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Building Education to
Boost Human Capital



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Building Education to Boost Human Capital

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ABBREVIATIONS

AML/CFT	Anti-money Laundering and Combating the Financing of Terrorism
AMISOM	African Union Mission in Somalia
CAD	Current Account Deficit
CBS	Central Bank of Somalia
CWPM	Correct Words Per Minute
DEO	District Education Officer
DMU	Debt Management Unit
EGRA	Early Grade Reading Assessment
EMIS	Education Management Information System
ESSP	Education Sector Strategic Plan
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FGS	Federal Government of Somalia
FMS	Federal Member States
FUNDEF	Fundamental Education Development Fund (<i>Fundo de Desenvolvimento do Ensino Fundamental, FUNDEF</i>)
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GER	Gross Enrollment Rate
GPE	Global Partnership for Education
GPI	Gender Parity Index
HCI	Human Capital Index
HIPC	Highly Indebted Poor Countries Initiative
IFI	International Financial Institutions
INGO	International Nongovernmental Organization
LMTO	Large- and Medium-Taxpayers Office
MLA	Minimum Learning Assessment
MoE	Ministry of Education (FMS)
MOU	Memorandum of Understanding
MoECHE	Ministry of Education, Culture and Higher Education
NGO	Nongovernmental Organization
PESS	Population Estimation Survey
PPP	Purchasing Power Parity
REO	Regional Education Officer
SHFS	Somalia High Frequency Survey
SDRF	Somalia Development and Reconstruction Facility
SSA	Sub-Saharan Africa
UNFPA	United Nations Population Fund

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FOREWORD

It is my pleasure to present the fourth edition of the World Bank Somalia Economic Update series. Prepared in close partnership with Somali stakeholders, these reports aim to contribute to policy-making and the national conversation on topical issues related to economic recovery and development.

In this edition, we note the country's recovery from the devastating impact of the 2016/7 drought, the continued strengthening of public finances and an outlook of moderate GDP growth over the medium term. However, the country continues to face significant challenges and the forecasted poor harvest this year is a reminder of the cyclical climatic shocks that will stretch the fiscal and economic resources of the country in years to come. As the Federal Government prepares the 9th National Development Plan the imperative to sustain the ambitious reform agenda, normalize relations with International Financial Institutions and deliver tangible and inclusive benefits to people remain paramount.

The special focus of this edition is the rebuilding of Somalia's education sector to boost human capital. Human capital is a critical determinant of future growth and prosperity. Globally, it is estimated that 10 to 30 percent of differences in GDP per capita are attributed to differences in human capital. Building human capital depends on a country's ability to educate its youth and children to become productive citizens. However, after years of fragility and under-investment, 3 million Somali children are estimated to be out of school and only half the population is literate.

Nevertheless, there is reason for hope. The Ministry of Education, Culture, and Higher Education has in recent years initiated a range of positive steps, including the rollout of a national curriculum based on the Somali language. Through innovative partnerships with the private sector and leveraging technological advances, Somalia can make rapid strides to close the gap on quality and access. Investing in Somalia's human capital will be essential if the country is to escape the trap of poverty and violence and move back onto the path to prosperity.

We are particularly grateful to our colleagues at the Ministry of Finance and the Ministry of Education, Culture, and Higher Education who have provided guidance throughout the process. We hope all stakeholders will find this edition a useful contribution to the public dialogue on this critical sector.



Hugh Riddell

Country Manager, World Bank Somalia

Waxaa Sharaf ii ah inaan idiin soo bandhigo nuqulka Afaraad ee taxanaha Bangiga Aduunka xogtii ugu dambaysay Dhaqaalaha Soomaliya. Diyaarinta ayaa waxaa si dhow loola kaashaday Soomaalida, ujeedada warbixintan waa in ay kaabto diyaarinta siyaasadaha iyo doodaha heer qaran ee arrimaha la xariira Soo kabashada dhaqaale iyo horumarka.

Nuqulkan, wuxuu hoosta ka xariiqayaa kasoo kabashada dalka saamaynta abaarihii darnaah ee sanadihii 2016/17, socoshada sii xoojinta hanaanka Maaliyada guud iyo muqaalka meel dhexaadka ah ee koboca wax soo saarka halbeegga dhaqaale (GDP) ee xilliga dhexe. Yeelkadeede, dalka ayaa wajahaya caqabado xooggan iyo odoroska ah xilliga gurashada dalaga beeraha oo liita sanadkan taasoo na xasuusinaysa is badalada cimilada sida lama filaanka ah u dhacaya taasoo saamayn doonta kheyraadka iyo dhaqaala dalka sanadaha soo socda. Ayadoo ay diyaarinayso Dowlada Federaalka ah ee Soomaaliya Qorshaha Qaran 9-aad ayaa waxaa jira joogtaynta hammiga isbadal doon ee hada socda ayadoo la soo celinayo xiriirka Hay'ada Dhaqaale ee Aduunka si loo gaaro faa'idada kobac loo dhanyahay bulshadana wada gaara.

