

THE IMPACTS OF PRIVATE SECTOR ON ECONOMIC DEVELOPMENT

OF SOMALIA: A CASE STUDY OF PRIVATE SECTORS IN

WADAJIR DISTRICT

BY

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DECLARATION

I ABDULKADIR AHMED MAHAD do hereby declare that the work presented in this Research, is my own work and has never been presented before either in part or in whole to any institution of higher learning for any academic award.

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This Research thesis has been done under my supervision as a University supervisor and submitted to school with my approval.

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DEDICATION

I dedicate this thesis to my dear father **Ahmed Mahad** and my dear sister **Khadijo Ahmed** that encouraged me to pursue the masters Degree in project planning and management at **Kampala International University**. And I further extend my dedication to my dear wife **Umu-kaltumo Abukar**.

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LIST OF ACRONYMS

CVI	Content validity index
FGD	Focus Group Discussion
GDP	Gross Domestic Product
GNP	Gross National Product
MCH	Mother Children Care
NGO	Non Government Organization
UN	United Nation
UNOSOM	United Nation Operation Somalia

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ABSTRACT

The research aimed at assessing the impacts of private sector on economic development of Somalia, Wadajir district, Banadir region as a case study.

Both qualitative and quantitative techniques were used .The qualitative techniques was presented by use of tables and converted to percentages according to the themes, the data collection method used include questionnaires, Documentary view and the data was descriptive in nature. The objective of the study was to examine the major effects of private sector on economic development of Somalia. It aimed at establishing the existing efforts by relevant views towards the private sector. The General population of the District was estimated 125,031 the research population was 150 and the sample size was 108 respondents.

However, the private sector in Somalia has shown exceptional recovery and adoptability in the relevant circumstances of statelessness. Today, the entire Somali economy, including sectors that were formerly under the state control –healthy care delivery, public education, veterinary service, telecommunications, electric power, and water supplies, has been Privatized Due to unfavorable conditions of statelessness, there is no any public sector working in Somalia; all these private sectors are operating at minimum capacity, the business community can not make investment at present. One of the imminent features of Somalia's present day economy

is an outstanding of deregulated free market commerce, but under the absence of governmental regulatory body this led that many of the services to their customers substandard and hazardous to the wellbeing and the general healthy of the community .Under this circumstance of statelessness and civil conflict, the local business community contrived to jump-start local economy. They opened new private enterprises and restored old ones.

The finding of this study revealed that private sector has a great impact on economic development of Somalia; therefore the study agreed that private sector increases employment opportunities, business skills, infrastructural development, and poverty eradication. Meanwhile Most the study revealed that problems attributed the violent nature of the public sector today are over consumption of government funds, corruption programs, and ignorance among the society which was found to be the major cause of unemployment.

Therefore the findings of this study agreed that private sectors can be considered as the only way out of the all problems faced and as a major tool in the economic development of Somalia, since the sectors are managed by private ownership and government intervention only comes in to the rescue incase of poor administration.

In spite of this tangible economic progress in recent years in Somalia the challenges are hard to overcome or deal with and many to list because there is no national economic planning or supervision.

CHAPTER ONE: INTRODUCTION

1.0. Introduction

Somalia is a country in transition after years of civil strife the nature of Somalia state has changed and Somali people have had the extra ordinary opportunity to reconstruct their political, Social and Economic systems afresh, so this chapter focuses on the background of the study, problems of the statement, objective of the study, research questions, the scope of the study, and significant of the study.

1.1. Background to the Study

In 1991, the world shocked when civil war engulfed Somalia, the government collapsed and a humanitarian tragedy of unprecedented scale unfolded. The impact of 'state collapse' on human development has been profound, which involved mass loss of life, massive internal migrations and flight abroad, the collapse of political institutions, the destruction of social and economic infrastructure, and environmental damage. Somalis experienced the indignities of statelessness in restrictions on international travel, their marginalization in economic transactions, and a lack of national and international protection and security.

Civil war has led to a questioning of a single Somali sovereignty and has revealed the heterogeneity of Somali society and culture. At the same time, many Somalis in the Diasporas are investing substantially in their country through overseas remittances. (Randolph Kent, UNDP Resident Representative in Somalia)

At the start of the new millennium, Somalia has been in period of complex political, economic and social transition. Although Somalia without a single central government throughout the 1990s, politics, economics and development did not stand still. The early 1990s were a period of state fragmentation and a localizations of political authority in which varied structures of governance and authority emerged at community, district, and regional levels to fill the vacuum of central government. Since 1998, the process of state fragmentation and factional politics that characterized the early 1990s has given way to a process of consolidation and an evolution of broader political alliances based on more institutionalized and less violent forms of authority.

Somalia has lacked a recognized government since 1991—an unusually long time. In extremely difficult conditions, the private sector has demonstrated its much-vaunted capability to make do. To cope with the absence of the rule of law, private enterprises have been using foreign jurisdictions or institutions to help with some tasks, operating within networks of trust to strengthen property rights, and simplifying transactions until they require neither.

Somalia's private sector experience suggests that it may be easier than is commonly thought for basic systems of finance and some infrastructure services to function where government is extremely weak or absent. Somalia is the quintessential failed state. After the autocratic regime of Said Barre fell in 1991, the country collapsed into civil war. Peace has been established in some regions, but Somalia has only a limited government in the Northwest and no recognized government in the South. In these circumstances, the private sector has been surprisingly innovative. Competition thrives in markets where transactions are simple, such as

retail and construction. In more complex sectors, such as telecommunications and electricity supply, the private solutions are flawed but impressive: coverage has expanded since the 1980s, and prices are attractive compared with those in other African countries.

One of the major changes in the nature of the Somali state over the past decade has been the growth of the private sector. In the absence of an accepted central government, and in the context of weak and often ineffectual local governance, the private sector is playing an instrumental role in shaping development. (Randolph Kent, UNDP Resident Representative in Somalia)

1.2. Statement of the Problem

The private sector in Somalia recovered and adopted the violent circumstances of statelessness. The main issue or problem is to find out how the private sector can exist and develop in the absence of planning Authority. Despite this violent climate, tangible economic progress has been achieved without any national economic planning or supervision. Now Somali economy has been privatized. Sectors that were formally under the state control have been privatized.

1.3. Purpose of the Study

The purpose of this study was to investigate the impact of private sector on Economic development of Somalia in the absence of legitimate Government.

1.4. Objectives of the Study

1. To identify areas in which the private sector has developed
2. To find out the problem faced by the Somali private sector.
3. To identify the current state of Somalia private sector.
4. To suggest possible solutions and recommendations to the private sectors.

1.5. Research Questions

1. In which areas has the private sector Developed?
2. What are the problems facing Somalia private sector development?
3. How are the current state Somalia private sectors?
4. What are the possible solutions and recommendations to the problems of the private sector in Somalia?

1.6. Scope of the study

Wadajir district is located in Banadir region-Somalia. Wadajir district chosen because it includes the biggest Districts in Banadir region, and the District has many private companies and markets and the society of the district most of them are Business people. The District consists four clusters.

