

Telecom: Somalia's success industry

INTRODUCTION

Endless civil war, famine, piracy and Islamic extremist fighting groups may be the more commonly known topics about Somalia, but this article is about an example of Somalia's success and how a lawless country developed one of the most competitive telecom markets in Africa. This may be surprising, but here are a few hard cold figures:

- 1) Somalia has the lowest international call rates in Africa and one of the cheapest in the world (CIA World factbook, 2012)
- 2) 34% of adults in Somalia use mobile money (World Bank, 2012)
- 3) \$1.6bn money remittances are handled annually (CIA World factbook, 2012)
- 4) Somali's online Dahabshiil is one of the largest money transfer companies in Africa, operating in 155 countries (The Guardian, July 2012)

In the war-torn Somalia, money transfer and telecommunications industries have used the new revolutionary digital technology to bridge the governmental gap. These sectors have leap-frogged landline telephones and the physical bank concept to thrive unprecedentedly through mobile phones.

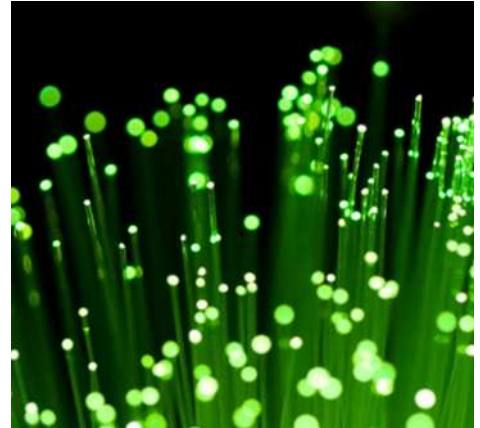
LACK OF REGULATION AND SOMALI ENTREPREUNARIAL SPIRIT: THE ORIGINS OF THE SUCCESS STORY

After the fall of the autocratic regime of Siad Barre in 1991, the national Somali telecom network (who had a complete monopoly) collapsed. This was a unique opportunity for private operators to penetrate the market. In fact, the absence of taxes, lack of laws, inexistence of licence providers and collapse of foreign exchange controls made things easier in many respects. Golis Telecom, who was among the first to set up its service in Somalia, spent 2.7 million US Dollars on Chinese equipment. Two years later it had repaid its full investment, and in 2005 profit was reported to be over 40 million US Dollars ... As explained by telecom experts, Somalia's success is not completely unusual in war torn territories where people need to remain in touch (the Democratic Republic of Congo is another good example).

SOMALI TELECOM SECTOR TODAY

Currently, there are about 11 licensed local operators whose networks cover the whole nation, but the biggest names are Somali Telecom which was the first private telecommunication company to open in Somalia in 1994, Golis, Nation Link and Hormuud Telecom. Hormuud Telecom has sales of 40 million US Dollars a year. Most telecom companies provide landline services for about 10 US Dollars per month with free unlimited local calls. International calls cost 50 US cents a minute while surfing the web is charged at 50 US cents an hour, which makes it the cheapest rate in Africa. However the telecommunication companies have not competed only for customers. They have also cooperated with each other (oligopoly) to maintain their networks and set prices to ensure that competition remains healthy.

Moreover we see a substantial growth in Mobile banking. Sahal (meaning easy in Somali) which is a mobile banking service was introduced by Golis Telecom. In a country where banks do not rush to open local branches, mobile banking has bridged the gap. Somalia is one of the most sophisticated and active countries in term of mobile payment. See the map below showing the percentage of adults having used mobile payments in the last 12 months.