Nuqulkan ayaa si khaas ah xoogga u saaraya dib u dhiska waxbarashada Soomaaliya si sare loogu qaado kheyraadka aadamiga. Kheyraadka aadamiga ayaa muhiim u ah koboc iyo barwaaqo la gaaro mustaqalbka. Dunida qiyaastii 10 ilaa 30 boqolkiiba faraq ah ayaa waxaa koboca wax soo saarka halbeegga dhaqaale gudha (GDP) qayb ka qaato kheyraad aadamiga. Dhismaha Kheyraadka aadamiga ayaa ah mud ku xiran awooda dalka in wax la baro caruurta iyo dhalinyarada si muwaadiniintu u noqdaan kuwa wax soo saar leh. Si kastaba, kadib sanado badan oo habacsanaan ah iyo maalgalin yari 3 Malyan caruur Soomaali ah ayaa la qiyaasayaa inay dibada ka joogaan iskuulaadka ayadoo kalliya kala badh dadlka Soomaaliyeed ay wax akhrin karaan.

Si kastaba, waxaa jira rajo. Wasaarada Waxbarashada, Dhaqanka iyo Tacliinta sare ayaa sanadihii dambe taabo galisay tallaabooyin wanaagsan ay ka mid tahay diyaarinta manhaj heer qaran oo ku diyaarsan afka hooyo. Iyadoo laga qayb galinaayo waxbarashada sida gaarka loo leeyahay lagana faa'iidayanaayo tignooloyigada casriga ah, Soomaaliya waxay soo jari kartaa si sahlan faraq hada jira ee dhinaca tayada iyo gaarsiinta bulshada. Maalgashiga kheyraadka banii'adamka Soomaaliya wuxuu asaas u yahay ka bixida faqriga, dagaalada iyo in cagta la saaro dhabadii hodanka.

Waxaan si khaas ah ugu mahad celinaynaa saaxibada aan shaqo wadaaga nahay ee Wasaaradda Maaliyada iyo Wasaarada Waxbarashada, Dhaqanka iyo Tacliinta sare qaybtii ay ka qaateen Hanaanka diyaarinta xogtan. Waxaan ku rajo waynahay in bulshada inteeda ay ka faa'iidi doonaan doodaha laga yeelan doono qaybtan muhiimka ah.



Hugh Riddell

Maamulaha Banigaga Aduunka ee Soomaaliya



EXECUTIVE SUMMARY

The economy is recovering slowly from drought, but Somalia must still deal with significant challenges.

Wide-ranging reforms have begun to rebuild Somalia's economy and have achieved a measure of stability and modest growth. Over several decades, Somalia endured periods of unsustainable fiscal policies, macroeconomic instability, conflict, and state dissolution. In 2012 the new Federal Government of Somalia (FGS) embarked on ambitious reforms to reestablish institutions for economic governance. The authorities have been reconstructing the core laws, regulations, and policies for taxation and management of public spending; financial inclusion, integrity, and stability; a competitive environment for business and an attractive investment climate; as well as telecommunications and other sectoral regulations. Between 2013 and 2016, real GDP averaged 2.9 percent, inflation averaged about 1 percent, and the budget deficit averaged less than 0.1 percent of GDP. This edition of the Somalia Economic Update reviews recent economic developments and the outlook for medium-term growth.

After suffering a steep downturn during the 2016/17 drought, in 2018 the Somali economy rebounded. Real GDP growth is estimated to have accelerated from 1.4 percent in 2017 to 2.8 percent. Better weather enabled a large increase in annual harvests—together the yields of maize and sorghum grew by 39 percent. Animal production also rebounded. As a result, food prices stabilized, leading to a decline in inflation from 6.1 percent in 2017 to 3.2 percent. Money transfer services, transport, telecommunications, wholesale and retail trade, and other industries also enjoyed healthy growth.

Public finances continued to strengthen in 2018.

Revenue from taxes and other domestic sources grew by 29 percent. Changes in tax policies and improved tax administration helped to diversify central government revenue away from heavy reliance on customs duties and other trade taxes. The additional revenue enabled the FGS to increase spending to 5.7 percent of GDP. FGS transfers to Federal Member States (FMS) and other subnational governments increased slightly—from 9 percent of spending in 2017 to 11 percent. Otherwise, the composition of FGS spending changed little in 2018: personnel spending again accounted for just over 50 percent of total FGS spending, and capital projects received only about 4 percent of the budget.

“
Financial sector reforms are giving the private sector confidence to increase deposits and banks confidence to increase lending.

Credit to the private sector grew rapidly in 2018, and Somalia's capacity to supervise the financial sector continued to strengthen.

