

Federal Republic of Somalia

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Investing in Social Protection to Boost Resilience for Economic Growth



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AFRICA

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ABBREVIATIONS

AMT/CFT	Anti-money Laundering/Combating the Financing of Terrorism
CBS	Central Bank of Somalia
CPI	Consumer Price Index
FDI	Foreign Direct Investment
FGS	Federal Government of Somalia
FMS	Federal Member State(s)
FSNAU	Food Security and Nutrition Analysis Unit
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries
IDP	Internally Displaced Person
ILO	International Labour Organization
IMF	International Monetary Fund
IPC	Integrated Food Security Phase Classification
IT	Information Technology
MoLSA	Ministry of Labour and Social Affairs
MSMEs	Micro, Small, and Medium-size Enterprises
NDP9	Ninth National Development Plan
NPS	National Payment System
PESS	Population Estimation Survey of Somalia
SDR	Special Drawing Rights
SEU	Somalia Economic Update
SHFS	Somalia High Frequency Survey
SMEs	Small and Medium-Size Enterprises
SNBS	Somalia National Bureau of Statistics
USR	Unified Social Registry



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FOREWORD

Somalia is currently experiencing extreme and widespread drought which has been assessed as an unprecedented climatic event not seen in at least 40 years by meteorological agencies and humanitarian partners. After four consecutive seasons of poor rains, 90 percent of the country is experiencing severe drought conditions that include failed crop harvests, widespread water shortages, and decline in livestock production. The drought has intensified the humanitarian crisis and is driving the country into a brink of famine. Significant displacement of people is occurring as they abandoned their homes in search of food, water, and pasture for their livestock. The situation is being exacerbated by the war in Ukraine which has pushed up global food and oil prices. The higher commodity prices are disproportionately affecting the poor and exacerbating inequality.

Against this challenging backdrop, the seventh edition of the World Bank's Somalia Economic Update provides a detailed update of recent economic developments and growth outlook and makes a case for investing in Social Protection to help confront the frequent shocks that buffet the country. Overall, the Economic Update series aim to contribute to policymaking process and stimulate national dialogue on topical issues related to economic recovery and development.

Social protection has a key role to play in addressing the wide-spread poverty and inequality across the country. By providing poor and vulnerable households with support and access to socioeconomic opportunities, social protection interventions can prevent and mitigate the negative and long-lasting impacts of shocks and protracted crises on human capital formation and individual well-being. Given the enormous, untapped potential for improving the human capital of its citizens, Somalia needs to invest in an integrated, shock-responsive, and human capital-oriented social protection system, which protects citizens against risks along the life cycle and promotes inclusive policies.

As Somalia transitions out of fragility, it needs to gradually transition from humanitarian aid to development approaches. Critical relief to those most in need provided through short-term humanitarian programs have often been implemented without sufficient coordination and mostly outside government structures, thus limiting opportunities to support Somalia's state-building process. Moving forward, a convergence of humanitarian and national social assistance systems is required, with a shared, if not common, understanding and approaches to policy support and institutional building, monitoring and evaluation, as well as operational alignment in areas such as targeting and eligibility, benefit levels, and data exchange. In a limited fiscal space context like in Somalia, alignment of humanitarian safety nets with national systems within the social protection policy framework is critical to addressing chronic poverty and sustainable resilience building.

Kristina Svensson
Country Manager, World Bank Somalia

HORUDHAC

Soomaaliya hadda waxay ku sugan tahay abaar daran oo ballaadhan sidii dhacdo cimilada ah oo aan weligeed hore u dhicin oo aan la arag 40 sanadood ee la soo dhaafay oo ay ku qiimeeyaan wakaaladaha cimilada iyo shuraakahada arrimaha aadaminimada kala shaqeeya. Ka dib afar xilo oo isku xiga oo roobab liita leh, 90 boqolkiiba wadanku waxa la soo dersay xaalado abaareed oo daran oo ay ku jirto dalag goosashada oo fashilantay, biyo yaraan aad u baahsan, iyo yaraanshaha soo saarida xoolaha nool. Abaartu waxay sii adkaysay dhibta arrimaha aadaminimada oo waxay wadanka qarka u saartay macaluul. Barakac ballaadhan oo dadka ah ayaa socda iyaddoo dadku ka tegayaan guryahooda si ay u raadiyaan cunto, biyo, iyo daaqa xoolahooda. Xaalada waxaa la soo daray dagaalka Ukraine kaas oo sii kiciyay qiimaha cuntada iyo saliida adduunka. Qiimahan alaabta ee sareeyaa si aan sinayn ayaa u saamaynayaa dadka saboolka oo waxa uu ka sii xumaynayaa sinaan la'aanta.

Iyaddoo ku lid ah caqabadaha muuqaalka dambe, daabacaada todobaad ee Baanka Adduunka ee Cusboonaysiinta Dhaqaalaha Soomaaliya waxay bixisaa cusboonaysiinta faahfaahsan ee muuqaalka iyo koboca dhaqaalaha ee dhawaan oo ku dooda maalgelinta Ilaalinta Bulshadda si loo caawiyo in laga hortaggo dhibaatooyinka inta badan dhaca ee ku dhaca wadanka. Guud ahaan, taxaha La socodka arrimaah Dhaqaalaha waxay u jeedadiisu tahay inay wax lagu biiriyo nidaamka xeer dejinta oo la dhiiri geliyo wada hadalka qaranka ee ku saabsan arrimaha dhacdooyinka jira la xidhiidha ee soo kabashada dhaqaale iyo horumarka.

Ilaalinta bulshaddu door muhiim ah ayay ka ciyaartaa wax ka qabashada saboolnimada baahsan iyo sinaan la'aanta wadanka oo dhan. In la siiyo dadka saboolka iyo qoysaska liita taageero oo ay helaan fursadaha dhaqaalaha bulsheed, wax ka qabadka ilaalinta bulshaddu waxay ka hortagi kartaa oo ay yaraysaa saamaynta xun ee muddo dheeraadka ee dhibta iyo dhibaatooyinka muddo dheeraadka ee qaabaynta raasamaalka aadamaha iyo faydo qabka shakhsiga. Iyaddoo si cad ay u wayn tahay, ilaha dhaqaale ee aan la isticmaalin ee horumarinta raasamaalka aadamaha muwaadiniinteeda, Soomaaliya waxay u baahan tahay inay maageliso mid isku dhafan, dhibtana ka jawaab celisa, iyo nidaamka ilaalinta bulshadda ku habboon raasamaalka aadamaha, oo muwaadiniinta ka ilaaliya khatarta wareega nolsoha oo sare u qaada xeerarka laga qayb galo.

Iyaddoo Soomaaliya ay ka soo doogayso jileeca, waxay u baahan tahay aayar uga wareegida kaalmada gargaarka aadaminimada ilaa hababka horumarka. Gargaarka muhiimka ah ee kuwan u baahan, ee lagu bixiyay dhexda barnaamijyada samafalka xiliga gaaban inta badan la hirgeliyay iyaddoon lahayn isku xidhka ku filan oo badankana ah meel ka baxsan qaab dhismeedka dowladda, sidaasna xadida fursadaha lagu taageerayo nidaamka qaran dhisida ee Soomaaliya. Hore u dhaqaaqa, kulmida aadaminimada iyo nidaamyada caawinta bulshadda ee qaranka ayaa loo baahan yahay, oo leh mid la wadaago, haddii aanay ahayn mid guud, fahanka iyo hababka xeerka taageerada, iyo dhismaha wakaaladeed, la socodka iyo qiimaynta siiba maamulka wakaaladeed ee aagaga sida xoog saarida iyo u qalmida, heerarka dheefta, iyo is dhaafsigu xogta. Xaalada booska maaliyadeed ee xadidan sida gudaha Soomaaliya, ku habbaynta shabakadaha badbaadada aadamaha nidaamyada qaranka gudaha qaabka xeerka ilaalinta bulshadda aad ayay muhiim ugu tahay wax ka qabashada saboolnimada daran iyo dhisida kalsoonida waarta.

Kristina Svensson

Maamulaha Wadanka, Baanka Adduunka Soomaliya



EXECUTIVE SUMMARY

Somalia's economy rebounded with GDP growth of 2.9 percent in 2021, following a contraction of 0.3 percent in 2020.¹ This growth was 0.5 percent higher than the 2.4 percent forecast in the 2021 *Somalia Economic Update*. The uptick in growth and economic activities in 2021 was driven by relaxation of COVID-19-related lockdowns, which boosted consumption by releasing pent-up demand. Investment spending grew as well, supported by higher inward remittances and private sector credit. This recovery occurred even as the economy faced several headwinds in 2021 including political stalemate over modes of election, drought in several parts of the country, supply chain bottlenecks arising from COVID-19 closures, and increased insurgency activities.

The pace of recorded COVID-19 cases in Somalia was slow but small-scale firms adjusted to weather the pandemic. The government, working closely with the international community, mobilized resources to mitigate the pandemic. As of June 30, 2022, Somalia had reported just 26,803 confirmed cases and 1,361 deaths, despite its weak health system and poor vaccination roll-out and uptake. Just 4.3 million vaccine doses had been administered, leaving just 10.3 percent of the population fully vaccinated.² Firms took several adjustment measures to weather the impact of the shock, adjusting production and the delivery of goods and services and suspending operations. These measures and the pandemic as a whole had disproportionately adverse effects on low-income

households, women, low-skilled workers, informal workers, and internally displaced persons (IDPs).

Drought has stymied agricultural performance. The current extreme, widespread, and persistent multi-season drought is unprecedented – a climatic event not seen in at least 40 years.³ After four consecutive poor rainy seasons since October 2020, 90 percent of the country is now experiencing severe drought conditions that include failed crop harvests, widespread water shortages, and a decline in livestock production. Production of 2021 *Gu* cereals was estimated to have been 20–40 percent below long-term average.⁴ Combined with effects of the 2020–21 locust infestation, the drought has decimated rangelands and caused shortages of pasture and water for livestock.

“

The ongoing severe drought compounded by rising commodity prices due to the war in Ukraine is contributing to increased inflationary pressure

Inflation is accelerating due to both the drought and the war in Ukraine. Food price inflation rates exceeded 10 percent in the first half of 2022, pushed up by both lower domestic agricultural output and higher global food prices driven by the war in Ukraine. The spike in world oil prices added further inflationary pressure, boosting total inflation measured by the consumer price index (CPI) to over 6 percent. Higher food inflation worsened food insecurity, with shortages disproportionately affecting the poor, thus exacerbating inequality.

The drought has intensified the humanitarian crisis and is driving Somalia to the brink of famine.⁵ The drought led to significant

¹ In June 2021, the Somalia National Bureau of Statistics (SNBS) revised and published new GDP estimates series for 2013–20. They have been incorporated in this edition of the *Somalia Economic Update*. Annex A provides a detailed analysis of the new GDP series.

² World Health Organization 2022 <https://covid19.who.int/region/emro/country/so>

³ Joint statement alert by meteorological agencies and humanitarian partners in Somalia, May 30, 2022.

⁴ Somalia has four distinct seasons: The rainy seasons are *Gu* (April–June) and *Dyer* (October–November); the dry seasons are *Hagaa* (July–September) and *Jiilaal* (December–March).

⁵ FEWS NET and FSNAU: Somalia Food Security Outlook February to September 2022.

displacement in 2021 as people abandoned their homes in search of food, water, and pasture for their livestock. Displacement accelerated in early 2022 when the March–May rainy season failed to materialize. By the end of May 2022, more than 805,000 people had been displaced due to drought. Nearly 50 percent of the population, 7.1 million people, face crisis-level food insecurity or worse through at least September 2022. Of those, 213,000 people face catastrophic hunger and starvation.⁶ Humanitarian food assistance is urgently needed to prevent food consumption gaps or the accelerated depletion of livelihood assets, indicative of crisis (Integrated Food Security Phase Classification [IPC] Phase 3) or worse outcomes.

The delayed elections constrained donor grants, as development partners withheld budget support in 2021.

The prolonged electoral period halted budget support from multilateral partners, leading to liquidity pressures, as total government expenditures outstripped revenue (including grants), resulting in a fiscal deficit of 1.1 percent of GDP. Although with the economic recovery, tax revenue grew by 17 percent in 2021, it was 11 percent below the budget target. The protracted election also resulted in new investment financing being put on hold until the passage of the 2022 budget. The FGS, therefore, cut discretionary spending well below budget targets. As a result, intergovernmental grants and goods and services underperformed by 42 percent and 32 percent respectively against the budget targets in 2021. In addition, the FGS exhausted its cash reserves and tapped the new SDR allocation to finance the deficit. To help mitigate the impact of recent climatic shocks, development partners supported the government’s programs to increase spending

on social safety nets through the Baxnaano cash transfer program, the locust response, and crisis response projects.

Medium-Term Outlook and Risks

Somalia’s economy is expected to grow along a gradual trajectory, although beset by significant shocks.

GDP is expected to grow by 2.7 percent in 2022 amid a global environment characterized by multiple shocks, high volatility, and uncertainty. A recovery in demand is expected in 2023 when most of the shocks currently dragging on the recovery are expected to dissipate. An uptick in consumption and investment, combined with faster growth of Somalia’s trading partners, supports a forecast of GDP growth of 3.6 percent in 2023 and 3.7 percent in 2024. With this recovery, per capita private consumption is projected to decline slightly in 2022 but pick up to positive territory in the medium term. Government spending is projected to increase, as political uncertainty declines significantly as a result of the completion of elections. This outlook assumes no COVID-19 movement restrictions in Somalia or its trading partners, no new variants, and higher vaccination rates.



Significant risks related to the impacts of the war in Ukraine, climatic shocks, security threats, and the lingering impacts of the COVID-19 crisis are adversely affecting the Somali economy

The medium-term outlook remains highly uncertain, however.

It is subject to risks from global developments related to the war in Ukraine, climate-related shocks, security threats, and the lingering impacts of COVID-19 crisis. This edition of the *Somalia Economic Update*, therefore, presents two alternative scenarios for the medium-term growth outlook. In the downside scenario, the economy grows at just 1.8 percent in 2022, increasing to only 2.3 percent in 2023. This scenario is premised on (a) higher than expected prices of oil and wheat because of more severe spillovers from the

⁶ UN Office for the Coordination of Humanitarian Affairs: Somalia Drought Response and Famine Prevention Plan 2022, June 2022.



war in Ukraine, which would decelerate economic activity in Somalia as the import bill widens; (b) an upsurge in COVID-19 cases; and (c) inadequate *Gu* rains, leading to the country's fourth historic consecutive failed rain season since late 2020. In the upside scenario, growth will be 3.5 percent in 2022, rising to 4.7 percent in 2024. This scenario is anchored on better-than-expected weather conditions and a quicker resolution of the war in Ukraine. Economic recovery will be robust in 2022 if *Gu* and *Dyer* rains are above average, helping increase food and livestock production, and current social protection programs are expanded to include vulnerable households in urban areas.

The Case for Investing in Social Protection

Somalia is highly vulnerable to natural disasters, which are increasing in frequency and severity as a result of global climate change.

These shocks result in protracted humanitarian crises and high levels of food insecurity. Since 1960, Somalia has experienced 14 major droughts, an average of one every four years.

The 2016/17 drought left an estimated 6.7 million people in urgent need of humanitarian assistance. Major flooding also hit Somalia between 2018 and 2020, displacing around 650,000 people in 2020 alone. Conflict- and climate-related disasters exacerbated internal migration, adding nearly 3 million IDPs to the 1.1 million people already in protracted displacement as of October 2020. In 2020–21, a desert locust infestation across various livelihood zones caused loss of income and more people to fall into food insecurity. The 2021/22 severe drought, combined with the residual effects of the locust infestation, the pandemic, and the food prices inflation resulting from the war in Ukraine have aggravated an already dire food insecurity situation. Over 7 million people face crisis-level food insecurity or worse through at least September 2022.

“
Climate-related shocks have increased in frequency and severity

Somalia's traditional social protection mechanisms, which are based on clan affiliation, are inadequate. Somalis have long relied on traditional safety nets to mitigate risks, cope with shocks, and redistribute resources to those in need. While critical for protecting many Somalis in times of need, traditional safety net mechanisms are unpredictable and largely based on clan relations and affiliations. As such, they remain narrow and exclusive and unable to cater to the needs of the wider community arising from shocks. In the absence of a formal safety net, large proportion of the poor and vulnerable lack protection against extreme poverty and are at higher risk to preserving their human and productive assets during shocks. Additionally, members of minority clans, which include large numbers of IDPs, continue to be excluded from traditional support networks, and in the absence of formal social protection measures, their needs remain unmet.

As a result, a formal, institutionalized social protection system could address these challenges, by extending coverage to and mitigating risks for all vulnerable households and build resilience to recurrent shocks.

Formal Social protection mechanisms are at an early phase and need to continue evolving

In an effort to address current challenges, the FGS has begun to establish the building blocks of a formal social protection system. The 2019 Somalia's Social Protection Policy marked an important first step. Its objective is to contribute to economic growth, peace and security, human development, and equity. Since onset, the policy was envisaged as a basis to progressively move towards a coherent and comprehensive social protection system to combat poverty and vulnerability. In line with this goal, in 2019 Somalia launched its first national, government-led social safety net program, known as Baxnaano.

Over time, the Baxnaano program has grown into Somalia's flagship social safety net. Baxnaano was initially introduced to help poor and vulnerable households meet their immediate needs, while building resilience and accumulate human capital by providing a predictable and reliable social safety net. The program delivers nutrition-linked cash transfers to 200,000 poor and vulnerable households (approximately 1.2 million individuals) with children under the age of five and living in selected rural areas across the five FMS and Somaliland. Baxnaano reflects the government's commitment to prioritize social assistance over other social protection instruments, including labor market interventions, for the purpose of ensuring direct, rapid, and targeted support geared toward the fulfillment of basic needs and protection of human capital among the poorest and underserved populations living in rural areas.

The accumulation and quality of human capital depends heavily on the country's ability to protect its vulnerable citizens from shocks and their aggravating impacts. Social protection has a key role to play in helping Somalia meet its human capital accumulation requirements. By providing poor and vulnerable households with support and access to socioeconomic opportunities, social protection interventions can prevent and mitigate the negative and long-lasting impacts of shocks and protracted crises on human capital formation and individual well-being. During crises, for instance, social protection can obviate the need to sell livestock and other essential productive assets or to cut investments in children's health and education. Given the enormous, untapped potential for improving the human capital of its citizens, Somalia needs to invest in an integrated, shock-responsive, and human capital-oriented social protection system, which protects citizens against

risks along the life cycle and promotes inclusive policies.

Moreover, an institutionalized social protection system can help strengthen the social contract by fostering government ownership and leadership in enhancing social welfare. Leveraging a well-developed, national social protection system would allow the FGS not only to show and carry out its commitment to ensuring the protection and inclusion of the poorest and most vulnerable but also (and crucially) to position itself as the lead actor in delivering tangible and critically needed support. This presents the FGS with an opportunity for strengthening the social contract between citizens and the state, along with reducing Somalia's heavy reliance on humanitarian interventions, which have traditionally complemented or supplied the government's response capacity. While providing critical relief to those most in need, short-term humanitarian programs have often been implemented without sufficient coordination and mostly outside government structures, thus limiting opportunities to support Somalia's state building process. Moving forward, adequate investments must be directed to formalizing Somalia's emerging social protection system by strengthening delivering systems and closing existing gaps, including Baxnaano's limited geographical and population coverage.

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Moving forward, adequate investments must be directed to formalizing Somalia's emerging social protection system

As Somalia transitions out of fragility, it needs to gradually transition from humanitarian aid to development approaches. During this transition, convergence of humanitarian and national social assistance systems is required, with a shared, if not common, understanding and approaches to monitoring and evaluation, policy support, and institutional building, as well as operational

alignment in areas such as targeting and eligibility, benefit levels, and data exchange. In a limited fiscal space context, alignment of humanitarian safety net with national systems within the social protection policy framework is critical to addressing chronic poverty and sustainable resilience building.

Challenges in the social protection sector remain great

Social protection spending is very limited. The FGS's narrow fiscal space limits public investment in social services and human capital accumulation in general and in social protection in particular. Total FGS spending on social protection was only 0.9 of GDP in 2020 and 0.5 percent in 2021, significantly lower than the average 1.5 percent in developing countries and in sub-Saharan Africa and far too low to meet Somalia's needs. The country's fiscal challenges pose high risks for the sustainability and expansion of the social protection system and therefore for its long-term impact on poverty reduction and human development.

Consensus on the governance and administrative structure for Somalia's safety net system within the federal system is needed. Transitioning from the current implementation model to a model of direct government implementation faces challenges associated with the uncertainties about the federal structure and assigning functional responsibility for the governance and delivery of social services and the division of resources and intergovernmental transfers. Direct implementation of social protection programs with clearly defined roles and functional responsibilities of different jurisdictions will support trust building between local governments and citizens on the one hand and between FMS and the FSG on the other,

contributing to stability and state building. Various actions would strengthen the social protection system.

Priority actions to strengthen the social protection system in the short to medium term

Concrete progress has been achieved in several critical areas, including establishment of Somalia's first national safety net program (Baxnaano), development of a unified social registry, and initiation of the process for establishing a pension scheme for civil servants and livestock insurance. Recommended priorities for action in the short to medium term (one to three years) include the following:

- *Provide sustained, multiyear financing to Baxnaano.* This would initially be through donors and then increasingly from the government's national budget, to preserve and expand human capital gains and enable Baxnaano households to move out of poverty over time. Gradually expand program coverage to promote a shift from humanitarian assistance to a national social safety net program.
- *Operationalize the social registry, develop a five-year national plan for rolling out registration intake, and mobilize funding for implementation.* A functional unified social registry (USR) with expanded coverage is a key aspect to enhance both the government's preparedness to shocks and cross-sectoral coordination of benefits and social services. The functionality of the USR requires timely implementation of the remaining aspects of its development, including data protection arrangements, the national identification system, and funding of the USR unit. In the longer term, the USR can serve as a multi-sectoral platform for coordination of social protection-related programs.

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The country's fiscal challenges pose high risks for the sustainability and expansion of the social protection system

- *Improve the targeting of the Baxnaano program.* Reducing inclusion errors would increase the effectiveness of scarce resources and improve the program's impact on poverty. Finalizing the technical work on the revised targeting approach and endorsing the revised approach would enhance outcomes as current beneficiaries go through eligibility reassessment and enrollment increases.
- *Develop and initiate implementation of a youth-targeted productive safety net.* Engaging youth in social protection interventions is critical to Somalia's productivity and stability. Somalia can learn from a wealth of international experience. The Ministry of Labour and Social Affairs (MoLSA) has begun identifying the instrument that is most appropriate for Somalia's context and state of development. Somalia could consider starting by targeting female and male youth in urban areas.
- *Pass the legislation creating a pension scheme covering civil servants and take the necessary steps to begin implementing the program.* These would include, designing the business process, communicating the introduction of the pension system to employees, and setting up an information technology (IT) system that will keep employment and contribution records throughout the employee's working career and during the retirement period of the employee and any eligible family members.

Dhaqaalaha Soomaaliya dib ayuu u soo boodaya koboca GDP ee 29 boqolkiiba sanadka 2021,¹ ka dib yaraanshe ah 0.3 boqolkiiba sanadka 2020. Kobocan waxa uu 0.5 ka sareeya 2.4 boqolkiiba saadaasha gudaha sanadka 2021 *La socodka Dhaqaalaha Soomaaliya*. Korodhka koboca iyo hawlaha dhaqaalaha gudaha 2021 waxaa kiciyay debcinta xidhitaanka COVID-19 la xidhiidhay, taas oo taageetay isticmaalka baahinta dalabka la haystay. Kharash garaynta maalgelinta way kobocday siiba, iyaddoo uu taageeray xawilaada lacagta gudaha ah ee badan iyo daynta qaybta gaarka ah. Soo kabashadu way dhacday xataa marka dhaqaalaha la kulmay dhowr caqabadood sanadkii 2021 ay ku jirto is marin waa siyaasadeed oo qaababka siyaasadeed, abaarta dhowr qaybood ah oo wadanka ah, saadka qaybinta oo caqabado la kulay oo ka yimid xidhitaanka COVID-19, iyo hawalaha kacdoonka kordhay ah.