The researcher selected it as a case study Wadajir District which was select randomly in the markets of this Districts and these were and wadajir District market and Buulo- hubay market.

The study was based on the impact of private sector on Economic development of Somalia and Wadajir District was used as a case study. The research was studied the impact of private sector on Economic development of Somalia, The study was conducted in Wadajir district.

1.7. Significances of the study

The findings of this study may vary, and may slightly or greatly contribute to the understanding the impact of private sector on Economic development of Somalia. Nonetheless, it was overall help the growth of studies about the issue and was contribute to building the necessary steps to prove the impact of private sector on Economic development of Somalia. Also the finding of the study could be a basis for the further research in other areas in Somalia on the subject. It could at the same time provide literature for business people and other readers. The researcher findings and recommendations are also useful to the policy markers in Somalia.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

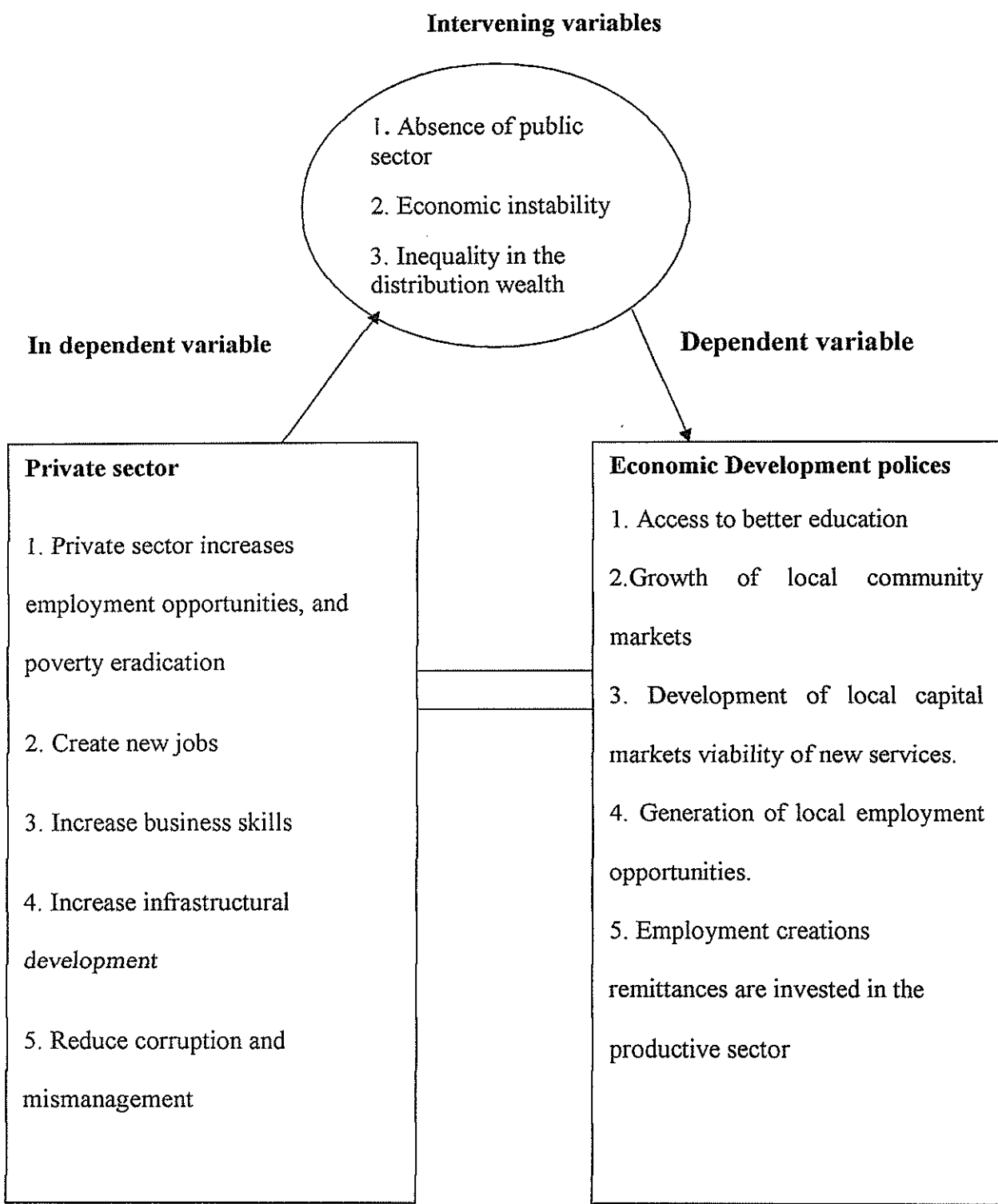
This chapter covers different scholars approach about the impact of private sector on Economic Development of Somalia. This mainly focuses on the theoretical and conceptual frame work.

2.1 Theoretical review

One of the major changes in the nature of the Somali state over the past decade has been the growth of the private sector. In the absence of an accepted central government, and in the context of weak and often ineffectual local governance, the private sector is playing an instrumental role in shaping development. This section examines the evolution impact of the private sector on economic development. There has been a boom in trade and services throughout most of Somalia. This presents a challenge to conventional aid policy, which tends to highlight the negative economic consequences of war and promote investment in areas of peace and stability.

The economic impact of the war in Somalia has certainly been devastating for many people and the benefits of economic recovery are unequally distributed. However, despite the chronic insecurity and lack of administration, investments by Somalis are probably greater in Mogadishu than in other parts of the country and Mogadishu's Bakara market has remained the most important market in Somalia throughout the conflict.

2.2. Conceptual frame work



2.3 Review of the related literature

Private sector “Part of national Economy made up of, and resources owned by private enterprises, it includes the personal responsible for allocating most of the resources with in the Economy”. Another Definition “private sector is that part of the Economy which is both run for private profit and is not controlled by the state”. (Marchal, R. (2000) Ecude Gove mentality)

2.3.1 Current state of the private sector development

The current Somali business class has developed in very specific circumstances in which violence has played a structuring role. During the 1991/92 humanitarian disaster wealth, market, and the state were linked within an economy of protection and extortion and certain business people embraced the ethos of plunder. To understand its post-civil war role, certain Features of the private sector should be noted.

First, the environment is too insecure to allow people to extend trust beyond strictly defined limits, normally of the family or clan. The high level of risk generates an individualistic and opportunistic ethos. This has led, in some instances, to negative business competition, Such as accusations against certain companies for financing political activities.

Second, the lack of security encourages a view that a rapid turnover of goods is the key to becoming rich. This can temper the element of mistrust since business people will, in certain circumstances; share the risks to keep a business going.

A third feature of the private sector is imitation. This has both positive and negative aspects. People are eager to draw lessons from the successes of others, but take insufficient care to analyze the failures.

