

## **Support to employment and livelihoods development under Saameynta: Scaling-Up Solutions to Displacement in Somalia<sup>1</sup>**

### **Introduction**

This report sets out findings and recommendations on support to employment and livelihoods development in Baidoa under the economic development component of *Saameynta: Scaling-Up Solutions to Displacement in Somalia*.<sup>2</sup> This is a joint UN programme implemented by the International Organisation for Migration, in partnership with the United Nations Development Programme and the United Nations Human Settlement Programme (UN-Habitat). Implementation started in May 2022.

The report addresses actions on the economy of Baidoa and surrounding areas, with impacts likely to be felt mainly in the medium and longer term, including the period after project completion. Actions described in the report support to enterprises in agriculture and the non-farm economy. This aims to strengthen local ability to address the economic needs of the Baidoa population in the context of crisis. It complements the delivery of immediate livelihood humanitarian support (in the form of cash transfers and land donations to IDPs for living areas and agriculture). This support offers basic livelihoods, with food for the family and some limited marketable surplus.

Findings are derived from a mission to Somalia from 23<sup>rd</sup> May to 11<sup>th</sup> June 2022, with 2<sup>nd</sup>-8<sup>th</sup> June 2022 spent in Baidoa. They are also based on analysis of the Baidoa economy made by UNDP in 2021<sup>3</sup>. The proposed actions were presented at a workshop in September 2022, with participants from the UN partners implementing Saameynta, as well as UNIDO and FAO. A note on the conclusions of the workshop is at annex 1.

### **Programme objectives**

The overall strategic objective of *Saameynta* is ‘to reduce the number of people living in forced displacement through leveraging value generated by urbanization and urban infrastructure investment to deliver durable solutions at scale in three Somali cities (Baidoa, Bossaso and Beletweyne)’. The joint programme intermediate outcome is that ‘major investments from private, government, bi- and multi-lateral sources in mixed-use land development packages and urban public works generate land value increments that can finance and build the infrastructure for IDP durable solutions at scale in a Displacement Affected Community inclusive way’.

The programme document notes that the programme operates under the assumption that the long-term sustainability of returns depends on ‘..access to sustainable livelihoods and employment...The programme uses an area-based approach combined with a livelihood demand driven approach to design and implement livelihood opportunities and contribute to sustainable recovery. Further ‘sustainable livelihoods for DACs are secured through identified additional investments and more financial inclusion opportunities’. This will be backed by a ‘Saameynta-specific livelihoods plan that clearly articulates the menu of livelihood support options’.

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<sup>2</sup> The economic development component of the programme aims to ‘assist (a) municipal leadership and community leaders to draft development packages for infrastructure provision and livelihood opportunities in displacement affected areas; (b) residents with the development of businesses; and (c) profiles and networks in the labour market’. See *Saameynta: Scaling-Up Solutions to Displacement in Somalia*. Project Document. May 2021. pp 31-34.

<sup>3</sup> UNDP (2021) Background paper for *Saameynta: scaling-up solutions to displacement in Somalia - Employment and livelihoods in Baidoa, Bossaso and Beledweyne*. January.

## **The Baidoa economy**

Baidoa's economy is severely influenced by insurgency. This affects access to farmland, water resources, movement of people, transit of goods, and infrastructure development. Travel in and out of Baidoa town is for many only possible by air, with road access now curtailed for more than 10 years. Traders and others can go by road but pay informal taxes levied by insurgents and other groups, which drive up costs which are then passed onto consumers and/or reduce returns. Baidoa faces three levels of tax for imports – on arrival in the country, during transit (as levied by Al Shabab and other groups) and payable to SW state.

About 80% of employment in Baidoa is in agriculture, 17% in services, and 2% in industry. Trade, marketing, and services dominate while salaried employment is limited, with casual labour the norm. Almost all firms are micro and family-owned, although there is a handful of small companies and a few medium sized companies. Many livelihoods are found in agricultural trade.

Agriculture. Cereals dominate crop production, with Baidoa's economy reflecting its location in Somalia's sorghum zone. Most cereal and cash crop production is rainfed, with irrigation rare. Fruit and vegetable production is also found in SW State involving both dryland production and some limited irrigation through boreholes and abstraction from rivers. Livestock is important in the area, as it is nationwide, with Baidoa a centre for livestock trading. The meat trade is for the local market, where there is a preference for fresh meat with sales in markets and at the roadside, often in unhygienic conditions. Milk marketing systems consist of an informal regional network of producers, collectors, transporters, and vendors selling raw milk.