Hab socodka xaaladaha la diiwaaniyay COVID-19 gudaha Soomaaliya waxa uu ahaa gaabis laakiin qaab heerkoodu yar yahay waxay la qabsadeen safmarka cvimilada. Dowladdu, si dhow waxay ula shaqaynaysaa bulshadda caalamiga ah, soo ururinta ilaha iyo saadka si loo fududeeyo safmarka. Laga bilaabo Juun 30, 2022, Soomaaliya waxay ka warbixisay 26,803 xaaladood oo la xaqiijiyay iyo 1,361dhimasho, ka sakow nidaamkeeda caafimaadka liita iyo tallaalka cusub iyo isticmaalka. 4.3 garoojo tallaalka ah ayaa la qaatay, iyadoo 10.3 boqolkiiba mujtamaca ah ayaa si buuxda loo tallaay.² Shirkadu waxay sameeyeen dhowr tallaabo oo habbayn ah ee saamaynta dhibta cimilada ah, habbaynta wax soo saarka iyo dirida badeecadaha iyo adeegyada joojinta hawl-galada. Tallaabooyinkan iyo safmarka gebi ahaan si aan isku dheeli tiranayn waxa uu

u saameeyay qoysaska dakhligoodu hooseeyo, haweenka, shaqaalaha xirfadoodu hoosayso, shaqaalaha aan rasmiga ahayn, iyo dadka gudaha ka barakacay (IDPs).

Abaartu waxay xanibtay hawsha beeraha Abaarta daran ee hadda, ee baahsan, iyo joogtada ah ee xiliyada badan waa mid aan hore u dhicin - dhacdada cimilada aan la arag ugu yaraan 40 sanadood.³ Ka dib afar xili oo roobku liito oo isku xiga laga bilaabo Oktoobar 2020, 90 boqolkiiba wadanku hadda waxa uu la kulmayaa xaaladaha abaareed ee daran ee ay ku jirto dalaga goosashada fashilantay, biyo yaraanta baahsan, iyo hoos u dhaca wax soo saarka xoolaha nool. Wax Soo saarka 2021 *Gu'ga* ee badarka waxaa lagu qiyaasay inuu ahaa 20–40 boqolkiiba oo ka hooseeya celceliska xiliga dheer.⁴ Lagu daray saamaynta 2020–21 ayaxii badnaa, abaarta waxay burburisay dhul daaqsimeedka oo waxay sababtay yaraanshaha daaqa iyo biyaha ee xoolaha nool.

Sicir bararku waa uu ka sii darayaa iyaddoo ay sababtay labbadaba abaata iyo dagaalka Ukraine. Sicir bararka qiimaha cuntadda waxa uu ka badan yahay 10 boqolkiiba badhtanka hore ee 2022, oo sare u kiciyay labbadaba wax soo saarka beeraha wadanka ee hoose iyo qiimayaasha cuntadda aduunka sare oo uu sii qaali gareeyay dagaalka Ukraine. Sare u kaca shidaalka aduunka waxay ku sii biirisay cadaadis sicir bara oo dheeraad ah, iyaddoo kordhinaysa wadarta sicir bararka uu ku qiyaasay qiimaha macmiilka (CPI) in ka badan 6 boqolkiiba. Sicir bararka cuntadda waxa uu sii xumeeyay sicirka cuntadda oo aan fadhiyin, yaraanshaha sinaan la'aaneed oo saameeya dadka saboolka ah, sidaasna ka sii daray sinaan la'aanta.

¹ UGudaha Juun 2021, Xafiiska Tirakoobka Qaranka (SNBS) dib loo eegay oo la daabacay GDP cusub taxaha qiyaasta ee 2013–20. Waxaa lagu daray daabacaadan *La socodka Dhaqaalaha Soomaaliya*. Lifaqa A waxa uu faahfaahin ka bixiyaa faaqidaada taxanaha cusub ee GDP.

² Ururka Caafimaadka Aduunka 2022 <https://covid19.who.int/region/emro/country/so>

³ Digniinta warbixinta wada jirka ah ee wakaaladaha cimilada hawada iyo hay'adaha gargaarka gudaha Soomaaliya, Maayo 30, 2022.

⁴ Soomaaliya waxay leedahay afar xili oo gaar ah: Xiliyadii roobku waa Gu (Abriil–Juun) and dayr (Oktoobar–Noofambar); xiliyada qalalan waa Xagaa (Juulaay–Sebtembar) iyo *Jiilaal* (Diisambar–Maarso).

Abaarta waxay sii adkaysay dhibta deeqaha aadaminimada oo waxay Soomaaliya qarka u saaraysaa macaluul.⁵ Abaarta waxay keentay barakicin wayn sanadka 2021 marka dadka ay ka tageen guryahooda iyadoo raadsanaya cunto, biyo, iyo daaqa xoolahooda. Barakaca degdega ahaa horaantii 2022 marka xiliga roobka Maarso-Maayo la waayay in la helo. Dhammaadka Maayo 2022, wax ka badan 805, 000 dad ah ayaa abaartu barakicisay. Ugu dhawaan 50 boqolkiiba mujtamaca, 7.1 malyuun oo qof, waxay wajahaan yaraanshaha cuntada heerka dhibta ah ama ka sii xun dhexda ugu yaraan Sebtembar 2022. Ee kuwan, 213,000 dad ah waxay la kulmayaan gaajo iyo macaluul masiibo ah. Kaalmada cuntadda ee aadaminimada si degdeg ah ayaa loogu baahan yahay gol daloolooyinka isticmaalka ama dhammaanshaha kordhay ee meelaha quudka laga helo, ee tilmaamaha dhibta (Wejiga Kala soocida Amniga Cuntadda Isku dhafan [IPC] Wejiga3) ama natiijo ka sii xun.

Doorashooyinka dib loo dhigay waxay xanibeen lacagta deeqaha ah, maadaama shuraakada horumintu ay hakiyeen taageerada miisaaniyada sanadka 2021. Muddadan doorashada muddo dheeraatay waxay joojisay miisaaniyada taageerada shuraakada qaybaha badan, oo keenta cadaadiska lacagta cadaanka ah, sida wadarta kharashyada dowladda dhaaftay dakhliga (ay ku jiraan deeqaha), oo keentay dhinaanta maaliyada 1.1 boqolkiiba GDP. In kastoo soo kabashada dhaqaalaha, dakhliga cashuurtu waxay korodhtay 17 boqolkiiba sanadka 2021, waxay ahayd 11 boqolkiiba mid ka hoosaysa yoolka miisaaniyada. Doorashada muddo dheeraatay sidoo kale waxay keentay maalgelin cusub oo la hakiyay ilaa go'aaminta miisaaniyada 2022. FGS, sidaas awgeed, kharash garaynta dheeraadka ah ayay jartay oo ka hoosaysa yoolalka miisaaniyada. Natiijo ahaan, deeqaha u dhexeeya dowladda iyo badeecada iyo adeegyada aan wax wanaagsan laga qaban 42 boqolkiiba iyo 32 boqolkiiba si gaar ah uga duwan yoolalka miisaaniyada

sanadka 2021. Ka sakow, FGS waxay dhammaysay lacagteedii cadaanka ahayd ee kaydka oo waxay isticmaashay qoondaynta cusub ee SDR si ay u maalgeliso dhinaanshaha. Si loo caawiyo fududaynta samaynta dhibaatooyinka dhawaa ee cimilada, shuraakada horumarka taageeraya barnaamijka dowladda si loo kordhiyo kharash garaynta shabakadaha badbaadada bulshadda oo soo maraya barnaamijka xawilida lacagta cadaanka ee Baxnaano, jawaabta ayaxa, iyo mashruucyada jawaabta dhibta.

Muuqaalka iyo Khataraha Xiliga Dhexe

Dhaqaalaha Soomaaliya waxaa la filayaa inuu ku kobco dhabo aayar ah, in kastoo ay dhib joogtaha u gaystaan dhibaatooyin waa wayni. GDP ayaa la filayaa inuu kordho 2.7 boqolkiiba gudaha sanadkii 2022 badhtanka deegaanka caalamiga ah ee ku sifaysan dhibaatooyinka badan, is bed-beddel aad u badan, hubaal la'aan. Soo kabashada la dalbanayo waxaa la filayaa 2023 marka badanka dhibaatooyinka hadda ay jiidamayaan wakhtiga soo kabashada waxaa la filayaa in muuqeeda la waayo. Korodhkan isticmaalka iyo maalgelinta, marka lagu daro koboca degdeg badan ee shuraakada ganacsiga Soomaaliya, waxa uu taageeraya saadaasha koboca GDP ee 3.6 boqolkiiba sanadka 2023 iyo 3.7 boqolkiiba sanadka 2024. Soo kabashadan, isticmaalka gaarka ah ee qofkiiba, waxaa la filayaa inuu hoos u dhaco sanadka 2022 laakiin waaxa uu gaadhayaa goob wanaagsan xiliga dhexe, kharash garaynta dowladda waxaa la furayaa in la kordhiyo, maadaama hubaal la'aanta siyaasadeed si wayn hoos ugu dhacdo sidii natiijada dhammaystirka doorashooyinka. Aragtidan waxaa la filayaa inaanay xayiraad la saarin dhaqdhaqaaqa COVID-19 ama waa shuraakadeeda ganacsiga, ma jiraan noocyo cusub, iyo heerar sare oo tallaalka ah.

Muuqaalkan xiliga dhexe weli waa mid aan aad loo hubin, si kastaba ha ahaatee. Waxaa sababa khataraha ka yimaada horumarka caalamiga ah ee la xidhiidha dagaalka Ukraine, dhibaatooyinka

⁵ FEWS NET iyo FSNAU: Muuqaalka Guud ee Amniga Cuntadda Soomaaliya Febraayo 2022.

⁶ Xafiiska Qaramada Midoobay ee Isku xidhka Arrimaha Kaalmada Aadamnimada ah: Qorshaha Ka hortagga Jawaabta Abaarta iyo Macluusha ee Soomaaliya 2022, Juun 2022.

cimilada la xidhiidha, khataraha amniga, iyo saamaynta muddo dheeraata ee dhibta COVID-19. Daabacaadan *La socodka Dhaqaalaha Soomaaliya*, sidaas awgeed, waxa uu soo bandhigaa qaab dhismeedyo kale ee muuqaalka koboca xiliga dhexe. Qaab dhismeedka aan wacnayn, dhaqaalahu waxa uu kobcayaa ilaa 1/8 boqolkiiba sanadka 2022, kordhinta ilaa 2.3 boqolkiiba keliya sanadka 2023. Qaab dhismeedkan waxa uu ku salaysan yahay (a) in ka badan qiimaha saliida iyo qamandiga la filayay sababtoo ah daadashada daran ee dagaalka Ukraine, taa soo yarayn karta hawsha dhaqaalaha gudaha Soomaaliya marka biilka soo dejintu sii ballaadho; (b) sare u kaca xaaladaha COVID-19; iyo (c) roobabka Guoo aan ku filanayn, oo keenaya wadanka taariikhda ahaan waayida xiliga roobka ee isku xigay ilaa iyo dhammaadkii 2020. Qaab dhismeedka foorara, kobocu waxa uu noqon doonaa 3.5 boqolkiiba sanadka 2022, oo gaadhaysa 4.7 boqolkiiba 2024. Qaab dhismeedkan waxa uu aad ugu salaysan yahay xaaladaha cimilada ee ka fiican sida la filayay iyo xalka degdega ah ee dagaalka Ukraine. Soo kabashada dhaqaalaha waxay noqon doontaa mid xoogan sanadka 2022 haddii roobabka *Gu* iyo *Dayrta* waxay ka saraysaa celceliska, ka caawisaa korodhka wax soo saarka cuntadda iyo xoolaha, iyo barnaamijyada ilaalinta hadda ee bulshadda waala kordhiyaa si loogu daro qoysaska itaalka daran gudaha aagaga magaalada.

Xaalada Maalgelinta Ilaalinta Bulshadda

Soomaaliya si aad ah ayay ugu nugul yihiin masiibooyinka dabiiciga ah, oo kordhiya inta jeer ee ay dhacaan iyo darnaanta naatiijo ahaan uu keeno isbeddka cimilada caalamiga ah. Dhibaaoyinkan waxaa keenay dhibaatooyinka aadamaha muddo dheeraaday iyo heerarka sare ee amni darada cuntadda. Laga bilaabo 1960, Soomaaliya waxa soo maray 14 abaarood oo waa wayn, celceliska hal mid afar sanadood oo kasta. Abaartii 2016/17 ayaa qiyaas ahaan 6.7 malyuun oo qof kaga tagtay baahi degdeg ah oo gargaar ay u baahan yihiin ah. Daadad waa wayn ayaa ku dhufay Soomaaliya intii u dhexaysay 2018 iyo 2020, iyagoo barakiciyay 650,000 qof sanadkii

2020 oo keliya. Khilaafka iyo masiibooyinka cimilada la xidhiidha oo ay ka sii dareen haajirida gudaha wadanaka ah, oo ku biirisay ugu yaraan 3 malyuun oo Barakacayaasha gudaha ah ilaa 1.1 qof hadda ka hor ku jiray barakac muddo dheeraaday laga bilaabo Oktoobar 2020. Sanadkii 2020–21, dilaacii ayaxa saxaaraha, dhammaan aagaga badan oo quudka laga helo ayaa sababay khasaaraha dakhliga oo dad badan ayaa ku dhacay cunto yaraan. Sanadkii 2021/22 abaar daran, oo ay ku jirtay saamaynta uu reebay dilaaca ayaxu, cudurka safmarka ah, iyo sicir bararka qiimaha cuntadda ka yimid dagaalka Ukraine ayaa ka sii daran hadda ka hor xaalada ba'ayd ee cunto yaraanta. In ka badan 7 malyuun oo qof ayaa ay soo food saartay heerka dhibta cunto yaraanta ama mid ka sii daran ilaa ugu yaraan Sebtembar 2022.

Farsamooyinka ilaalinta bulshadda ee dhaqanka Soomaaliya, kuwaas oo ku salaysan ku xidhnaanta qabiilka, kuma filna.

Soomaalidu wakhti dheer waxay ku tiirsanaayeen shabakadaha badbaadada dhaqanka si loo fududeeyo khataraha oo wax looga qabto dhibaatooyinka, oo dib loogu qaybiyo khayraadka kuwan baahan. Marka ay muhiimka tahay Soomaali badan oo baahan, farsamooyinka badbaadada dhaqanka lama saadaalin karo oo si wayn waxay ugu salaysan yihiin xidhiidhaha qabiilka iyo isku xidhnaanta. Sidaasna, waxay sii yaraadaan oo ka maqnaadaan oo ma awoodaan wax ka qabashada baahiyaha bulshadda ballaadhan waxyaabaha ka yimaada dhibaatooyinka. Maqnaanshaha shabakada badbaadada rasmiga ah, xadi badan oo saboolka ah iyo dadka dhibta u nugul kama haystaan ka ilaalinta saboolnimada xad dhaafka ah oo waxay khatar wayn ugu jiraan dhowrida hantidooda aadamaha iyo wax soo saarka ah muddada dhibtu jirto. Intaa waxa dheer, xubnaha qabiilada laga tiro badan yahay, ay ka mid yihiin tirooyin badan oo Barakacayaasha ah, weli waxay ka sii maqan yihiin shabakadaha taageerada dhaqameed, iyo maqnaanshaha tallaabooyinka bulshadda rasmiga ah, baahiyahoodu waxay sii ahaadaan kuwa aan la buuxin.

Natiijo ahaan, nidaamka rasmiga ah, ee ilaalinta bulshadda la habeeyay waxay wax ka qaban kartaa caqabadahan, iyaddoo la kordhinayo daboolida iyo fududaynta khataraha dhammaan qoysaska nugul iyo dhisida adkaysiga dhibaatooyinka soo noqnoqda.

Farsamooyinka ilaalinta Bulshadda ee rasmiga ah waxay ku jiraan wejiga hore oo waxay u baahan tahay inay sii horumarto

Dedaalka wax lagaga qabanayo caqabadah jira, FGS waxay bilowday inay dhisto seeska nidaamka ilaalinta bulshadda ee rasmiga ah. Xeerka Ilaalinta Bulshadda 2019 ee u calaamadsan tallaabada koowaad ee muhiimka ah. Ujeedadeedu waa in laga qayb qaato koboca dhaqaalaha, nabada iyo amniga, horumarka aadamaha, iyo sinaanta. Laga bilaabo bilaabideedii, xeerka waxaa loo arkay aasaaska si aayar ah ugu socda dhanka nidaamka ilaalinta wada jirka ah oo dhammaystiran si loola dagaalamo sabaalnimada iyo nuglaanshaha. Si waafaqsan hadafkan, sanadkii 2019 Soomaaliya waxay bilowday barnaamikeedka koowaad ee qaranka, shakabada badbaadada dowladdu hagto, ee loo yaqaano Baxnaano.

Muddo ka dib, barnaamijka Baxnaano waxay noqotay calaamada muuqata ee shabakadada badbaadada bulshadda ee Soomaaliya. Baxnaano markii u horaysay waxaa loo bilaabay inay kaalmayso qoysaska saboolka ah iyo dadka itaalka daran si loo buuxiyo baahiyahooda degdega ah, marka la dhisayo adkaysiga oo la ururinayo raasamaalka aadamaha iyaddoo la bixinayo shabakada badbaadada la saadaalin karo oo la isku halayn karo. Barnaamijku waxa uu u diraan lacagta cadaanka ah ee nafaqada ku xidhan ilaa 200,000 oo qoysas sabool ah iyo kuwa liita (ugu dhawaan 1.2 milyuun oo qof) ee leh carruurta ka yar shan jir oo ku nool aagaga miyiga ah ee la xushay dhammaan shanta ka tirsan FMS iyo Somaliland. Baxnaano waxay muujinaysaa ballan qaadka dowladda si ahmiyada loo siiyo kaalmada bulshadda eee ku saabsan aaladaha ilaalinta bulshadda kale, wixii ah ujeedada xaqiijinta tooska ah, degdega ah, iyo taageerada yoolka la saarayo

taageerada loo diyaariyay dhanka dhammaystirka baahiyaha aasaasiga ah iyo ilaalinta raasamaalka aadamaha dhexda mujtamaca ugu saboolsan iyo in si wanaagsan wax loogu qabto ee ku nool gudaha aagaga miyiga ah.

Ururinta iyo tayada raasamaalka aadamahu waxa uu xoog ugu xidhan yahay kartida wadanka si loo ilaaliyo muwaadiniinteeda itaalka daran ee ay wax ka soo gaadheen dhibtaatooyinka iyo saamaynteeda ka sii xumaanaysa. Ilaalinta bulshadda waxay leedahay doorka muhiimka ah ee ay ka ciyaarto caawinta Soomaaliya inay buuxiso shuruudaheeda ururinta raasamaalka aadamaha. In la siiyo dadka saboolka iyo qoysaska liita taageero oo ay helaan fursadaha dhaqaalaha bulsheed, wax ka qabadka ilaalinta bulshaddu waxay ka hortagi kartaa oo ay yaraysaa saamaynta xun ee muddo dheeraadka ee dhibta iyo dhibaatooyinka muddo dheeraadka ee qaabaynta raasamaalka aadamaha iyo faydo qabka shakhsiga. Muddada dhibtu jirto, tusaale ahaan, ilaalinta bulshaddu waxay meesha ka saari kartaa baahida in la iibiyo xoolaha nool iyo hantida kale ee wax soo saarka lama huraanka ah ama in la yareeyo maalingelinta caafimaadka carruurta iyo waxbarashadda. Iyaddoo si cad ay u wayn tahay, ilaha dhaqaale ee aan la isticmaalin ee horumarinta raasamaalka aadamaha muwaadiniinteeda, Soomaaliya waxay u baahan tahay inay maageliso mid isku dhafan, dhibtana ka jawaab celisa, iyo nidaamka ilaalinta bulshadda ku habboon raasamaalka aadamaha, oo muwaadiiniinta ka ilaaliya khatarta wareega nolsoha oo sare u qaada xeerarka laga qayb galo.

Ka sakow, nidaamka ilaalinta bulshadda la dejiyay waxa uu caawin karaa xoogaynta qandaraaska bulshadda ee kobicinta lahaanshaha dowladda iyo hogaanka sare u qaadista daryeelka bulshadda. Ka faa'iidsiga nidaamka sida wanaagsan u horumnaray, ilaalinta bulshadda qaranka sidoo kale waxay oggolaan lahayd FGS keliya maaha inay muujiso oo ay fuliso ballan qaadkeeda si loo hubiyo ka qayb gelinta ugu liidata iyo mida ugu itaalka daran laakiin sidoo kale (iyo si muhiim ah) inay nafteeda gayso sidii mida hormood

u ah gudbinta taageerada la taaban karo iyo muhiim ahaan loo baahan yahay. Tani waxay u soo bandhigtaa FGS fursada xoojinta qandaraaska bulshadda ee u dhexeeya muwaadiniinta iyo qaranka, oo ay la socoto yaraynta ku tiirsanaanta hawlagalada samafalka culus ee Soomaaliya, taas oo dhaqan ahaan dhammaystirtay ama bixisay awooda jawaabta ee dowladda. Iyaddoo bixinaysa gargaarka muhiimka ah kuwan u baahan, barnaamijyada samafalka waxaa inta badan la hirgeliyay iyaddoon lahayn isku xidhka ku filan oo badankana ah meel ka baxsan qaab dhismeedka dowladda, sidaasna xadida fursadaha lagu taageerayo nidaamka qaran dhisida ee Soomaaliya. Hore u socodka, maalgelinta ku filan waa in lagu hagaajiyaa qaabaynta Soomaaliya nidaamkeeda ilaalinta bulshadda soo baxaysa ee xoogaynta gudbinta nidaamyada iyo xidhida gol daloolooyinka jira, ay ku jirto daboolida Baxnaano ee juqraafi ahaan xadidan iyo mujtamaca.

Iyaddoo Soomaaliya ay ka soo doogayso jileeca, waxay u baahan tahay aayar uga wareegida kaalmada gargaarka aadaminimada ilaa hababka horumarka. Muddada xiliga kala guurka, kulmida aadaminimada iyo nidaamyada caawinta bulshadda ee qaranka ayaa loo baahan yahay, oo leh mid la wadaago, haddii aanay ahayn mid guud, fahanka iyo hababka la socodka iyo qiimaynta, xeerka taageerada, iyo dhismaha wakaaladeed, siiba maamulka wakaaladeed ee aagaga sida xoog saarida iyo u qalmida, heerarka dheefta, iyo is dhaafsiga xogta. Xaalada booska maaliyadeed ee xadidan, ku habbaynta shabakada badbaadada aadamaha nidaamyada qaranka gudaha qaabka xeerka ilaalinta bulshadda aad ayay muhiim ugu tahay wax ka qabashada saboolnimada daran iyo dhisida kalsoonida waarta.

Caqabadaha qaybta ilaalinta bulshadda way sii jiraan

Ilaalinta bulshadda ee kharash garayntu aad ayay u xadidan tahay. Booska maaliyadeed ee yar ee FGS waxa uu xadidaa maalgelinta dad waynaha ee adeegyada bulshadda iyo ururiska raasmaalka aadamaha guud ahaan iyo ilaalinta bulshadda

gaar ahaan. Wadarta kharash garaynta FGS ee ilaalinta bulshadda waxay keliya ahayd 0.9 ee GDP sanadkii 2020 iyo 0.5 boqolkiiba 2021, si wayn uga hoosaysa celceliska 1.5 boqolkiiba wadamada soo koroya iyo Afrikada Saxaaraha ka hoosaysa oo aad uga hooseeya inay buuxiso baahiyaha Soomaaliya. Caqabadaha maaliyadeed ee wadanku waxay saaraan khatar saaran khatar sare waaritaanka iyo ballaadhinta nidaamka ilaalinta bulshadda iyo sidaas awgeed saamaynteeda dheer ee yaraynta saboolnimada iyo horumarka aadamiga.