Bank lending to the private sector grew by 56 percent—a slight deceleration from 59 percent in 2017. Financial sector reforms are giving the private sector confidence to increase deposits and banks confidence to increase lending.

The Central Bank of Somalia (CBS) improved its inspection capacity and introduced institutions to combat money laundering.

In 2018 the current account deficit declined slightly, narrowing from 9.0 percent of GDP in 2017 to 8.3 percent. The total number of live animals exported went up 6 percent, although this is still just over half the number exported in 2015, before the drought. Services exports grew by about 3 percent in nominal terms and account for an estimated 45 percent of total exports. The trade deficit, estimated at over 70 percent of GDP, was again financed mainly by remittances and official grants.

The medium-term outlook is for a moderate increase in GDP growth. Real GDP is projected to grow by 3.0–3.5 percent, an outlook predicated on extension of the security gains and policy reforms the authorities have achieved to date; it rests critically on an assumption of reasonably favorable weather. More forceful financial sector regulation and more Central Bank capacity should facilitate deeper financial intermediation. By 2021 domestic revenue collection is projected to approach 5 percent of GDP. This will create opportunities for public investments in much-needed infrastructure and social services—notably education—that can rebuild human capital in Somalia.

This outlook is subject to significant risks and depends on continued policy reforms. The main risks to medium-term growth prospects are security concerns, weather and climatic shocks, and political uncertainty. The authorities have been building a track record of reform in areas of revenue mobilization, expenditure control, and financial sector regulation. A slowdown in the reform momentum would not only undermine medium-term economic growth but could also delay normalization of Somalia's relations with international financial institutions (IFIs) and access to critical external resources necessary for development.

Finally, Somalia faces significant long-term challenges in accelerating economic growth and reorienting government spending toward public investments to boost human capital. It is estimated that the population has been growing faster than real GDP. As a result, the incidence of poverty is still high—about 69 percent, according to the latest estimates from Wave 2 of the 2018 Somalia High Frequency Survey. Poverty is pervasive throughout the country, although both monetary and nonmonetary poverty are higher and

deeper among rural residents and nomads, whose remoteness and mobility make them hard to reach. Multiple deprivations in living standards, education, health, water, and sanitation affect most Somali households. Nearly 70 percent of households suffer deprivation in two or more dimensions of poverty. Somalia's health indicators are among the worst in the world. Access to education and learning outcomes are also low. Decades of conflict and state fragmentation have left the country with a shortage of qualified teachers and poor school infrastructure. Part 2 of this edition of the SEU takes an in-depth look at education in Somalia and offers policy options for improving the sector.

Building education to boost human capital

Investing in Somalia's human capital will be essential for the country to escape a fragility trap of economic exclusion and vulnerability and put it back on the path to prosperity.

“

Somalia needs to accelerate economic growth and reorient government spending towards public investment, particularly investment to boost human capital.

Forty percent of Somalia's population is aged 6 to 18; this crucial demographic must have the opportunity to acquire the knowledge, health and skills to become productive contributors to the national economy. Globally it is estimated that 10 to 30 percent of differences in per capita GDP is attributable to differences in national human capital. Focus on

the education sector will be critical for Somalia to improve its human capital.

However, Somalia faces enormous challenges to restore access to education and improve learning outcomes. In 2015/16 the country's gross enrolment ratio for primary school was 32 percent, with less than a quarter of children in Galmudug, HirShabelle, Jubaland and Southwest States enrolled. This is compared to average gross enrollment of 74 percent in other low-income Sub-Saharan countries. Rural Somalis, IDPs, and nomads have significantly fewer educational opportunities.

The share of rural Somalis without formal education is 1.6 times higher than that of urban residents and 2.5 and 2.6 times higher for nomads and IDPs respectively. More than three quarters of schools were destroyed during the civil war; only 38 percent of teachers are qualified and in the Federal Member States (FMS) only 13 percent of teachers serve rural areas. In addition, only 8 percent of teachers are funded by the public sector, which allocates around 1 percent of total budget to education, with recent modest increases. The results are clear: only half of the population is literate, and women have less educational attainment than men across virtually all age-groups. Somalia's school system will need to be rebuilt from the ground up.

In the long period of conflict, a patchwork of non-state, community and private sector actors has emerged to help fill the access gap. More than half of students are enrolled in non-state schools. In the less stable areas in the south and central parts of the country, close to 90 percent are enrolled in nonstate schools, which have proven to be more resilient in the face of security challenges. More than 70 percent of secondary students are in nonstate schools.

Despite the many challenges, the authorities have been able to make progress in recent years, laying the foundations for the provision of access to quality education. A national curriculum is being phased in with Somali as the language of instruction throughout the country. A strong nonstate education provision sector, which has shown resilience in the face of security challenges, and affordable mobile connectivity throughout the country offer opportunities for leapfrogging and innovation. Importantly, there has been progress in setting up monitoring systems that can be further strengthened.

