

# **BAKARA MARKET: AN ANALYSIS OF THE ECONOMIC HUB FOR SOMALI ENTERPRISES**

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### **About SIPAM Institute**

SIPAM is a non-partisan, independent, not-for-profit organisation based in Mogadishu, Somalia. It was established as a leading advisory, research and training centre aimed at developing the capacities of public and private sector players to competently deal with major challenges in administration and management. SIPAM conducts research to inform strategic interventions and evidence-based practices for sustainable development.

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Published by

SIPAM Institute

Danwadaagta, Wadajir off road Aden Adde International Airport, Mogadishu, Somalia

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## SUMMARY

Bakara market has witnessed tremendous transformation since its humble beginnings in the early 1950s. From a storage area for farmers' annual yields, Bakara market is now a formalized market that hosts financial institutions, telecommunication companies, import and export firms, public transport terminals, food markets and consumer goods outlets. Notably, there is a literature gap ranging from the impact of Bakara market on improved livelihoods to the business environment and its effects on trade activities especially because available data mainly focuses on the market in the context of security and illegal trade. This study was conducted with the aim of filling this data gap through employing qualitative research methods where key informant interviews and focus group discussions were conducted among stakeholders who have a wealth of knowledge on the subject matter. Findings of the study reveal that the market has expanded from Halwadaag district, where it originally began, and overflowed into two adjacent districts of Hodan and Wardhigley. Today, Bakara market is home to approximately 21,000 indoor businesses housed in 7,000 buildings in addition to numerous outdoor businesses. Operators in the market are of diverse backgrounds, with women increasingly engaging in trading activities in a rather traditionally conservative Muslim country.

Traders in Bakara market engage in business activities that involve both overland import and export activities with neighbouring countries like Kenya and Ethiopia. The traders import clothes, electronic products and sugar from Middle East, Far Asia and other parts of the world and export to Ethiopia and Kenya. Commodities such as tea, coffee beans, onions and potatoes are imported from both Ethiopia and Kenya. The absence of a vibrant central bank has resulted into traders at the market to rely on guesswork and rumour for currency regulation. As a result, the market plays a trendsetter role as money exchangers will call traders in the market every morning to enquire the rate value of the Somali shilling against the dollar. The market provides numerous opportunities for both permanent and casual employment for residents of Mogadishu.

The study established a depiction of power struggles over the control of the market between two forces. This is evidenced in the tax collection exercise which is carried out by both the Ministry of Finance as well as illegal groups. However, a situation characterized by lack of coordination between the two forces in provision of essential services in the market prevails as service provision remains highly privatized. Vendors and buyers have had to condone with the deplorable state of roads in the market, a reality that further exacerbates the fire incidences which occur at least once every year. Aspects such as enhanced security and illicit trading activities have been streamlined by the return of stability in the country. However, a number of challenges still linger including poor sanitation and hygiene, inadequate security, fire/criminal gangs and underdeveloped infrastructure. Based on the evidence generated by the study, policy recommendations were made to the federal government and the business community to inform decision making and strategic action.