Is afgaradka guud ee maamulka iyo qaab dhismeedka maamulka nidaamka shabakada badbaadada Soomaaliya gudaha nidaamka federaalka ah ayaa loo baahan yahay. Ka wareegida hirgelinta hadda ee qaab ilaa qaab wejiyada hirgelinta tooska ah ee dowladda caqabadaha la xidhiidha hubaalla'aanta ku saabsan qaab dhismeedka federaalka iyo qoondaynta masuuliyada shaqaynaysa ee maamulka iyo gudbinta adeegyada bulshadda iyo qaybta ilaha iyo isku wareejinta dowladda u dhexaysa. Hirgelinta tooska ah ee barnaamijyada ilaalinta bulshadda oo wata doorar si cad loo qeexay iyo masuuliyadaha shaqaynaya ee garsoorada kala duwan ayaa taageeri doono kalsooni dhisida u dhexaysa dowladda iyo muwaadiniinta hal dhinac iyo inta u dhaxaysa FMS iyo FSG dhanka kale, oo kana qayb qaadata degenaanshaha iyo qaran dhisida. Tallaabooyin badan ayaa xoogayn lahaa nidaamka ilaalinta bulshadda.

Tallaabooyinka ahmiyada leh si loo xoojiyo nidaamka ilaalinta bulshadda xiliga gaaban ilaa dhexe

Horumar la taaban karo ayaa lagaga gaadhay dhowr aag oo muhiim ah, ay ku jirto dhisida barnaamijka shabakada badbaadada koowaad ee qaranka ee Soomaaliya (Baxnaano), horumarka diiwaanka bulshadda midaysan, iyo bilaabida nidaamka dhisida mashruuca hawl gabka ee adeegyasha madaniga ah iyo caymiska xoolaha. Ahmiyada lagu taliyay ee tallaabada xiliga gaaban ilaa dhexe (hal ilaa saddex sanadood) ay ku jirto mida soo socota:

- *Bixinta maalgelinta waarta, sanadaha badan ee Baxnaano.* Tani marka hore waxay noqon lahayd dhexda deeqbixiyayaasha oo ka dib si kordhaysana ay ka timaado miisaaniyad qaranka ee dowladda, si loo dhowro oo loo ballaadhiyo faa'iidooyinka raasamaalka aadamaha oo awood loogu siiyo qoysaska Baxnaano inay ka baxaan saboolnimada muddo ka dib. Si aayar ah u kordho barnaamijka daboolida si sare loogu qaado ka wareega kaalmada aadaminimada ilaa barnaamijka shabakada badbaadada bulshadda ee qaranka.
- *Isticmaalka diiwaanka bulshadda, horumarinta qorshaha qaranka ee shanta sanadood ee u wareegida qaadista diiwaanka, iyo soo ururinta maaliyada hirgelinta.* Diiwaanka bulshadda midaysan ee shaqaynaya (USR) ee wata daboolida la kordhiyay oo ah qayb muhiim ah si sare loogu qaado labbadaba diyaar garowga dowladda ee dhibaatooyinka isku xidhka qaybaha badan ee dheefaha iyo adeegyada bulshadda. Qaabka shaqaynta USR waxay u baahan tahay hirgelinta wakhtiga habboon ee qaybaha ka hadhay horumarkeeda, ay ku jirta xogta ilaalinta habbaynta, nidaamka aqoonsiga qaranka, iyo maaleglinta qaybta USR. Xiliga dheer, USR waxay u adeegi doontaa goobta qaybo badan ee isku xidhka barnaamijyada bulshadda la xidhiidha.
- *Horumari xoog saarida barnaamijka Baxnaano.* Yaraynta ciladaha ku darsama waxay yaran lahayd waxtarka ilaha dhifta ah oo waxay horumarin lahayd barnaamijka saamayntiisa saboolnimada. Dhammaystirka shaqada farsamo ee habka xoog saarida dib loo eegay iyo taageerida habka dib loo eegay waxay sare u qaadi lahayd natiijooyinka sidii ka faa'iidaystayaasha hadda marka ay galaan dib u qiimaynta u qalmida iyo korodhka diiwaangelinta.
- *Horumarinta iyo bilaabida hirgelinta shabakada wax soo saarka badbaadada leh ee yoolka saaraya dhalin yarada.* Ka qayb qaadashada wax ka qabadka ilaalinta bulshadda waxay muhiim u tahay wax soo saarka Soomaaliya iyo degenaanshaha. Soomaaliya waxay wax ka baran kartaa kaydka waayo aragnimada caalamiga ah. Wasaarada Shaqada iyo Arrimaha Bulshadda (MoLSA) waxay bilowday aqoonsashada aalada aadka ugu haboontaa xaalada Soomaaliya iyo horumarka qaranka.. Soomaaliya waa inay ka fekertaa bilaabida iyaddoo xooga saaraysa dhalin yarada lab iyo dhedigna gudaha aagaga magaalada.
- *Gudbinta sharciga abuurida nidaamka hawl gabka daboolaya adeegayaasha madaniga aah iyo qaadista tallaabooyinka lama huraanka ah si loo bilaabo hirgelinta barnaamijka.* Tan waxaa ku jira kara, nashqaydanta nidaamka ganacsiga, ka wada xidhiidhka bilaabida nidaamka hawl gabka ee shaqaalaha, iyo dejinta nidaamka teknoolajiga macluumaadka (IT) taas oo ilaalin kara shaqada iyo diiwaanada ka qayb galka dhammaan mihnadaha shaqo ee shaqaalaha iyo muddada wakhtiga hawl gabka ee shaqaalaha iyo xubno kasta oo qoyska ah oo u qalma.

RECENT ECONOMIC DEVELOPMENTS



1. Somalia's Fragile Recovery amid Recurrent Shocks and Political Challenges

1.1 The Global and Regional Context

The global economy is estimated to have rebounded by 5.7 percent in 2021, but growth is expected to markedly decelerate in 2022.

Global growth was driven by pent-up demand that had been suppressed during the pandemic and supportive macroeconomic policies in advanced countries (World Bank 2022). Global growth is expected to decelerate to 2.9 percent in 2022 and soften to an average of 3.0 percent in 2023-24, as pent-up demand wanes and supportive macroeconomic policies continue to be unwound. The lower growth in 2022 is a result of the war in Ukraine, which is leading to high commodity prices, adding to supply disruptions, increasing food insecurity and poverty, exacerbating inflation, contributing to tighter financial conditions, magnifying financial vulnerability, and heightening policy uncertainty. Despite the negative shock to global activity in 2022, there is essentially no rebound projected next year: global growth is forecast to edge up only slightly to a still-subdued 3 percent in 2023, as many headwinds—in particular, high commodity prices and continued monetary tightening—are expected to persist. Moreover, the outlook is subject to various downside risks, including intensifying geopolitical tensions, growing stagflation headwinds, rising financial instability, continuing supply strains, and worsening food insecurity.

Growth in Sub-Saharan Africa was 4.2 percent in 2021, supported by the recovery in global trade, high commodity prices, and the lifting of COVID restrictions. This growth rate represented a marked improvement over the contraction of 2.2 percent in 2020. Private consumption and, to a lesser extent, gross fixed

investment contributed to the recovery on the expenditure side, while net exports held back the recovery. The upturn was also buoyed by the service sector, and weather conditions favored agriculture from the production side. Growth in Sub-Saharan Africa (SSA) is projected to slow to 3.7 percent in 2022, 3.8 percent in 2023, and 4.0 percent in 2024, reflecting price pressures, partly induced war in Ukraine which is sharply reducing food affordability and real incomes across the region, high volatility, and uncertainty. Wide variation in growth is expected across countries, with resource-rich countries growing more rapidly, thanks to high commodity prices and favorable terms of trade, and non-resource-rich countries projected to be adversely affected by rising commodity prices, dragging down growth in the region. The war in Ukraine is also likely to improve the economic performance of resource-rich countries (especially their extractive sectors) and decelerate the economic activity of non-resource-rich countries as their import bills soar.

The Horn of Africa is experiencing one of its most severe droughts in recent history, with 15–16 million people acutely food insecure in Ethiopia, Kenya, and Somalia. A fourth consecutive poor season could lead to an unprecedented climate emergency in the region. Below-average rainfall has left large swaths of Somalia, southern and south-eastern Ethiopia, and northern and eastern Kenya facing exceptional drought, with some areas now at risk of famine. Food prices are rising in many drought-affected areas, as a result of a combination of macroeconomic challenges, below-average harvests, and rising prices on international markets, including as a result of the war in Ukraine.



1.2 Recent Developments in Somalia

The COVID-19 crisis continued to drag down growth in 2021

More than two years into the COVID-19 crisis, new infections seem to be subsiding in Somalia. As of 30 June 2022, total confirmed cases reached 26,803 and 1,361 deaths. Just 4.3 million vaccine doses had been administered, leaving just 10.3 percent of the population fully vaccinated, well below the level needed to reach herd immunity. For a country with weak health systems, the numbers of cases and deaths are significantly smaller than initially predicted by public health experts and epidemiologists. However, the low numbers of reported infections and fatalities may reflect weak testing and surveillance. Households and firms shifted their behavior during the pandemic to comply with the government's containment measures and adapted as needed. As time passed, the stringency of the lockdowns lightened and their impact on activity waned.

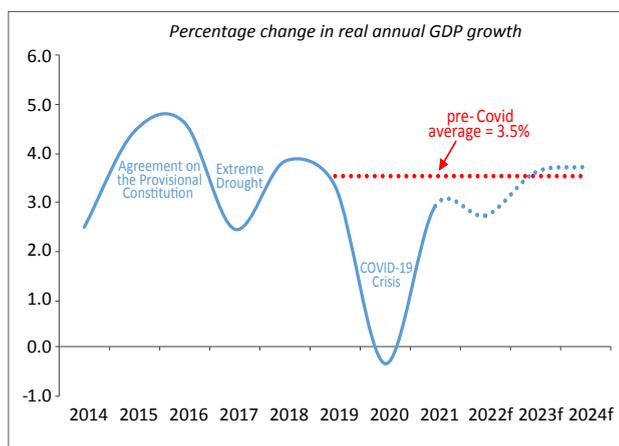
Uncertainty about the spread and persistence of the virus remains, as new variants could emerge, particularly among unvaccinated people across the world. In the absence of accelerated vaccination efforts, the effects of the pandemic could linger over the medium term.

Recurrent shocks and political climate have pushed Somalia off its pre-COVID recovery trajectory

Somalia's GDP growth is estimated to have rebounded to 2.9 percent in 2021, following a contraction of 0.3 percent in 2020.⁷ The uptick in growth and economic activities was driven by the relaxation of COVID-19-related mobility restrictions, which helped boost consumption and ease pent-up demand built during the pandemic. In addition, growth in remittances; increased domestic investment driven by private sector credit; and increased

intermediate imports (Figure 1.1) powered GDP growth. Significant growth in credit to the private sector (which rose by 41 percent in 2021) and remittance inflows (which rose by 30 percent) underpinned increased demand. Nonetheless, the COVID-19 crisis derailed progress in poverty reduction, as households suffered job and earning losses and schools closed. Poor fiscal performance in 2021 driven by poor revenue collection and a slowdown of donor assistance stymied growth.

Figure 1.1: Somalia is recovering from the triple shocks of 2020



Source: Somalia National Bureau of Statistics and World Bank staff estimates.

Growth in 2021 was sluggish and below the average pre-COVID trajectory of 3.5 percent. Several factors muted the recovery, including political stalemate over the modes of election, drought in several parts of the country, supply chain bottlenecks arising from COVID-19 closures, and increased insurgency activities. The prolonged election period affected the federal government's capacity to raise domestic revenues and donor grants. Budget support from development partners, which had been expected to finance 25 percent of government spending in 2021, virtually ceased as a result of the political stalemate, necessitating cuts in discretionary spending. Most regions in Somalia received below-average rainfall, and rural areas

⁷ In June 2021, the Somalia National Bureau of Statistics (SNBS) published the first official GDP estimates series for the period 2013–20. It incorporated several improvements, mainly in computing final household consumption. The revision resulted in an average increase in previous estimates used by the World Bank and IMF of about 29 percent for both real and nominal GDP. Annex A provides detailed information on the improvements and implications of the new GDP series. The second and latest GDP report was published in June 2022.

were hit by localized flooding and locust invasion, reducing domestic agricultural production. Worsening insecurity in the southern and central regions also dampened agricultural activities and increased displacement to urban areas. Political tensions worsened the political situation in Somalia, scaring away investors.

Somalia businesses are recovering from the COVID-19 crisis, but its impact is still being felt

The private sector is recovering from the effects of COVID-19, which exacerbated the plethora of structural challenges facing the private sector. The pandemic and public health measures required to contain the spread of COVID-19 resulted in deep and wide-ranging disruptions to private sector operations. At the height of the pandemic, 73 percent of formal businesses suspended operations, for an average of eight weeks. By 2021, this figure had fallen to 25 percent. Liquidity improved, as the share of firms facing liquidity and cash flow shortages fell from a peak of 90 percent in June/July 2020 to about 37 percent in August/September 2021. Year-on-year sales increased as firms emerged from the pandemic. This recovery was observed mainly in Mogadishu, however; most other regions continued to experience significant declines in sales (Figure 1.2). Firms continued to experience challenges

associated with the pandemic. Disruptions to the supply of inputs, raw materials, and other supplies persisted, with about half of firms reporting experiencing such disruptions.

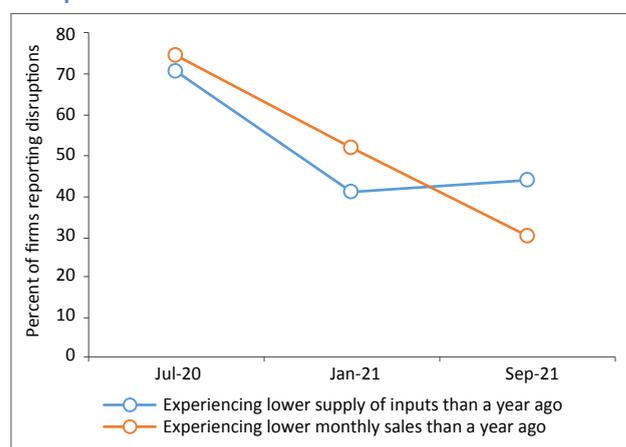
Firms made several adjustments to cope with the challenges caused by COVID-19, including leveraging digital technologies. A substantial share of firms in Somalia changed the way they produced and delivered goods and services by (a) adjusting their products or services to match evolving demand (94 percent of firms); (b) adjusting their methods of delivery and pick-up of goods and services (90 percent); (c) starting or increasing online business activity, such as e-commerce (91 percent); and (d) starting or increasing remote work and (82 percent). Firms also adjusted their workforces, which led to losses of jobs and/or reduced wages. About 43 percent of firms reduced the number of temporary workers, and 47 percent reported reducing the number of full-time permanent employees. By August/September 2021, full-time permanent employment had contracted by an average of 48 percent in formal firms with respect to February 2020. These adjustments, and whether they are temporary or permanent, have potential long-term positive impacts on businesses in Somalia.

Drought reduced agricultural performance

Three failed consecutive rainy seasons resulted in 90 percent of the country experiencing severe drought conditions, at various levels of severity, in 2021. As a result, the Federal Government of Somalia (FGS) declared a state of emergency on November 23, 2021. The poor and erratic rains resulted in failed crop harvests and widespread water shortages, triggering abnormal livestock migration, declines in livestock production, and increased livestock deaths in various regions of Somalia.

Unfavorable seasonal rains reduced the production of 2021 Gu cereals by an estimated 20–40 percent below average. Food production in 2021 was low in central and southern agro-

Figure 1.2: The share of Somali firms reporting business disruptions declined in 2021



Source: Somalia Rapid Business Surveys.
Note: Round 1 (June–July 2020), Round 2 (December 2020–January 2021) and 3 (August/September 2021).

pastoral areas, as seasonal rains arrived late, affecting the planting and germination of *Gu* season crops, which account for about 60 percent of the country's annual cereal output. Above average precipitation in early May 2021 benefited crops but also triggered floods that resulted in localized crop losses and displaced more than 400,000 people. The poor and erratic seasonal rains severely affected the area planted, reducing yields in the main producing areas. The 2020 *Gu* cereal harvests were about 30 percent below the average of the previous five years.⁸

Livestock production suffered from severe pasture and water shortages in pastoral areas. Four consecutive poor rainy seasons since October 2020 affected southern agro pastoral areas and central northern pastoral areas, with most of these regions remaining almost completely dry until late April 2022. Severe rainfall deficits and localized pasture losses as a result of locusts resulted in the deterioration of rangeland conditions to poor levels.⁹ Severe shortages of pasture and water led to widespread animal emaciation, reducing livestock births and milk production. In addition, drought induced livestock diseases and high mortality were reported in the Woqooyi Galbeed and Sanaag regions in the north, the Mudug and Galgaduud regions in the center, and Hiraan and Gedo in the south. In these areas, herders who were unable to provide adequate feed and water to their animals opted to cull the newborn calves in order to save the milk producing females. Livestock deaths and low birth rates resulted in the reduction of herd sizes. Abundant rains, however sporadic, in early May 2021 had a positive impact on rangeland and livestock conditions but triggered floods, which caused some livestock deaths, especially in the northwestern Togdheer region.

Drought increased forced displacement. The drought came after Somalia had been buffeted by triple shocks (floods, locusts, and COVID-19) in 2020 and threatened to overwhelm the humanitarian crisis infrastructure. The situation exacerbated food insecurity in Somalia, as the arid conditions slashed food production, killed millions of livestock, and displaced people. Water scarcity continued throughout the country, with over 3.6 million people lacking enough water for household and livestock consumption (UNOCHA 2022). The humanitarian crisis in Somalia has deteriorated because of drought. The impacts of drought on local livelihoods led to significant displacement in 2021. These IDPs abandoned their homes in search of food, water, and pasture for their livestock. This accelerated in early 2022 as the March-May rainy season failed to materialize. By end of May 2022, more than 805,000 people had been displaced due to drought and nearly 50 percent of the population, 7.1 million people, faced crisis-level food insecurity or worse through at least September 2022. Of those, 213,000 people face catastrophic hunger and starvation. As a result, there is an urgent humanitarian food assistance needed to prevent food consumption gaps or the accelerated depletion of livelihood assets, indicative of crisis (Integrated Food Security Phase Classification [IPC] Phase 3) or worse outcomes. The failure of 2022 *Gu* rains season is likely to be the driest on record, devastating livelihoods and driving sharp increases in food, water, and nutrition insecurity. The impact of the drought and increasing economic pressures are deepening the severity of needs and driving the country to the brink of famine.¹¹ By March 2022, over 90 percent of the country was experiencing severe to extreme drought conditions (Figure 1.3)

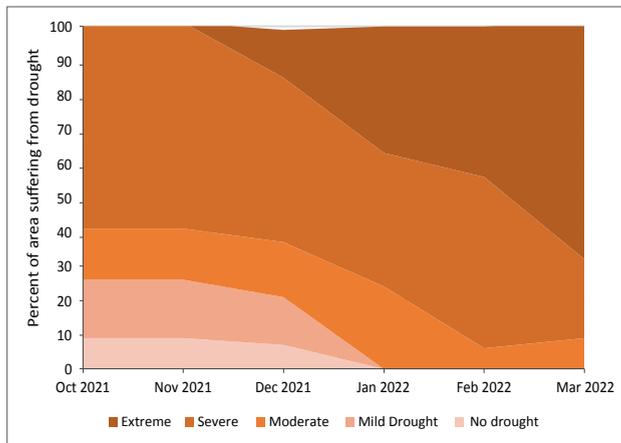
⁸ Aggregate cereal production was estimated at about 170,000 tonnes, 13 percent lower than the five year average.

⁹ FAO 2022 *Vegetation Health Index map*.

¹⁰ UN Office for the Coordination of Humanitarian Affairs: SOMALIA DROUGHT RESPONSE AND FAMINE PREVENTION PLAN 2022, June 2022.

¹¹ FEWS NET and FSNAU: Somalia Food Security Outlook February to September 2022.

Figure 1.3: Drought conditions worsened in the first quarter of 2022



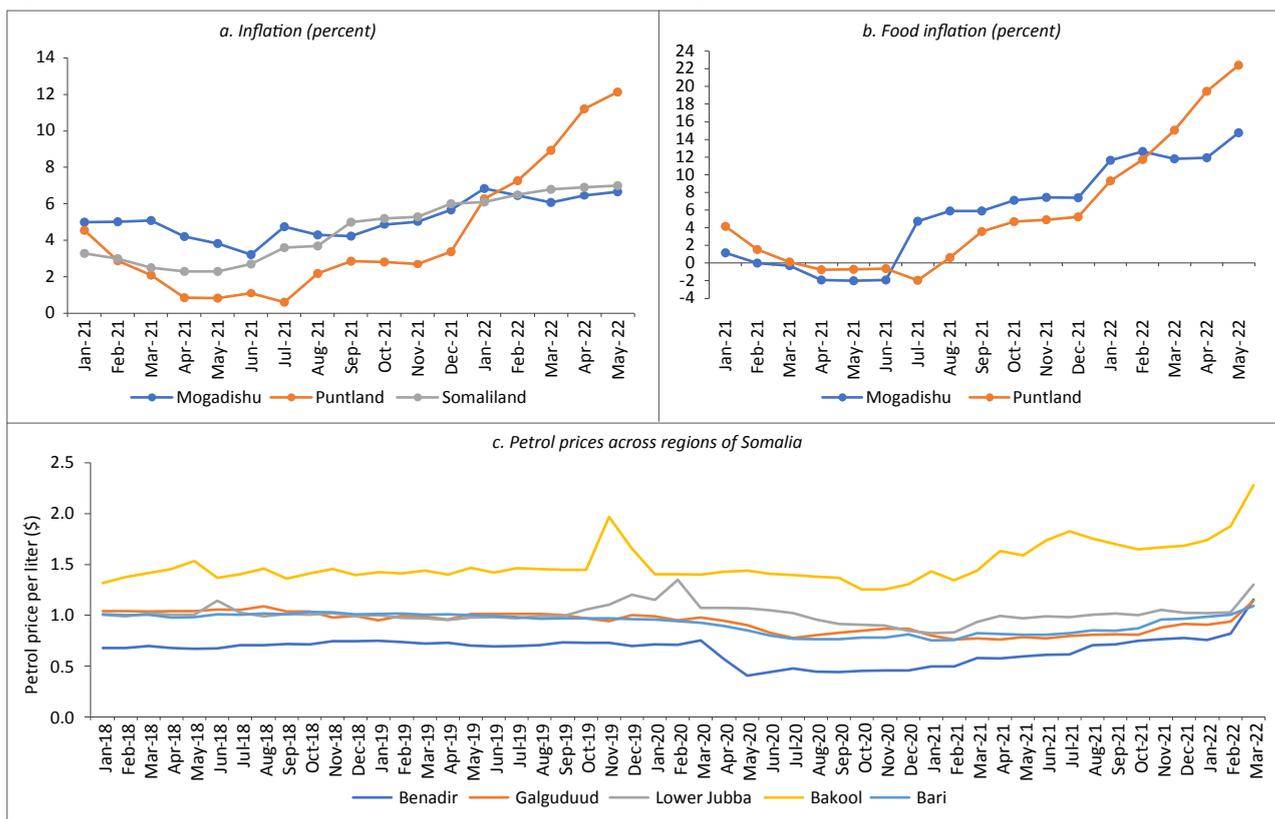
Source: FAO and SWALIM (2022).
Inflationary pressure is building

Inflationary pressure is building

Inflationary pressure started building in the second half of 2021, as a result of drought and conflict. Year-on-year food inflation accelerated in the second half of 2021 in all regions of Somalia (Benadir, Puntland, and Somaliland) to

over 5 percent (Figure 1.4, panel a). In Benadir, food inflation increased from -0.8 percent in the first half of 2021 to 6.8 percent in the second half (Figure 1.4, panel b). The higher food prices reflected poor domestic production in Somalia after four consecutive failed seasons of rain and the pass-through effect of higher global food prices. Food inflation increased to 7.4 percent in December 2021, up from 1.2 percent in 2020. The recent surge in global food prices has pushed food price inflation in Somalia even higher reflecting the war in Ukraine, higher oil prices, export restrictions by some major food producers, and supply chain bottlenecks experienced during the pandemic. The war in Ukraine also pushed up gas prices (Figure 1.4, panel c). The higher food prices have sharply reduced food affordability and real incomes in Somalia as many poor households spend a disproportionately large share of their incomes on food. The sharp rise in food prices is eroding domestic demand.