The disasters seen in the lobster and meat export industries illustrate that only a few are prepared to invest the business capital required to meet export standards. Most entrepreneurs rush to identify where they can buy or sell, without thinking about the rules, the prices, or the sustainability of the market. Indeed, most traders do not accept that engaging in business may require investment, specific expertise, and rules and regulations. They sometimes have so little capital that extra value must be generated as quickly as possible to pay daily expenses, without affecting the capital needed for business.

Many people have dropped out of the market simply because they used their money to buy and sell goods without incorporating operational costs into their prices. Training person cannot solve these shortcomings because such mistakes are not due to ignorance of accounting, but the very understanding of what business is about. (Marchal, R. (2000) *Ecude Gove mentality*)

On the hand “One of the major changes in Somalia over the past decade has been the growth of the private sector. Economic deregulation and privatization have accompanied the radical localization of governance. The growth of the private sector is closely linked to processes of globalization.

In the context of weak and often ineffectual public administrations, the private sector is playing an instrumental role in providing social services and shaping development. As a market economy has replaced a centrally planned economy, development had become market-driven rather than government-led." ("Human Development Report 2001: Somalia")

"There are a lot of opportunities to do a lot of different things without someone saying you Can't.... I think that if we can build on our strength, that is, basically, peace, we can achieve a Lot. I think a lot of people are sick of fighting. People just want to get on with their lives and Make the most of it." – (*Moustapha Osman, export-importer, quoted in "Entrepreneurs of Somali", Dave Fick, 2002*).

"Today, it's up to you to run as fast as possible. Government has nothing to do with any kind of business. It's free now, and we want to keep it that way" (*Elmi, owner one of the Hotel, quoted in "Commerce Rises from Ashes in Somalia", Ann Simmons, Los Angeles Times, 1998*).

2.3.2 Economic development

Development may have different meaning to different economic experts. The two terms are used interchangeably but are not identical. Economic growth refers to an increase in country's income or production to realize economic growth.

On the have, development refers to economic growth a combined by change in output

distribution and economic structure as whole. These changes may include; improvement in material well-being of the poorer half of the population Decline in the agricultural production and corresponding increase of manufacturing; finance; construction and, government administration; an increase in education and skills of lab or force. It is important at outset that we have some working definition or core perspective on its meaning. Without such perspective and some agreed on measurement criteria, we would be unable to determine which country actually developing and which not. This was our task for analysis during our studying. The word development traditionally meant, the capacity of a national economy whose initially static for along period of time and sustain an annual increase in which its gross national product at rate perhaps 10% to 15%. UNICEF (2001).

2.4 Factors of development

There are some factors that limit whether the country is in the developing nations or under developing nation.

2.4.1 Natural resources, land and climate

Those land and natural resources are considered non-renewable resources. Those resources cannot replenish again through production. The contrast of this is capital which is renewable. It is reinvested to create return that should be converted into capital of the next year.

The land which is the most important resources after human resource is under the concept of scarce which means that the useful area of land for different types of agricultural production is not enough compared by endless human needs.

Even though there is a large areas of the land are still new, but new arable land is continually created through drainage, irrigation and the use of fertilizer. Although lands and other natural resources look identical but they can be distinguished clearly land is immobile resource and potentially renewable trough one of the ways that has been mention above.

On other hand, natural resources beyond the land are mobile and most of them are non-renewable. It can be removed from one position to other, but it impossible to re- creates. The example of non-renewable natural resources include: petroleum, coal and gas. (UNDP 2001 Human Development Report in Somalia)

2.4.2 Arid and semi arid of land:

A desert is an area of land with little vegetation because of insufficient rainfall. That means, the ratio of rain is less than 25 centimetres annually, so that, the soil of that area is solid.

In spite of today's technical advance, about 23% of the earth's land is desert or arid. The words arid and desert are interchangeable. About 20% of our land is semi arid also. It is desert but not the same as those in arid land. (UNDP 2001 Human Development Report in Somalia)

2.4.3 Energy availability

As same as other factors of development energy is basic element of development. The most

concern of today's world is energy which is not-renewable resource as we noted above. The change in the technology in the technology has a major impact on energy. It is from oil to sun and nuclear source and more modern that ones.

Energy is the most difficult factor according to third world countries they can not establish even from the wind and let along the modern one. We Somalis have that problem sharing with the rest of the African and third world countries. It is impossible to get enough basic electricity of the home or offices. (UNDP 2001 Human Development Report in Somalia)

2.5 Business and social structure

The specificity of the social environment is critical to the way that business organizations are established and operate. Somalia is no exception. The business sector can only be understood in relation to the social fabric of society and Somalia's contemporary political economy. (Cassaneli, L. (1982) the Somalia society)

2.5.1 The market and social relations

The institution of *abbaan* illustrates that the linkage between business and clan is not a simple one. The market in Somalia is not solely structured along narrow kinship lines and the way clan identity is managed is often complex and ambiguous. The classic case of 'adoption' among the clans, whereby people adopt the lineage of those they settle among, is more common than is assumed.

Men will often seek to mobilize kin relations in their maternal clan, as well as those of their grandmother and wife, in order to maximize support and access to the whole of society. There are also other socializing identities besides that of clan. Assistance and support can be sought and given without consideration of kinship. Friendships among schoolmates, for example, commonly play an important role, as do relationships between former neighbors or business partners, particularly among women. (Cassaneli, L. (1982) the Somalia society)

2.5.2 Social regulation of the market

The Somali economy does not operate on the basis of a totally free market. In the absence of a state, other forces including kinship, security, and violence play a role in regulating the market. Business people do not all belong to the most powerful clans; neither do they all have equal access to the market.

However, those from unarmed or less powerful clans do have higher transaction costs because they are dependent on others for the protection of their business and their life. They are therefore unlikely to gain the most lucrative contracts (especially those related to foreign aid) unless they are acting as a front for others who can provide protection. Nevertheless, this does not stop some business people from provoking security incidents to slow down the delivery of certain goods and keep commodity prices high. (Cassaneli, L. (1982) the Somalia society)

2.6 Business and politics in Mogadishu

The stakes have always been very high in the south because Mogadishu is perceived by the leading factions as the core of Somali sovereignty. In the 1990s, the two main Mogadishu factions and their administrations initially received support from their associated business people. Both failed, however, to provide an effective administration in the territory they claimed to control, or to build a police or military force that could have provided security for businesses and access to markets. Their one success to establish a loose system of taxation on the import-export trade and to establish alternative international outlets to Mogadishu seaport and airport. The main function of so-called 'ministers' and high-ranking civil servants in the cabinets to use their positions to provide tax exemption to business people of their clans in return for financial support. This practice and the consensus within clans on their stake in the factions, instrumental in building common agendas between the political and economic elites. The bond between faction leaders and business people, however, fragile. Business people who invested in the administrations lost huge amounts of money and this resulted in a growing disregard for the authority of the faction leaders. The failure of the Banadir Administration in 1999 signaled an end to that relationship, although even before this the business class developing alternative strategies. Islamic Courts provided one such alternative.