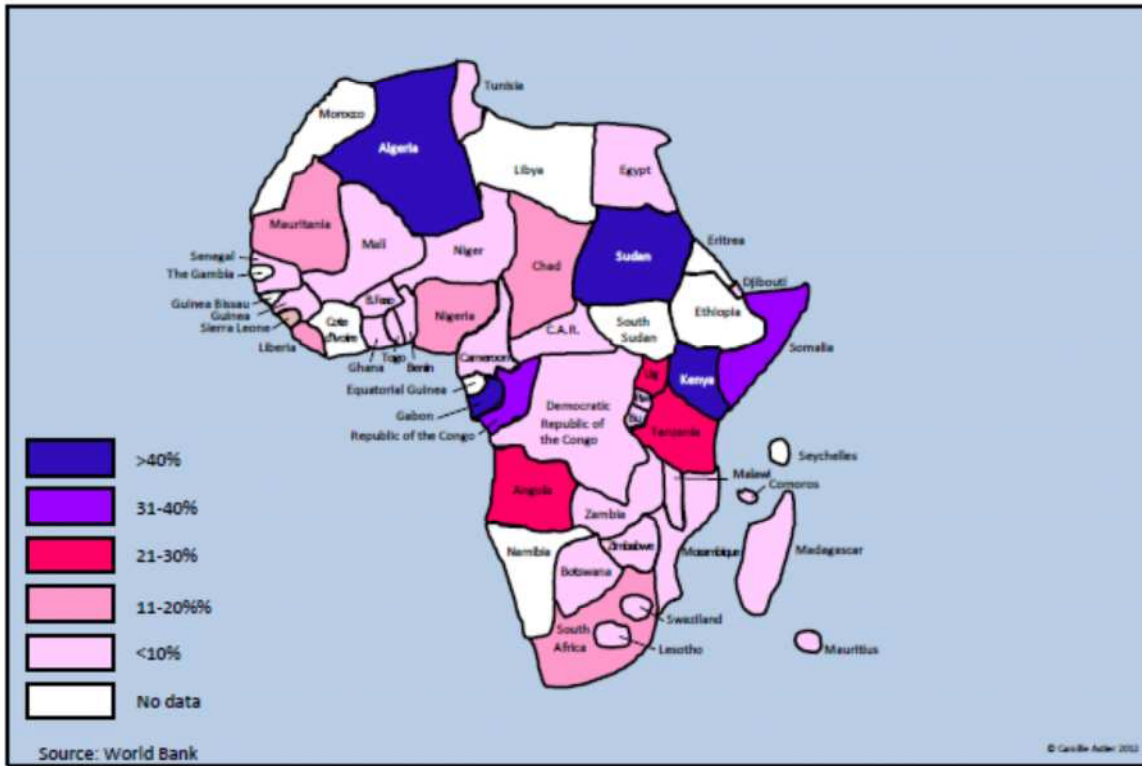
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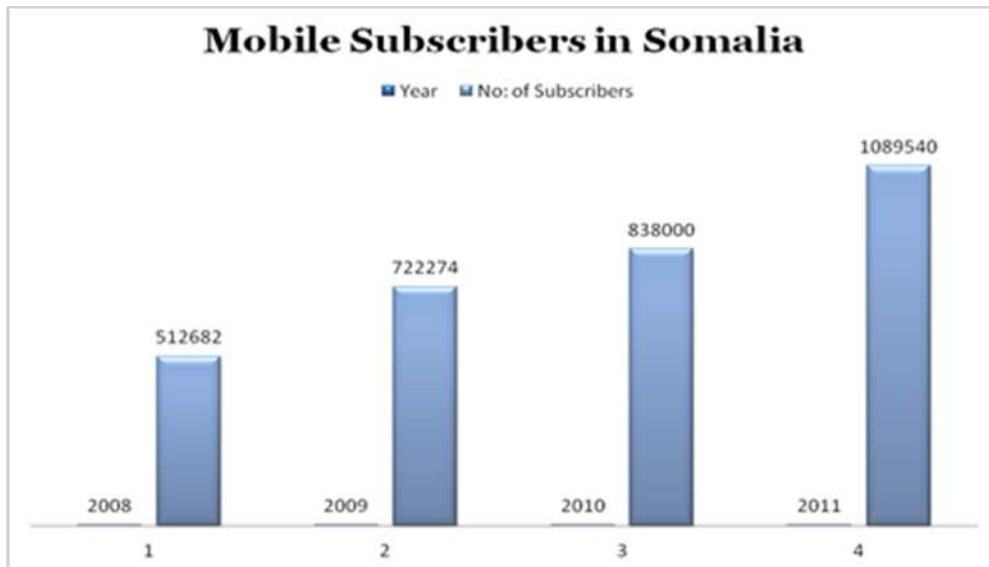
<http://somalieconomicforum.org/>

To view a larger image of the map referred to in this article, please [click here](#).



STATISTICAL FIGURES

According to the World Internet Usage number of Internet users in Somalia went from 200 in year 2000 to 106,000 in 2011 and is still growing. Which means only 1.1% of Somalia’s estimated population of 9,925,640(2011). There were about 512682 mobile subscribers in Somalia in year 2008 and it is expected to be 6.1 Million by 2015. See below chart.



Source: Global Resource & Information Directory.

REGULATING THE TELECOM SECTOR?

In an interview with the minister of information, post and telecommunications, he said there was now a need to regulate the industry. For two main reasons: one is to encourage foreign investors and show transparency, generate tax revenues what he called light taxes. The proposal was welcomed by the Telecom companies.

A POSITIVE FUTURE

Somalia and its telecom success is a true story. As The Economist put it in its 2005 article entitled "Somalia calling, an unlikely success story", Somalia in telecoms "has something to teach the world". In addition, with the first visit by a senior American official since 1980s in Mogadishu, the approval of a new constitution last August and the first elections to be held in decades after the expiry of the transitional federal government last month, confidence is high in Somalia.

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