## **1.0 Introduction**

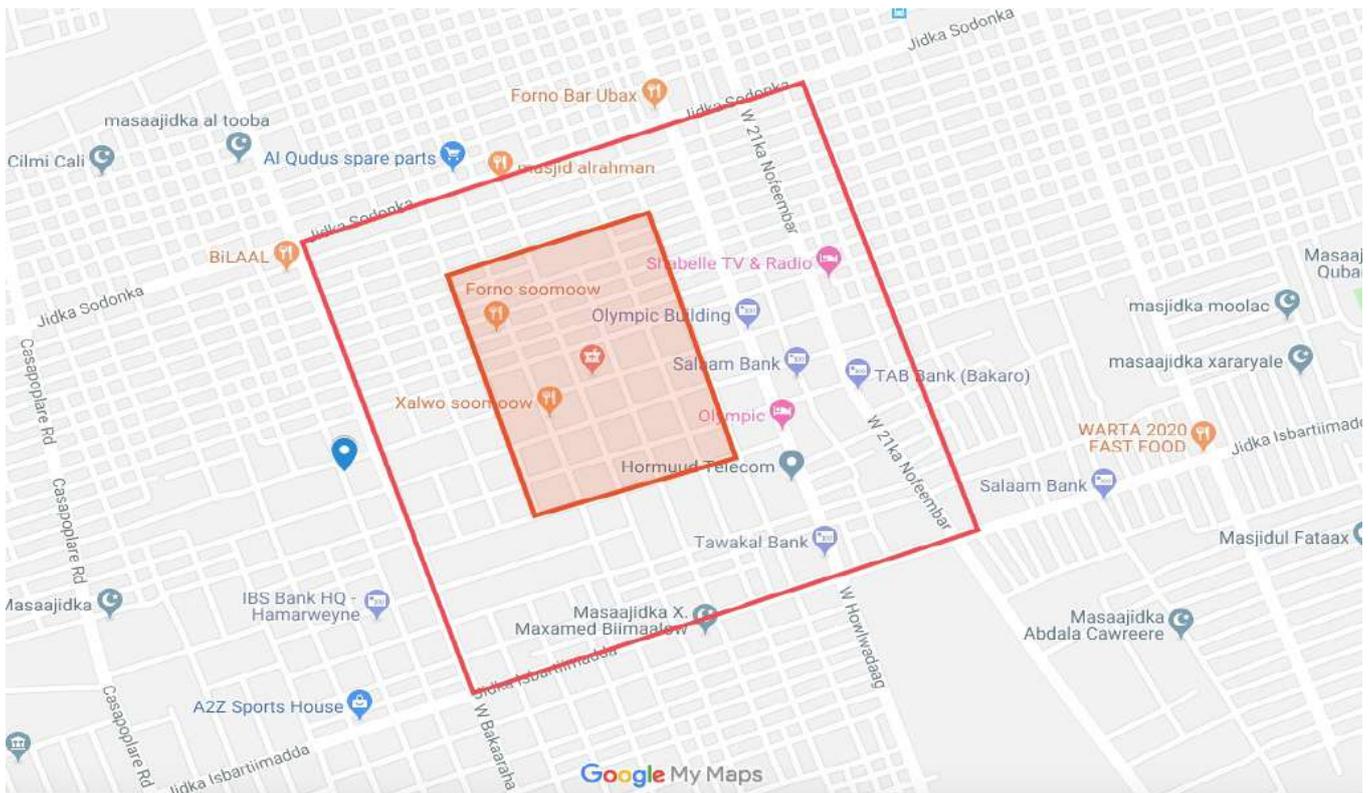
Bakara market is one of the major markets in Somalia where business transactions by people from all over Somalia, its regions and beyond are conducted. Bakara, a Somali word whose meaning is 'yield', traces its humble beginnings to the late 1950s. The area that hosts the market today was initially used by local farmers to store their annual yields, hence the name Bakara. Major operations in Bakara were informal, characterized by local farmers storing their yields and barter trade. These informal operations carried on until around the early 1970s during the military regime when transactions in Bakara were formalized.

It is worth noting that Mogadishu had other thriving markets then, among them being Hamar-weyne, a larger and more famous market in Hamar-weyne district where affluent Mogadishu residents shopped.

In 1983, a fire incident gashed most of Hamar-weyne market. As a result, affected businesses moved to other markets such as Suuq Ba'ad and Bakara markets. Indeed, the fire incident presented Bakara market a golden opportunity to attract displaced businesses and expand its market share at the expense of Hamar-weyne market. Moreover, Bakara market largely expanded after the civil war broke out in Mogadishu, severely affecting Hamar-weyne market as

it became a frontline, hastening its ultimate collapse. A huge business appetite coupled with the collapse of Hamar-weyne market led to Bakara market growing to become a major business hub in Mogadishu. The market has since outgrown Halwadaag district, overflowing into adjacent districts, namely Hodan and Wardhigley, although Halwadaag still houses majority of the businesses in the market. Traders in Bakara market engage in business activities with neighbouring countries like Kenya and Ethiopia. Trade activities involve both overland import and export activities. Traders import clothes, electronic products

and sugar from Middle East, Far Asia and other parts of the world and export to Ethiopia and Kenya. Imports of tea, coffee beans, onions and potatoes are received from both Ethiopia and Kenya. Despite its rapid growth, the market is still faced by challenges that hinder its readiness to participate in the economic regional integration initiative that the Federal Government is embarking on. The availability of minimal literature on the history of the market and current status strains efforts by stakeholders aimed at enabling the market unlock its full potential by leveraging available resources.