The purpose of the first courts established in north Mogadishu in 1994 to counter increasing banditry. Because of the increasing cost of security, business people supported the courts to ensure that they and their customers had access to local markets. (Olson, M. (2000) power and prosperity)

2.7 The New Business Class

In analyzing the transformations in the Somali economy and the business class since 1991, it is important to be aware of several distinct periods and the differential impact of the civil war and state collapse. After 1991, the impact of the civil war was greater in Southern Somalia than in the north. Between 1991 and 1992, the situation throughout Somalia was generally catastrophic. The UN intervention of 1992-1995 had an important social and economic impact in the south and it is from that period that a new business class emerged. Another group of business entrepreneurs emerged after 1998 as migrants and refugees returned from North America and Canada. It is also important to recognize that the current business classes in southern is comprised of individuals with very different backgrounds. (Olson, M. (2000) power and prosperity)

2.7.1 The re-creation of a business

Class in Mogadishu the most radical changes occurred in Mogadishu in 1991. Many members of the business class, who were either linked to the former regime or were from clans not allied to the dominant clan in Mogadishu, fled the capital and the country to Kenya, Tanzania, Dubai, and Yemen. Ironically, after 1993, some of those who had fled became partners with those who had taken over their economic role inside Somalia.

Others chose to stay out of the market because the war radically changed commercial practices. A common reason was that much of their capital existed in forms that could not be used as guarantees because all financial institutions had been destroyed. Not all of the current Somali business people in Mogadishu are newcomers.

In addition to those who had been members of the economic elite, other small and medium-size traders who had been involved in the informal economy seized the window of opportunity. They had a good knowledge of the market and were members of commercial networks that could access foreign countries such as Dubai, Kenya or Saudi Arabia and supply essential goods. They were also accustomed to managing risks, and their social background made them closer to the militias who could either protect or loot their assets. This social group became prominent in business, and in 2000, a significant proportion of big business people in Mogadishu were in this category of traders. (Kasfir, N. (1998) conventional nation of civil society)

Another noteworthy category consists of people who benefited from the looting of Somali properties and international aid. Between 1991 and 1992, figures provided by the Dubai Chamber of Commerce and Industry indicate that there was a significant export of machines, copper, and scrap metal from Somalia. Within this group, one could include those masquerading as local NGOs who accumulated a share of the international humanitarian aid.

Militias who spontaneously demobilized and became involved in small and medium level trade during the time of UNOSOM constitute another group. Whatever the political limitations of UNOSOM, it willingly or unwillingly offered substantial economic opportunities to new traders in Mogadishu.

There is probably a higher concentration of business women in Mogadishu compared to other areas of Somalia. This group of women is also not homogeneous and ranges from petty traders to very wealthy international traders. The most powerful business women obtained their capital in the 1980s. Others developed their businesses during the war.

A final group comprises people from the Diasporas, who began to return to Mogadishu from 1993 onwards and considerably increased in number after 1998. They have had significant political influence and include, for instance, those who have established the TV networks and the FM radios in Mogadishu. (Kasfir, N. (1998) conventional nation of civil society)

While much has been made of the importance of looting as a way of raising commercial capital, there were other means as well. Some households sold assets such as women's gold and jewelers in order to resume trading. Others sold properties, especially in 1992 and in 1995 after the departure of UNOSOM II, when the political situation was gloomy and economic needs were most acute. Remittances, however, provide the largest share of working commercial capital.

Relationships between members of the current business class are not always easy. During Unisom's time, for example, members of the established elite publicly criticized the new entrepreneurs who looted and destroyed national assets. The latter retorted that the plundering of the state started during Barre's time and that it was not only the President's relatives who had benefited. (Kasfir, N. (1998) conventional nation of civil society)

2.8 The Business Sector in Shaping Economic Development

Civil society in the former Somalia was almost nonexistent. Social groups that could have emerged as autonomous stakeholders in the political and economic arenas were kept under the control of patron-client networks rooted in the state apparatus. The business class is a good example of this. Its dependence on the state for major contracts and opportunities meant that it could not claim to be part of civil society. Business people and politicians were promoted because they were the partners of officials who were too well known to appear in business circles, rather than for their business skills.

Using the same set of criteria, they could be arrested, jailed, and bankrupted. Business organizations like the Chamber of Commerce were used by the state to promote its clients. The only way to survive and increase one's share of the market was through political patronage.

The role of the business sector has changed through the civil war. There is a greater consciousness among Somalis about the role that the private sector could play in generating economic prosperity and supporting social services in a more stable setting. This is clear from the way investments are no longer constrained by 'political' or 'clan' boundaries.

The emergence of the Islamic Courts in Mogadishu indicates that some sections of the business community may be prepared to play a more formative social role if politicians prove

ineffective. The situation, however, remains far from ideal. Four issues are paramount in promoting economic prosperity and job creation.

The first is the need for the business community to be autonomous from other stakeholders.

Second is the difficult question of representation.

Third is the regulation of the market and offering a sense of justice, both in terms of allocation of resources and in the sense of a legal operational framework.

Fourth is the need for social responsibility among the business class; one that enables Somalis to participate in the private sector and that manages public goods for the good of the population in the absence of an effective government. (Cassanelli, L. (1982) the shaping of the Somali society)

2.9 Problems faced by the Somalia private sector

After a decade of civil conflict and state collapse, Somalia's private sector and civil society are playing crucial roles in providing people with opportunities to reconstruct their political, social, and economic systems, according to a new report by the United Nations Development Programmed (UNDP). "Somalia is a country in transition," says Randolph Kent, UNDP Resident Representative in Somalia. "The strength of a society is never put to a greater test than when it is confronted with the task of recreating itself."

The 2001 Human Development Report for Somalia, which was launched on that time in Nairobi, Kenya, provides a timely analysis of Somalia in transition. The report also presents the most comprehensive information on the country over the last three years and serves as a basis to analyze and assess the needs of the Somali people.

One of the major changes in Somalia, according to the report, has been the growth of the private sector in the last decade, during which the country has been without a national government. Development has become market-driven rather than government-led, with the private sector playing an instrumental role in providing social services and shaping people's lives. However, cautions the report, this increased role is unlikely to improve equity, wealth distribution and welfare. With more than one million Somalis living outside the country, adds the report, the Somali society has been essentially globalized, exposing it to both the beneficial and harmful effects of globalization. Trade deregulation, for example, has facilitated the expansion of international trade networks throughout the country. That deregulation, however, is also facilitating the flow of weapons, the dumping of poor quality drugs and expired foodstuffs, and is weakening disease surveillance and control in the important livestock trade.

The Somalia National Human Development Report also says that some Somalis have made economic gains over the past decade, and there have been significant developments in communications technology and economic infrastructure. These technologies have facilitated the operation of traditional financial systems for the remitting of money from the Somali Diasporas to Somalia. Cultural changes are also apparent in the enhanced role of traditional

institutions in governance and the greater economic role of women. (Randolph Kent, UNDP Resident Representative in Somalia)

2.9.1 Economic Instability in Somalia

Most of Africa has been under European rule from the early 1900s until the mid 1900s. Some nations that were under imperial rule have developed into nations with very few problems, while others have not. Somalia is one of the nations that has struggled and still does today in order to function well. It is one of these rare places where there is ongoing civil war and it has no central government. Somalia is in a state of anarchy because it had problems after their president got assassinated in 1969, it has many economic problems, and native clans in Somalia are constantly fighting with their foes. If Somalia can solve these problems, it was able to function very well and gain a government that will suite them well.