Non-farm economy. There are around 20 hotels in Baidoa, suggesting strong demand, particularly from business travellers. Some 14% of Baidoa's companies work in construction. There is almost no manufacturing, partly because it would be uncompetitive given informal taxes on raw materials arriving in Baidoa and on products moved to other areas of Somalia.

For more detailed information on the Baidoa economy, see UNDP (2021) Background paper for *Saameynta: scaling-up solutions to displacement in Somalia: employment and livelihoods in Baidoa*. December.

## **Basis for proposed actions**

The local economy together with linkages to the wider economy of SW State and Somalia will be the source of employment and livelihoods for IDPs and the host community. Actions in support of long-term growth and employment are possible and should reflect the structure of the economy, targeting the parts of the local economy which can grow and offer jobs. Accordingly, this report proposes an economy-wide approach to growth, employment, and livelihoods through support to local business and institutions. The actions aim at providing longer-term support and are a complement to humanitarian actions.

Within this framework the following principles and guidelines are applied in the selection of proposed actions.

Support to livelihoods and employment does not itself create jobs but rather provides conditions under which employment and livelihood expansion is likely. Local economic growth is important since, whereas growth does not necessarily lead to employment and livelihoods<sup>4</sup>, their expansion without growth is unlikely<sup>5</sup>.

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<sup>4</sup> <https://documents1.worldbank.org/curated/en/825921524822907777/pdf/125779-PUB-PUBLIC.pdf>

<sup>5</sup> <https://www.enterprise-development.org/what-works-and-why/evidence-framework/link-between-employment-and-economic-growth/>;  
<https://blogs.imf.org/2016/11/09/the-evidence-that-growth-creates-jobs-a-new-look-at-an-old-relationship/>

Part-time, seasonal jobs and other temporary jobs are important contributors to household income which will be derived from a mix of sources. In contrast, there will probably be few long-term full-time jobs and hence the notion of ‘sustainable employment and livelihoods’ is ill-defined and unrealistic.

New jobs and livelihoods will lead to more jobs and livelihoods. Employment multipliers<sup>6</sup> have been measured in high income countries and, for example, one new job in finance and insurance in the US leads to 3.64 other new jobs (through direct demand to suppliers and induced demand as the new employee spends money). In agriculture, 2.28 new jobs are created for each new job, and in wholesaling 2.35<sup>7</sup>. There are no estimates of employment multipliers for Somalia, but these effects will still be felt with benefits for both the host community and IDPs.

Over time, there will be dynamic changes in the local economy. Recently arrived IDPs may lower their wage requirements to compete for jobs<sup>8</sup>, with signs that this is already happening in Baidoa (IDPs are working on farms for lower wage rates than the host community). IDPs may also be willing to take jobs that the host community rejects (including poorly paid and insecure manual labouring). Those who have been there longer may make contacts such that they are able to get guarantors for loans. They may also get skills, sometimes with formal qualifications, to take up job opportunities locally.

Internationally, urbanisation is beneficial in terms of growth, poverty reduction, labour productivity, employment, and livelihoods<sup>9</sup>. Somalia urbanisation is unusual in that it is because of conflict and drought, leading to rates of urbanisation well above those typical for a low-income African country. There are nonetheless still likely to be gains, as people move from low productivity and low wage agriculture into higher productivity and higher wage sectors (services and manufacturing). The rapid rural urban transition may also mean that widening inequality which is characteristic of the early stages of the rural-urban transition is less acute and less prolonged than elsewhere.

Urbanisation encourages a greater density of firms (concentration) and co-location of firms in the same sector (agglomeration), both of which are good for growth and jobs<sup>10</sup>. There is already agglomeration in Baidoa, with many firms working in livestock and grain trading.

Jobs and livelihoods development will be in Baidoa, in the hinterland under government control and in SW State more generally. It is unrealistic to expect that it will be mainly in areas where IDPs are located. This means that IDPs may need to travel to work, with this limiting their ability to take up work if distances are long. There will nonetheless be petty services within the camps and adjacent areas which offer livelihoods, albeit at a low level.

Very few microenterprises will grow into small enterprises. Most microenterprises start small, stay small and end small, with few creating employment outside the family. The main job creators will be small firms (defined as 10-49 employees). Start-ups are also unreliable as job creators, given high rates of firm mortality. This argues for a concentration on existing small firms given that they have already found markets and finance.

