendation 1: Increase national legitimacy and recognition

- **Recognition:** It is essential that Hargeisa's IE workers are recognised as legitimate economic actors making significant contributions to the national and city economy.
- **National Informal Economy Policy:** A cross-government National Informal Economy Policy should be developed, so that the key social and economic contribution of the IE is reflected in the five-year national economic development planning and other relevant government strategies.
- **National Informal Economy Standing Committee:** A high-level National Informal Economy Standing Committee should be set up, with a membership of about 10 people to include high-level representatives from: the Ministries Planning and Development (chair); Commerce and Trade; Labour, Employment and Social Affairs, Hargeisa Municipality, and SONSAF, including 3-4 representatives of umbrella IE workers' organisations. The Standing Committee should:
 - Advise on development of the National Informal Economy Policy;
 - Advise on inclusion of the IE in the Five Year National Economic Development Plan;
 - Recommend inclusion of the IE in other relevant government strategies;
 - Undertake sector-specific analyses of different IE sectors (needs and support);
 - Identify ways to extend social protection to IE workers;
 - Address negative impacts of the IE (e.g. from the *qat* or charcoal trade);
 - Assess data needs for improving understanding of the IE (e.g. through labour force surveys).
 - Address lack of IE access to credit and finance

Recommendation 2: Strengthen voice and participation

- **Building grassroots capacity:** The voice and participation of IE workers in decisions that affect businesses and livelihoods should be enhanced through:
 - Extending membership and building the capacity of existing worker organisations and associations;
 - Encouraging the establishment of new worker organisations or associations (based on gender, sector, product or location etc.).
- **Forming umbrella associations:** Umbrella associations are needed to provide a collective voice with which government and other urban actors can engage. Their membership should be formed from grassroots organisations to be supported by SONSAF or other relevant NGOs.
- **Funding:** Funding is needed to support training and capacity-building for IE worker associations, in advocacy, and skills development. This would require:
 - Establishing a national IE training fund (e.g. government, international, diaspora sources). This could be administered centrally or by Municipalities. An annual call would request bids from partnerships of associations and training providers;

- Training needs for members should be identified by associations, and delivered by differed HE organisations (e.g. Gollis University), or NGOs (SONAF, Havoyoco, Progressio, CCS Network, NAGAD, or others).
- **Cooperatives:** National government should pursue the development of cooperative development policy and law, to provide a framework for newly emerging organisations and associations.

Recommendation 3: Plan locally for the informal economy

- **Local economic development:** At municipality level, local economic development (LED) strategies should include enabling policies to support improved productivity and decent work for the IE. In each municipality, a **Local Informal Economy Committee** should be set up, chaired by the Mayor, with representatives from key municipality departments (economy, highways, planning, social support etc.) and at least 40% membership from IE worker associations, tasked with:
 - Developing city, location, and sector-specific policies and proposals for supporting the economic and livelihoods potential of the IE;
 - Identifying and addressing any challenges or problems raised by IE work;
 - Identifying projects and programmes to support economic development of the IE e.g. registration of businesses, strengthening supply chains, improving marketing etc.;
 - Identifying infrastructure needs for the IE (see below);
 - Recommending ways of improving data gathering on the IE (e.g. through data co-produced between IE worker associations and the municipality);
 - Examining ways to improve access to savings and credit;
 - Facilitating and encouraging self-help schemes for micro-insurance.
- **Infrastructure:** Specific interventions include the provision of better infrastructure and business spaces for the urban IE to ensure that vulnerable IE workers have access to safe and serviced areas from which to run their businesses, funded as outlined below. Measures could include:
 - Provision of toilets, storage, street drainage, shelter etc. in busy IE trading or employment areas;
 - Recognition that street vending needs to be located near major pedestrian flows (e.g. at bus stations), but negotiation can often solve problems of congestion. Moving street traders to designated off-streets markets rarely works because of the lack of passing trade.
- **Revenue streams:** The IE can be an important source of funding from municipalities, but IE workers need to see the benefit of paying fees. This can be achieved through:
 - Daily fee collection so that people pay regular small amounts. Fee collection is often successfully sub-contracted to IR worker associations. Mobile money fee payment is also working in some areas;
 - Hypothecation of an agreed percentage of funds raised to be used in local infrastructure or other improvements;
 - Local contributions for specific projects (e.g. in Waheen Market traders provided their own roofing through local contributions).
- **Hargeisa pilot projects:** The Municipality should establish 2-3 small-scale pilot projects to demonstrate good practice in inclusion of the IE in municipal LED and infrastructure planning programmes. These should be developed through the Local Informal Economy Committee with extensive IE worker participation. Examples might include:
 - Finding ways to reduce congestion AND accommodate jobs in key locations (e.g. around the bus station);
 - Small-scale development projects (e.g. improving drainage and shelter in Gobanimo Market).