Since Somalia had been granted independence in 1960, Somalia did have a well working parliamentary democracy for nine years. During the nine-year period of parliamentary democracy that followed Somali independence, freedom of expression was widely regarded as being derived from the traditional right of every man to be heard.

The national ideal professed by Somalis was one of political and legal equality in which historical Somali values and acquired Western practices appeared to coincide Somalia.

In addition to the ongoing struggle for a leader, they have had immense economic problems. One of the world's poorest and least developed countries, Somalia has few resources.

Moreover, much of the economy has been devastated by the civil war. Agriculture is the most important sector, with livestock accounting for about 40% of GDP and about 65% of export earnings. Nomads and semi-nomads, who are dependent upon livestock for their livelihood, make up a large portion of the population. Crop production generates only 10% of GDP and employs about 20% of the work force. After livestock, bananas are the principal export; sugar, sorghum, corn, and fish are products for the domestic market. The small industrial sector, based on the processing of agricultural products, accounts for less than 10% of GDP; most facilities have been shut down because of the civil strife. Moreover, ongoing civil disturbances in Mogadishu and outlying areas are interfering with any substantial economic advance (World rover: Somalia). This weak economy discourages people to run the country. Without any source of good profits in Somalia, it is worthless to try to stabilize it with all the work it requires. It is part of human nature to become powerful and wealthy but with all the work and effort that was needed to give Somalia a functioning government, it is worthless to try if at the end you get very little. (Randolph Kent, UNDP Resident Representative in Somalia)

CHAPTER THREE: METHODOLOGY

3.0. Introduction

This chapter presented the various sections that portray how the study was handled. Including the selection and justification of the research design, the research population, sample and sample procedure, the instruments used in used data collection and analysis are also explained in details and limitations of the study.

3.1. Research Design

This study conducted through case study design to identify the impact of private sector on Economic Development of Somali: A case study Wadijir District Banadir region-Somalia. According to Amin (2005), *case studies has been defined as an empirical inquiry that investigates a contemporary phenomenon with it's real life context; when the boundaries between phenomenon and context are clearly evident and in which multiple sources of evidences are used (Yin, 1994)*. It is also chosen this case study design to observe and stress on getting the story behind a participant's experience.

3.2. Research population

This study has been conducted in Wadajir District Banadir region - Somalia as case study Of wadajir District with *a population* estimated 125,031, the Research population of the study was 150. The sample size of this study 108, the reasons chosen this District to collect data are: Wadajir District chosen because it includes the biggest Districts in Banadir region and the

District has many private companies and markets and the society of the district most of them are Business people.

3.3. Sample and Sample procedure

This study employed both probability and non-probability sampling technique in selecting sample of representative of sample. However this Research applied purposive sampling in selection Wadajir District Banadir region Somali. The sample size was consists of 108. The sample size has been represented four clusters of Wadajir District namely: - Janaral Da'ud, Xaawo Taako, Xalane and Timo cadde, each category has equal proportion to the sampling chosen and it is 27 respondents.

The data collection of this study started when the proposal was approved. The researcher was given an introduction latter from the office of the faculty of social science. The researcher distributed 108 questionnaires in Wadajir District Business private sectors.

After data collection was carefully done, data organizations followed manually and it was done precisely. After the researcher has organized in a proper way interpretation was followed and ready for analysis this study has been done between August 2009 - January 2010"after drafting the report language editor has been asked to read, re-read to provide assistance on language errors.

Then the final research report was submitted to the Kampala International University School of postgraduate studies and research on by end of January for examination.

3.4 Research instruments

The instruments used by this research were:-

3.4.1 Questionnaires

This refers to the collection of items to which the respondents have been required to fill in the questions asked by the researcher. The questionnaires were included close ended questions and open ended question aimed at getting all necessary data from respondents the researcher believes these data collection methods or techniques enabled him to successfully collect reliable data and that is the reason behind why they were optioned.

3.4.2 Documentary review

This method involves reading documents related to the private sector records. It advantageous because it enabled the researcher to get first hand information through critical examination of recorded information. It was also used to cross check information received from other research procedures.

3.5 Validity of the research instruments

To measure the validity of the research instrument, the researcher used content validity index (CVI) approach. The research circulated the research instruments to the three judges to assess every item in the instrument as valid (V). Then the inter judge coefficient of validity is calculated as:

$$\text{Inter judge coefficient} = \frac{\text{Number of judges declared item valid}}{\text{Total number of judges}}$$

Amin (2005) confirms that the process is repeated for all the items in the instruments. Then the average of number of items valid is calculated to get the CVI. According to Amin (2005), if the CVI is form 0.7 above it is accepted. Therefore it was accepted because the CVI was 0.79. (For the calculation see APPENDEX B)

3.6 Reliability of the instruments

Reliability of both private sector instruments was established through a test- retest method. The researcher conducted a pretest for the two questionnaires in private sector in Wadajir District. And retest was conducted after two weeks in the same district to the same respondents and it gave the result. This could show the consistency. Therefore, the instrument was valid.

3.7. Data processing

Data that was collected in the field were presented by using statistical tabulation. Other statistical tools used in the analysis of information. Various methods was used to interpret and analyzing data. These included, the direct interpretations, which were done through direct interpretation of the individual that instances the researcher, come across. Qualitative research tends to stress to the application of direct interpretation as opposed to formal aggregation of categorical data as is the case with quantitative research.

3.8 Limitations of the study

The Researcher faced number of problems including:-

1. Some of the respondents didn't know English language so translating local language into English is difficult.
2. Lack of proper statistical data primarily on the subject matter.
3. In security blocked researchers to reach some specific places where to find some statistics may be found.

CHAPTER FOUR: DATA PRESENTATION, INTERPRETATION AND ANALYSIS

4.0 Introduction

This chapter covers background information of the respondents, data presentation, critical data interpretation and analysis.

4.1. Background Information of the Respondents

This part presents the background information of the respondents who participated in this study. The purpose of presenting this background information was to find out the characteristics of the respondents and show the distribution of the population in the study.

Table 4.1: Respondents Gender

Respondents	Frequency	Percentage %
Male	50	46.3
Female	58	53.7
Total	108	100

Sources: Primary data.

According to the table 4.1 Most of the respondents were female with over (53.7%) whereas the others were male with (46.3%). This is a like a sign of Somali egalitarianism, or a sign of changing times where men and women are equally likely to head a household. It is also likely that women seek help as much as men with the same outcome, therefore this implies there was equal participation of both males and females and researcher was able to get reliable information from the respondents without any favoritism.