There is a strong positive relationship between firms’ access to finance and job growth. The association between finance and job growth is stronger among MSMEs than among large firms<sup>11</sup>. This means that

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<sup>6</sup> Employment multipliers measure how the creation or destruction of output or employment in a particular industry translates into wider employment changes throughout the economy.

<sup>7</sup> [pi.org/publication/updated-employment-multipliers-for-the-u-s-economy/](https://pi.org/publication/updated-employment-multipliers-for-the-u-s-economy/)

<sup>8</sup> <https://migrationobservatory.ox.ac.uk/resources/briefings/the-labour-market-effects-of-immigration/>

<sup>9</sup> <https://blogs.lse.ac.uk/businessreview/2016/04/02/urbanisation-drives-economic-growth/>

<sup>10</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/706671/agglomeration-elasticities-existing-evidence-and-future-priorities.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/706671/agglomeration-elasticities-existing-evidence-and-future-priorities.pdf)

<sup>11</sup> [https://blogs.worldbank.org/allaboutfinance/access-finance-and-job-growth#:~:text=We%20find%20a%20strong%20positive,two%20databases%20\(Figure%201\).](https://blogs.worldbank.org/allaboutfinance/access-finance-and-job-growth#:~:text=We%20find%20a%20strong%20positive,two%20databases%20(Figure%201).)

increasing firm and farm finance through the banks in Baidoa is likely to be good for employment. The development of financial intermediaries (including the banks) is also associated with local growth<sup>12</sup>.

The focus of support to agriculture will be on primary production, with agroprocessing unlikely to be a significant element of Baidoa's economy. Income in Baidoa is substantially dependent on primary production of cereals and livestock. Cereals do not offer opportunities for transformation, with the focus accordingly on increasing returns to production and reducing the effects of drought (although irrigation of cereals is unlikely to be economic). Livestock production will focus on live exports and sales and slaughter for the domestic market. Meat exports are unlikely given food safety requirements in most markets (although with Gulf markets less demanding) and the poor condition of Somalia's slaughterhouses. Fruit and vegetable processing is unlikely to be viable since it requires reliable bulk supplies and is unlikely to compete with established producers outside Somalia (which rely on high volumes and low margins). Dairying may be viable through import substitution, with some sesame processing (into oil and tahina) if government regulations allow.

Commercial cold chains are unlikely to be feasible. Cold chains depend for financial feasibility on reliable electricity at affordable tariffs. In contrast, high electricity tariffs and poor reliability are common in Somalia. And while the difference between high and off-season prices for agricultural products may look attractive, loss and deterioration during storage will erode the financial gains. Commercial dairying may be the exception, although moving dairy herds closer to markets has been used to ensure freshness.

Support to agricultural cooperatives with small farmers as members has shown patchy success in low- and middle-income countries, with cooperatives mainly a conduit for agricultural subsidies. While farm income gains have been found, they may not be sufficient to support membership. The smallest farmers may be excluded because of transaction costs. Contract farming has shown more success, provided legal provisions are enforceable.

### **Proposed interventions**

Proposed actions distinguish between public services which the market will not provide and so which must be provided by government and 'private goods' which the market will normally provide if binding constraints are lifted.

**Agriculture public services.** The agriculture sector depends on several public services if it is to prosper.

Public veterinary services are responsible for maintaining the health of the national herd. They cover public health (in ensuring only healthy meat and other animal products come to market), with actions covering many farmers because of economies of scale (mainly in epidemic monitoring and animal disease eradication by area-wide vaccination). Control of animal welfare (including resting, feeding, and watering areas during transit) improves financial returns in the livestock sector.

Phytosanitary services protect agricultural resources and natural environment from the introduction or spread of pests. They detect pest outbreaks inland through surveillance and tackle outbreaks through eradication. These are public services since outbreaks will affect many farms and cannot effectively be tackled on a single farm. Specialist equipment and testing infrastructure is also needed for monitoring and tackling outbreaks.

Agricultural inspectorates control input use, making sure that the contents correspond with regulations and what farmers believe they have bought. They also check that certified seed is genuine, verify the quality of animal feed, and that toxic compounds in food production and processing are controlled.

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<sup>12</sup> <https://www.sciencedirect.com/science/article/abs/pii/S0304393200000179>

Water use regulation controls abstraction from rivers and aquifers. The aim is limitation of abstraction in line with recharge and to ensure water use allocations are consistent with users' needs, environmental impacts, and the needs of future generations. Water quality may also be monitored.