Somalia could soon normalize relations with International Financial Institutions, creating an opportunity for a coordinated and sustained effort to boost education access and quality for Somali children across the country. Based on analytical work, policy dialogue with the authorities and international experience, this report proposes a conceptual framework for sector strengthening focusing on teaching quality and scaled up access. The following package of options is proposed:

- A national education development fund that ensures adequate education financing across the Federal Member States with incentives and support to maximize student enrollments;
- Partnerships with the non-state sector and communities to deliver affordable and quality schooling in localities that are severely underserved today;
- A fundamental quality-level framework for schools backed up by a school improvement fund that ensures that every school in Somalia offers adequate conditions for learning;
- Use of technology to provide adequate learning support to teachers and students across Somalia;
- A student assessment system that routinely measures and enables actions to be taken on the basis of what matters most – what students know and are able to do.

“
Only half of the population is literate, and women have less educational attainment than men across virtually all age-groups. Rural Somalis, IDPs, and nomads have significantly fewer educational opportunities.

The underlying foundations of the approach would need to consist of: (i) reliable data on the characteristics and performance of students, schools, and other management entities; and (ii) sufficient and predictable funding at all levels of government, with aligned donor funding, to support system improvement.

Dhaqaalaha ayaa kasoo yara kabanaya abaartii haseyeeshee Soomaaliya wali waxaa horyaalla caqabada aad u adag.

Isbadalo balaaran oo dib loogu dhisayo dhaqaalaha Soomaaliya ayaa curtay taasoo keentay in la gaaro yegleelida xasilooni iyo kobac dhaqaale. Laabtankii sano ee lasoo dhaafay Soomaaliya waxay soo martay xaalado aan deganayn oo isugu jira mid siyaasadeed, dhaqan dhaqaale, isku dhacyo iyo dowlad la'aan. Dabshidkii 2012 ayaa la unkay dowlad cusub oo Federaal ah (DFS) taasoo la timid rajada isbadalo dib u dhiska hay'adaha iyo hanaan dhaqaale ku tiirsan dowlad wanaag. Hogaanka dowlada ayaa dib u unkay shuruucdii asaasiga aheyd, Xeer hoosaadyadii iyo siyaasadiihii maamulka iyo maareynta canshuuraha iyo bixinta kharashaadka; dhaqaale loo dhanyahay, hufnaan iyo xasilooni; bii'ad dhaqaale oo ku dhisan tartan xor ah iyo abuurida jawi soo jiita maalgalinta; sidoo kale dajinta xeerarkii isgaarsiinta iyo sharci hoosaadyada la xariira. Intii u dhaxaysay sanadihii 2013 iyo 2016, halbeegga wax soo saarka gudaha (GDP) dhabtiisa ayaa isugeyn ahaa 2.9 boqolkiiba, halka sicir bararku ahaa qiyaas dhan 1 boqolkiiba GDP-ga. Nuqulkan Xogta dhawaan galka ah ee Dhaqaalaha Soomaaliya ayaa dib u milicsaneysa horumarka muqaalka guud ee dhaqaalaha iyo kobaca xilliga dhexe.

Kadib hoos u dhac dhaqaale baaxadleh oo ka dhashay abaarihii inta lagu guda jiray sanidihi 2016/17 ayaa waxaa jira kabasho dhaqaale sanadka 2018. halbeegga wax soo saarka gudaha (GDP) ayaa qiyaas ahaan ka kacay 1.4 boqolkiiba sanadkii 2017 gaareyna 2.8 boqolkiiba kadib markii cimiladu saamaxday sare u kaca gurashada delagga beeraha —isugeyn Haruurka ayaa sare u kacay 39 boqolkiiba. Wax soo saarka xoolaha ayaa soo kabtay si lamid ah. Arintan ayaa waxay keentay in qiimaha raashinku dago taasoo keentay hoos u dhac ku yimaada sicirbararka oo ahaa 6.1 boqolkiiba sanadkii 2017 noqdayna 3.2 boqolkiiba. Adeegyada xawaaladaha,

gaadiidka, isgaarsiinta, jumlada, taafiiqda iyo wax soo saarka kale ayaa sameeyay kobac badqaba.