The map above is a pictorial representation of the present day Bakara market. The shaded area depicts the market in the early 1990s when business activities took place in only one district of Halwadaag. The outer rectangle indicates its substantial expansion and outgrowth from Halwadaag district and overflow into adjacent districts of Hodan and Wardhigley.

### 1.1. Research objectives

1. To explore the business environment in which traders operating in Bakara market are exposed to
2. To establish the impact of the market on the livelihoods of Somalis in Mogadishu and beyond.
3. To determine prevailing challenges affecting business operations and vendors in the market.

### 1.2. Justification of the study

Recent statistics and data on various topical issues in Somalia are generally hard to come across. This is no different for information on Bakara market, an economic giant that is home to many Somali traders in Mogadishu, neighbouring regions and beyond. There is limited secondary information about Bakara market and the available literature mainly focuses on the market in the context of security and illegal trade. This creates a data gap regarding other important aspects of the market such as the business environment, the impact the market has on livelihoods, gender dynamics and prevailing challenges experienced in the market. Therefore, this study seeks to fill this data gap by exploring these aspects of the market that have been previously marginalized. Findings of this study will generate evidence that will inform policy and interventions by stakeholders aimed at

making the market a better trade destination for not only residents of Mogadishu and its environs but also populations beyond the Somali border.

### 2.0 Methodology

This research employed qualitative research methods as the researcher sought to gain a deep understanding of the business environment, gender dynamics and prevailing challenges of Bakara market. A sample frame was developed of stakeholders with a wealth of knowledge about the market from which respondents were randomly selected to eliminate bias. A total of 13 key informant interviews (KIIs) were conducted to draw insights on the market. Further information was gathered from a focus group discussion which was held bringing together 8 participants who were drawn from the former and current market management and business community representatives. Data collected was transcribed, coded and then presented in prose and verbatim forms. The study ensured ethical considerations were adhered to as consent from respondents was sought. Interviews were conducted in a friendly environment to ensure respondents were relaxed and able to talk about the topical issue in a natural conversational manner. Also, the researcher respected the decision of respondents who were not willing to give

full information on specific issues, especially those related to security.

### 3.0 Findings and Discussions

Data collected was transcribed and coded. This informed the findings of the study which are presented thematically below:

#### 3.1. Business environment

During the civil war in Mogadishu, the business community in Bakara market ensured that the market remained safe for everyone. As a result, this significantly contributed to the establishment of a thriving and robust business environment. Moreover, it enabled the market to gain popularity, making it a preferred destination for city dwellers, locals and businesses, resulting in increased business transactions. Mogadishu being home to approximately 2.5 million Somalis provides a sizeable customer base for the businesses to thrive.

Despite its humble beginnings, businesses continue to thrive in a market that sees its buzzing doors open every Saturday to Thursday at 8am and close at 5pm, although some businesses stay open until late in the evening. The market is divided into various sectors including the telecommunication, banks and remittance, construction and décor, bulk/wholesale, clothes fragrance, food, jewellery, electronics, and medicine.

The market houses approximately 7,000 buildings, with 21,000 indoor businesses and many outdoor businesses including hawking and open-air business ventures. Outdoor vendors align on the roadsides to display and sell their products thus taking up space meant to be pathways. Moreover, pathways in the market have also been made narrow by semi-permanent structures made of iron sheets, a situation that makes free movement of vendors and buyers almost impossible. In case of fire, fire brigades find it difficult to penetrate other areas due to the congestion. The recent increase in business competition has seen more buildings smartened up. Consequently, the city's largest trading destination has experienced a facelift, further boosting its market monopoly as the most preferred business destination in the country. The market serves towns and cities within Somalia, but also extends its reach to neighbouring countries where substantial populations of ethnic Somalis live. The market has a bus and lorry terminal that allows Somali merchants and customers from as far as Kenya and Ethiopia to come and trade, although this trade levels have gone down recently due to increased taxation at the Mogadishu port.

### 3.1.1. Management

The market has an umbrella management committee of six people, five men and one woman that oversees the overall management of affairs in the market. Except the chairperson, the other five represent sectors. Each sector has a management committee that coordinates its activities and reports directly to the overall management committee. Members serving in the management committees are elected by vendors operating in the market and they serve for a two-year term on a volunteer basis. Given that the position is on volunteer basis, fewer people are interested in serving and so those in office end up serving for more than two terms. The sectoral management committees are mainly male dominated, leaving women and youth out of decision making. In the history of the market, there has not been a female chairperson. The management committee meets on a need basis; whenever a situation arises that calls for a meeting.