Rehabilitation of irrigation canals. These distribute water for use on more than one farm, with the cost of rehabilitation too great for any single farm. Better irrigation can be a response to drought (subject to recharge and limits on riverine abstraction) with benefits highest in fruit and vegetable production.

Grain storage for buffer stocks. Grain storage may be contracted out, but government decides what and how much and is stored.

Agricultural statistics are essential if service provision is to be linked to needs. As a minimum, statistics includes number and size of farms, areas under the main crops, livestock numbers by type, and livestock production.

Agricultural advisory services ('extension') are often delivered by the government, although results have been patchy, and services are typically underfunded. Private provision is also common, through inputs suppliers and sometimes agricultural universities (which may themselves be public or private). Public extension services have often proved financially unsustainable, with governments unable provide consistent funding.

Agricultural research involves national and regional actions, with the latter through international research centres<sup>13</sup>.

**Enterprise public services.** Public services in non-farm enterprises are fewer than in agriculture. Business registration and licencing are the only fully public goods. These are central government responsibilities usually without discretionary actions at the sub-national level.

Other services typically involve a mix of public and private provision. These include business development services supporting firm formation and growth. While these are rarely seen as purely public services, many that survive usually receive partial or full public funding. This is most apparent where the advisory support is to micro and small firms which usually cannot afford to pay (whereas medium and larger farms can pay). The expectation that they can survive by charging fees to micro and small firms has usually been misplaced. Incubators and accelerators support the formation and growth of start-ups through training, business advisory support and accommodation (incubators) and enterprise growth (accelerators).

Guarantee funds designed to reduce the risk of lending by covering part of unrecovered loans may be public or private. They are often created using public funding in low- and middle-income countries.

Special Economic Zones with, variously, facilities, expedited licensing and permitting, reliable utilities, better security, and tax breaks, may be created using partial or full public finance (often in form of land allocation) but are expected to operate commercially. Feasibility analysis for a Special Economic Zone is at an early stage, with support from UNIDO<sup>14</sup>.

Vocational training covering core skills is usually under public provision, with some industry-specific skills provided by the employer as a 'top-up'. Agricultural education and training for those working in the industry (as opposed to extension support for farmers) is also usually under public provision, although there is a private university in Baidoa which offers such training<sup>15</sup>.

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<sup>13</sup> <https://www.cgiar.org/research/research-centers/>

<sup>14</sup> Tripleline Consultants (2022). Opportunity Mapping/Pre-feasibility Assessment of SEZs in Somalia, April.

<sup>15</sup> <https://www.facebook.com/ZUSTBaidoa/>

### **Private goods in agriculture and enterprise development**

The principal private goods are farm and firm financing through bank loans. A review of a credit line provided by UNIDO and UNDP through a commercial bank in Beledweyne showed that firms in the non-farm economy mainly want to borrow for working capital<sup>16</sup>. They may also have limited investment needs, particularly in transportation.

Larger farms<sup>17</sup> want to borrow for mechanisation (tractors, seed drills, combine harvesters, and forage harvesters). Rough estimates suggest that fruit and vegetable farms financing requirements of \$50,000-\$100,000 each and would aim to borrow around 60% of this (around one fifth of such farms have previously borrowed from the banks). Cereal farmers have similar financing requirements but are more reluctant to borrow give price volatility due to humanitarian grain supplies. Farm equipment may be bought new or second-hand and is normally imported by the buyer.

Banks will not lend to small farmers because of insufficient collateral (this is true of most low- and middle-income countries and is not specific to Somalia). Microfinance provided under guarantee by a guarantor may be possible but would probably only be sufficient for working capital requirements (typically the cost of inputs).

### **Proposed actions**

#### **Agriculture public services**

Veterinary, phytosanitary services, and agricultural inspectorate services. Review the provision of services by the SW State government.

Determine performance of, and gaps in, the services and identify ways of improving provision, taking note of the implications of limited access to farming areas controlled by Al Shabab. Define further analyses needed to support design of actions

Identify current and planned actions by the government and the development partners in provision of services.

Make proposals for actions at ensuring provision of services. Actions will be phased to reflect the time needed to build the capacity of public institutions in agriculture for service delivery.

Terms of reference for support to livestock in Baidoa and SW State are at annex 2.

#### **Agriculture private goods**

Identify financing and borrowing needs and work with banks to design loan products for:

- agricultural mechanisation (including tractors, rotovators, seed drills, forage harvesters, combine harvesters);
- irrigated fruit and vegetables (tube wells, pumps and energy sources); and
- firms prospectively locating at the Baidoa Special Economic Zone.