Figure 1.4: Inflationary pressure increased in 2022, driven by rising food prices



Source: FSNAU database, May 2022.

Rising food and oil prices drove the increased inflationary pressure. Food prices contribute 46 percent to Somalia's Consumer Price Index (CPI). Movements in food inflation therefore correlate strongly with overall inflation. Year-on-year overall inflation increased to 5.7 percent in December 2021, up from 4.8 percent in 2020. Food items were not the only factors driving aggregate CPI inflation higher: Global factors—such as the war in Ukraine, pandemic-related supply chain disruptions, and rising global commodity prices—added pressure on the CPI in 2021.

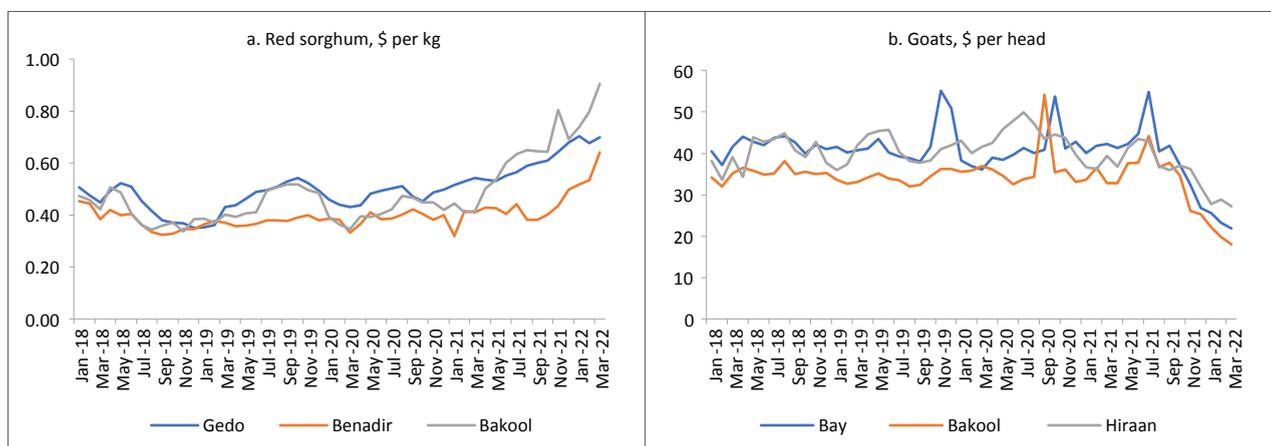
Prices of domestically produced cereals shot up because of drought conditions, and livestock prices fell. Prices of locally produced cereals in most markets were high because of below average cereal production in previous years, as demand outstripped supply (Figure 1.5, panel a). By contrast, prices of imported rice were mostly stable in recent months, at about their 2021 levels. Between January and May 2021, prices of livestock increased in most markets, mainly as a result of increased demand as a result of Ramadan/Eid festivities and the reduced supply of animals with good body conditions following dry weather conditions since late 2020. By December 2021, the average prices of cereals had risen significantly while prices of livestock (the main source of livelihood) had fallen drastically (Figure 1.5, panel b).

Inflation is accelerating due to both the drought and the war in Ukraine. Food price inflation rates exceeded 10 percent in the first half of 2022, pushed up by both lower domestic agricultural output and higher global food prices driven by the war in Ukraine. The spike in world oil prices added further inflationary pressure, boosting total inflation measured by the consumer price index (CPI) to over 6 percent. Higher food inflation worsened food insecurity, with shortages disproportionately affecting the poor, thus exacerbating inequality.

Financial sector reforms are yielding fruit, increasing confidence in the sector

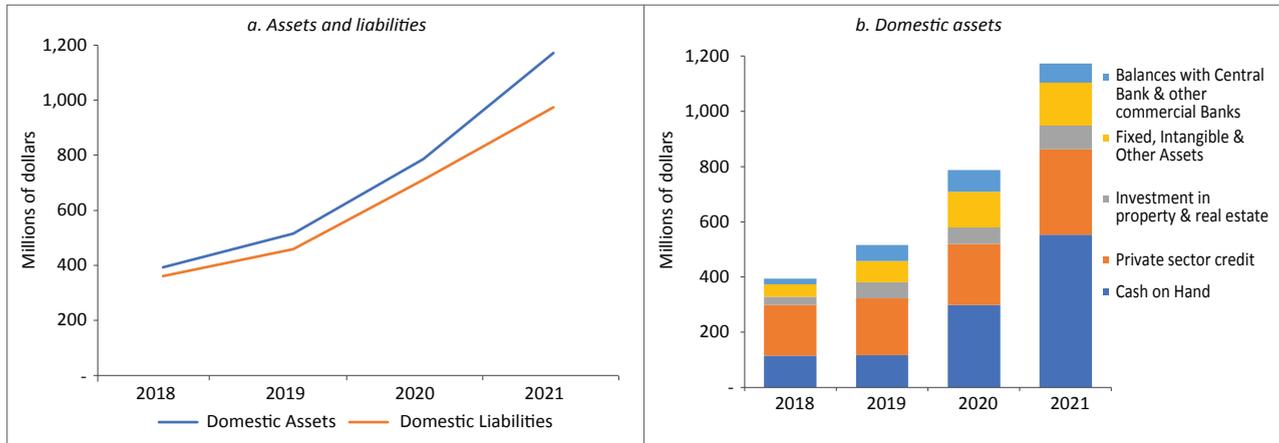
The domestic assets of commercial banks continued to grow rapidly in 2021, suggesting improved financial performance and depth, albeit from a low base. The consolidated assets of the commercial banking sector in Somalia increased, growing 50 percent to US\$1.18 billion in 2021, from US\$788 million the previous year (Figure 1.6, panel a). At the same time, consolidated total assets grew 44 percent, to US\$1.22 billion, up from US\$846 million. The growth of domestic assets, driven mainly by cash on hand, grew 85 percent over the same period, increasing to US\$553 million, up from US\$300 million the previous year, and credit to the private sector grew 41 percent (Figure 1.6, panel b).

Figure 1.5: Prices of cereals increased significantly, while livestock prices plummeted



Source: FSNAU database, May 2022

Figure 1.6: The domestic assets and liabilities of commercial banks rose between 2018 and 2021

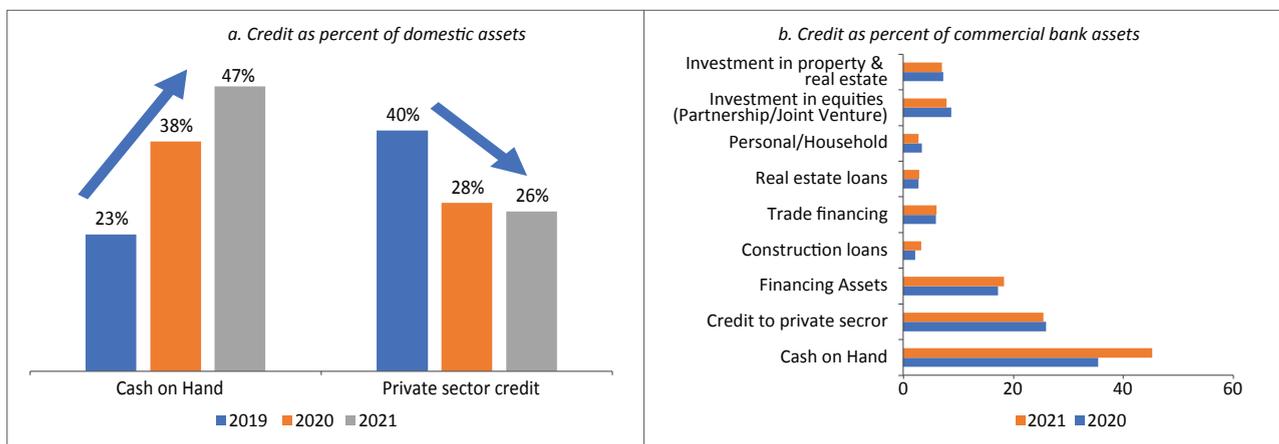


Source: Central Bank of Somalia

Commercial banks' provision of credit to the private sector continued to decline as a share of total assets, falling from 26.0 percent in 2020 to 25.4 percent in 2021. This decline was attributable to commercial banks' increased default risk perceptions and continuing risk averseness as a result of the pandemic, which caused them to reduce their outreach efforts. The reduction of private sector credit was driven by a decline in the share of personal loans to 2.7 percent of total assets (down from 3.4 percent) and the decline of *musharakah* (partnership) and *mudarakah* (joint venture) loans from 8.7 percent of total assets to 7.9 percent (Figure 1.6, panel b). In contrast, constructions loans increased to 3.2 percent of total assets, up from 2.1 percent the previous year, with

trade and real estate financing remaining stable at 6.0 percent and 2.8 percent of total assets, respectively (Figure 1.6, panel b). Banks preferred to hold cash in their tills rather than lend it out. As a result, cash on hand increased to 45 percent of total assets in 2021, up from 35 percent in 2020, making access to finance a primary challenge (Figure 1.7). According to data from a phone survey, by early 2021, about 63 percent of firms found access to credit difficult, leaving large unmet market demand for financing the real economy.¹² Meanwhile, customer deposits remained the primary liabilities of commercial banks, driven primarily by demand deposits of commercial entities and individuals, which grew by 45 percent and 23 percent, respectively, in 2021 (Table 1.1).

Figure 1.7: The share of credit going to the private sector fell, as commercial banks remained cautious



Source: Central Bank of Somalia.

¹² COVID-19 Enterprise Survey conducted by World Bank Group (WBG) and United Nations Industrial Development Organization (UNIDO), 2021.

Table 1.1: Selected economic and financial indicators, 2018–23

Banking sector performance in Somalia, 2019–21	2019	2020	2021	Percentage change (year-on-year)
Cash on hand	116.6	299.6	552.7	84.5
Credit to the private sector	205.6	219.0	310.2	41.3
<i>Of which</i>				
Financing assets	205.6	145.8	222.7	52.8
Investment in equities (partnerships, joint ventures)	50.0	73.8	96.2	30.4
Investment in property and real estate	59.7	60.8	85.9	41.3
Total assets	556.2	845.7	1,221.2	44.4
Customer deposits	430.1	667.2	900.5	35.0
Total shareholders' equity	97.0	133.4	196.1	47.1
Net profit after tax	1.2	-2.9	3.0	-204.7
Nonperforming financial assets	8.2	5.8	2.1	-64.0
Total capital	86.3	100.5	162.9	62.1
Total net assets	544.2	806.5	1,168.4	44.9
Ratios (percent)				
Nonperforming assets/gross loans	4.0	2.6	0.7	
Profit/equity	1.2	-2.1	1.5	
Capital/assets	15.5	11.9	13.3	
Loans/deposits	47.8	32.9	34.5	

Source: Central Bank of Somalia

The quality of commercial bank assets remained high and their level of credit risk low.

The ratio of nonperforming loans to total loans continued to decline, signaling the commercial banks were at a lower risk of loss if they did not recover the owed loan amounts. Consolidated commercial banks' capital asset ratios had enough cushion to absorb a reasonable share of losses before they became insolvent.

The Central Bank of Somalia (CBS) established the National Payment System (NPS) and issued two new licenses to mobile network operators as part of its reforms in 2021.

The NPS was launched in August, 2021 to create a safe, reliable, and efficient payment systems that supports financial stability by mitigating risks related to financial transactions and facilitating the smooth flow of payments. It is hoped that the NPS will revolutionize the country's financial

sector, enabling a safer and more efficient payment infrastructure. Somalia also issued licenses to the two largest mobile network operators that offer mobile money services within the country and signed a Memorandum of Understanding (MoU) with the National Communications Authority to enhance regulatory cooperation in the area of digital financial services. These new developments in financial sector are critical to the country's financial progress and economic growth.

The CBS is strengthening its governance and organization.

It issued various regulations, and guidelines aimed at safeguarding, improving, and stabilizing the country's financial system. It developed a charter to help bolster its risk-based system audits and made progress toward adoption of the International Financial Reporting Standards (IFRS). It also drafted

several guidance documents, including the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Guideline for Financial Institutions and the AML/CFT Guidance for Commercial Banks. On the supervisory side, the CBS commenced operationalization of NPS and mobile money oversight activities.

Access to finance remains a challenge. Only modest financial intermediation exists, and it is concentrated largely in short-term trade finance and relatively large loans; for micro, small, and medium-size enterprises (MSMEs)—especially those owned or managed by women— access to finance is very constrained. Somalia also remains isolated from the global financial system, because of gaps in country systems tackling money laundering and the financing of terrorism risks.

International trade recovered, as supply constraints eased

International trade recovered as COVID-19 restrictions eased, but Somalia's current account position deteriorated. Exports of goods and services increased by 3 percentage points of GDP in 2021, driven by the resumption of exports of livestock to the Gulf Cooperation Council (GCC) region and new markets. At the same time, imports of goods and services increased only marginally by 1.3 percentage points, narrowing the trade deficit by 1.7 percentage points of GDP (Table 1.2). Growth in remittances, which rose by 3.9 percentage

points of GDP in 2021, helped to finance the current account deficit, as official development assistance declined.

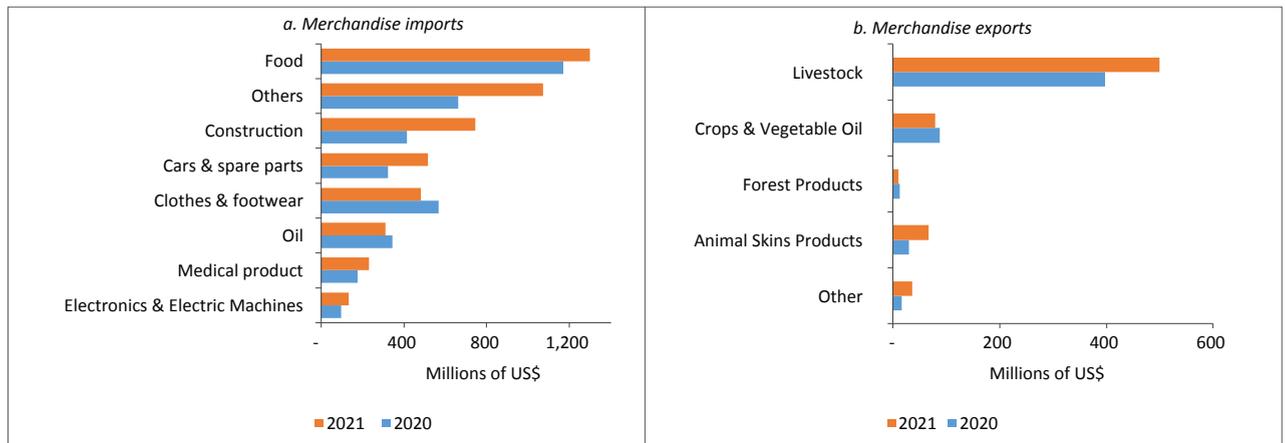
The increase in merchandise imports suggests that supply chain bottlenecks and trade constraints, especially the lack of shipping containers, eased. After below-average rainfall for three consecutive years, Somalia increased shipments of grains and cereals to compensate for local production shortfalls until the next harvest. The import bill was also driven by pent-up import demand for construction materials to meet the high demand from residences and offices in major urban areas. Overall, imports of merchandise goods increased 27 percent in 2021 to US\$4.8 billion, up from US\$3.8 billion in 2020. The large expansion in imports was driven by imports of construction material (8.8 percent), cars and spare parts (5.1 percent), food (3.4 percent), and personal care (3.2 percent) (Figure 1.8, panel a). Imports of beverages and tobacco (mainly *khat*) and clothing and footwear declined by 2.9 percent and 2.3 percent, respectively. Trade with China and Turkey represented more than 35 percent of total imports in 2020.

Merchandise exports continue to increase, as livestock exports to traditional markets resumed and new markets opened. Exports grew 27 percent, to US\$693 billion, in 2021, up from US\$545 million in 2020. The increase was driven by the recovery of livestock exports

Table 1.2: Percentage changes in Somalia's external account, 2019–21

Item	2019	2020	2021
Current account balance	-13.0	-14.9	-12.5
Trade balance	-66.2	-67.4	-65.7
Exports of goods and services	17.4	17.1	20.1
Imports of goods and services	83.6	84.5	85.8
Remittances	24.3	23.5	27.4
Grants	30.1	30.3	27.0
Foreign direct investment	6.9	7.8	7.6

Source: Central Bank of Somalia and IMF, June 2021

Figure 1.8: International trade recovered in 2021, as COVID-19 restrictions eased

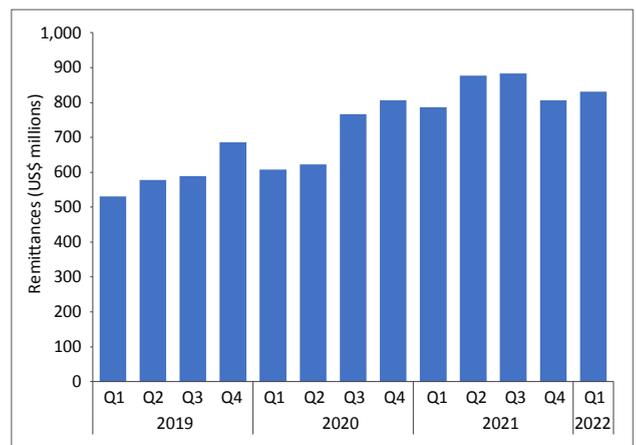
Source: Central Bank of Somalia.

to traditional markets, which rose 26 percent to US\$500 million, up from US\$398 million in 2020; exports of animal skins products, though small, increased by 125 percent (Figure 1.8, panel b). Exports of crops and vegetable oil and forest products dragged overall performance, declining by 9 percent and 20 percent, respectively, in 2021. The United Arab Emirates, Oman, and Algeria were the top export destinations of Somalia, accounting for more than 60 percent of its exports.

Remittance growth was robust in 2021.

Remittances are critical to the Somali economy, particularly during economic downturns and external shocks, as they stabilize household consumption and act as a cushion against shocks. Remittances rose 19.6 percent in 2021, to US\$3.4 billion, up from US\$2.8 billion in 2020 (Figure 1.9). The increase was driven by remittances to individuals, which grew 28.6 percent, to US\$2.1 billion in 2021, up from US\$1.6 billion in 2020, and inflows to nongovernmental organizations (NGOs), which increased 16.9 percent, to US\$0.6 billion. According to CBS data, remittances rose from about US\$2.5 billion in 2017 to almost US\$3.4 billion in 2021, implying annual growth of well above 10 percent. Remittances now provide significant foreign exchange earnings, more than twice the amount earned from exports of goods and services. They represent the

equivalent of about 27.4 percent of GDP. Remittance represents a significant source of income and investment for households, helping reduce the devastating effects of poverty and inequality, and serve as a critical source of financing of the country's persistent current account deficit.

Figure 1.9: Remittances soared in 2021

Source: Central Bank of Somalia.

Fiscal performance is still struggling to regain its pre-COVID-19 momentum

Public finances improved markedly in 2021, thanks to the rebound in domestic revenue (Table 1.3). Domestic resources recovered to pre-COVID levels, albeit from a low base, increasing 9 percent over 2020. The increase raised total revenue to 4.9 percent of GDP, still

2 percentage points lower than the previous year, as donor grants underperformed, with only half of all project grants disbursed and budget support unrealized. Total expenditures outstripped revenue collection to reach 6 percent of GDP, leading to liquidity pressures. They were temporarily cushioned by the IMF's Special Drawing Rights (SDR) allocation, but the fiscal situation continued to be challenging.¹³

The prolonged election period contributed to fiscal stress. The electoral impasse slowed progress in tax administration and policy reforms that began in 2018/19 and were built into the Ninth National Development Plan (NDP9) and the HIPC Decision Point. As the political crisis unfolded, incentives to pay taxes diminished, reducing collection, particularly from telecommunication, income, and corporate

Table 1.3: FGS fiscal operations, 2019–22 (percent of GDP)

	2019 Actual	2020 Actual	2021		2022 Approved Budget	2021 vs 2020	2021 actual vs budget
			Budget	Actual			
Revenue and grants	5.2	7.4	8.9	4.9	11.9	-26%	-45%
Domestic revenue	3.5	3.1	3.5	3.0	3.1	9%	-15%
Tax revenue	2.4	2.0	2.4	2.1	2.2	17%	-11%
Taxes on income, profits, property	0.2	0.2	0.2	0.2	0.2	-3%	14%
Taxes on goods and services	0.4	0.3	0.4	0.3	0.4	10%	-22%
Taxes on international trade	1.6	1.3	1.7	1.4	1.4	20%	-15%
<i>o/w import tax on khat</i>	0.3	0.1	0.5	0.2	0.2	111%	-69%
Other taxes	0.2	0.2	0.1	0.2	0.2	32%	32%
Non-tax revenue	1.2	1.0	1.1	0.9	0.9	-7%	-23%
<i>o/w telecoms spectrum fees</i>	0.1	0.0	0.2	0.0	0.2	-32%	-91%
Grants	1.7	4.3	5.4	1.9	8.8	-50%	-64%
Budget support	1.0	1.8	1.7	0.0	2.2	-98%	-98%
Project support	0.7	2.5	3.7	1.9	6.6	-16%	-49%
Expenditure	4.9	7.0	8.7	6.0	11.7	-5%	-31%
Compensation of employees	2.5	3.3	3.3	3.3	3.3	10%	-2%
Use of goods and services	1.4	1.2	2.4	1.4	2.7	32%	-42%
Interest and other charges	-	0.03	0.03	0.01	0.03	-50%	-64%
Grants (intergovernmental)	0.7	1.3	0.9	0.6	1.5	-49%	-35%
Social benefits	-	0.9	0.8	0.5	3.4	-36%	-34%
Other expenses	0.0	0.0	0.2	0.0	0.1	-42%	-91%
Capital	0.2	0.3	1.1	0.2	0.6	-13%	-80%
Budget balance	0.3	0.4	0.2	-1.1	0.3		
Amortization	0.0	+0.2	+0.2	+0.2	+0.2		

Sources: Outturn data for 2018–21 are from FGS Ministry of Finance Reports. Budget 2022 data is from the 2022 Budget Appropriation Act by the Ministry of Finance (<https://mof.gov.so/publications>) and 2019–21 GDP estimates are SNBS while 2022 estimates are by the World Bank.

Note: Budget support excludes disbursements from the World Bank's Recurrent Cost and Reform Financing Investment Project, which are shown as budget support in the Ministry of Finance tables.

.. = Negligible.

¹³ On August 23, 2021, the IMF allocated SDR 156.6 million (about US\$222.1 million) to Somalia. The authorities distributed the allocation between the FGS's Ministry of Finance (about US\$133 million) and the CBS (about US\$90 million).

tax streams. Efforts to broaden the tax base, enhance compliance, increase automation, and improve collection capacity also slowed. In addition, Parliament failed to pass the 2022 FGS budget, delaying the execution of planned budget support and new project grants.

Domestic revenue collection recovered to its pre-COVID-19 level, but unrealized donor grants dragged down overall performance

FGS domestic revenue collection rebounded in 2021, increasing 9 percent over 2020 (Figure 1.10, panel a). Collections reached 85 percent of the annual budget target of US\$270 million.