Maamulka maaliyada ayaa sii xoogaystay sanadka 2018. Dakhliga laga xareeyo canshuuraha iyo dakhliyada kale gudaha ayaa sare u kacay 29 boqolkiiba. Isbadallo la xariira siyaasadaha canshuuraha iyo maamulka oo lahagaajiyay ayaa waxay caawiyeen in la yara dhimo ku tiirsanaanta dakhliga dowlada dhexe ee furdada iyo canshuuraha kale ee ganacsiga. Dakhiliyadaas dheeriga ah ayaa awoodeeyey in Dowlada Federaalka siyaadiso kharashka 5.7 boqolika halbeegga wax soo saarka gudaha GDP. Sidoo kale waxaa siyaaday lacagaha Dowlada Federaalka ah u wareejiyo Maamul Goboleedyada iyo dowlada hoose— 9 boqolkiiba sanadkii 2017 gaarayna 11 boqolkiiba. Dhanka kale, Kharashaadka agabka Dowlada Federaalka ayaa isbadal yar sameey sanadka 2018: Mushaaraadka shaqaalaha kharashka ku baxay ayaa ka sara maray 50 boqolkiiba guud ahaan Dowlada Federaalka ah iyo mashaaricda horumarint ayaa kaliya helay 4 boqolkiiba miisaaniyadda.

Amaahda shirkadaha ganacsiga gaarka loo leeyahay ayaa sare u kac sameeyay sanadka 2018 iyadoo guud ahaan Soomaaliya qaybaha dhaqaale ay sii wadaan xoogaysi. Amaahda Bangiyadu siiyaan shirkadaha gaarka loo leeyahay ayaa kobcay 56 boqolkiiba— yara hoos u dhac kolka la barbar dhigo 59 boqolkiiba 2017. Hagaajinta lagu sameeyay hay'adaha dhaqaalaha ayaa siiyay kalsooni shirkadaha ganacsi gaarka loo leeyahay ah taasoo sare u qaaday keydka Bangiyada iyo kalsooniada Bangiyadu ku qabaan inay amaah bixiyaan. Bangiga dhexe Soomaaliya ayaa sare u qaaday awoodaha dabagalka iyadoo banigigu soo bandhigay la dagaalanka lacagaha la dhaqo. Waxaa layara dhimay hoos u dhicii koontootada dowladal sanadka 2018, taasoo yaraysay 9.0 boqolkiiba halbeegga wax soo saarka gudaha (GDP) 2017 gaartayna 8.3 boqolkiiba. Isugaynta

xoolaha nool ee la dhoofiyay ayaa sare u kacay 6 boqolkiiba, inkastoo ay tahay kala bar tiradii la dhoofiyay sanadkii 2015, ka hor abaarta. Adeegga dhoofinta ayaa kobcay 3 boqolkiiba noqdayna qiyaas dhan 45 boqolkiiba isu gayn guud ahaan walxaha la dhoofiyay. Hoos u dhaca ganacsiga ayaa lagu qiyaasay 70 boqolkiiba halbeegga wax soo saarka gudaha (GDP) kaasoo xooggisa ay kabeen xawaaladaha iyo deeqaha dibada.

Milicsiga xilliga dhexe ayaa sameeyay yare sare u kac dhinaca halbeegga wax soo saarka gudaha (GDP).

Dhabta GDP ayaa la odorosay kobac dhan 3.0–3.5 boqolkiiba, ayadoo la qiyaasay miraha ka dhashay amniga hagaagay iyo isbedalada siyaasadeed ay dowladu gaartay ilaa iyo iminka; isku halaynta jawi nabadeed ayaa qayb wayn ka qaatay odoroska. Hay'adaha maaliyada oo xooggan, xeerarka iyo awoodda Bangiga dhexe ayaa saamaxaya hormar hay'adaha shaqada kuleh dhaqaalaha. Dakhliga gudaha ayaa la filayaa inuu gaaro sanadka 2021 boqolkiiba 5 halbeegga wax soo saarka gudaha (GDP). Tan ayaa abuurii doonta fursado maalgashi ayadoo ay jirto baahi dib u dhis kaabayaasha dhaqaalaha iyo adeegga dadweynaha-gaar ahaan waxbarashada-taasoo dib u dhisaysa kheyraadka banii'aadamka Soomaaliya.

Waxaa jira wajahida caqabado adag iyadoo lasii wadi doono siyaasadaha hagaajinta.

Caqabadaha laga yaabo in la wajaho kobaca xilliga dhexe ayaa waxaa ugu horeeya shakiga laga qabo amni xumaada, Cimilada dunida ayaa isbadalaysa iyo xasilooni la'aan siyaasadeed. Hogaanka dowlada ayaa dhisay hanaan tixraac isbadalo socda ee dhinacyada ururinta dekhliga, xadida Kharashaadka iyo sharciyeynta hay'adaha dhaqaalaha. Hoos u dhac ku yimaada isbadalada la wado wuxuu dhaawici karaa kobaca dhaqaalaha ee xilliga dhexe sidoo kale wuxuu waxyeeli karaa in dib loo yagleelo xiriirka Soomaaliya iyo Hay'adaha dhaqaalaha Aduunka iyo halida taageerada dhaqaale ee dibada taasoo muhiim u ah horumarka.