Terms of reference are at annex 3.

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<sup>16</sup> UNDP (2022). Review of UNDP funding for a credit facility in Beledweyne under the Midnimo project. April.

<sup>17</sup> These comprise farms of 5-10ha growing fruit and vegetables (there are thought to be around 50 farms of this size around Baidoa) and cereal farms of 20-30ha (150 farms). There are few much larger farms (100ha+) which appear to be the privatised relics of former state-owned farms from the socialist era.

Negotiate with The *Gaargara* Facility<sup>18</sup> and other funding sources to bring lines of credit to commercial banks in Baidoa for lending for these uses and for working capital and investment financing in the non-farm economy.

Review feasibility of microfinance from banks to small farmers for working capital, including the feasibility of group lending.

### **Enterprise public services**

Make proposals for the costs of the Enterprise Development Unit and related services in Baidoa to be met from *Saameynta*, with technical support to the Unit retained by UNIDO.

Conduct labour market needs analysis of skill needs in the Baidoa economy and propose ways of responding.

Terms of reference are at annex 4.

### **Implementation**

The proposed actions go beyond the remit and capacity of UNDP for design and implementation, with partnership with other UN agencies needed (principally UNIDO, FAO and the World Bank).

Design and implementation will nonetheless require economic development capacity within UNDP Somalia. This could be through the international and national staff to be recruited by UNDP for *Saameynta*. It is axiomatic that they will need the technical capability for dialogue and analysis on economic development and hence should be economists or have professional background in economic development.

Since the proposals above substantially involve local delivery of public services, exploring possible linkages and synergies with the UN Joint Programme on Local Governance<sup>19</sup> is recommended.

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<sup>18</sup> <https://centralbank.gov.so/wp-content/uploads/2020/02/GARGAARA-Subproject-Manual.pdf>

<sup>19</sup> <https://www.undp.org/somalia/projects/joint-un-programme-local-governance-jplg>

**Annex 1**  
**Review and validation of proposals for support to employment and livelihoods development under Saameynta**

Note on points arising at the workshop on 5<sup>th</sup> September 2022

Agroprocessing. There is milling of maize and sorghum for wholesale and retail flour sales. Sesame oil processing is considered to have potential, but there are as yet no studies. There are some 20 sesame oil producers in Baidoa, most small scale and using basic technology. Groundnut oil production is also considered possible but without supporting studies.

Animal feed. Production of concentrates using sorghum and sesame crop residues is considered possible, as is increasing fodder production. Animal feed supply is not fully analysed.

Extension. FAO is supporting agricultural extension in Baidoa through an extension centre. This will offer demonstration plots, laboratory facilities and soil testing.

Livestock. There is no systematic epidemic monitoring, with the farmers and veterinarians reporting animal diseases when detected. FAO is training private veterinarians and offers mass vaccination.

Use of land in refugee camps as collateral. IDPs relocated to the Burwaqo site will receive title to their land, with this expected to provide a source of collateral. It is hoped that banks will lend to IDPs on this basis. Noted that banks would also base lending decision on the ability of borrowers to repay loans.

Skill needs. UN Habitat's value chain analysis of the construction industry in Baidoa has identified skill needs in the sector. There is no analysis of skill gaps in other sectors.

Financing requirements: most of the loan applications in the pipeline under the Baidoa credit facility are for working capital.

## **Conclusions**

No comments were made at the workshop on proposed support to public services in agriculture (veterinary, plant protection and agricultural inspectorate), except to note that epidemic monitoring is not systematic. Public services need further investigation before proposals can be formulated.

Better understanding needed of agroprocessing in terms of animal feed, sesame oil and groundnut oil production in Baidoa and surrounding areas.

Skill needs in the Baidoa economy have not been assessed, except in construction. A labour market needs analysis for Baidoa is needed for before systematic skills development.

Bank lending. Assess what would be required in terms of bank lending products such that a greater proportion of bank lending is for capital assets, including those in agriculture (principally of irrigated fruit and vegetables, mechanisation, and commercial poultry and egg production).



## Annex 2

### Terms of reference for support to livestock production in Baidoa and SW State

#### Background

Agriculture dominates GDP in Somalia, with livestock a large part of this. Livelihoods and employment are found in livestock production, but also in trading and export. Most sales are live and, except for a meat plant in Mogadishu, the meat industry is rudimentary. Sales of meat are fresh, with slaughter typically on the periphery of Somalia's towns and cities.