The good performance was driven by trade taxes, which increased 20 percent in 2021, mainly thanks to the resumption of imports of khat, which had been banned as part of COVID-19 measures. Khat taxes were 30 percent lower than before COVID, however. Trade taxes reached 1.4 percent of GDP, a larger share than in 2019 (Figure 1.10, panel b). Taxes on goods and services increased 10 percent in 2021 but remained 6 percent lower than before COVID. Other taxes increased 32 percent, albeit from a small base. Nontax revenue dragged domestic revenue performance, declining 6.8 percent, as telecommunication spectrum fees virtually disappeared as the political climate constrained collection and administration. Income and corporate taxes were 2 percent lower in 2021 than in 2020.

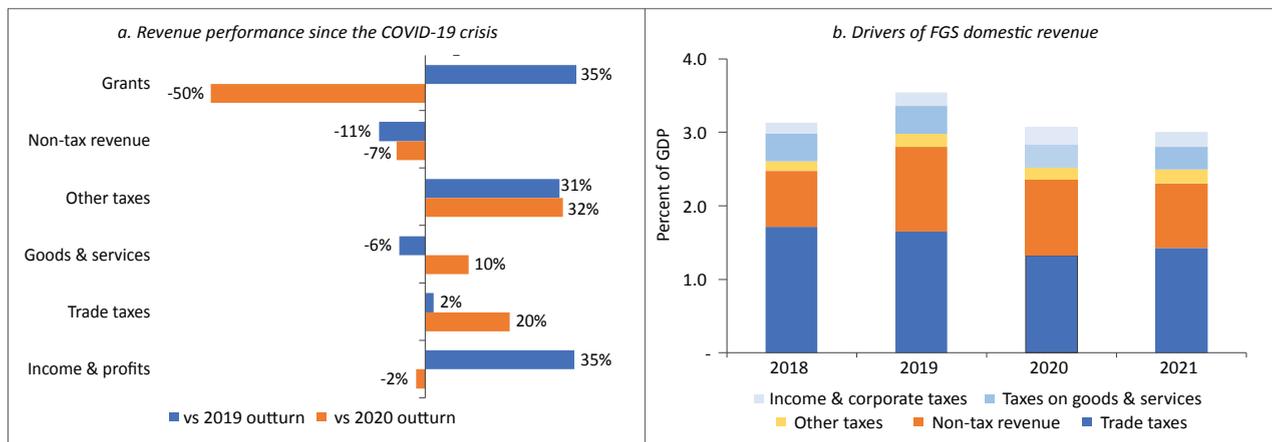
The delayed elections constrained donor grants, as development partners withheld budget support (see Figure 1.10, panel a).

Total donor resources declined by 2.4 percentage points, to 1.9 percent of GDP in 2021, down from 4.3 percent in 2020 (Table 1.3). The prolonged electoral period halted budget support from multilateral partners in 2021, leading to liquidity pressures and resulting in a fiscal deficit of 1.1 percent of GDP. The government used US\$74.4 million of the IMF SDR allocation and the fiscal buffer to alleviate the fiscal pressure. Execution of project grants remained a challenge, with only 51 percent of total commitments disbursed. Key projects—such as the national social safety net program (Baxnaano), the locusts response, and crisis response projects—accounted for 40 percent of total disbursements.

Expenditure needs rose and fiscal space shrunk

Total FGS expenditure was 6 percent of GDP in 2021, down a percentage point from 2020. It represented 71 percent of the approved estimates (see Table 1.3). As almost all expenditures are recurrent and nondiscretionary, there was limited room for reallocation. Total revenue underperformance therefore led to ad hoc expenditure rationalization, as the country is in debt distress, with no room for non-concessional borrowing or scope for accumulating arrears.

Figure 1.10: Domestic revenue collection recovered in 2021, but lower donor grants dragged overall performance



Source: FGS Ministry of Finance (2021).

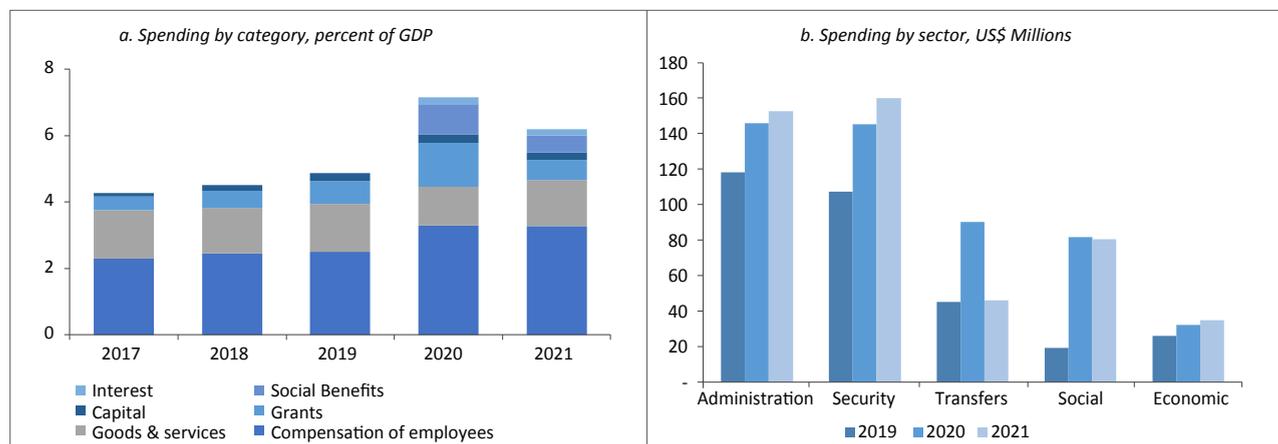
Wages and the use of goods and services dominated total expenditure, accounting for 53 percent and 22 percent, respectively, in 2021 (Figure 1.11, panel a). Most of the spending went toward administrative and security costs. The wage bill increased by 10 percent to 3.3 percent of GDP. It was driven by the security sector, which absorbed 52 percent of the total, and the administrative sector, which absorbed 30 percent. To address the COVID-19 crisis, the government increased its procurement of goods and services, which increased to 1.4 percent of GDP, with the health sector accounting for more than half of the increase. Social benefits, mainly under the Baxnaano program, amounted to 0.5 percent of GDP, less than the 0.9 percent in 2020 during the “triple crisis” of COVID-19, the locusts invasion, and floods. Debt service payments, which began after Somalia reached the HIPC Decision Point in March 2020, reached US\$14.6 million, equivalent to 0.2 percent of GDP. As the country continues to contend with increased recurrent shocks, particularly the ongoing severe drought and the COVID-19 crisis, more financial assistance will be critical, as households face loss of livelihoods, increased food insecurity, and forced displacement.

Intergovernmental grants declined to their pre-COVID level. After a surge in 2020 to support subnational governments during the COVID-19

crisis, grants dropped back to 2019 levels. Total intergovernmental grants (including projects) decreased to 0.6 percent of GDP in 2021, down from 1.3 percent in 2020. Subnational fiscal risks remained heightened, as state governments faced increased expenditure pressures in addressing citizens’ vulnerability as a result of weather shocks and the impact of the COVID-19 crisis, and the need to expand service delivery amid a low domestic revenue base.

The FGS began to direct resources to social and economic programs, even though security and management of fiscal operations dominate total spending, both accounting for two-thirds of expenditure in 2021 (Figure 1.11, panel b). Since the triple crisis, social spending has been reoriented toward cushioning vulnerable households against adverse climatic shocks and responding to the COVID-19 crisis. Social spending accounted for 17 percent of total spending in 2021, up from just 6 percent in the pre-COVID period. The Baxnaano cash transfer program accounted for 52 percent of total social spending in 2021, equivalent to 8.9 percent of total FGS spending. Health sector spending increased to 4.5 percent of total spending, up from 1.3 percent in 2020, becoming the second-largest expenditure category in the social sector. Spending on education increased marginally to 3.7 percent of total spending in 2021.

Figure 1.11: FGS expenditure remains recurrent and non-discretionary



Source: Data from the FGS Ministry of Finance and the IMF/World Bank.

Subnational fiscal risks remained elevated as revenue mobilization challenges continued to affect budget implementation

Domestic revenue collection recovered across most FMS in 2021 (Figure 1.12, panel a). Tax revenue in Puntland increased 7.5 percent, driven by a strong rebound in trade taxes, which exceeded pre-COVID levels by 12 percent. Taxes on goods and services increased 23 percent over 2020. The lifting of COVID-19 restrictions led to strong performance in nontax revenue, which grew 57 percent, mainly from administrative fees. Tax revenue recovered in Jubaland, but they were slightly lower than the pre-COVID level, because of the slow recovery in trade taxes. Grants continued to play a critical role in supporting fiscal operations across all states, particularly states with no ports (SWS, GSS, and HSS), as collection of other revenue streams is very limited.

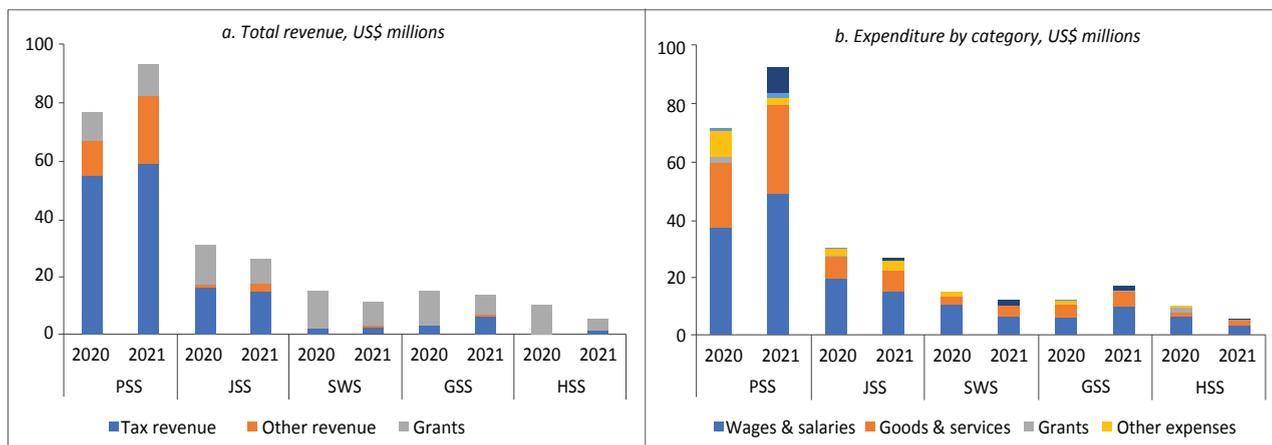
The wage bill and the use of goods and services constituted almost all expenditure across FMS (see Figure 1.12, panel b). Expenditure performance was mixed across states in 2021, in tandem with revenue performance, increasing in Puntland and GSS while declining in the other states, as revenues (mainly grants) underperformed.

Implementing the 2022 FGS budget is challenging, because the political climate heightens fiscal risks

The dissolution of the last parliament and the 15-month prolonged electoral period delayed approval of the 2022 FGS budget. The government, through the Ministry of Finance, had to rely on legal provisions to continue fiscal operations in the first half of the year. The swearing in of the 11th Federal Parliament on April 14, 2022, and the conclusion of the presidential elections on May 15, 2022, paved the way for the preparation of the supplementary budget for approval by the new parliament and the executive.

The FGS expects to double expenditure in 2022 compared to 2021 outturn; to US\$919 million, equivalent to 11.7 percent of GDP (Table 1.3). To bolster revenue mobilization in 2022, the government proposes to continue the revenue measures adopted in 2021, including increasing the tax rate on khat from US\$2.50 to US\$4.00 a bundle, imposing a surcharge on petroleum products, removing temporary COVID-19 tax relief measures, continuing higher tax rates on tobacco, plastic bags, and cosmetics, resuming full tax collection on the sale of electricity, and increasing rental collection outturns as a result of increased automation.

Figure 1.12: Revenue and expenditure performance across Federal Member States



Source: Data from FMS ministries of finance.
 Note: PSS (Puntland State of Somalia); JSS (Jubaland State of Somalia); SWS (South-West State of Somalia); GSS (Galmudug State of Somalia); and HSS (Hirshabelle State of Somalia)



Total revenue including grants is estimated to more than double over 2021 outturn, to 11.9 percent of GDP from 4.9 percent (Table 1.3).

Donor grants are expected to drive the overall revenue increase, with projects grants accounting for 55 percent of the total revenue while budget support, from both multilateral and bilateral partners, accounting for 19 percent (Figure 1.13, panel a). Domestic revenue is estimated to increase marginally, by 7.6 percent over 2021 to US\$247 million (Table 1.3). This increase will be driven by mainly taxes on goods and services which is expected to increase by 30 percent, and nontax revenue by 10 percent reversing its underperformance the previous year. Trade taxes are estimated to increase by 2 percent and account for 12 percent of the total revenue in 2022 (Figure 1.13, panel a).

Revenue mobilization will guide increases in expenditures.

Total expenditure is expected to double to 11.7 percent of GDP in 2022 compared to 6 percent in 2021. National response to the prevailing shocks mainly severe drought, COVID-19 pandemic, and locusts, is shaping expenditure priorities in 2022 and is primarily the source of the expenditure increase (Figure 1.13, panel b). Social benefits mainly through the cash transfer program account for 50 percent of the total expenditure

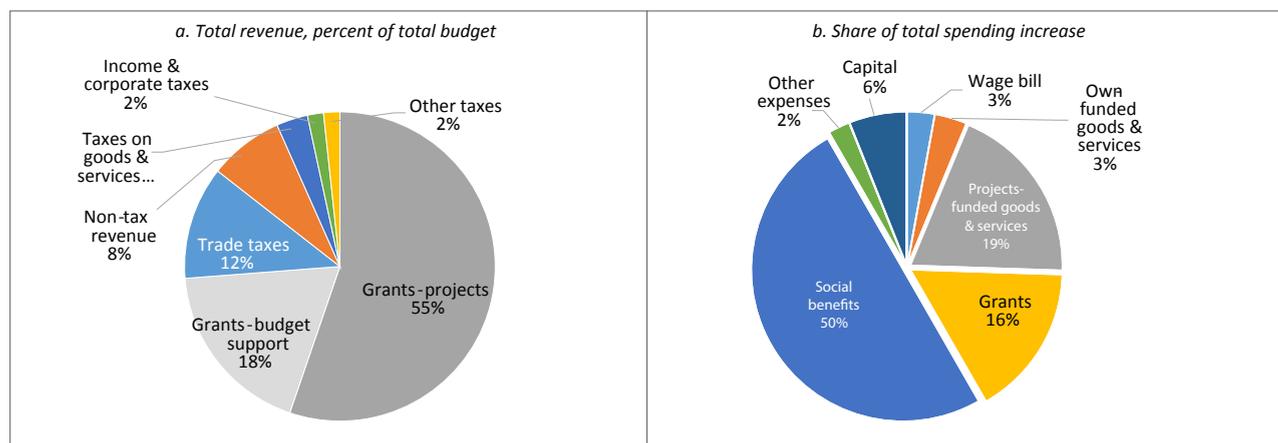
increase. Projects-funded goods and services and intergovernmental grants account for 19 and 16 percent of the increase respectively. While the wage bill will continue to drive total expenditure, it's estimated to increase by 5 percent compared to the previous year (see Table 1.3). Although still very small, capital spending is estimated to more than double in 2022, mainly through donor-funded projects (Table 1.3).

Domestic revenue collection remained robust in the first quarter of 2022, but low donor flows are a source of increased fiscal stress

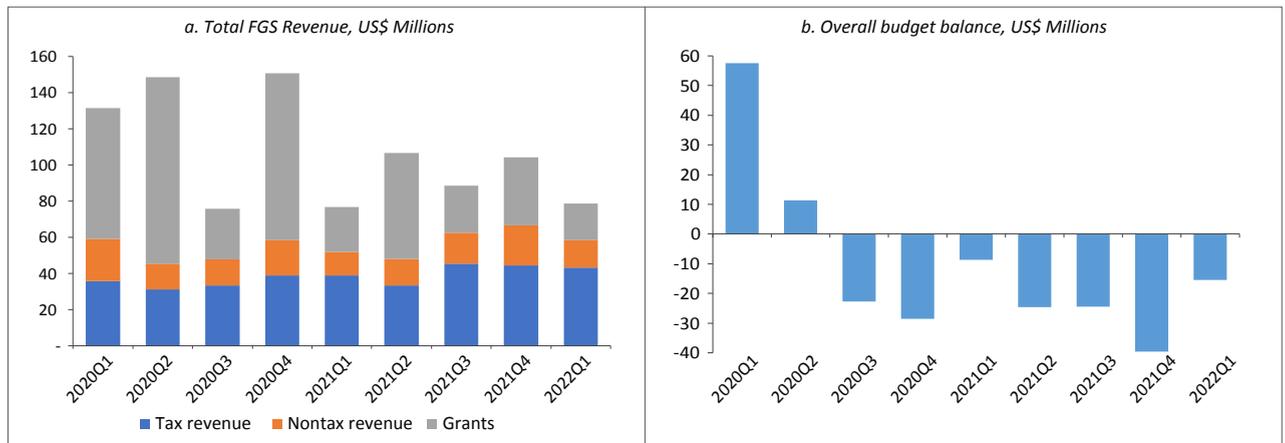
Donor flows remain low, widening the financing gap.

Domestic revenue collection remains strong, with the year-on-year increase reaching 13 percent in March 2022 (Figure 1.14, panel a). The continued recovery of domestic revenue streams after the lifting of COVID-19 restrictions is driving this performance. The prolonged electoral period continues to affect donor grants, however, with no budget support realized in the first quarter of 2022. Low disbursement of project grants, which was 19 percent lower than in the same period last year, compounds the problem, leading to a growing financing gap that reached US\$15.4 million as of March 2022 (Figure 1.14, panel b).

Figure 1.13: FGS 2022 budget is shaped by the prevailing shocks across the country



Source: Data from the FGS Ministry of Finance, 2022 Draft Budget.

Figure 1.14: Increasing expenditure needs have outstripped available resources

Source: FGS Ministry of Finance, March 2022

Note: Larger grants in 2020 included budget support after Somalia reached the HIPC Decision Point in March 2020 and support to help it weather the COVID-19 crisis.

Expenditure exceeds available resources, leaving a financing gap that averages US\$10 million a month. Total revenue and grants in the first quarter of 2022 covered only 61 percent of actual spending. Wages and salaries and good and services continue to drive total spending, accounting for 65 percent and 19 percent, respectively, during this period. Transfers to subnational governments increased 20 percent over the same period last year. No expenditures were made on social benefits during the first quarter of the year, reflecting the challenging environment for donor support. The government continues to service its debt obligations, with token interest payments paid in line with HIPC debt relief progress.

Somalia is seeking debt relief through the HIPC Initiative and making efforts to strengthen its debt management capacity

Somalia is working toward reaching the HIPC Completion Point, when it will receive irrevocable debt relief. It reached the HIPC Decision Point in March 2020 after clearing arrears to international financial institutions, qualifying the country for debt relief and reengagement with the international community. During 2021, Somalia finished negotiating the terms of debt relief with most Paris Club creditors; it is now seeking comparable terms of agreement with non-Paris Club creditors. To remain on the path

toward the HIPC Completion Point, Somalia has committed to refrain from non-concessional borrowing or the accumulation of arrears. It will receive irrevocable debt relief upon reaching the HIPC Completion Point, which requires maintaining a track record of macroeconomic stability, implementing the NDP9 for at least a year, and completing all HIPC Completion Point floating triggers agreed to at the Decision Point. If Somalia reaches the Completion Point in 2023, external debt will fall to 6.5 percent to GDP (Table 1.4). Although it is likely that risks to debt sustainability will persist after reaching the Completion Point, debt relief will provide a fresh start for the country as well as renewed access to the development finance needed for inclusive growth.

Table 1.4: External debt as a percent of GDP, 2019–24

Year	External debt as a percent of GDP
2019	82.0
2020	56.8
2021	45.0
2022f	42.3
2023f	6.5
2024f	7.8

Source: World Bank and IMF, June 2022.

Note: Figures assume application of HIPC debt relief and interim HIPC assistance from the Decision Point and Multilateral Debt Relief Initiative (MDRI) and “beyond HIPC” relief at the Completion Point, in 2023. Figures for 2022–24 are forecasts.

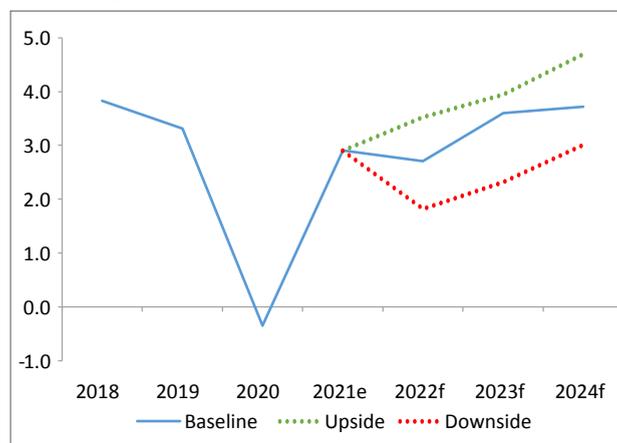
Somalia is gradually building debt management functions. Its initial focus has been on obtaining the data to support the reconciliation of debt; undertaking debt renegotiation discussions with creditors; and improving the transparency of debt data through the publication of quarterly debt bulletins, a HIPC Completion Point trigger. The Debt Management Unit (DMU), which is financed by the African Development Bank, was only recently included in the Ministry of Finance's organigram. Institutionalization of its functions therefore remains a concern. The capacity for managing fiscal risks from direct and contingent liabilities—including risks that may arise from public-private partnership agreements in sectors such as energy and ports, among others—is at a nascent stage of development.

1.3 Medium-Term Outlook and Risks: Prospects for Recovery to the Pre-2020 Trajectory out of Fragility

Somalia's GDP growth is expected to remain modest with significant downside risks. The economy is expected to grow at 2.7 percent in 2022 in the baseline scenario. It is projected to expand over the medium term, with growth expected to increase to 3.6 percent in 2023 and 3.7 percent in 2024 (Figure 1.15). Several factors are expected to contribute to growth over the medium and long term, including the following:

- the confidence effects associated with reaching the HIPC Completion Point (anticipated in 2023) and renewed access to international finance
- continued political stability and reduced security risks
- the gradual scaling-up of public spending (in sectors such as energy, transport, education, and health), financed with domestic revenues and donor grants, to support implementation of the national development plan and progress toward the Sustainable Development Goals

Figure 1.15: Growth will remain on an upward trajectory, despite significant risks



Source: World Bank staff estimates.
Note: e = estimate; f = forecast.

- financial sector deepening and inclusion, as sector reforms yield fruit
- greater foreign direct investment (FDI) and private investment, supported by improvements in the business environment, including security and governance.

This medium-term outlook remains highly uncertain and will continue to be subject to risks from global developments related to the war in Ukraine; climate-related shocks; security threats; and the lingering impacts of the COVID-19 crisis. These risks can impede economic activity and reverse the growth recovery in the baseline scenario. Despite these risks, growth is projected to reach 4.5 percent over the long term.

The baseline scenario projects a rebound in household demand, domestic investment, and government spending. It will be supported by (a) the easing of COVID-19-induced supply bottlenecks and trade restrictions, which will boost private consumption; (b) the increased pace of vaccination rate, thanks to greater donor support in the health sector; (c) the resumption of multilateral and bilateral support after the peaceful election and transfer of power; (d) robust growth of remittances, which will boost investment and consumption; and (e)

continued social protection measures, which will cushion household incomes, especially among the vulnerable. The baseline scenario assumes that prices for both oil and wheat increase by 35 percent.