Kama dambeys, Soomaaliya ayaa wajahaysa caqabado xilliga dheer ah dhinaca xoojinta kobaca dhaqaalaha iyo dib u habaynta kharashaadka dowlada ee ku baxa adeegyada bulshada si sare kor loogu qaado kheyraadka banii'adamka. Waxaa la qiyaasayaa in tirade dadku koror ka sareeya kii la filayay sameysay kolka loo eego dhabta halbeegga wax soo saarka gudaha (DGP). Natiijaduna waxa weeye in faqrigu wali aad u sareeyo tira gaaraysa 69 boqolkiiba, qiyaasihii u dambeeyay ee la sameeyay xog ururinta Wave 2 (Hirka labaad) sanadka 2018 tira koobkii laga sameeyay Soomaliya. Saboolnimada ayaa ah mid ku baahsan dalka guud ahaan, labadaba dhinacba lacagta iyo walxaha aan lacagta ahayna saboolnimada ayaa saameynta u wayn ku yeelatay reer miyiga iyo xoolo dhaqata, kuwaas ay adagtahay deeganadooda in lagaaro. Dhinac kala duwan ayuu saameeyay sida Cimriga, Caafimaadka, Biyaha iyo Nadaafad la'aan baahsan. Ku dhwaad 70 boqolkiba dadka waxaa aad u sameeyay saboolnimada. Jaantusayaasha caafimaad ee dunida ayay Soomaaliya uga jirtaa Meesha ugu liidata. Helida waxbarasho ayaa ah mid aad u hoosaysa si lamid ah. Sanado badan oo dagaal sokeeye iyo burbur qaran ayaa dalka ka dhigay mid ay ku yaryihiin macalimiinta waxbara ee xirfadlayaasha ah iyo dhismo xumada goobaha waxbarasho. Qeybta 2-aad ee noqolkan (SEU) wuxuu si qoto dheer u eegayaa waxbarashada Soomaaliya ayadoo lasoo bandhigayo siyaasado si loo hagaajiyo waxbarashada.

Dhisida waxbarashada sis are loogu qaado kheyraadka banii'aadamka

Maalgashiga kheyraadka banii'adamka Soomaaliya wuxuu asaas u yahay dalku inuu ka baxo xaaladaha nugul, dhaqaale xumada kaas oo dalka gaarsiinaya barwaaqo. 46 boqolkiiba tirada dadka Soomaaliya ayaad da'doodu tahay 6 sano jir ilaa 18 sano; qaybahan bulshada waa muhiim in ay helaan fursado waxbarasho, caafimaad iyo xirfado ay kaga qayb qaataan waxsoo saarka dalka. Qiyaas ahaan 10 ilaa 30 boqolkiiba halbeegga wax soo saarka gudaha (GDP) faraq ah ayaa ka qaata kheyraadka bani'aadamka

heer qaran. Waxbarashada oo xoogga la saaraa waa mid muhiim ah Soomaaliya si loo sare loogu qaado kheyraadba bani'aadamka.

Sikasataba, Soomaaliya waxay wajahaysaa caqabadaha in dib loo soo celiyo helida tacliinta iyo hagaajinta heerka wax soo saar aqooneed.

sanadihii 2015/16 Dalka tirade inta iskuulaadka waxbarashada hoose iska diiwaangaylisay waxay ahayd 32 boqolkiiba, ka yar rubuc caruurta ku nool Galmudug, Hirshabeelle, Jubbland iyo Koonfur Galbeed. Kolka la barbar dhigo boqolayda isugaynta inta iska diiwan galisay oo ah 74 boqolkiiba dadka dakhliguudu liito ee ku nool dalalka ka hooseeya Saxaraha. Reer miyiga Soomaalida, reer guuraga ayaa ay aad u yaryihiin fursadahooda waxbarasho. Qaybta dadka ku nool baadiyaha ee aan helin waxbarashada caadiga ah waxay 1.6 jeer ka saraysaa dadka degan magaalooyin oo ka sareeya 2.5 iyo 2.6 jeer reer guuraaga iyo barakayaasha sida ay isu xigaan. Inkabadan sedex rubuc iskuulaadkii waxay ku burbureen dagaaladii sokeeye; kaliya 38 boqolkiiba ayaa ah macalimiin xirfad leh sidoo kale Dowlad Goboleedyada kaliya 13 boqolkiiba macalimiinta ayaa ka howl gala baadiyaha. Taa waxaa dheer, kaliya 8 boqolkiiba macalimiinta waxaa kharashkooda bixiya dowlada, qoondahooda ayaa ah 1 boqolkiiba miisaaniyada guud ee waxbarashada ayadoo ay jirto kordhin yar. Natijadu waa mid iska cad: kaliya kala bar tirade dadka ayaa wax qori kara, ayadoo haweenka waxbarashadoodu aad uga hoosayso dhinacyada kale duwan ee bulshada. Iskuulada Soomaaliya ayaaa u baahan doona dib dhis laga bilaabayo asaaska.