Public veterinary services. Animal diseases are common in Somalia, with the most significant transboundary. They include Peste des Petits Ruminants; contagious caprine pleuropneumonia; contagious bovine pleuropneumonia (mostly in southern areas); foot and mouth; sheep and goat pox; and lumpy skin disease. Anthrax, blackleg, brucellosis, fowl pox, hemorrhagic septicemia, camel pox, trypanosomiasis, salmonellosis, and Newcastle Disease are also found.

Many animal health interventions are still financed on a project or ad hoc basis. Disease surveillance is still undertaken in a haphazard and passive manner, and coordination with neighbouring countries on disease control and coordination is inadequate. The lack of institutionalization of the animal health system; the weakness of public institutions, particularly in the regions; and the unclear division of the roles and responsibilities of different health care service providers, both public and private, remain to be addressed.

Responsibility for agriculture is likely to be devolved to the Federal Member States once the division of powers between central and state government is finalised. In the meantime, services for the livestock industry are limited and provided by the private sector, central government, and the development partners.

Mass vaccination is supported by FAO support working with the Livestock Professional Associations<sup>20</sup>. The six livestock professional associations deliver animal health services, vaccinations, treatments, and disease investigation and disease detection, generally with external funding. They also manage agrovet stores and train community-based animal health workers on diagnosing and treating livestock diseases, administering veterinary drugs, and performing basic surgical procedures.

The private sector has built quarantine stations, with areas for keeping healthy animals ready for export, and for hosting animals suspected of being infected with disease. That in Berbera can hold up to 2 million animals, while the Bossaso station can hold more than 1.5 million head. Both were constructed by a Saudi company. A new, locally owned private quarantine facility was established near Mogadishu in 2011, with a holding capacity of 250,000 animals<sup>21</sup>. Animals are inspected in some regional markets, before healthy animals are trucked to the quarantine stations near export ports.

Animal feed. Pastoralism and agropastoralism are found. Pastoralists often finish animals by grazing in communal land during the wet season, when pastures are more nutritious, and/or using purchased feeds (usually imported concentrates).

Agropastoral production combines livestock production and grazing with dryland or rainfed cropping and the feeding of animals with crop residues. Most agropastoral households produce sorghum, maize, and beans. In agropastoral areas, nutrient cycling through the integration of a crop-livestock system and

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<sup>20</sup> See for example <https://cerelpa.org/about-us/background/>

<sup>21</sup> Like the facilities in the northern ports, the Jazeera holding ground is equipped with a laboratory to perform blood tests, including tests for brucellosis. At these quarantine stations, animals are tested for specific diseases before certification, based on the requirements of the importing countries. Each station has a government veterinarian who issues health certificates that meet importing country requirements.

the use of crop residues and by-products as animal feeds and animal manure as crop fertilizer are common.

Demand for feed along trading routes, in market centres, and at terminal ports is rising, as the trend for keeping animals, especially camels, in confined grounds near major cities is growing. Demand for fodder is seasonal, because it is closely linked to the celebration of the main Islamic festivals when exports soar. Prices of fodder are highest during the dry season, when pasture is scarce and fodder production generally low. The most used and traded fodder is crop residues, mainly stalks, which produce straw of low nutritional value. At peak demand periods, when prices are highest, fresh crops, including maize and sorghum, are also sold as livestock feed.

Poultry. Demand for poultry and eggs is increasing in urban areas. Poultry production is concentrated in agropastoral livelihood zones and peri-urban areas and is widespread among poor households. Households keeping local chickens do so for both consumption and income. Several commercial poultry enterprises have been established to supply nearby towns. Further expansion of poultry production is constrained by shortage and the costs of skilled labour and inputs, including poultry feed and feed concentrates, poultry stock, and drugs and vaccines.

## **Objectives**

To specify how and over how long the capability of the SW State government (working in collaboration with national bodies) can be built to deliver public services in epidemic monitoring and vaccination.

To assess the feasibility of increasing the supply of animal feeds for livestock production in SW State.

To estimate financing requirements for (a) fodder production and (b) commercial poultry and egg production as a basis for discussions with commercial banks on lending packages and for support by the Enterprise Development Unit in Baidoa in advising potential borrowers in these areas.

## **Tasks**

### Public services in livestock

Determine the role and responsibilities of central government, federal member states, other national bodies, and the private sector in provision of services to the livestock industry. Review the extent of current provision.

