



Federal Republic of Somalia
Office of the President
National Economic Council (NEC)
Terms of Reference

Domestic Production and Industrial Growth in Somalia: From Imports to Industry

Project Name	Somali Integrated Statistics and Economic Planning Capacity Building Project (SISECBP)
Location:	Mogadishu
Assignment	Consultancy for conducting Study on Domestic Production and Industrial Growth in Somalia: From Imports to Industry
Duration of the Assignment	4 Months from the contract signing date
Reference number:	SO-NEC-528759-CS-CQS

1. Background and Context

The Federal Republic of Somalia has made significant progress in macroeconomic reforms, institutional rebuilding, and re-engagement with the international community. Building on this momentum, the country adopted the Centennial Vision 2060, which aspires for Somalia to attain upper-middle-income status by 2060, and launched the National Transformation Plan (NTP) as the primary vehicle for achieving this long-term vision. Despite these advances, Somalia continues to rely overwhelmingly on imported goods to satisfy household consumption and to supply inputs for its small and emerging industries. This heavy dependence on external markets constrains the country's ability to create employment, generate domestic value addition, strengthen its trade balance, and sustain broad-based economic growth.

Somalia's manufacturing sector remains small, fragmented, and limited by low levels of technology adoption, inadequate infrastructure, restricted access to finance, and insufficiently specialized human capital. These structural constraints have prevented local industries from expanding production, meeting domestic demand, and competing effectively with imported goods. Yet, Somalia's demographic characteristics, defined by a young population, strong entrepreneurial culture, rapid urbanization, and expanding consumer markets, offer considerable opportunities for industrial growth if supported by coherent policies, targeted investments, and enabling institutional frameworks.

To respond to these challenges, the National Economic Council (NEC), as the government's socioeconomic advisory and research institution, is commissioning a comprehensive and diagnostic national study titled *"From Imports to Industry: A Study for Domestic Production and*

Industrial Growth in Somalia.” The study will provide the empirical foundation for future national industrial strategies by generating actionable insights into the existing industrial landscape, the constraints impeding growth, sectoral opportunities, and the policy pathways required for industrialization.

This Terms of Reference (TOR) outlines the purpose, objectives, methodology, scope, deliverables, and qualifications necessary for conducting this landmark study, ensuring that the work is rigorous, data-driven, and fully aligned with Somalia’s Centennial Vision 2060, particularly the target of increasing manufacturing’s contribution to 34 percent of GDP by the year 2060.

2. Rationale for the Study

Somalia’s heavy reliance on imports exposes the economy to global supply chain disruptions, import price volatility, foreign exchange pressures, and vulnerabilities in food and energy security. While national policy commitments have emphasized local production and self-reliance, there is currently no consolidated, data-rich, and analytically rigorous diagnostic of the industrial sector that identifies what investments, reforms, and institutional changes are required to expand domestic production at scale.

A dedicated study is necessary because industrial development decisions must be grounded in empirical evidence, including an assessment of sectoral competitiveness, infrastructure gaps, regulatory challenges, labor market readiness, and financing constraints. Without such evidence, national strategies risk being fragmented, under-resourced, or misaligned with the realities of Somalia’s economic and geographic landscape.

This study will therefore provide a holistic understanding of Somalia’s industrial ecosystem and identify the most feasible, high-impact pathways for transitioning from an import-dependent economy to a productive and diversified one.

3. Purpose of the Study

The purpose of this national study is to produce a comprehensive, evidence-based assessment of Somalia’s industrial readiness and potential by examining existing productive capacities, evaluating systemic barriers to industrialization, estimating the economic impacts of expanding domestic production, and generating actionable, prioritized recommendations that can directly inform future national industrial policy.

4. Objectives of the Study

Overall Objective

To conduct a rigorous, multidisciplinary, and data-rich diagnostic of Somalia's domestic production landscape, identifying constraints, opportunities, and economic prospects to enable a structured and sustainable pathway toward industrialization.

Specific Objectives:

- To conduct an in-depth assessment of Somalia's existing industrial and manufacturing capacity by systematically mapping current producers, analyzing production volumes and technologies, evaluating workforce skills and employment patterns, and determining the extent to which domestic industries currently meet national demand using available data from the Somalia National Bureau of Statistics, Ministry of Commerce and Industry, and Ministry of Finance.
- To identify and comprehensively examine the economic, regulatory, infrastructural, technological, and market-based barriers that constrain domestic industrial growth, including challenges related to access to finance, high energy costs, inadequate transport and logistics networks, regulatory bottlenecks, and limited access to modern machinery and skilled labor.
- To evaluate the macroeconomic impacts of scaling domestic production by modeling potential changes in GDP growth, trade balance improvements, fiscal revenue expansion under various industrial growth scenarios.
- To review global and regional best practices in industrialization, particularly from comparable post-conflict and low-income countries, and translate these lessons into actionable, context-specific recommendations that align with Somalia's institutional capacities and political economy.
- To generate a comprehensive set of practical, sequenced, and evidence-based policy recommendations that outline the regulatory reforms, institutional strengthening measures, investment priorities, financial incentives, and partnership frameworks necessary to catalyze sustainable domestic production and industrial development in Somalia.