### 3.1.2. Illegal trade

*Cabdalle Shideeye* is a sub-market notorious for illicit trading activities including issuing of fake certificates, passports, driving licence, and other identities. Their activities have however waned over the last few years as a result of stability in the country and the government controlling

activities taking place in the market. Moreover, due to the public institutions reappearance, forgery activities have reduced significantly. Those who are still active have moved to different areas such as Kilometre 4. *Cir Tookte*, which means firing into the air, was another famous illegal trade destination where people would shoot in the air when testing their firearms before buying or selling. In the past the market used to supply weapons to criminal gangs in neighbouring countries. However, this has disappeared since people can no longer trade arms openly in the market.

### 3.2. Impact on livelihoods

Bakara market is a leading financial centre in Somalia. It houses remittance companies and dictates the country's market exchange rates.

The remittance industry continues to thrive and is a critical sector for over a million Somalis currently living abroad and remitting back home an estimated 1.5 billion US Dollars annually. Presently, about fourteen Somali companies that offer money transfer services have their headquarters located at Bakara market. This has had a positive impact on the ease with which locals access capital, transfer business cash and conduct trade.

Bakara market is also where the value of the Somali shilling is now regulated, largely by a

network of guesswork and rumour. Every morning money exchangers from all over the country call the market to enquire the rate of the Somali shilling against the dollar. Without a viable central bank or any other financial authority able to provide such an essential service many people decided to take it upon themselves to do so.<sup>1</sup>

The market is the largest source of employment for residents of Mogadishu and the workforce comprises permanent employees as well as casual workers. Chilly

mornings in Mogadishu are characterized by a large number of people willing to offer casual labour standing with optimism outside the market. These people engage in various tasks from slaughtering livestock to building construction. They compete for these opportunities as fewer jobs are available in the city. Workers from the market come from different parts of the city and some of them are internally displaced people.

*“I run a successful business in Bakara market, miles away from Jilib district where I was born that is located approximately 331 km from Mogadishu. I studied the Koran when I was young but I haven’t had any formal education. Despite my illiteracy, I am able to feed my family with proceeds from my clothing shop business in Bakara market which I begun in 1992. My business has expanded and I have opened another shop, now employing a total of 41 people. Since 2013, I began importing clothes from China, Malaysia, Taiwan, and United Arab Emirates. In my period of operation in the market, I have witnessed some of the darkest days of Bakara market but that does not hinder me from expanding my business and keeping a positive mind”, said Ali a 55-year-old trader in Bakara market.*

### **3.3. Gender dynamics**

Being the largest market in Mogadishu, Bakara market acts as the major source of casual labour opportunities where children who have dropped out of school find their way to provide casual labour. Traditionally, it was the role of men to provide for their

families but changing times have not only pushed the woman but also children out of the home in search for employment. Recently, a growing number of women in this traditionally conservative Muslim country are going into business as a result of prevailing situation in the country.

*“Halima is a 47-year-old woman who runs a jewellery business in the market. She was born in Mogadishu and has had the privilege of going to school. In 1999, she made part of her house a corner shop but was forced to close in 2001 as the business failed to make profit. In the same year, she sold her jewellery and borrowed money to start a jewellery business in Bakara. In 2007, she moved to Jowhar due to the security situation in Mogadishu. She came back to Mogadishu and restarted her business in 2010. Apart from her jewellery business she has shares in Hormuud and other businesses.”*

Evidently, attitudes are shifting towards the role of women in society. Changing times have increased awareness among people on the entrepreneurship potential of women as they are becoming breadwinners in many families. A surging population of local traders in the market depicts a gender imbalance with most of them being male. Men dominate the wholesale sector, the retail sector and the food sector where great eateries and cafes serve Somali delicacies. On the other hand, women mainly trade in household items, clothes, cosmetics, décor and the gold jewellery business. Regardless, women play an exceptionally significant role in the thriving businesses in Bakara market and their small contributions cannot go unmentioned.