Make recommendations on the actions needed and process of building and strengthening public services to livestock in SW State.

Estimate the cost and phasing of this support.

### Animal feed

Review needs for animal feed in SW State and make recommendations on ways of increasing supply, including the feasibility of locally produced concentrates.

Assess the financial feasibility of animal feed production, including financing requirements.

Estimate financing requirements for fodder production and the effects of alternative lending packages on farm income and ability to service loans.

Poultry

Assess the financial feasibility of commercial poultry and egg production, including financing requirements.

Estimate financing requirements for commercial poultry and egg production and the effects of alternative lending packages on farm income and ability to service loans.

### Annex 3

#### Terms of reference for support to agricultural investment in Baidoa and SW State

##### Background

Irrigated farming mainly uses gravity and pump irrigation to produce maize; sesame; fruit (banana, lemon and other citrus fruits, guava, mangoes, papaya, watermelon, and dates); and vegetables, for both home consumption and market. Sesame and dry lemon are the only two crops exported.

Fruit and vegetable production is found in SW State involving both dryland production and limited irrigation. Irrigation is found along the banks of the Juba and Shabelle rivers, as well as using boreholes which are pumped manually or using diesel generators. Supplementary water for irrigation is from hand-dug shallow wells and dams and along the alluvial plains. Water harvesting mechanisms such as diversion furrows, check dams, and wells are used to maintain soil moisture.

There are signs of diversification to vegetables in the Baidoa hinterland in the form of market gardening. This supplies the growing urban market and reduces distance to market, thereby lessening post-harvest losses (which can reach 10-20% of the crop) and informal transit taxes. Perennial fruit is also grown, including bananas, guava, and citrus.

Farm mechanisation. Banks report growing interest in borrowing to buy farm machinery. This would principally be on the large commercial farms (40ha +) many of which are the remnants of socialist era enforced cooperative farming on state owned land. Borrowers could also be larger cooperatives. Some are substantial and, for example, the Bay Cooperative has turnover of \$1m. Many such farms are still worked manually with the result that large areas are left fallow (though this may also be the result of drought or the effects of insecurity). The credit facility has lent for the creation of a tractor dealership.

Mechanisation has benefits for farm incomes, agriculture wage labour and employment. Mechanisation raises labour productivity which is correlated with wages, thereby offering to increase farm incomes and earnings. In contrast, increasing land productivity has weaker effects on farm incomes and agricultural wages.

Baidoa Special Economic Zone. Prefeasibility analysis of a Special Economic Zone in Baidoa suggests that it should be for reduction post-harvest losses and manage storage and distribution of agriculture inputs. Three facilities are proposed: grains processing and logistics facility; horticulture cold storage and pack-house; and warehouses for agriculture input companies and distributors. Design of the zone is still at an early stage, with no decision yet on whether to proceed.

##### Objectives

The objectives of the assignment to estimate financing requirements for irrigated fruit and vegetable production and (b) agricultural mechanisation, as a basis for discussions with commercial banks on lending packages and for support to be provided by the Enterprise Development Unit in Baidoa in advising potential borrowers in these areas.

To estimate financing requirements for firms locating in the Baidoa Special Economic Zone (should it proceed).

September 11<sup>th</sup> 2022

### **Tasks**

Determine revenues, investment and operating costs of irrigated fruit and vegetable production, as a basis for estimating farm income effects in the Baidoa hinterland and more widely in SW State.

Estimate financing requirements for farm mechanisation by type of equipment, and the effects of alternative lending packages on farm income and ability to service loans.

## Annex 4

### Terms of reference for labour market needs analysis in Baidoa and SW State

#### Background

Despite being enclaved by insurgency, Baidoa's integration with the agricultural economy of the area is strong. Sorghum and other cereals are traded in Baidoa, as is livestock for export and for the domestic market. As such, Baidoa is effectively a dry port for agricultural trading and other goods. Wealth, livelihoods, and employment in Baidoa substantially reflect the health of the agricultural sector in SW State and more widely. Nationally, agriculture contributes a very high proportion of GDP<sup>22</sup> (at 62% of GDP the highest percentage in the world<sup>23</sup>). Agriculture will inevitably remain a driver of growth and a source of livelihoods and employment in Baidoa, SW State generally, and elsewhere in Somalia in the short and medium term.