Private consumption, the main driver of Somalia's GDP, is projected to rise from 2.9 percent in 2021 to 3.8 percent in 2022 and to strengthen further in the medium term. With this recovery, per capita private consumption is projected to grow sluggishly in 2022 but to pick up to positive territory over the medium term. Average *Gu* and *Dyer* rains in 2022 are projected to lead to a recovery of agricultural productivity, improve household incomes and food security, and increase exports in 2023 and 2024. Government spending is projected to increase, as political uncertainty is significantly reduced by a successful election in the first half of 2022. As a result, domestic revenue collection recovers and external grants resume.

Private investment is projected to pick up in 2022, with planned investments in sectors such as energy, ports, and the financial sector promising to gradually reinvigorate the economy, as election dividends. Economic reforms and increased public investment should attract FDI and encourage increased broad-based private sector activity, which will gradually boost the country's low domestic productive capacity.

External trade will power growth financed by FDI, grants, and remittances. The easing of supply bottlenecks and trade constraints, especially the shortage of containers, continues to boost export demand. Growth in remittances will improve household incomes and investments. The current account deficit is forecast to fall to 14.5 percent of GDP in 2022, 12.4 percent in 2023, and 12.4 percent 2024, as the economy rebounds. The level of the deficit will be driven by Somalia's high import

needs; higher oil prices; and high levels of FDI, grants, and remittances. The import basket will gradually include a larger share of investment goods, as recovery picks up, but stronger export demand amid improved economic activity and global environment will ease external vulnerability.

Risks to the outlook are mainly on the downside

Global macroeconomic developments threaten Somalia's growth prospects. The war in Ukraine has led to higher global oil and wheat prices—and shortages of both. Higher oil prices are likely to exacerbate existing energy price pressures and suppress economic activity. A prolonged conflict might send oil and wheat prices even higher, dampening world growth. Given Somalia's dependence on imports, especially consumption goods, higher prices from trading partners will pass through to domestic prices, adding to inflationary pressure. The baseline scenario assumes that domestic inflationary pressure will be moderate (7.4 – 8.5 percent). Higher oil prices would increase Somalia's import bill, weakening its already vulnerable external sector.

Weather-related shocks add more risks to the outlook. Weather volatility is a perennial source of risk in Somalia, which has experienced four consecutive seasons with below-average rainfall since 2020. Another season of below-average rainfall could lead to famine, severe water stress, and increased food insecurity, heightening Somalia's humanitarian needs.

The ongoing insurgency is delaying and dampening growth prospects. Although Somalia's economy remains stable, simmering conflict continues to pose risks to economic activity. Terrorism attacks by Al Shabaab continue to threaten the security situation, discouraging domestic and foreign potential investors and putting more pressure on government spending on security.

New waves of COVID-19 would hurt growth.

The slow pace of vaccination in Somalia presents a risk for disruptions from future waves of COVID-19 and the emergence of more contagious variants of the virus. The success of the vaccine roll-out depends crucially on the distribution infrastructure the authorities and international community put in place and citizens' willingness to be vaccinated. If supply and distribution issues continue, Somalia will struggle to achieve widescale vaccination before the end of 2023, leaving the country exposed to new, more virulent strains of the disease and raising the prospect that the COVID-19 crisis will become a permanent, endemic problem in the country.

In the downside scenario, the economy grows 1.8 percent in 2022, increasing to only 2.3 percent in 2023. This scenario is premised on higher oil and wheat prices as a result of the war in Ukraine, an upsurge in COVID-19 cases, and below-average *Gu* and *Dyer* rains in 2022. The mutation of COVID-19 variants and new

waves would likely force the government to revert to some form mobility restrictions and lockdown from trading countries—actions that would constrain the recovery of economic activities and worsen supply bottlenecks and trade constraints. Weather-related shocks will be more severe than in the baseline scenario. Early warning systems point to a possibility of below-average rainfall. Increased insecurity and insurgence activities from Al Shabaab will affect economic activities and erode business confidence.

In the upside scenario, the economy grows 3.5 percent in 2022. This scenario is anchored in improved weather conditions and a swift resolution to the war in Ukraine. Economic recovery will be robust in 2022 if the *Gu* and *Dyer* rains are above average and the election dividend from the smooth transfer of power triggers FDI and additional inflows to support growth. Under this scenario, the economy grows 3.9 percent in 2023 and 4.7 percent in 2024.



SPECIAL FOCUS

BUILDING SOCIAL PROTECTION SYSTEM TO BOOST HUMAN CAPITAL,
PRODUCTIVITY, AND RESILIENCE



2. Building Social Protection System to Boost Human Capital, Productivity, and Resilience

2.1 Poverty and Vulnerability in Somalia

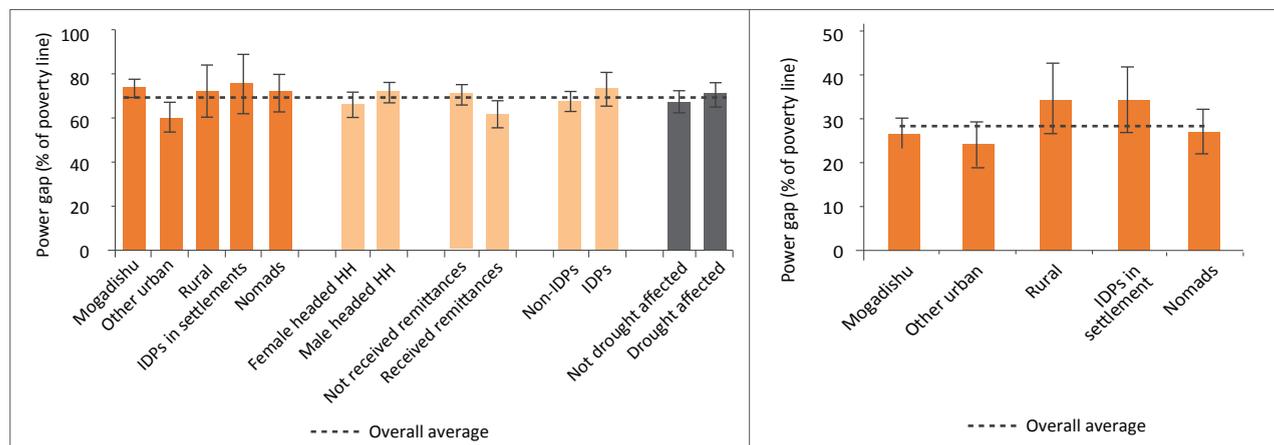
Poverty is widespread and deep in Somalia, particularly in rural households and IDP settlements (Figure 2.1). Nearly 70 percent of Somalis live below the international poverty line and 90 percent live in multidimensional poverty.¹⁴ Somalia has the third-highest poverty rate in the region, after Burundi and South Sudan. Almost three-fourths of the population among nomads, people in rural areas, IDP settlements, and Mogadishu are poor. The poverty rate is highest—above 80 percent—in the North and South-West regions. The depth of poverty—indicated by the poverty gap in Figure 2.1—is highest in rural areas and IDP settlements.

Globally, human capital is the most important component of economic growth. Somalia has a massive human capital deficit. Adult literacy is among the lowest in the world and is worse for women and girls. Net enrollment in primary schools was as low as 33 percent (Table 2.1), and fewer than 10 percent of school-age children attended secondary school in 2017. Under-five mortality is among the highest in the world

(121.5 per 1,000 children), well above the average of 98 per 1,000 in sub-Saharan Africa (SSA) (Al-Ahmadi and Zampaglione 2022).

Poor Somali households also suffer from low literacy and education attainment, labor market participation, access to essential health services, quality housing, and improved water and sanitation. While gender is not a predictor of monetary poverty, women in Somalia are less likely to have formal education than men, and social norms limit their access to jobs and economic opportunities. Poor households are less likely to have access to services than nonpoor households. In rural areas, 8 in 10 households lack access to an improved water source within 30 minutes from their home, and an even larger share lack access to basic sanitation or hygiene facilities. In rural areas, 78 percent of households do not have access to adequate nutrition, mainly because they cannot afford it and food facilities are too far away. Children from poor households are deprived of an education, making it difficult to break out of poverty. Vulnerability is directly linked to poverty incidence: the population clustered above the poverty line is naturally vulnerable to

Figure 2.1: Poverty is pervasive and deep in Somalia



Source: World Bank, 2019.

¹⁴ The international poverty line of \$1.90 per person per day, 2011 PPP. In addition to factoring in monetary deprivation, the multidimensional poverty index takes into account education of children and adults, access to improved water, improved sanitation and electricity.

Table 2.1: Key poverty and social indicators, 2017

Indicator	Value	Year
Poverty (percent of population living below the poverty line)	69	2017
Poverty gap (average percent)	29	2017
Adult literacy rate among people 15 and older (percent)	50	2017
Female literacy rate among people 15 and (percent)	41.7	2017
Net primary enrollment rate (children 6–13)	33	2017
Under-five mortality (per 1,000) ^a	121.5	2018
Life expectancy at birth (years)	56.7	2017
Incidence of HIV (per 1,000 uninfected population 15–49) ^a	0.04	2018

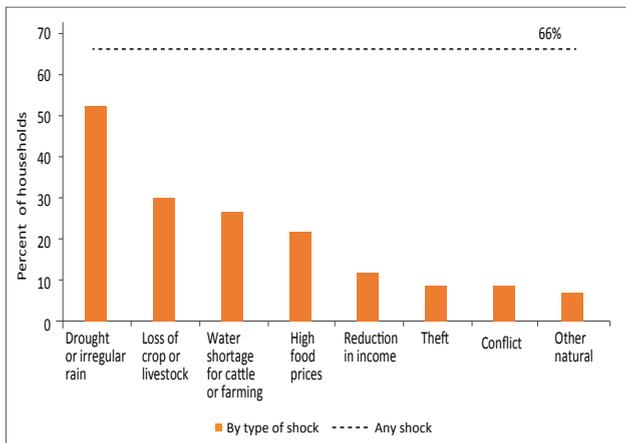
Sources: *Somali Poverty and Vulnerability Assessment World Bank 2019 and World Development Indicators 2019.*
 Notes: ^a/Figure is for 2018.

falling into poverty in the event of an unexpected drop in consumption levels. Thus, in addition to the 70 percent of the population living below the poverty line, another 10 percent are at risk of falling below the poverty line during a shock (World Bank 2019; 2022).

Somalia is also highly vulnerable to natural disasters, including drought and flood cycles driven by climate change, leading to protracted humanitarian crises and high levels of food insecurity (Figure 2.2). In 2018, Somalia was ranked as the world’s most vulnerable country to climate change in a list of 167 countries by Center for Global Development, after adjusting for coping capacity. Since 1960, Somalia has

experienced 14 major droughts, averaging one every four years. The 2016/17 drought left an estimated 6.7 million people in urgent need of humanitarian assistance. Major flooding also hit Somalia between 2018 and 2020, displacing around 650,000 people in 2020 alone. Because of conflict- and climate-related disasters, nearly 3 million people were internally displaced as of October 2020 (World Bank 2020), adding to an estimated 1.1 million people already in protracted displacement at that time. In 2020/21, extreme weather patterns resulted in a desert locust infestation across various livelihood zones, causing loss of income and more people to fall into food insecurity. Another major drought hit Somalia in the first half of 2022, and which combined with the residual effects of the locust infestation and COVID-19, to exacerbate an already alarming food insecurity situation. Estimates indicate that between April and June 2022, about 6 million people (38 percent of the total population) faced severe food insecurity and needed urgent assistance to alleviate hunger and help reverse its long-lasting impact on human capital. Moreover, the ongoing war in Ukrainian and the resulting food price inflation are further compounding the situation by heightening the risk that the current food crisis may turn into a catastrophic famine.

Figure 2.2: Somalia’s population faces multiple shocks



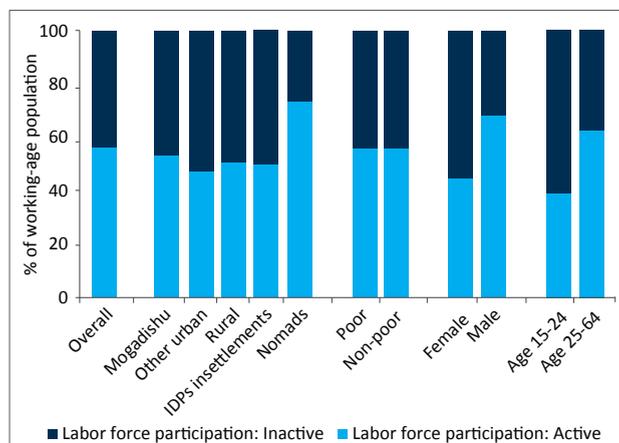
Source: World Bank, 2019.

¹⁵ See CCCM Cluster Somalia Overview, https://data2.unhcr.org/en/situations/cccm_somalia

Natural disasters have a profound effect on the economy and livelihoods of Somalis who rely heavily on weather-dependent activities, such as livestock rearing. Many Somalis are nomadic or semi-nomadic pastoralists, whose lifestyle is centered on herding. A 2021 survey indicated that 65 percent of nomads and 58 percent of rural population were affected by natural shocks (World Bank 2022). During the 2017 drought, pastoralists lost about 70 percent of their average annual cash earnings, and agro-pastoralists—who mix crop production and livestock rearing—lost about 30 percent. The combined drought-induced losses and damages suffered by pastoralists and agro-pastoralists in the 2016/17 season amounted to 50 percent of annual GDP (US\$3.25 billion). Largely as a result of insufficient pasture and fodder, some 6.4 million animals (12 percent of the total) were lost during the *Deyr* 2016 and *Gu* 2017 seasons. Loss of livelihood led to the displacement of more than 900,000 people and to an increase in the number of people at immediate risk of famine from 83,000 to 866,000.

At the same time, much of Somalia’s economic potential remains untapped, as evidenced by the low labor force participation of women and youth. Only 43 percent of women are participating in the labor force (compared to 67 percent of men), making for one of the lowest rates across SSA. Somali youth (15–24) are also less likely to be engaged in the labor market, with only 39 percent of youth are in the labor force compared to about 62 percent of adults. Job seekers perceive their lack of skills, insufficient job opportunities, mismatch between skills supply and demand, and lack of information about the local labor market as the main obstacles to finding employment. Labor market “frictions,” such as skills mismatch and imperfect information, make it difficult to match jobseekers with job openings. These inefficiencies can lead to prolonged periods of unemployment, low wages and benefits, and stunted productivity (Karamba 2021). Increasing the participation of women and

Figure 2.3: Women and youth in Somalia are least likely to participate in the labor market



Source: Karamba (2021).

youth in the labor market is crucial to raising the living standards of Somali households, reducing poverty, and accelerating economic growth.

Even households with members employed in the formal sector are vulnerable to the risks of old age, job loss, disability, and the death of the breadwinner. In all these cases, households are left unprotected, as Somalia currently has no pension system for formal sector workers. These risks are compounded for the vast majority of informal sector workers, who face uncertain and irregular incomes and, therefore, a limited ability to save for risks.

The COVID-19 pandemic has depressed household welfare, with nearly 80 percent of households reporting some reduction in income from wages. As Somalia relies on food imports to feed its population, the lockdown of key supply markets, closures of borders, and restrictions on domestic movements pushed up basic commodity prices throughout 2020 and 2021, culminating in an accelerating food price inflation in the first of 2022 due to the war in Ukraine. Food shortages and the tightening of food markets as a result of the pandemic are increasing food insecurity and fragility in hardest-hit areas, exacerbating population displacement and local conflict. Remittances, which reach an estimated 40 percent of Somali households every year—may have fallen by

as much as 50 percent in March–April 2020. However, remittance flows increased by 15 percent in August 2021 compared to August 2020, showing resilience and countercyclicality.

2.2 The Case for Investing in Social Protection

Somalia’s growth and prosperity depend heavily on the quality of its human capital.

Quality of human capital, in turn, depends on Somalia’s ability to provide health, education, and skills to children and youth and to protect its vulnerable citizens against the impact of shocks. Social protection interventions play a key role in protecting and enhancing human capital by expanding poor and vulnerable households’ access to socioeconomic opportunities and by mitigating the long-lasting impact of shocks and protracted crises on both human capital formation and individual well-being. Particularly, by providing direct and predictable income support, cash transfers help families meet their basic needs (including access to food, clean water) while promoting human capital accumulation in the medium and long-term, through investing in their children’s health, education. Regular cash assistance also allows families to increase precautionary savings, improve access to credit through formal and informal sharing mechanisms, and improve livelihood strategies.

Social protection encompasses policies and programs that pursue the three overarching goals of improving equity, opportunity, and resilience. Social protection interventions are usually seen as a combination of three pillars:

social safety nets, contributory social insurance, and labor market programs (Box 2.1). Each of these pillars can contribute to the three goals of improving equity, opportunity, and resilience. Social protection programs promote equity by protecting poor and vulnerable people and ensuring equality of opportunities. They foster opportunity by building and protecting human capital, assets, and access to jobs, enabling people to improve their well-being, and by empowering households and individuals to make productive investments because of their greater sense of security (World Bank 2012). Improving resilience involves protecting households and individuals from a range of shocks (covariate or idiosyncratic, predictable or unexpected) that affect their well-being and physical and human capital assets. A social protection system composed of the three pillars enables protection and promotion of human capital across the life cycle of individuals and promotes productivity.

Social protection policies and programs can provide a basis for inclusive growth and social stability. They contribute to sustainable growth by (a) building and protecting human capital; (b) providing a sense of security for investing in higher-risk/higher-return activities; (c) increasing labor market mobility; (d) offering a countercyclical measure to sustain aggregate demand for goods and services during economic downturns; (e) enhancing productive assets and infrastructure (e.g., through public works); (f) reducing inequality by protecting the poor and vulnerable from the potentially adverse impacts of pro-growth reforms (e.g., energy subsidy reforms), while fostering public

>> Box 2.1: What are social protection programs?

Social protection programs include three main types of programs:

- Social assistance (social safety nets) includes programs such as cash transfers, cash-for-work, school feeding and targeted food assistance.
- Social insurance includes old-age and disability pensions and unemployment insurance.
- Labor market programs include skills-building programs, job search and matching programs, and improved labor regulations.

support for them; and (g) empowering women and addressing gender inequality gaps. A study by the Overseas Development Institute (Bastagli and others 2016) finds that “cash transfers reduce monetary poverty, raise school attendance, stimulate health service use, and improve dietary diversity. Moreover they can help foster beneficiaries’ economic autonomy, are associated with a reduction in child labor, and increase women’s decision-making power and choices.”¹⁶ Social protection programs are also increasingly recognized as a vehicle for ensuring social stability and upholding the social contract, to ensure that rights and obligations are fulfilled and social cohesion is strengthened.¹⁷ The stability and social cohesion function of social protection is especially relevant in crisis and fragility, conflict, and violence-affected (FCV) situations. Moreover, the COVID-19 pandemic has underscored the centrality of social protection in crisis preparedness and response, showing that the readiness of social protection systems bears upon countries’ ability to address crises and enhance citizens’ trust in state institutions. The examples in Box 2.2 showcase the role of social protection programs in contributing social stability and the social contract.

2.3 The Social Protection Landscape in Somalia

Somalia’s social protection landscape comprises informal and formal social protection mechanisms. Informal mechanisms include traditional practices of community sharing of resources and remittances. Formal mechanisms include public social insurance, safety nets schemes, and labor market programs.

In times of crisis, Somalis have relied on traditional safety nets that are based on clan affiliation

Somalis have long relied on traditional safety nets (sharing of resources) to mitigate risks, cope with shocks, and redistribute resources to those in need (Table 2.2). Several 2021/22 household surveys showed that loans and assistance from family/friends were the most important coping strategies.¹⁸

Remittances act as another informal safety net

On average, domestic and international remittances represent, respectively, 23 and 34 percent of receiving households’ total income, accounting for almost as much as salaried labor (35 percent). Remittances are particularly important for the households in the bottom

>> Box 2.2: How can social protection support social stability?

Evidence from four countries demonstrates positive effects on combatant reintegration, lower unrest, violence, conflict, and trust in government:

- In Colombia, there is evidence that the Familias en Accion conditional cash transfer program had positive effects on the demobilization of combatants (Pena, Urrego and Villa, 2017).
- In India, social protection programs are associated with decreased levels of civil unrest and violence (Justino 2011; Fetzer 2019).
- In the Philippines, the 4P conditional cash transfer program decreased conflict and insurgent influence at the village level (Croft, Felter, and Johnston 2016).
- In Yemen, a youth-targeted cash-for-work program under the Emergency Crisis Response Project increased trust in local governments, political parties, and people from different social, religious, regional groups (in a context of conflict-induced damage to the social fabric). It also resulted in self-reported optimism about obtaining a job and improved future prospects (Olivia, Bertelli, et al 2019).

¹⁶ (Bastagli and others 2016).

¹⁷ The International Labour Organization defines a social contract as “an implicit agreement between all members of a society—whether defined in terms of government and citizens, labor and capital, or different population groups—to cooperate for their mutual benefit and respect each other’s rights and obligations” (ILO 2021). Key terms of the social contract relevant to social protection of Somalis are reflected in Article 27 of the Constitution, which establishes rights to clean potable water, emergency health care, social security, and special protection for women, the aged, the disabled, and minorities.

¹⁸ More than 40 percent of respondents in the High Frequency Phone Survey conducted in October 2021 reported using both loans and assistance from family or friends.

Table 2.2: Traditional coping mechanisms used in Somalia

Mechanism	Description
<i>Zakat</i>	Religious obligation for Muslims whose wealth exceeds a certain threshold (equivalent to 85 grams of gold) to pay a mandatory contribution to eight categories of people, including the poor, the needy, people in debt, and wayfarers who do not have anyone to support them
<i>Sadaqah</i>	Voluntary charity
<i>Qaaraan</i>	Donations into a pooled fund that is shared by poor households in the community
<i>Irmaansi (irmaan)</i>	Sharing of milk with poor households through the loan of a milking animal
<i>Dhowrto/Xersi</i>	Sharing of milk (in rural areas); surplus milk and butter are distributed among poor households with no milking animals, especially during the dry season
<i>Afur</i>	The breaking of one’s fast. During the holy month of Ramadhan, wealthier households provide food to the poorest households so they may be able to observe Ramadhan.
<i>Axan</i>	Provision of food to a household by the community the first week after a family member dies
<i>Tacsil</i>	Condolences
<i>Affartanka-bax</i>	Assistance provided to a woman by the community for 40 days after the birth of a child
<i>Mag</i>	If a person from a community is killed, the responsible community contributes camels to the affected community
<i>Kaalmo</i>	Contribution of livestock by households to a household that has lost its livestock
<i>Gadiid codsi</i>	Borrowing of animals for transport when migrating
<i>Baaho</i>	Door-to-door collections for urban “poorest of the poor”

Sources: World Bank 2019a.

40 percent. Remittances support 54 percent of their total consumption, while this share falls to 23 percent for the upper 60 percent households. On average, households who receive international remittance spend more in education than other households. They also have substantially higher school enrollment rates.

Not all households receive remittances. While representing an important component of income for the households in the poorest two quantiles, remittances are concentrated within particular clans, lineages, and extended families. Urban households are more likely to receive remittances than rural ones. Many of the poorest households do not receive them. The bottom 40 percent of IDPs get US\$6 on average, compared to US\$39 for the top 60 percent (World Bank 2019).

Given the high rates of poverty and the high sensitivity of households’ welfare to shocks, traditional mechanisms provide inadequate

protection and remain exclusive. While critical for protecting many Somalis in times of need, informal safety net mechanisms and remittance flows are largely based on clan relations and, as such, tend to be narrow and exclusive. As a result, during shocks, these mechanisms remain inadequate to provide community-wide coverage regardless of clan status, thereby increasing hardship for individuals and social groups who are left outside the traditional forms and networks of protections. These groups include members of minority clans, most of whom are IDPs. Moreover, traditional systems are overwhelmed by the frequency, severity, and covariant nature of repeated shocks.