4.2 Age of the respondents in the impacts of private sectors

The researcher collected quantitative information about the age of the respondents and the results were drawn in the table below

Table 4.2: showing the age of the respondents

Age bracket	Frequency	Percentage %
20-30	40	37.03
31-40	20	18.51
41-50	30	27.8
51-60	10	9.26
60 above	8	7.4
Total	108	100

Sources: primary data.

Table 4.2. The research findings revealed that the majority of the respondents were aged between 20-30, 40 respondents, those with the age between 41 of 50 were 30 and those of 31-40 were 20. Further result revealed that the respondents who were aged between 51 of 60 (the old aged workers) whereas those above the age of 60 were 8.

4.2 Research question one: In which areas has the private sector Developed?

Research question one is derived from the objective one and the respondents were asked many questions that answer the research question and some other question which are supplementary to.

Table 4.3: Regions Developed in private sponsors

Clusters	Frequency	Percentage (%)
Janaral daud	58	53.7
Xalane	20	18.52
Xawo tako	20	18.52
Timo cade	10	9.26
Total	108	100

Source: field data

According to the information in the table 4.3 above as collected by the researcher, the most benefiting region is Janaral daud with 58 (53.7%) succession in private sectors whereas the other regions like Xalane and Xawo tako come next with approximately 20 (18.52%) followed by Timo cade as shown above 10 (9.26%), private sector has brought up economic development in these regions and the society is developing both economically and politically.

The researcher also agrees that the most regions are benefiting from private sectors unlike decentralization. This has helped the mentioned regions to attain economic development and different fields, people have been employed and infrastructural development has been viewed, all as a result of private sectors.

4.3 Research question two: What are the problems facing Somalia private sector development?

The research question two is derived from the objective two there are some questions that answer this research question.

4.4 Tribulations facing Private sectors.

The researcher gathered information on the problems of facing private sectors. Table 4.4 below shows the results.

Table 4.4 Problems of the Private sectors

Problems	Persistent insecurity	Poor administration	Inadequate infrastructure	Political instability	Total
Frequency	14	19	25	50	108
Percentage %	12.96	17.59	23.15	46.29	100

Source: Field data.

From table 4.4 it is worth noting that the tribulations of the respondents are a crucial factor in understanding of the impacts of private sector in the economic development of Somalia.

So, Insecurity of District 14 (12.96%), poor administration 19 (17.59%), inadequate infrastructure 25(23.15%) and political instability 50 (46.29%)

Most problems attributed the violent nature of the private sector today to over consumption of government funds and corruption programs because most officials had been used as avenue for inciting black mailing apparatus by politicians and community leaders and even using public sectors as a mechanical tool to do destruction in term of personal satisfaction, which led to the loss of government sectors funds and causing bankruptcy.

Private sectors can be considered as the only way out of the all problems faced and as a major tool in the economic development of Somalia, since the sectors are managed by private ownership and government intervention only comes in to the rescue incase of poor administration.

The researcher analyses into details the efforts by various stakeholders including the government, local community, media owners, and civil society. It further studied the problems of private sectors with relative problems such as Economic instability, chronic insecurity, poor administration, inadequate infrastructures. Somalia as a nation has been in terrible moments mostly because of the unstable political affairs which have caused many of the country's sectors to remain private owned.

4.4 Research question three: How is the current state Somalia private sector?

The above research is derived from the objective three and the respondents were asked many questions that answered research questions.

Table 4.5: The current state of Somalia's private sector

Clusters	Frequency	Percentage (%)
Janaral daud	50	46.29
Xalane	20	18.52
Xawo tako	28	25.93
Timo cade	10	9.26
Total	108	100

Source: Field data.

Table 4.5 shows the current state of Somalia's private sector, it shows Janaral daud as the main region with private sectors at a percentage of 50 (46.29%) and Xalane following with a percentage of 20 (18.52%) followed by Xawo tako with 28 (25.93%) and Timo cade with 10 (9.26%).

The researcher agreed that the Private sector in Wadajir District is currently at a high rate (Developed) in some areas whereas in other areas it's at a low rate (undeveloped). So that some areas of Somalia are affected by wars and therefore there are little chances of economic development whereas other areas without war problems are developing ironically.

Table 4.6: Society agreement with privatization

Population	Privatization	Decentralization	Total
Frequency	80	28	108
Percentage %	74.07	25.93	100

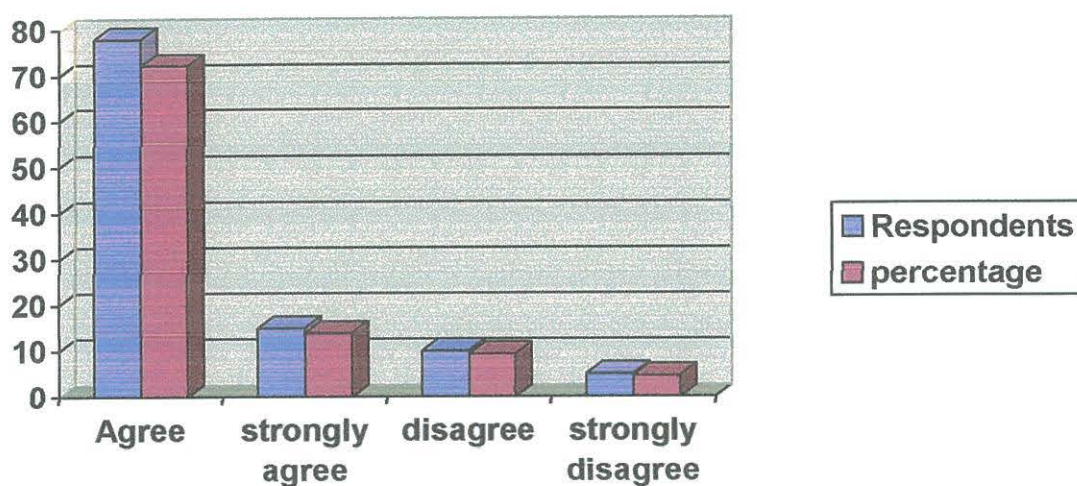
Source: field Data.

The table 4.6 indicates that three quarters of the society which is 80 (74.07%) agreed with private sector ownership after revising its effects and 28 (25.93%) disagreed with private sectors in favor for decentralization as the main view of the nation's economic development. According to the information listed above it shows that the society reviewed the effects of private sectors in the economic development of Somalia and the 74.07% of the respondent out of a hundred approved that privatization is the main solution to the economic development of Somalia.

The impacts of private sectors in the economic development of Somalia played a big role according to the population of Somalia, from an analysis got by giving the population some questionnaires indicated according to their reviews that economic development is greatly boosted by privatization. The researcher collected the questionnaires after a number of people had filled it with their opinions, the following information was collected.

The researcher in his effort to gather the information gathered the society involvement with private sectors and after enlightening the people about the merits and demerits he gained the above information from peoples own views.

Figure 4.1: A graph showing the role the private sector has shaped in the economic development of Somalia.