### **3.4. Prevailing challenges**

Though the market remains a trend setter and contributes to the country’s economic transformation, it faces quite a number of challenges. These include inadequate security, underdeveloped infrastructure,

informal businesses and poor sanitation and hygiene.

#### **3.4.1. Security**

After years of growth and establishment, the stability of Bakara market was threatened in 2006 when the Ethiopian army invaded Somalia. Amidst the war, Bakara market was made the frontline. Business in Bakara market was disrupted as people were forced to move out of Mogadishu and traders relocated to Ceelasha Biyaha and other areas.

*“Between December 2006 and January 2008, local security forces nominally attached to the Transitional Federal Government targeted businesses in Bakara district and looted substantial amounts of money, causing the death of many traders, labourers, and bystanders. Civic activists, representatives from the business community, human rights activists and religious leaders undertook an initiative to address the escalating insecurity.”<sup>12</sup>*

To stabilise the market situation, the management held negotiation meetings with government officials in the view of establishing private security solely for the purpose of protecting Bakara Market. A private militia which wears yellow coats as uniform was the result of these negotiation meetings. Although the security of the market improved, Bakara became the centre of Al-Shabab operations. The dominance of

Al-Shabaab over the market came to an end in May 2011 when the terrorist group was forcefully removed from Mogadishu.

In 2012, a police station located in the market was set up to increase the visibility and performance of the police force. However, the building that housed the police station was owned by private citizens and in late 2017, the station had to be relocated by the federal government to a public building in the outskirts of the market. In addition to this police station, each of the three districts covered by the market including Howlwadaag, Hodan and Wardhegley have police stations that serve the market.

Despite the presence of the four police posts, targeted attacks on business individuals continue to be reported and traders in the market express dissatisfaction with the levels of security. Popular business men and women fall victim to violent robbery

and attacks which negatively influences the business environment. Targeted killings aimed at business owners, individuals and leaders like Ahmed Nuure Owdiini, the former chairman, continue to be witnessed in the market. The safety concerns have made Bakara market a no-go zone for government officials as well as foreigners. As a result, politicians, high ranking government officers, well-known figures and foreigners avoid shopping in the market.

Rampant incidences of theft contribute to the level of insecurity individuals and businesses in the market have to condone with on a daily basis. The situation is further aggravated by petty thieves and robbers who use Bakara market as an operation cell. The infiltration of terrorist groups including al-Shabaab and Daish into the market is of grave concern to the vendors and buyers, as they pose a threat of continued terror attacks.

### 3.4.2. Infrastructure

From east to west, the market is served by 14 roads (two tarmac roads and twelve unpaved roads) and 17 roads (three tarmac roads and fourteen unpaved roads) that run from south to north. Pathways in the market have become narrow due to semi-permanent structures made of iron sheets, a situation that makes free movement of vendors and buyers almost impossible.

Every year, the market experiences at least one fire incident as a result of negligence and electrical faults. The market does not have its own firefighting station and equipment but relies on the support from Hormuud Foundation and Benadir Region Administration. These recurrent fire incidents have led to massive loss of property costing millions of dollars, bringing down business establishments and in some cases causing loss of life. The latest fire incidents occurred on 10<sup>th</sup> January and 1<sup>st</sup> February 2019 and led to the destruction of property amounting to millions of dollars in Bakara market. The main challenge for fire fighters usually is impassable roads as a result of vendors blocking the roads with their wares as they close for the day. The impassable roads make the situation worse, thus hindering the fire brigade teams from carrying out timely operations.

Unfortunately, most of the fire incidents occur during the night and during worst case scenarios, the fire fighters and ambulance services are forced to use bulldozers to make way.

The market has unreliable electricity supply provided by three private companies, namely Beko, Mogadishu Power Supply and Blue Sky Energy. The average cost of electricity as charged by the three companies range between \$0.40 and \$0.55 per kilowatt. Comparably, this fee is relatively higher than charges in other markets in neighbouring countries like Kenya and Ethiopia. High power costs strain operations at the market in addition to making the working conditions unbearable for traders especially at around midday when it gets hot and the demand for refrigerated water and air conditioners go up.