Dagaalada oo dheeraadaay, dowlad la'aan ayaa hay'ado ganacsi gaar loo leeyahay buuxiyeen doorkii waxbarasho ee banaanaa.

Inka badan kala bar ardayda ayaa iska qoray iskuulaadka aan dowlada hoos imaanin. Meelaha aan degenayn ee koofurta iyo bartamaha dalka, ku dhawaad 90 boqolkiiba waxay iska qoreen iskuulaadka aan dolwada hoos iman, taasoo muujinaysa mid

sideeda ah ayadoo ay jiraan caqabado amni. Inkabadan 70 boqolkiiba dugsiyada sare waxay dhigtaan iskuulaad aan dowli ahayn.

Ayadoo ay jiraan caqabado badan, dowlada ayaa samaysay horumaro la taaban karo sanadihii dambe ayadoo salka loo dhigay asaaska waxbarasho tayo leh.

Waxaa la diyaariyay manhaj heer qaran guud ahaan dalkoo dhan kaasoo ku qoran afka hooyo. Waxbarashada aan dowliga aheyn ee xooggan taasoo u babac dhigtay caqabadaha amni iyo adeeg isgaarsiin oo jaban guud ahaan dalkoo dhan ayaa abuuray fursado iyo hal abuur, ayadoo la sameeyay hanaan lagu kormeero kaasoo lasii xoojiyay.

Soomaaliya ayaa dhawaan caadi kusoo celin doonta xiriirkii ay la lahayd hay'adaha dhaqaalaha ee dunida, taasoo abuurin doonta fursad, isku xir iyo dadaalka joogtada ah ee tayada tacliinta ubadka Soomaaliya sare loogu qaadayo guud ahaan dalka.

Ayadoo la raacayo ablalalayn la sameeyay, wada hadal ku dhisan siyaasad ayaa dowlada iyadoo la kaashanayo khibradaha beesha caalamka, warbixintan waxay soo jeedinaysaa yagleelida hanaan iyo xoojinta heerka tayo ayadoo sare loo qadayo in cid walba heli karto. Waxaa lasoo jeedinayaa talooyinka hoos ku xusan:

- Yagleelida Sanduuqa horumarinta waxbarashada kaas oo hubinaya in la maalgaliyo waxbarasho tayo leh dhamaan dowlad goboleedyada xoogana la saarayo in la kordhiyo tirade dadka iska qoraya iskuulaadka;
- Iskaashi lala sameeyanyo hay'adaha waxbarasho aan dowliga ahayn iyo bulshooyinka si loo gaarisyo bulshada iskuulaad iyo waxbarasho tayo leh taasoo gaaraysa bulshada qayaheeda ugu liita manta;
- Heer tayo asaasi u ah hanaanka iskuulaadka lagu kabay sanduuqa hagaaninta taasoo xaqiijinaysa iskuul walba oo Soomaaliya ku yaalla inuu ku sugnaado jawi wax lagu baran karo.;

- Adeegsiga tignoloogiyada si looso saaro tacliin la isku halayn karo taasoo saacidaysa macalimiinta iyo ardayda guud ahaan Soomaaliya;
- Hanaan qiimeeya arday kaasoo si joogta ah u cabiraya ogolaanayana falcilin meelaha muhiimada sare leh— Maxay yaqaanan ardaydu ama samayn karaan.

Waa in hoosta laga xariiqaa asaaska hanaanka loo baahanyahay ka kooban: (i) xog la isku haleyn karo dhinaca astaamaha iyo tayada ardayda, iskuulaadka iyo howlaha maamul;(ii) Maalin galin ku filan la iskuna haleyn karo dhamaan qaybaha dowlada taasoo lagu laray maalgalinta deeq bixiyayaasha si loo hagaajiyo habka taageero.

RECENT ECONOMIC DEVELOPMENTS



1. Recent Economic Developments

1.1 Recent Economic Developments

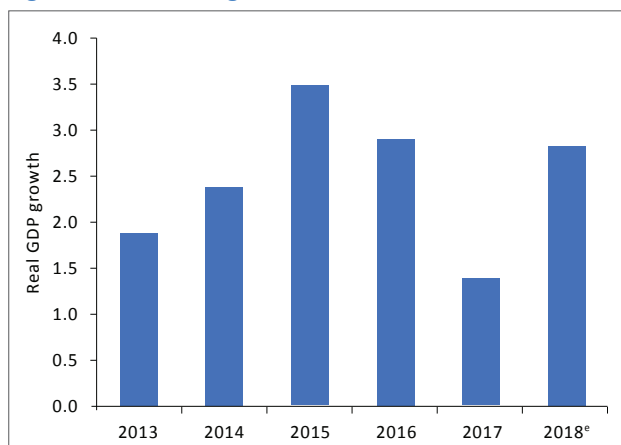
Somalia's economy recovered in 2018.