S

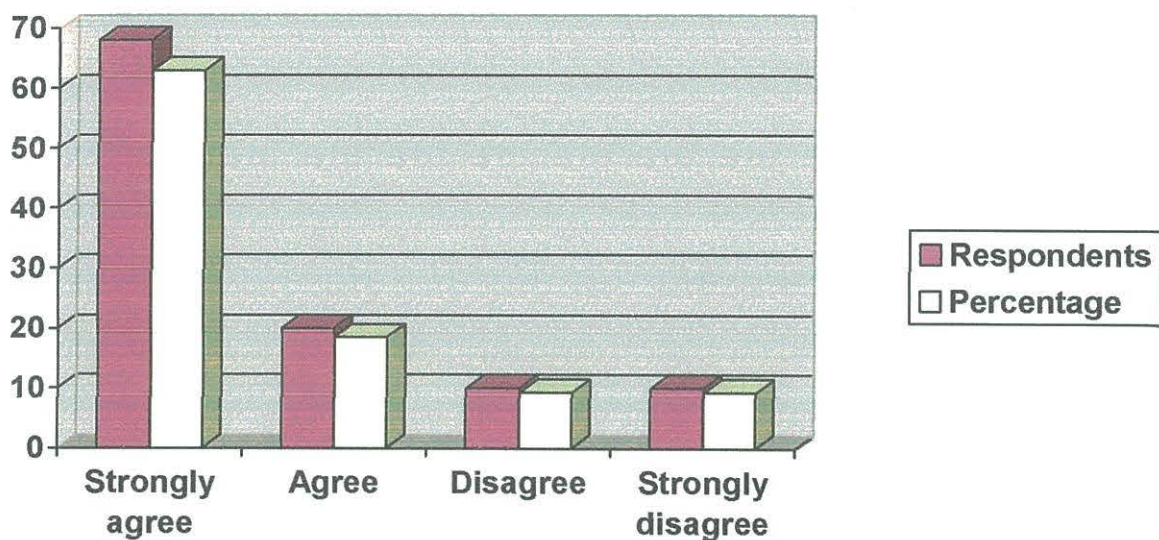
ource field data

Figure 4.1 the information above shows people's response about the private sector's role in shaping the economic development of Somalia. The majority which is about 78 (72.22%) agreed with the issue that privatization plays a big role in the economic development of Somalia, whereas 15 (13.9%) of the population strongly agreed with privatization giving their reasons and considering decentralization as the major issue and a merit to boost the economy of Somalia.

The other portion of the respondents 10 (9.26%) disagreed with privatization, whereas 5 (4.62%) strongly disagreed with the issue of private sectors sticking on decentralization.

In the questionnaire another question was raised being is the population of Somalia benefiting from private sectors, the researcher collected enough information from peoples opinions and the following information was gathered as shown below.

Figure 4.2 A graph representing the information of people's opinions about private Sectors being beneficial to the society.



Source field data

The figure 4.2 the results above show that most of the number accepted and strongly agree 68 (62.96%), 20 (18.52%) agree, while 10 (9.26%) disagree and 10 (9.26%) strongly disagree. that private sectors have than a great role in the economic development of Somalia and that the main benefiting area is the society, some reasons were given for this agreement which

included employment opportunities, business skills, infrastructural development, poverty eradication among others, the reasons mentioned were experimented and the results showed that the fact was listed and private sectors were playing a big role in the economy growth of Somalia.

The minority of the population disagreed with this issue raising their points about privatization such as poor administration and embezzlement and they considered decentralization better because the power of management and administration is left to the central government. Others strongly agreed whereas the other number strongly disagreed with the issue that private sectors have caused great development to the society.

Table 4.7: Showing whether people are employed due to private sectors.

Response	Frequency	Percentage %
Yes	98	90.7
No	10	9.3
Total	108	100

Source: field work

Table 4.8 indicates that the majority of the respondents with a response of 98 (90.7%) said yes, while 10 (9.3%) said no, this result reveals that a number of people have been employed

through private sectors unlike decentralization; now many people have employment opportunities and are earning a living.

According to the information collected by the researcher, it clearly indicates that private sectors have benefited the regions due to employment opportunities since many people now are earning salaries and skills through the companies.

The respondents that were given the questionnaires revealed that many citizens of Somalia are now earning income through private sectors and economic development has been viewed in the regions that are mostly covered by privatization other than decentralization which is now considered as a hindrance to economic development.

Table 4.8 Showing whether the government revenue is increasing through privatization.

Response	Frequency	Percentage %
Yes	90	83.3
No	18	16.7
Total	108	100

Source: field data

Table 4.9 indicates that the majority of the respondents with a response of 90 (83.3%) said yes, while 18 (16.7%) said no, the government is earning little funds from private sectors.

The government is becoming the major benefactor of private sectors because it earns revenue from the goods that are exported or imported and so the private sectors are earning the government much income through taxation.

The researcher's information indicates that private sector is a major impact that boosts the economy of Somalia, private sectors are managed by private owners and taxed by the government which benefits all parties since private members of the society are employed to run the company and the profits extracted benefit the private people or the society other than the government and yet the government also gets its income through taxing the private sectors.

CHAPTER FIVE: DISCUSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter covers Discussions of the findings, conclusions, recommendations and topics for further research studies.

5.1 Discussion

Areas has the private sector Developed

The research was organized to establish out the impacts of private sectors or privatization in the economic development of Somalia. It also analyzed the advantages of privatization including the government taxation, economic development, employment opportunities, among others. The researcher found out that the respondent who answered the questionnaire, that the private sectors of Somali has been growth and developed some areas in the last decade.

The finding of this study similar to the Human Development Report 2001: Somalia “One of the major changes in Somalia over the past decade has been the growth of the private sector. Economic deregulation and privatization have accompanied the radical localization of governance. The growth of the private sector is closely liked to processes of globalization.

In the context of weak and often ineffectual public administrations, the private sector is playing an instrumental role in providing social services and shaping development.

As a market economy has replaced a centrally planned economy, development had become market-driven rather than government-led.”

Problems facing Somalia private sector development

Most common forms of problems impacted private sectors included political instability, poor administration, corruption and embezzlement. Whereas all forms of demerits have results, the findings show that public sector is ill prepared to address the government of Somalia.

On the hand the researcher analyses into details the efforts by various stakeholders including the government, local community, media owners, and civil society. It further studied the problems of private sectors with relative problems such as Economic instability, chronic insecurity, poor administration, inadequate infrastructures. Somalia as a nation has been in terrible moments mostly because of the unstable political affairs which have caused many of the country's sectors to remain public owned. however the survey findings reveal that despite the fact that the locals know about private sectors, no specific government programmes have come up to address the problem because those who are affected do not break the silence.

The finding of this study similar to Randolph Kent (2001) who have said “Somalia is one of the nations that has struggled and still does today in order to function well It is one of these

rare places where there is ongoing civil war and it has no central government. Somalia is in a state of anarchy because it had problems after their president got assassinated in 1969, it has many economic problems, and native clans in Somalia are constantly fighting with their foes. If Somalia can solve these problems, it was able to function very well and gain a government that will suite them well”.