### 3.4.3. Informal business

In the context of this study, only registered enterprises are considered as formal. Permits for businesses operating in Bakara market are issued by both the Ministry of Commerce and the Benadir Regional Administration (BRA). However, there are businesses that operate without licences which makes it difficult to get the actual number of business in the market. It is the responsibility of the Ministry of Finance to collect taxes from business operators in the market. However, illegal groups also push in and collect taxes from the businesses, making it a scenario of double if not triple taxation. Heavy taxation among others curtails required incentives and support for businesses in the market to formalise their businesses.

As in many fragile countries, Somalia's focus is now on improving investment laws, streamlining business registration, establishing efficient tax systems, increasing access to finance, ensuring commercial justice and improving trade logistics. Such reforms can bring large payoffs in terms of economic growth and stability, encouraging businesses to make the transition from the informal to the formal sector.<sup>3</sup> Moving from informal to formal business is important as Somalia joins different market economy like COMESA and

builds strong economic cooperation in neighbouring countries.

### 3.4.4. Water, Sanitation and Hygiene

The general hygiene and sanitation in the market is wanting, despite there being a private company providing cleaning services. Businesses co-ordinate with the management committee of their sector to collect monthly payments to be made to the private cleaning company. Moreover, two major roads that are meant to serve the market have been turned into trash dumps and are full of plastic bottles, takeaway containers and plastic bags. Ironically, businesses, buyers and nearby residents complain about the garbage and the strong smell that lingers in all weathers. The population of Bakara market is served by five private water vendors namely: Koofi, Hassan Harrash, Salad Dhabarey, Ceel Saruur, and Ceel Hindi. These suppliers charge between \$0.83 and \$1.25 per cubic metre of water. Toilet services have also been privatized where usage is charged at a fee. However, the hygiene and maintenance of the toilet facilities is highly compromised, and the absence of adequate water taps in the market further strains efforts to keep the facilities clean.

## 4.0 Conclusion and Recommendations

Bakara market has been a source of livelihood for a significant number of the Somali population right from the days when it served as a storage area for farmer's annual yields to the economic hub it is presently. Vendors and customers at Bakara market depict resilience as neither annual fire incidences that disrupt business activities nor war that made the market frontline hindered businesses from flourishing. The ability of the traders in the market to withstand the test of time signifies prospects of success for not only the market but also the economic stability of the country.

Presently, it is the largest market in Somalia and serves as a host to financial institutions, telecommunications companies, import and export firms, public transport terminals, food markets and consumer goods outlets. However, the market's inability to attract elite spending, failure to formalise enterprises, underdeveloped and poor hygiene and sanitation warrant an urgent intervention given that Somalia aims to strengthen economic co-operation with neighbouring countries and beyond.

Based on the study findings, the following recommendations are addressed to the government and the business community:

### 4.1. The Federal Government

The federal government of Somalia should:

1. Introduce a robust security and fire awareness program aimed at empowering market traders to be proactive in seeking security solutions in times of emergencies.
2. Ensure that police stations are well staffed and equipped to handle cases presented to them.
3. Strive to eliminate the influence and presence of illegal groups in the market.
4. Collaborate with the business community to have affordable power, better governance structures, improved service delivery and accessible roads in the market.
5. Step into the provision of basic amenities and sanitation services to vendors and customers of Bakara market.
6. Ensure businesses follow due processes of registration, tax payments, have legal protection, and receive business incentives and support to allow them to compete globally.

### 4.2. The Business Community

It is the responsibility of the business community to:

1. Ensure they are prepared for closer economic integration with neighbouring countries and beyond.

2. Allow women and youth to have more representation in all levels of leadership in the management committees.
3. Lobby for permanent structures to replace the semi-permanent iron sheet so as to ensure roads and pathways are not overcrowded by hawkers and outdoor vendors which strain free movement and, fire prevention and response.
4. Ensure employers give employees appropriate training that equips them to better handle emergencies. This can be done by conducting periodic drills which will highlight emergency preparedness.
5. Advocate for business owners to take up insurance covers to cushion against heavy loss and mitigate risk while complying with Shariah law.
6. Modernise the market so it can appeal to everyone including the elite shoppers.

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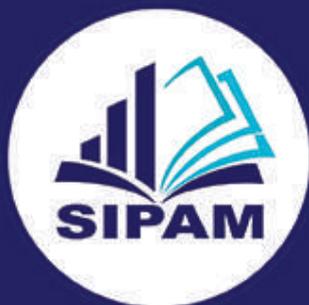
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