This dependence on agriculture is reflected in high levels of agricultural employment (80% nationally), the second highest level in the world<sup>24</sup>. Yet, at the same time, Somalia has high levels of urbanisation relative to neighbouring countries. Somalia's urbanisation rate (the proportion of the population which lives in urban areas) is 46%, compared to 28% in Kenya and 21% in Ethiopia<sup>25</sup>. Of the 22 low-income countries in Africa, only two (the Gambia and Liberia) have higher urbanisation rates. In other words, despite Somalia being one of the poorest countries in the world with the world's heaviest dependence on agriculture, it has one of the highest urbanisation rates amongst the African low-income countries.

Unpublished analysis of the sectoral distribution of enterprises in Baidoa provides a rough indication of the composition of the Baidoa economy. This suggests that nearly half the enterprises were in trading, 19% in other services, 17% in crop and livestock production, and 14% in construction. The Baidoa Chambers of Commerce reports that members are all agricultural trading companies.

Earlier analysis of the structure of livelihoods in Baidoa town show that trade, marketing, and services dominate. Salaried employment is limited and is mainly with international aid agencies and non-government organisations. Casual labour was the norm. The livelihoods of those classed as *poor* and *very poor* were concentrated in firewood and charcoal, water supply, and meat, fruit and vegetable marketing and sales. The better-off worked in milk, transport, and finance and banking. Cash-for-work remains an important part of employment.

Almost all firms are micro and family-owned, although there are a handful of small companies (defined in Somalia as 1-49 employees), with turnover in the range \$1,000-\$5,000 monthly. The few medium companies (defined as 50-100 employees) have turnover of around \$5,000-\$20,000 monthly.

Many livelihoods are found in agricultural trade. Brokers play a central role in livestock trading, facilitating the transactions that are concluded both in and outside marketplaces in Baidoa. The sector also employs trekkers (hired by producers to move animals to market); feedlot operators (who fatten animals for sale); loaders (who operate at major marketplaces and load animals onto trucks); lorry drivers; and workers in market sale yards (who brand or mark animals after sale to prove new ownership).

Studies of sources of livelihoods for IDPs show that just over 40% have a small business or are self-employed, although the nature of the business is not defined. Some 7% worked as teachers and 3% as drivers or for government, with the remainder unemployed. Most IDPs depends on humanitarian assistance cash vouchers, conditional cash, and unconditional cash support.

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<sup>22</sup> The next highest contributions of agriculture to GDP are in Guinea-Bissau (52%) and Chad (42%).

<sup>23</sup> <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS>

<sup>24</sup> <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS>

<sup>25</sup> <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS>

There is a hotel and hospitality sector in Baidoa. This was growing before the COVID-19 pandemic but has been badly hit by falling demand. Despite this, there are thought to be around 20 hotels in Baidoa, thereby suggesting strong demand. Hotels in Baidoa city mainly cater for Somali nationals and sometimes business travellers from other African countries. There is also a hotel located within Baidoa airport which provides greater security<sup>26</sup>. High room prices for hotels suggests limited supply with new hotels recently developed. There are restaurants in Baidoa, but no systematic analysis of the hospitality sector exists.

There is also no analysis available of the construction sector in Baidoa, although reports that 14% of the Baidoa's companies work in this area mean this is an important part of the local economy. Some are companies based in Mogadishu with offices in Baidoa suggesting the emergence of larger nationwide construction companies. There are also numerous small construction companies (estimated at more than 100 such companies in Baidoa), with their main business concentrated on domestic properties, some of which are for the returning diaspora. They also work as contractors for municipal infrastructure development.

There are reports of skill shortages in the construction industry, particularly in graduate engineering professions. Casual employment in construction is the norm. Some of the investment in the construction sector in Baidoa is funded by the diaspora, including stone crushing machinery and brickmaking.

Manufacturing. There is little or no manufacturing in Baidoa. Evidence from other towns and cities suggests that water bottling, small furniture industries, and detergent and soaps may be found (given the use of by-products from the livestock industry). As in other parts of Somalia, initial processing of hides and skins for export for manufacture outside the country is also likely. Manufactured goods retailed in Baidoa (and elsewhere) are mainly imported.

## **Objective**

To assess skills shortages and needs in Baidoa as a way determining priorities for education and training.

## **Tasks**

Review demand for labour in Baidoa and surrounding areas, identifying areas of economy and sectors where labour demand is increasing.

Identify skills in shortage and outline how firms and other organisations are responding in meeting these needs.

Specify areas where training and education could help fill these needs.

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<sup>26</sup> <https://puntlandpost.net/2021/02/14/south-west-state-president-inaugurates-a-new-hotel-in-baidoa/>