5. Scope of the Study

5.1 Timeframe

- The study will analyze trends, reforms, trade performance using existing export and import data from 2019 to 2024, enabling a clear understanding of industrial developments before and after key macroeconomic milestones such as debt relief and institutional restructuring.

5.2 Geographical Coverage

- The study will cover the entire Federal Republic of Somalia by conducting administrative data collection from the financial institutions both public and private sectors, ensuring that regional industrial capacities, constraints, and opportunities are fully represented in the final analysis.

5.3 Thematic Scope

- The study will provide a detailed analysis of the current industrial and manufacturing landscape by examining existing factories, small-scale producers, industrial clusters, production methods, technology usage, cost structures, market linkages, and workforce composition.
- The study will explore and evaluate the multifaceted barriers to industrial growth by assessing regulatory processes, institutional coordination challenges, taxation systems, customs procedures, trade policies, infrastructure deficits, access to finance constraints, and technological limitations across all regions.
- The study will examine the economic implications of expanding domestic production by conducting quantitative modeling using available data on GDP growth, export potential, import substitution possibilities, and broader socioeconomic development outcomes.
- The study will review global and regional best practices in industrialization by analyzing success cases in fragile and post-conflict settings, drawing lessons from East African and emerging Asian economies, and determining how such lessons can be adapted to Somalia's unique context.

6. Study Design and Methodology

- Conduct an extensive desk review that synthesizes national reports, statistical datasets, academic research, regional industrialization frameworks, and international literature to provide a comprehensive foundation for the study's analytical approach.
- Analyze existing survey data (household budget survey, business establishment census and survey data) and administrative data sources.
- Conduct semi-structured Key Informant Interviews (KIIs) with policymakers, private sector leaders, business associations, financial institutions, regulators, development partners, and technical experts to gather nuanced insights into constraints and opportunities.
- Facilitate Focus Group Discussions (FGDs) with entrepreneurs, youth groups, industry specialists, and sector associations to capture diverse stakeholder perspectives and lived experiences that enrich the qualitative analysis.

- Apply robust economic modeling techniques including import substitution simulations, scenario-based projections, productivity estimations, and cost–benefit analyses to quantify the economic impact of expanding domestic production.

7. Key Deliverables

- A detailed Inception Report outlining methodology, tools, and an approved work plan.
- Validated survey tools, KII guides, and FGD protocols.
- A Diagnostic Summary Report presenting initial findings and constraints.
- A Draft Study Report submitted for NEC review and feedback.
- A Final Comprehensive Study Report incorporating all revisions and annexes.

8. Duration

The consultancy will be completed within **4 months**, including inception, data collection, analysis, validation, and final reporting.

9. Required Qualifications of the Consultant/Firm

- Must demonstrate at least 7 years of continuous experience in conducting studies in fields such as industrial economics, public policy analysis, or macroeconomic research.
- Must propose a multidisciplinary team of economists, and quantitative and qualitative researchers, with strong advanced academic qualifications.
- Must propose a multidisciplinary team that includes:
 - A macroeconomic researcher with at least a Master’s Degree in Economics or a related field, and a minimum of 10 years of experience in macroeconomic and trade analysis, and quantitative and qualitative economic research.
 - An economic policy expert with at least a Master’s Degree in Economics, Public Policy, or a related field, and a minimum of 10 years of experience in economic and evidence-based policy formulation.
- Must demonstrate proven operational capacity in the East Africa region, with strong preference given to those that have direct experience working in Somalia or with Somali government institutions.
- Must possess excellent communication and analytical writing capabilities, demonstrated through the production of high-quality technical reports.

10. Payment Schedule

All payments under this contract are strictly linked to the satisfactory completion and formal written acceptance of key deliverables by the NEC. The payment schedule is as follows:

- i. **30%** upon acceptance of the Inception Report.

- ii. **40%** upon acceptance of the Draft Study Report.
- iii. **30%** upon acceptance of the Final Report and all ancillary documents.