Formal social protection mechanisms are needed
Somalia launched its first Social Protection Policy in 2019, following a nation-wide consultative process. The policy objectives are “to progressively build a comprehensive and coherent social protection system that combats poverty, and vulnerability in Somalia while contributing to economic growth, peace



and security, human development, and equity through programs that improve food security and nutrition, support access to basic social services, enhance livelihoods and assets, reduce negative coping, and protect at-risk populations from recurrent shocks” (Ministry of Labor and Social Affairs 2019).

The Policy also sets out the government’s 2020–40 Vision for social protection in Somalia:

“By 2040, Somalia will have progressively established a functional social protection system which delivers predictable assistance through the lifecycle, according to a consensus across Somali society identifying the most vulnerable. The social protection system will reduce deprivation and inequality, help people meet their short-term needs and invest in their food security, health, education, and livelihoods, increasing the resilience of the population in the face of shocks and helping to maintain the gains they make. It will contribute to equitable and inclusive economic growth and poverty reduction. It will reduce the current reliance on unpredictable humanitarian financing to address cyclical crises. A government-led and planned approach will be supported by a range of international and national stakeholders, designed according to best practices and available technology and financed consistently and sustainably.”

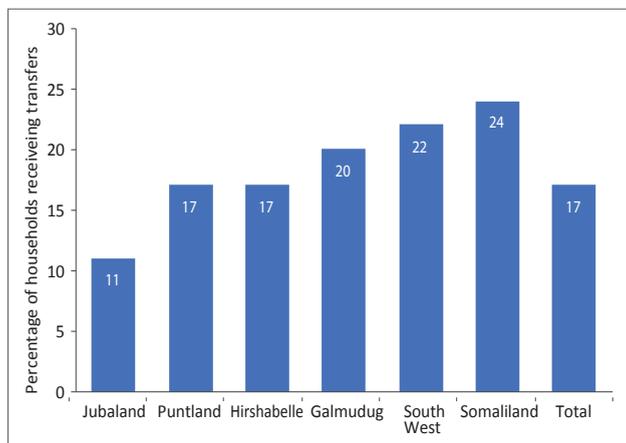
Somalia introduced its first government-led social protection program in 2019. The program, the Shock-Responsive Safety Net for Human Capital Project (SNHCP)— known nationally as the Baxnaano program—addresses the immediate needs of poor and vulnerable Somali households while supporting their efforts to build resilience and human capital by providing a reliable safety net and enabling access to human development interventions. The program design works across the humanitarian-

development nexus to strengthen the capacity of vulnerable groups to cope with shocks in the short term and address social exclusion and low human capital accumulation in the long term. It also aims to increase government capacity and citizens’ confidence in national institutions. The program delivers predictable nutrition-linked benefits to 200,000 poor and vulnerable households (approximately 1.2 million individuals) with children under the age of five in selected rural districts across the five FMS and Somaliland. Beneficiary households are entitled to US\$20 a month, delivered quarterly via mobile money transfers, for a period of three years, after which they are reassessed for continuation or exit from the program.

By targeting mothers and female caregivers as direct recipients of cash assistance, the Baxnaano program supports women’s empowerment and financial inclusion. This design feature empowers women by enhancing their participation in the decision-making processes within their households and in their communities. Moreover, the program provides women with opportunities for financial inclusion by delivering the benefits through mobile money. Around 40 percent of the Baxnaano beneficiaries did not have access to SIM cards before the program.

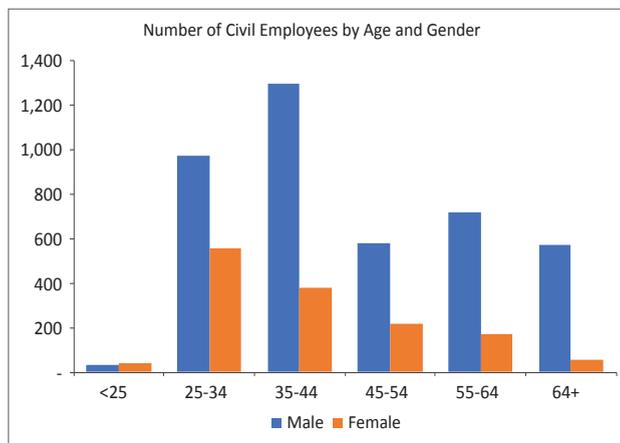
Baxnaano is the only social assistance scheme in the FGS that provides a safety net and a gateway to enhance socioeconomic inclusion. However, the program’s coverage is limited to just 8–9 percent of the population, in a country in which 70 percent of the population is poor. Only 21 of Somalia’s (estimated) 67 districts are targeted, and within the targeted communities, an average of just 17 percent of households are enrolled in the program. At the FMS level, the estimated coverage in program areas ranges from about 11 percent of households in Jubaland to 24 percent in Somaliland (Figure 2.4).

Figure 2.4: Baxnaano covers 11 to 24 percent of population in areas where it is active, well below the national poverty rate



Source: Development Pathway and Samuel Hall (2022).

Figure 2.5: A large share of civil servants in the FGS are over the age of 55



Source: World Bank team based on census of public servants in 2019, with cohorts aged for year 2022

Contributory social insurance protects against predictable risks, such as loss of employment or inability to work as a result of sickness, disability, or old age through a contributory mechanism.

Somalia lacks a pension scheme, even for formal public servants, who are typically the first group for whom a pension scheme is provided.¹⁹ The civil service is largely inadequate for the management needs of a modern government. Many staff are above retirement age, but the lack of a pension system does not allow them to retire. About 11 percent of the civil servants are older than 65 (Figure 2.5). The productivity of these workers is questionable. The lack of adequate pension schemes is a major challenge to civil service reform efforts, because it limits the ability of the government to hire people with the skills it needs. Draft laws have been prepared for the FGS and two FMS. The Cabinet approved the draft law for the FGS and submitted to Parliament, but Parliament has been disbanded in late 2021 awaiting elections, which has concluded in April 2022 with a new Parliament. In the two FMS, the Ministry of Justice is reviewing the laws before submitting them to the Cabinet.

New social insurance schemes are currently being developed to cover civil sector employees to provide adequate pensions.

The proposed scheme of adequate but not overly generous pensions could eventually be expanded to private sector workers as well. Civil servant schemes in Africa are often based on the parameters that applied to expatriates serving in colonial administrations. As a result, they are often unaffordable and overly generous. Private sector schemes are typically more sustainable, but the difference creates a barrier to both public sector human resource management and labor mobility. The proposed new system learns from the mistakes of other African countries.

Humanitarian assistance plays a major role in the provision of social protection in Somalia.

As of 2018 (before the launch of Baxnaano), donor funding accounted for 100 percent of all social safety net spending in Somalia (World Bank 2018). Most humanitarian programs are initiated as short-term relief interventions. As such, these programs (a) tend to be delivered outside the government and, therefore, lack national ownership and do not support the social contract; (b) lack predictability, as their coverage and duration fluctuate significantly, depending on the availability of humanitarian aid; (c) are reactive, focusing on responding to crises rather than building resilience and promoting human capital and productivity; and

¹⁹ Years of civil war destroyed the civilian public sector pension system in Somalia, which existed until 1991.

(d) provide benefit levels that are not fiscally sustainable over the long run.²⁰ In addition, in the absence of a national social registry to facilitate coordination across humanitarian programs, unintended overlaps and duplications of beneficiaries occur, adversely affecting coverage and impact. Developing a national social registry as a common database for the identification of the poor and vulnerable and as a tool for coordinating targeting across interventions would help increase the effectiveness of humanitarian and national safety net interventions.

As Somalia moves toward peace, state building, and development, it needs to gradually transition from predominantly humanitarian aid approaches to development approaches.

The latter are intended to contribute to building individuals' and households' resilience, protecting their livelihoods, increasing their productivity and building human capital, especially of the most vulnerable Somalis. During this transition, convergence of humanitarian and national social assistance systems is required. A shared, if not fully common, understanding and approaches to analytics, policy support, and institutional building, as well as operational alignment in areas such as targeting and eligibility, benefits level, and data exchange, are needed. Especially in a country with limited fiscal space, alignment of humanitarian safety net with national systems within the social protection policy framework is critical for addressing chronic poverty and sustainable resilience building.

2.4 Gaps in the Social Protection Sector and Challenges in Somalia

The FGS's limited fiscal space constrains investment in social services and human capital accumulation in general and in social

protection, in particular. Somalia spending on social safety net programs started in 2020, with the launch of the Baxnaano program. Total spending on social protection amounted to only 0.9 percent of GDP in 2020 and 0.6 in 2021 (Table 1.3). These shares are inadequate to meet the significant sector needs. The average investment in social safety net programs is 1.5 percent in developing countries and a similar average of 1.5 percent in SSA (World Bank 2018). Ethiopia is spending 1.0 percent of its GDP on the Productive Safety Net Program, and donors provide twice that amount to meet program demands (World Bank 2018). Somalia's fiscal challenge poses high risks for the sustainability and expansion of the social protection system and, therefore, for its impact on poverty reduction and human development outcomes.

The FGS has made encouraging progress in developing its social protection system.

Transitioning from the current implementation model, which depends on support from and the delivery system of the World Food Programme (WFP), to a model of direct government implementation is challenging, for several reasons.²² One is the uncertainty over the federal structure and the assignment of functional responsibility for the governance and delivery of social services. A second is the division of resources and intergovernmental transfers. Direct implementation of social protection programs with clearly defined roles and functional responsibilities of the different jurisdictions would support trust building between local governments and citizens on the one hand and between FMS and the FGS on the other, contributing to stability and state building. The government needs to reach consensus on the governance and administrative structure for Somalia's safety net system within the federal system.

²⁰ Benefit levels tend to be high because humanitarian emergency transfers seek to fully meet the consumption/food security needs of the crisis affected populations.

²¹ WFP implements Baxnaano through its regional area offices, using the SCOPE management information system (MIS).

Progress on key pending policy and regulatory actions affecting the institutional sustainability of social protection programs is slow or stalled.

Leveraging WFP's experience and its established delivery platform for the delivery of Baxnaano has been instrumental to the success of the program, but the transition to direct government implementation is of strategic importance for building citizens' trust in the government and the social contract. In addition to the federal structure-related challenges discussed above, a number of policy and regulatory actions that are necessary for the transition are lagging. They include (a) the foundational identification system needed for the social registry, which would provide a unique identifier for applicants and beneficiaries; (b) the data privacy and data protection law to govern the management and administration of the social registry and Baxnaano beneficiaries' personal data; and (c) the mobile money regulatory framework to protect the integrity and security of the social safety net payment system. All of these systems are critical.

The coverage of the social safety net program is too low given the widespread poverty.

Baxnaano covers roughly 8–9 percent of the population against a 70 percent poverty rate, due to fiscal constraints and because its current design excludes households without children under age five years and urban areas.²²

Lack of livelihood protection for pastoral nomads and agro-pastoralists puts more pressures on safety net schemes.

The impact of catastrophic losses of livestock on livelihoods could be mitigated through a risk management mechanism that deals with ex ante management of income generation (income smoothing) in order to allow households to build resilience and to anticipate and prepare for the effects of a shock in a timely and efficient manner.

A The longer-term challenge will be to provide protection for the majority of workers, who work in the informal sector. Several countries, such as Kenya and Ghana, have been experimenting with instituting voluntary savings schemes for informal sector workers. Given that Somalia lacks even a scheme for civil servants, much less private formal sector workers, it has time to take learn from these experiments.

Youth have limited opportunities. More than two-thirds of Somalia's population is under 30, representing one of the largest youth bulges in the world. As a result of protracted conflict, two generations of youth have been denied education, livelihoods, and chances of a normal and peaceful life. One in three youth are neither employed nor in education or training. Consequently, young Somalis are increasingly turning to crime and radicalization and are at risk of being recruited by armed groups. At the same, they represent a critical national resource to drive peace, stability, economic growth, and national transformation.

2.5 How Can the Social Protection Sector Be Improved?

Priority areas for improvement of the social protection sector include the following:

(a) building a national integrated social safety net system focused on promoting human development and resilience by expanding the coverage of social safety net programs and building effective delivery systems; (b) establishing active labor market programs that target youth and women; (c) building the foundations for an old-age pension system, initially by instituting a functional and sustainable pension scheme for civil servants; and (d) expanding and strengthening livestock insurance.

²² Based on a population estimate of 14–15 million and an average household size of six people.

Sustain and expand investment in the social safety net

The annual budget needed to sustain Baxnaano, Somalia's only social safety net program, at its current level of coverage and benefit value is about US\$48 million (exclusive of administrative cost). This figure represents about 12.7 percent of total FGS revenue (domestic and grants) of US\$376.5 million in 2021. To achieve its intended impact on poverty reduction, the social safety net program must be delivered sustainably, and its coverage be progressively expanded. Adequate funding for the Baxnaano needs to be committed, initially through donors and then increasingly through the government's contribution. Sustained multiyear funding of Baxnaano will be critical to preserve and expand human capital gains and to enable Baxnaano households to move out of poverty over time. Enhancing cross-sectoral coordination, as well as coordination with humanitarian interventions, will strengthen the impact of Baxnaano and other social programs targeted at the poor and vulnerable.

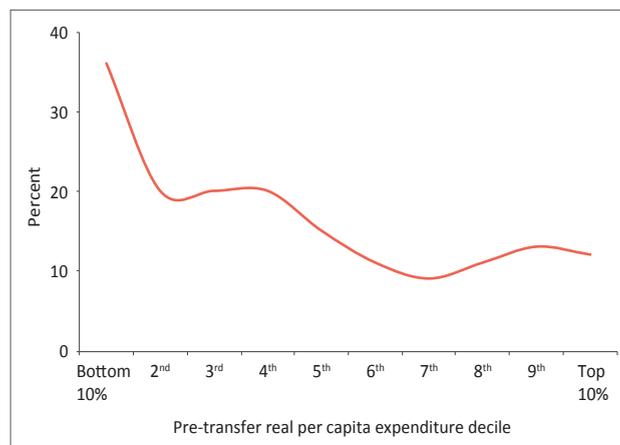
Enhance Coordination and Alignment between humanitarian interventions and Baxnaano

Given the large scale of humanitarian interventions in Somalia, there is a need to continue enhancing the coordination between Baxnaano and humanitarian interventions. Key areas for coordination are (i) financing of the social protection sector, to allow predictable preventive social safety nets to reduce the demand for emergency humanitarian relief; (ii) synchronizing benefit levels to ensure equity of support given to households without compromising shock-responsiveness; (iii) aligning targeting and eligibility to ensure more comprehensive and equitable coverage; (iv) ensuring complementary design of interventions to achieve synergies—for instance, between cash transfers and nutrition support; and (v) sharing experience, learning, and data.

Improve the ability to identify the poorest and vulnerable

Baxnaano targeting is pro-poor in the sense that households at the bottom of the welfare distribution are significantly more likely to be enrolled than households higher up the distribution; yet significant inclusion and exclusion errors remain (Samuel Hall and Development Pathways 2022). Baxnaano's coverage rate among the poorest 40 percent of population of participating communities is about 24 percent on average. At the same time, 12.5 percent of the wealthiest 20 percent also receive Baxnaano benefits (Figure 2.6). In a context of scarce financial resources, it is important that the program has the methodological and operational capacity to minimize leakage to the non-poor and reach the poorest of the poor.

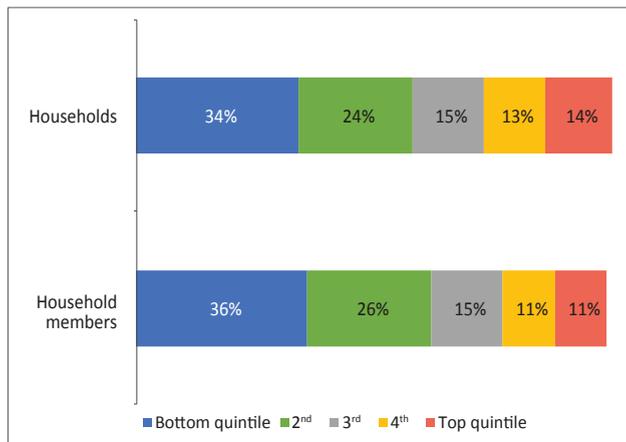
Figure 2.6: While Baxnaano's coverage is higher among the poorer deciles, around 12.5 percent of the wealthiest 20 percent of the population also receive Baxnaano benefits



Source: Samuel Hall and Development Pathways (2022).

About a third of Baxnaano beneficiary households (34 percent) belong to the bottom quintile of the pre-transfer welfare distribution, and 58 percent belong to the bottom 40 percent (Figure 2.7). At the same time, 27 percent of the program's beneficiary households belong to the top 40 percent and 14 percent to the wealthiest quintile of the population in targeted communities.

Figure 2.7: Baxnaano is pro-poor, but 27 percent of the program’s beneficiary households belong to the wealthiest 40 percent of the pre-transfer consumption distribution



Source: FGS Ministry of Finance (2021).

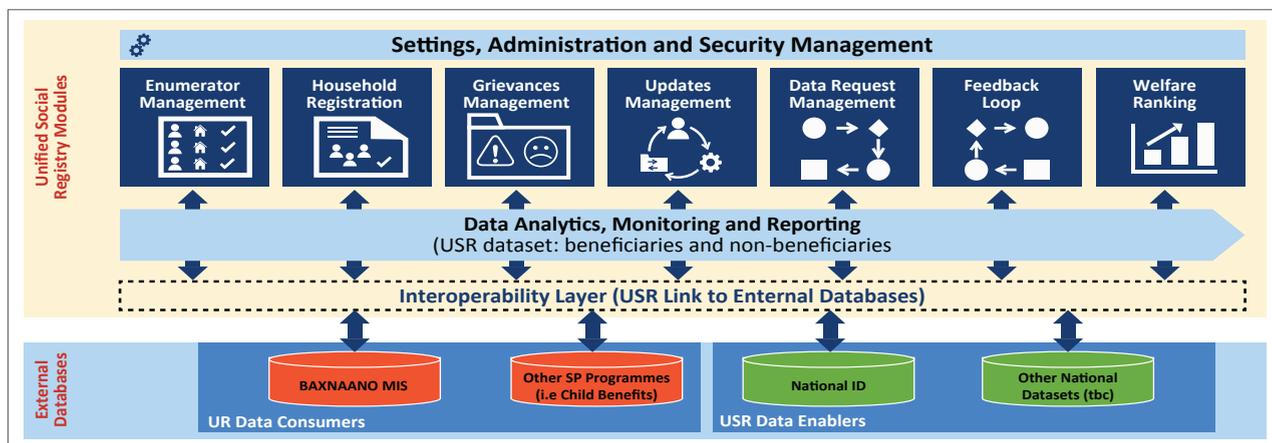
Baxnaano would therefore benefit from improved targeting. Although expansion of coverage would bring the greatest gains in terms of poverty reduction, given the scale of poverty in Somalia, priority should be given to developing a systematic and methodologically sound poverty targeting approach, which will ensure that the limited fiscal resources of the government are directed at the poorest and most vulnerable. It will also enable welfare ranking of households registered in the USR, which will enhance its effectiveness as a management platform for the social protection sector.

Operationalize and expand coverage of the unified social registry

The backbone of an effective, scalable, and shock-responsive social protection system is a unified social registry (USR). Social registries are systems that support the intake, registration, and determination of potential eligibility for social assistance and other programs. They are both *inclusion* systems and *information* systems (Lindert et al. 2020). Unified social registries support targeting, coordination, and reduction in the transactions cost of social assistance programs. They can also serve as a powerful platform that can extend beyond social assistance programs, to, for example, subsidized health service, insurance of farmers and pastoralists, social energy tariffs, education and training vouchers, financial inclusion services, and other programs. A reliable USR also serves as a critical tool for rapid response to crisis by having data of vulnerable groups readily available for action.

The FGS has made a policy decision to develop and use the USR as a multisectoral platform MoLSA has made good progress in developing the USR and is finalizing its technical aspects. However, the functionality of the USR depends on the development and adoption of the data protection and data privacy regulatory framework to build the trust and security of the system (Figure 2.8). The design of the USR allows

Figure 2.8: Architecture of the Unified Social Registry supports a wide range of functions required for effective management and coordination of the social protection and adjacent sectors



Source: MoLSA (2022).

for building linkages with other government agency databases, which would enhance cross-sectoral coordination and the capacity of the social protection system to respond to shocks through integration with early warning systems that forecast the onset of climate-related shocks (floods, droughts, locust infestation, etc.). However, such database linkages would be achieved in the long-term given the fiscal and capacity constraints of Somalia's SP sector.

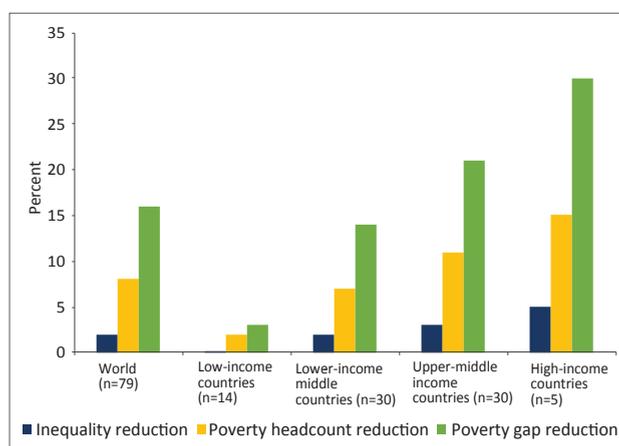
The ability of a USR to rapidly identify eligible beneficiaries for social benefits and social services, especially during crises when rapid response is critical, depends on its coverage and the quality of the data. Building a trusted USR therefore requires expansion of its capacity for intake and registration and periodic updates of the database. MoLSA recently secured some funding to initiate the population of the USR database, starting with the registration of about 400,000 households (about 16 percent of the population) in the next 12-18 months. An effective USR needs to cover at least 40 percent of the population. Somalia could increase coverage in a phased approach, prioritizing geographical areas that experience frequent climate-related shocks.

The high share of nomadic groups in Somalia's population presents a challenge to the USR. In its basic design, the USR may not be fully suited to capture nomadic pastoralists, who practice mobility as a livelihood strategy. Therefore, the development of a robust identification system would be instrumental in incorporating such highly mobile populations in the social protection system and providing them with the necessary coverage. To improve the assessment of nomadic households' welfare, the USR's welfare ranking module uses a distinct set of indicators that are different from those used for other rural households.

Gradually expand social safety net coverage, over a sustained period

Expanded, inclusive, and sustained coverage of social safety nets is needed. It is recommended that the FGS explore possibilities of expanding Baxnaano coverage to 20 percent of the population in the short to medium term and, depending on the fiscal space, consider expansion to 30–40 percent in the medium to long term, accompanying this gradual expansion with better targeting. Figure 2.9 illustrates the impact that SSN programs can have in the reduction of poverty and inequality.

Figure 2.9: Reductions in poverty and inequality from SSN transfers, as a share of pretransfer indicator levels, by country income group using relative poverty line



Source: World Bank Group, 2018

Expedite government readiness for direct implementation of Baxnaano and the unified social registry

MoLSA (with support from the World Bank) is making good progress in developing the Baxnaano delivery systems, which include targeting, beneficiary registration and enrollment, identity verification, payment delivery, beneficiary data management and updates, grievance redress, and monitoring and evaluation. However, the functionality of these systems, alongside the Government's ability to take over direct implementation, will depend on several policy and regulatory actions. These include (a) establishing and rolling out the foundational ID system, which will improve the identity verification of applicants in the USR and

social safety nets; (b) developing and adopting the national data protection and data privacy framework and regulations; and (c) reaching consensus on the governance model for social protection schemes within the federal system.