Current state Somalia private sector

Society agreement with privatization

The impacts of private sectors in the economic development of Somalia played a big role according to the population of Somalia, from an analysis got by giving the population some questionnaires indicated according to their reviews that economic development is greatly boosted by privatization. The researcher collected the questionnaires after a number of people had filled it with their opinions, the following information was collected, and the most people agreed that the current state of Somali private sector is privatization and that is most benefit able today in Somalia.

The role the private sector has shaped in the economic development of Somalia

The majority of the respondents agreed with the issue that privatization plays a big role in the economic development of Somalia, whereas others of the population strongly agreed with privatization giving their reasons and considering decentralization as the major issue and a merit to boost the economy of Somalia.

The other portion of the respondents disagreed with privatization, so most of the community supporting to the privatization.

Private sectors being beneficial to the society

The results show that most of the number accepted that private sectors have than a great role in the economic development of Somalia and that the main benefiting area is the society and owners of the private sectors, some reasons were given for this agreement which included employment opportunities, business skills, infrastructural Development, poverty eradication among others, the reasons mentioned were experimented and the results showed that the fact was listed and private sectors were playing a big role in the economy growth of Somalia.

Employed due to private sectors

According to the information collected by the researcher, it clearly indicates that private sectors have benefited the regions due to employment opportunities since many people now are earning salaries and skills through the companies the respondents that were given the questionnaires revealed that many citizens of Somalia are now earning income through private sectors and economic development has been viewed in the regions that are mostly covered by privatization other than decentralization which is now considered as a hindrance to economic development.

General recommendations

1. The researcher recommends that there should be further assessment and investigation on the impacts of private sectors on the population alongside other factors like illiteracy and permissiveness, corruption, among others.
2. The government should caution private companies to observe and adhere to non corruptive standards so as to reduce the impacts of public sectors on the society. This can be done by strengthening the power of Somalia's population.
3. The investors should be professional officials rather than people who are not professionally trained in the field of business and administration because they don't observe professional code of ethics.
4. The government should have a central coordination authority for coordination, mobilization of psychological support and protection at all levels including the district and sub county levels Addressing private sectors is a shared responsibility as its negative impacts cut across all development sectors and levels. Duty bearers (government departments and agencies, media owners, journalist fraternity, local government, civil society, community members, parents, civil and political leaders) need to strengthen collaboration and establish systems to prevent public sectors from affecting the society by strengthening both investors and business men in Somalia.

5.4 Suggestion Further Research

The researcher recommends future research on the following areas:

1. The social economic impact of remittance recipients in Somalia.
2. Somali trade after the civil war.
3. The impact of the globalization and localization on economic development.

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APPENDIXES

APPENDIX A INSTRUMENTS

APPENDIX A1 QUESTIONNAIRE

Dear respondent,

I am student at KAMPALA INTERNATIONAL UNIVERSITY studying Master of Arts in Project Planning and management, this questionnaire has been prepared for Data collecting THE IMPACTS OF PRIVATE SECTOR ON ECONOMIC DEVELOPMENT OF SOMALIA: A CASE STUDY OF PRIVATE SECTORS IN WADAJIR DRISTRRICT.

The purpose of the questionnaire is only for academic reasons and the information you provide treated with almost was confidentially.

So I kindly request you to answer these questions fully and honestly.

Your assistance will be highly appreciated.

DIRECTION: please tick in the blanks and response the direct questions.

A. profile of the respondent

1- Age Bracket:

15 - 25

25 -35

35 -45

45 & above

2- Gender:

Male

Female

3- Material status:

Married

Single

Widow

Divorced

4- Education Level:

Primary Secondary Diploma Bachelor Other

B. please ticks in the blanks provided as your response:

1- If you married do you stay with your wife / husband?

Yes

No

2- Whom do you live with?

With my wives /husband

Alone with my children

Others

3- How many years have you worked for this Business?

1-3

3-6

6-9

10 Above

4- How many days do you work at week?

3 days

5 days

7 days

5- What type of business do you work?

.....

.....

C- The problem faced by the Somali private sector:

1- What are the problems faced Somalia private sector?

.....

.....

2- What is the problems faced you when are in your Business?

.....

.....

D- Areas in which the private sector has succeeded

1- Did your business succeed or failed?

Succeed

Failed

If you tick the appropriate one give the reason:

.....

.....

2- Where private sector succeeded?

.....

.....

3- Where private sector failed?

.....

.....

E- The current state of Somalia private sector

1. The private sector plays a big role in Governance:

Strongly agree

Strongly disagree

Disagree

Agree

2. The private sector play big role and shape the Economic development:

Strongly agree

Strongly disagree

Disagree

Agree

3. Private sector, population are those who benefit the development Economic in Somalia:

Strongly agree

Strongly disagree

Disagree

Agree

4. Do the people employed due to the private sector ?

Yes

No

5. Do the government revenue increasing through the privatizations?

Yes

No

6. How is the Current state of Somali private sector?

.....

.....

7. Who is benefiting in Somalia's new economy?

.....
.....

8. How are the gains from economic recovery being distributed?

.....
.....

9. What is the relationship between the business class and the Somali administrations?

.....
.....

10. Who are the actors involved in this economic renaissance?

.....
.....

THANK YOU

APPENDIX B: CALCULATE OF CONTENTS OF VALIDITY INDEX

Questionnaire for owner's private sector

CVI = number of all relevant questions

The total number of questions

Section 1:

$$\text{CVI} = \frac{2}{2} = 1$$

Section 2:

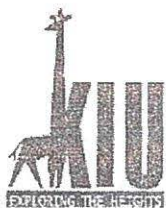
$$\text{CVI} = \frac{2}{3} = 0.67$$

Section 3:

$$\frac{7}{10} = 0.7$$

Therefore the above average

$$\text{CVI} = \frac{2.37}{3} = 0.79$$



**KAMPALA
INTERNATIONAL UNIVERSITY**

**OFFICE OF THE ASSOCIATE DEAN
FACULTY OF SOCIAL SCIENCES
POSTGRADUATE STUDIES AND RESEARCH**

Date:-----

RE: ABDULKADIR AHMED MAHAD REG. NO. MPP/20006/82/DF

The above mentioned is a bonafide student of Kampala International University pursuing a Masters of Arts in Project Planning and Management (MPP).

He is currently conducting field research and the title of the Research Project is **"The Impact on Private Sector on Economic Development of Somalia: Case Study of Wadajir District"**. As part of her studies (Research work) he has to collect relevant information through questionnaires, interviews and other relevant reading materials.

Your institution has been identified as valuable source information pertaining to his research project. The purpose of this letter is to request you to avail him with the pertinent information he may need.

All and any information shared with him will be used for academic purpose only and we promise to share our findings with your institution.

Any assistance rendered to her will be highly appreciated.

Yours truly,

A blue circular stamp of Kampala International University is partially visible behind the signature. The signature itself is written in blue ink and appears to be 'Ahmed'.