Recommendation 4: Support vulnerable informal economy workers

- **Business skills and literacy/numeracy:** Literacy/numeracy programmes and business training schemes should be specifically designed for IE workers with little or no formal education, particularly women, in addition to the general training programmes (Recommendation 2). These should be a

priority for the Ministry for Labour, Employment and Social Affairs and Ministry for Trade and Investment and could be delivered by HE institution such as Gollis University under lifelong learning programmes, or NGOs, and donor-funded.

- **Extending social protection:** Government policy should ensure that all relevant social protections extended to those in formal work should extend to IE workers.
- **Savings and credit:** Savings and credit associations are an excellent self-help way of enabling IE businesses access finance for business growth. A good model is the (VSLA) Village Savings and Loan Association, which is well-adapted to Islamic contexts. CARE International and several other NGOs run appropriate training programmes.

Recommendation 5: Lessons for international agendas and humanitarian assistance

- **Recognising positive contributions:** Hargeisa's experience of civil war culminating in 1991 demonstrates that IE livelihoods provide opportunities for transformative change, and make a central contribution in the aftermath of conflict.
 - In the short-term the IE provided livelihoods for displaced people, and brought women into employment;
 - In the medium-term the IE provided work for displaced and returning populations. The contribution included replacement services after local government collapse;
 - In the longer-term many businesses established in the aftermath of conflict have expanded to provide jobs and income.
- **Anticipating disruptive effects:** It must also be recognised that not all IE activities make positive contributions. It is important that disruptive impacts are recognised and addressed quite quickly after a conflict before they become entrenched.
- **Focussing multi-lateral aid:** Multi-lateral programmes on governance and economic development should take account of the IE. For example, Somaliland's *Joint Programme for Local Governance (JPLG)*, the multi-agency programme led by UN-Habitat, should include a specific IE programme, to include examining the role of the IE in local economic development, and capacity building for local government staff on managing the IE.
- **Improving humanitarian assistance:** Humanitarian assistance programmes need to recognise how self-help and survivalist livelihoods that emerge after conflict can provide the basis for economic recovery.

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Appendices

Appendix 1: Workshop participants by business type

Type of IE Business	Number of Workshop Attendees
Buses	3
Fruit and Vegetables	6
Meat	3
Milk	3
Qat	5
Assorted Products	4
Total	24

Appendix 2: Workshop conflict mapping

Challenge	Suggested Resolution
Conflict between vegetable sellers and producers over costs	To develop a lasting relationship between the parties. This will be achieved through changing behaviour after mutual participation in discussion. Strengthen the association of vegetable sellers which is currently weak and ineffective so the needs and fears of both parties will be taken into account equally.
Qat sellers being harassed by local police	To get a specified place and time where qat can be sold to reduce tensions. There is also a need to raise awareness of the health implications of qat. This will be achieved through discussion with the local authority.
Lack of facilities causing tension between traders, transport workers and other users of the street	To improve the services at the bus stations. This will be done through contact with local government in order to enhance regulation and legislation. Through consultation and meetings the needs and fears of the parties can be taken into account.

Appendix 3: List of Key Informants (KIs) by occupation

1. IE Market Trader	11. Senior Government Official	21. Senior Government Official
2. Senior Government Official	12. NGO Worker	22. Workshop – Assorted
3. Government Official	13. Senior Government Official	
4. Senior Government Official	14. NGO Worker	
5. Senior Government Official	15. NGO Worker	
6. UN Agency	16. Senior Government Official	
7. Senior Government Advisor	17. Senior Government Official	
8. UN Agency	18. NGO Worker	
9. NGO Worker	19. UN Agency	
10. NGO Worker	20. Government Advisor	