Target the poor and vulnerable youth

An effective response to the demographic youth bulge will require a longer-term, multisectoral approach focused on the development of a private sector-led formal economy and job creation. In the shorter term, social protection has a role to play by providing targeted and rapid support to unemployed, poor and vulnerable youth through temporary employment opportunities. The latter could also facilitate access to more stable employment and economic inclusion in the longer-term, thus laying the foundation for sustained welfare improvement and intergenerational mobility. Efforts could include (a) skills training to enhance employability and (b) interventions toward self-employment and entrepreneurship opportunities, such as saving schemes, start-up grants, training in developing business plans, accounting, and marketing. Cash-for-works social safety nets are among the most common schemes for temporary job creation. They can be designed to target both skilled and unskilled youth job seekers. Some countries have also devised cash-for-service schemes, whereby youth are trained and employed to deliver community services, such as literacy, health and nutrition promotion, childcare, community mobilization for development initiatives, and data collection for surveys. Such schemes provide income support and temporary jobs in the short term and enhance the skills and employability of participants increasing their opportunities for long-term jobs.

Create a functional and sustainable pension system for civil servants

The primary objective in the short to medium terms is to legislate and implement a pension system for civil employees that will allow older workers to retire, opening the door to hiring new civil servants with the skills to deliver high-quality services to the population. The proposed system parameters, shown in Table 2.3, were chosen with the following features in mind: (a) ease of administration; (b) affordability for the government and participants; (c) limited build-up of reserves, given the very limited availability of financial market instruments for investment; and (d) compliance with international best practices for pension systems to ensure a fair and equitable system.

Throughout SSA, pension systems for civil servants have typically been very generous.

They greatly exceed the recommended level of 40 percent of wages after 30 years of service, or a benefit rate of 1.33 percent of wages per year of service, recommended by the International Labour Organization (ILO). Their high cost has resulted in public employee pension systems throughout the continent running deficits, despite the fact that countries have young populations. The pension proposed in Somalia is slightly higher than the ILO recommendation but less likely to run into the sustainability problems that many countries with higher benefit rates are already facing (Figure 2.10).²³ High benefit rates typically lead both to government financing of deficits and high contribution rates, and systems quickly become unaffordable for both the government and the employee.

²³ Actuarial projections for all proposed pension laws have been undertaken using the World Bank's PROST model (Pension Reform Options Simulation Toolkit), which has been used in almost 100 countries to date to analyze long-term impacts of the pension system. Each of the systems will be perfectly solvent for the first 15–20 years and then will begin to run small deficits for the next 15–20 years. A small increase in the contribution rate at that time will easily balance the deficit. Being aware of the potential for huge future liabilities, the benefits have been kept modest as explained in the text, fairly close to the ILO minimum standard.

Table 2.3: Proposed pension parameters for the Federal Government of Somalia

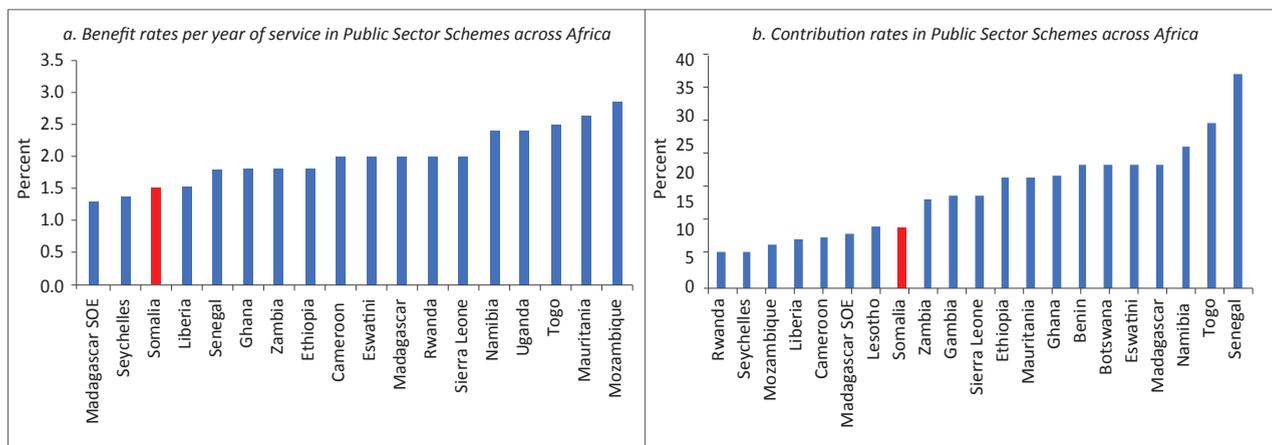
Parameter	Description
Retirement eligibility	
Mandatory retirement age	65 for men and women
Minimum years of service	10
Penalty for early retirement	0.5 percent reduction per month
Gratuity if less than 10 years of service	Lump sum equal to 1 month's salary per year, paid at retirement age
Benefit formula	
Benefit rate	1.5 percent per year of wage base, up to a maximum of 70 percent
Past service	Awarded based on year of birth*
Actual service	Since January 2007
Wage base	Gradual movement to lifetime average wage as wage histories is built up
Indexation of pension post-retirement	Inflation
Minimum pension	None
Disability pension	
Eligibility criteria	Totally incapable of work, as determined by a competent medical commission
Benefit	Irrespective of the source of injury, benefits are awarded using the old-age pension formula, with actual years of service until date of injury and all future years until reaching retirement age
Survivor pension	
Eligibility	Surviving spouses (male and female, legal and customary marriage) receive benefits until remarriage. All children born within nine months of the death of contributor receive benefits, with sons receiving benefits until age 18 and daughters until marriage; in both cases, benefits are paid for life if the child is disabled; parents can also receive survivor benefits if considered financially dependent on contributor
Total amount of survivor benefits	50 percent of old-age benefit if only one survivor; 70 percent if more than one survivor
Calculation of benefit if contributor was working and cause of death was work related	Old-age benefit calculated using all actual years of service before death and all future years until contributor would have reached retirement age
Calculation of benefit if contributor was working and cause of death was not work related	Old-age benefit calculated using only all actual years of service before death
Contribution rate	
Contribution rates	5 percent of wage by employee, 5 percent of wage by employer

Source: World Bank Staff Notes.

Notes: *Since reliable records prior to 2007 do not exist, an assumed length of service based on the person's birth year is being awarded.



Figure 2.10: The benefit and contribution rates for the proposed pension system in Somalia are lower than in most countries in sub-Saharan Africa



Source: World Bank (2022).

Note: The figure for Madagascar in panel a is for employees of state-owned enterprises.

Establishing a sustainable civil servant pension scheme would be a first step toward instituting a broader old-age pension that extends beyond the public sector. Since the primary objective of instituting this pension system was to allow enough space in the public wage bill through mandatory retirement to allow younger, more appropriately skilled individuals who could provide better quality public services to join the public labor force, the goal was less about how many people will be receiving this increased social protection. Nevertheless, estimates suggest that 0.37 percent of the working age population in Somalia will now be covered against the risks of old age, disability, and death, while 0.37 percent of the population over the age of 65 will be receiving pensions after the reforms are instituted. In many countries, the public sector pension scheme is much more generous than the private one, creating fragmentation of the labor market. A key rationale for instituting a modest pension system for public servants in Somalia is that similar parameters can apply to future systems for private sector workers, with the potential to include them within the same scheme as public sector workers.

Establish a drought index insurance, to help de-risk the activities of pastoralists

Drought index insurance (also called index-based livestock insurance) is designed to pay

when a forage deficit is recorded. Early payouts provide funds at a time when pastoral households can undertake proactive measures to protect their livestock against the negative impacts of drought, through for example, the purchase of veterinary medicine, fodder, or water. A World Bank supported regional operation that includes Somalia—De-Risking, Inclusion and Value Enhancement of Pastoral Economies in the Horn of Africa—is under preparation. Pastoralists will be expected to contribute to the costs of the services provided, and each country will select its own level of premium support, to ensure demand and economic sustainability. The project will support a transition to progressively higher coverage of the premium costs by beneficiaries over time. Access of poor pastoralists to such scheme would need to be addressed in the future through subsidized premiums.

2.6 Conclusions

Somalia has laid the key foundational components of a state-led social protection system. It seeks to reduce chronic poverty and vulnerability by (a) boosting the human capital of the poor and vulnerable and (b) promoting a gradual transition from protracted humanitarian relief to a development response focused on strengthening resilience and contributing to state building and a renewed social contract.

Concrete progress has been achieved in several critical areas. Somalia has established its first national safety net program (Baxnaano) and a USR and has begun setting up a pension scheme and livestock insurance. Recommended priorities for action in the short to medium term (one to three years) include the following:

- *Sustain and expand the multiyear financing of Baxnaano, which will be critical to preserve and enhance human capital gains and enable beneficiary households to move out of poverty over time.* Gradually expand the program's coverage by mobilizing donors and then increasing the government's contribution. Donor financing is essential to support the gradual shift from dependence on humanitarian assistance to reliance on a national safety net system to respond to shocks.
- *Operationalize the social registry, develop a five-year national plan for rolling out registration intake, and mobilize funding for implementation.* A functional USR with expanded coverage is a key aspect of the government's preparedness for responding to shocks and enhancing cross-sectoral coordination of benefits and social services. Timely implementation of the remaining aspects of USR development—including data protection arrangement, the national ID system, and funding of the USR unit—is critical.
- *Improve the Baxnaano program's targeting performance, based on experience and evidence generated to date.* Reducing inclusion errors would increase the effectiveness of scarce resources and improve the program's impact on poverty. Operationalizing the recently endorsed revised targeting approach would enhance Baxnaano program's outcomes as current beneficiaries go through the eligibility reassessment and the program expands.
- *Enhance coordination between Baxnaano and humanitarian interventions in relation to financing of the SP sector, benefit levels, geographical and household targeting, eligibility criteria, shock-responsiveness, complimentary design of interventions, learning, and data exchange.*
- *Develop and initiate implementation of a youth-targeted productive safety net.* Engaging youth in social protection interventions is critical for Somalia's productivity and stability. Somalia can draw on a wealth of international experience. MoLSA has begun identifying the instrument that is best suited to Somalia's context and state of development. Somalia could consider starting by targeting female and male youth in urban areas, building on Baxnaano delivery systems.
- *Pass the legislation creating pension schemes to cover civil servants, and take the necessary steps to begin implementation, including designing the business process, communicating the introduction of the pension system to employees, and setting up an IT system that will keep employment and contribution records throughout the employee's working career and during the retirement period.*



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Progress in Estimating Somalia's GDP

Somalia continues to face severe constraints in producing estimates of GDP and other socioeconomic data. As a result of over two decades of civil war, which led to disintegration of state institutions that the country is now working to rebuild, the government has not been able to gather key data. The Somalia National Bureau of Statistics (SNBS), with support from international partners, has made significant progress in rebuilding the national statistical system and undertaking key surveys to provide the up-to-date socioeconomic indicators needed for policy making. Some of the surveys that helped in compiling the Somalia GDP estimates include the Somalia High Frequency Surveys (SHFS) Wave 1 (2016) and Wave 2 (2017) and the 2014 Population Estimation Survey of Somalia (PESS) by the United Nations Population Fund.

These critical surveys have provided key socioeconomic indicators, but computing GDP using production or income approaches remains a challenge, because production-side indicators remain unavailable. The government and development partners, particularly the World Bank and the IMF, have been using the expenditure approach to compute GDP estimates for Somalia since 2013. The SHFS are used to compute household consumption, with the SHFS Wave 2 providing the latest daily per capita consumption estimate; government consumption is computed from combined federal and state fiscal operations data; gross fixed capital formation is proxied by imports of capital goods, cement, and transport equipment (using UN COMTRADE exporter data), adjusted to domestic producer prices; and net exports are computed using merchandise imports and exports data from IMF Direction of Trade Statistics (including national statistics from nonreporting countries) and service exports and imports proxied by travel data from the FGS Immigration Department. The fourth edition of the World Bank *Somalia Economic Update* (August 2019) describes the detailed methodology used to compile Somalia's GDP estimates.

Many practical challenges remain, especially in estimating private consumption, which constitutes the largest share of GDP. First, Somalia does not use conventional household budget surveys to estimate household consumption; it uses high-frequency household budget surveys, which employ a rapid consumption methodology with multiple statistical imputation techniques, mainly as a result of insecurity, which renders some parts of the country inaccessible. These surveys have limitations, including limited geographical coverage, diverse sampling techniques, and lack of comparability. Moreover, the surveys provide a point estimate for daily per capita consumption, which is then extrapolated using annual CPI and population data to compute values for the other years. Second, without a population census, population estimates are also a point estimate, in this case from the 2014 PESS, which assumes annual population growth of 2.8 percent to obtain pre- and post-2014 estimates. The statistical authorities are engaged in continuous dialogue with stakeholders to refine methodological approaches and incorporate any new information that becomes available and improvements of existing information.

This annex describes the recent improvements that have been incorporated, which resulted in the revision of the 2013–20 GDP estimates. It compares the previous estimates with the revised ones and shows the impact of the new estimates on other key indicators used in policy making. It concludes with a forward look at rebuilding the national statistics system and filling the remaining data gaps for compiling comprehensive national accounts.

Recent Improvements in Somalia's GDP Series

In June 2021, the SNBS published new GDP estimates for 2013–20.²⁴ The new series incorporates several improvements, mainly in computing final household consumption. It resulted in an average increase of about 29 percent for both real and nominal GDP over previous estimates by the World Bank and IMF. The previous estimates used a daily consumption per capita of US\$1.26 from Wave 2 of the 2017 SHFS (the latest household survey) to compute household consumption for that year and adjusted it by changes in the annual CPI for Mogadishu to compute nominal values for other years.²⁵ It used population estimates from the 2014 PESS and set 2013 as the base year for the estimated population of 12.3 million, assuming annual population growth of 2.9 percent, derived from the UN World Population Prospect's annual average growth rate estimate in 2010–15 (UNFPA 2014).²⁶ In compiling the new series, SNBS incorporated further improvements into the compilation of the final household consumption in the base year 2017. The improvements were discussed extensively and agreed upon with key stakeholders (the World Bank, the IMF, and Statistics Sweden), including during missions in 2019–20.

The improvements include the following:

- Consumption is estimated in areas not covered by the 2017 SHFS. Through multiple imputations and using consumption for similar and neighboring areas covered in the survey, SNBS computed consumption estimates for people living in areas not previously covered, including rural areas in Bari, Nugaal, Mudug, Juba, and Gede and urban areas in Juba and Gede.
- Estimates of house rental payments are added to each region's consumption numbers. Wave 2 included food, nonfood items, and durables in its consumption aggregate but not rent, because the housing market is not developed enough to estimate the cost of housing through conventional means.
- The total per capita consumption values for each of the areas covered and excluded was multiplied by the population for each area, derived from the 2014 PESS. The total per capita consumption of all areas was then summed and divided by the total population in 2017 (13.6 million) and by 365 days to produce average spending per person per day of US\$1.61 (compared with US\$1.26 in the previous estimates).
- The annual population growth rate of 2.8 percent from the 2014 PESS was used to generate pre- and post-2014 population estimates. The previous estimates used a 2.9 percent annual population growth rate.
- The average CPI used included a weighted average of FGS and Somaliland CPIs. The previous estimate used only the FGS CPI.²⁷

These improvements led to higher daily per capita consumption, moving the level of nominal GDP and real GDP up by an average of 29 percent in the series period 2013–20 compared with the previous estimates. Panel a of Figure A.1 shows the nominal GDP changes; panel b shows annual GDP growth rate changes.

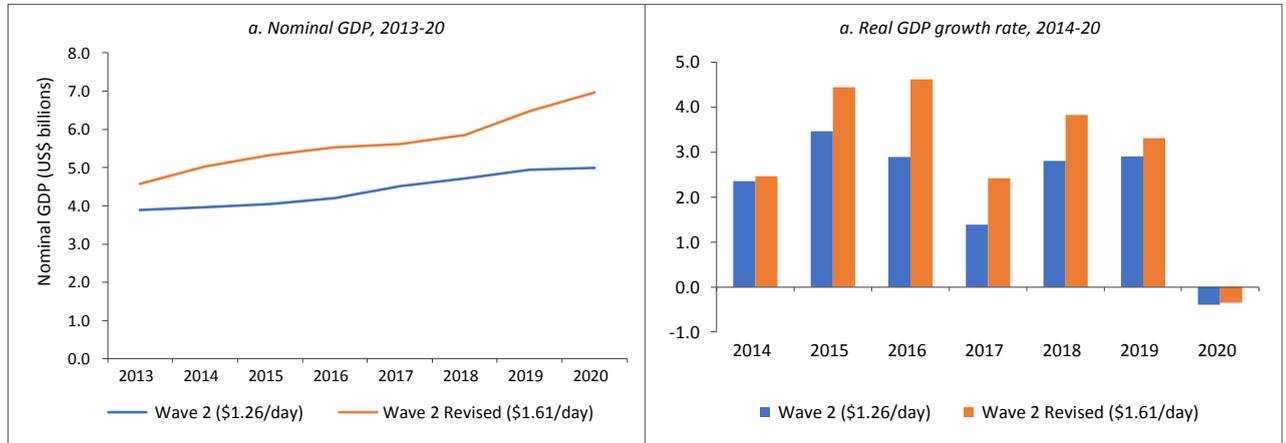
²⁴ See <https://www.nbs.gov.so/gross-domestic-productgdp/>.

²⁵ The CPI is published by the SNBS (see <https://www.nbs.gov.so/reports-publications/>). It is based on price surveys conducted in Mogadishu while it expands the price survey to other regions and harmonizes the price basket across the country.

²⁶ The survey was conducted between October 2013 and March 2014. The GDP estimation uses the PESS results as an estimate for the population at the end of 2013.

²⁷ Exchange rate adjustments to the US\$ are done, as both FGS and Somaliland CPI data are collected in local currency.

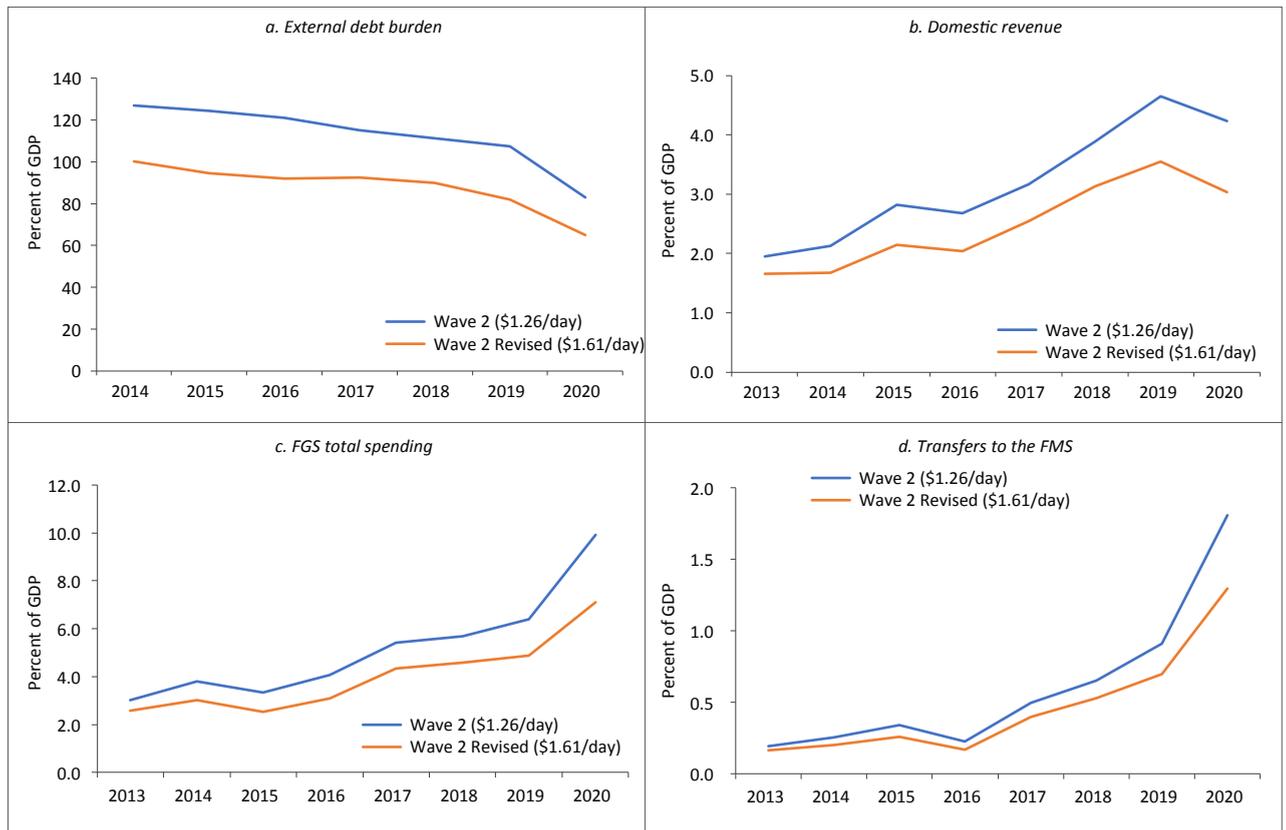
Figure A.1: The higher per capita daily consumption estimate changed GDP estimates



Source: World Bank staff calculations.

Other expenditure GDP components are based on actual data that are observed and updated each year. Consequently, changing the level of GDP changes the value of other key indicators used in policy making. For example, the new higher GDP estimates result in lower government revenue and spending as a share to GDP and lighten the debt burden compared with the previous estimates (Figure A.2).

Figure A.2: The revised GDP estimates affected the values of various key indicators



Source: World Bank staff calculations.

A Forward Look: New Supply-Side GDP Estimates Expected in 2023

Somalia is making significant progress in rebuilding its national statistical system. The FGS enacted the Somalia Statistical Law in 2020. It establishes and anchors the national statistical system, to promote the efficiency of various sectors of statistics in the Federal Republic of Somalia. The law established the SNBS (formerly the, under the Ministry of Planning, Investment and Economic Development) as an autonomous institution and the central repository for all statistics generated in Somalia.

The SNBS launched the Somalia Integrated Household Survey in May 2022; it expects to complete data collection by the end of June 2022. It also plans to conduct an Integrated Business Survey (SIBES) before the end of the year.²⁸ Once completed, these surveys will not only fill critical data gaps, but they will also enable compilation of new GDP estimates using the production approach, thereby creating more accurate estimates of GDP than are possible using currently available data. Perhaps more importantly, the supply-side data will make it possible to analyze sectoral sources of economic growth. That analysis will in turn enable the SNBS to begin following the conventional standards of annual revisions of GDP statistics (with periodic national accounts rebasing) to reflect long-term structural changes in the economy.

²⁸ These surveys are supported through the Somali Integrated Statistics and Economic Planning Capacity Building project, a World Bank project.



Investing in Social Protection to Boost Resilience for Economic Growth

Somalia is currently experiencing extreme and widespread drought which has been assessed as an unprecedented climatic event not seen in at least 40 years by meteorological agencies and humanitarian partners. After four consecutive seasons of poor rains, 90 percent of the country is experiencing severe drought conditions that include failed crop harvests, widespread water shortages, and decline in livestock production. The drought has intensified the humanitarian crisis and is driving the country into a brink of famine. Nearly half of the population is food insecure, and 1 million people have been displaced from their homes through August 2022. The situation is being exacerbated by the war in Ukraine which has pushed up global food and oil prices. The higher commodity prices are disproportionately affecting the poor and exacerbating inequality.

Economic growth has been low and volatile due to recurrent shocks, particularly the increasing frequency of extreme weather events. The ongoing severe drought compounded by rising commodity prices due to the war in Ukraine is adversely affecting the Somali economy. Real GDP growth is projected to slow down in 2022, amid a global environment characterized by multiple shocks, high volatility, and uncertainty. The economy is expected to pick up over the medium term, with growth projected at 3.6 percent in 2023 and 3.7 percent in 2024.

Social protection has a key role to play in addressing the increasing vulnerability, widespread poverty, and inequality across the country. By providing poor and vulnerable households with support and access to socioeconomic opportunities, social protection interventions can prevent and mitigate the negative and long-lasting impacts of shocks and protracted crises on human capital formation and individual well-being. Given the enormous, untapped potential for improving the human capital of its citizens, Somalia needs to invest in an integrated, shock-responsive, and human capital-oriented social protection system, which protects citizens against risks along the life cycle and promotes inclusive policies.

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