In 2018 Somalia's economy rebounded from the 2016/17 drought (Figure 1.1). Real GDP grew by an estimated 2.8 percent, up from 1.4 percent in 2017¹ but lower than the forecast of 3.2 percent growth in the previous edition because of newly available trade and fiscal data for 2018 and a revised assessment of the recovery from the drought. A rebound in agricultural production and private investment (both domestic and foreign) and sustained remittances and donor inflows contributed to the continued recovery in 2018. While supply-side national accounts data are not available, other indicators point to agriculture and services—especially the financial, transport, telecommunications, and other services—as the drivers of growth.

Agriculture, the mainstay of the Somali economy, continued to recover from the impact of the drought. Production of cereals and other major crops stabilized in 2017 and rebounded in 2018

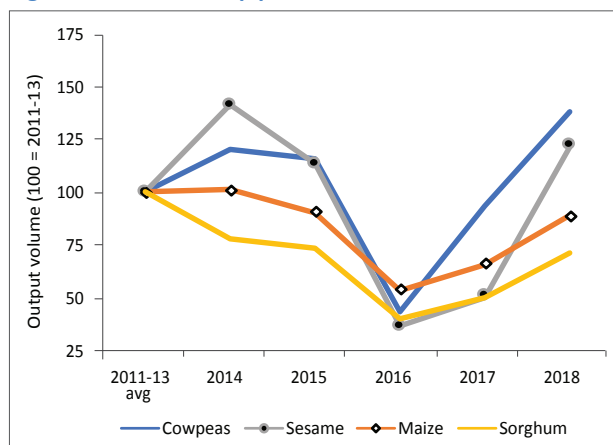
(Figure 1.2). The country experienced above-average rainfall in the 2018 *Gu* season (April–June), with rains reportedly the heaviest in nearly two decades.² This has had two effects: the high precipitation helped push up crop production in rain-fed areas and off-season harvests in riverine areas; but the flooding that resulted led to crop damage in most riverine areas, mainly along the Shabelle River in the Hirran, Middle and Lower Shabelle, and Middle Juba regions. On balance, aggregated *Gu* cereal production in 2018 was 14,000 tons, almost 60 percent higher than the average of the previous five years.³ However, the expected above-normal 2018 *Deyr* (October–December) rainfall did not materialize: rains recorded across most parts of the country were significantly below average. As a result, cereal production including off-season harvests in southern Somalia was an estimated 22 percent than the long-term average for 1995–17.⁴ Still, the 2018 above-average *Gu* season crop production helped increase total crop and animal production, which combined with sustained large-scale humanitarian assistance was able to stabilize food availability.

Figure 1.1: Real GDP growth, 2013–18



Source: IMF and World Bank staff calculations.
Note: 2018 is a preliminary estimate.

Figure 1.2: Annual crop production, 2011–18



Source: FAO Somalia.

¹ GDP estimates reported in this version of the SEU incorporate the household consumption estimate from Wave 2 of the Somalia High Frequency Survey (SHFS), which was completed in 2018, using an estimation method described in the appendix. One point worth noting here is that these GDP estimates understate the actual year-to-year variation in economic activity in Somalia.

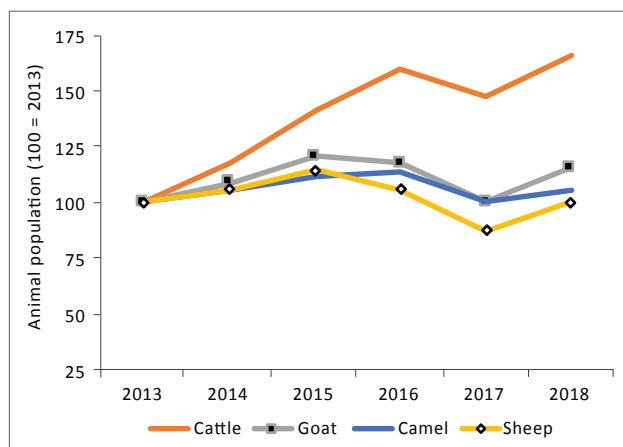
² FAO GIEWS. Crop Prospects and Food Situation, September 2018.

³ *Ibid.*

⁴ FSNAU-FEWS NET. Technical Release, February 2019.

The livestock sector also continued to recover from the drought, although livestock exports remained subdued. The size of the national herd rebounded in 2018, although populations of goats, camels, and sheep are still below pre-drought levels (Figure 1.3). The above-average *Gu* rains also helped improve birth rates and restocking of the livestock sector, which has resulted in a gradual pick-up of livestock production in pastoral regions and made more milk available in northern, central, and southern Somalia during *Deyr* season (October–December).⁵ In the northern and central regions, where significant livestock losses occurred during the drought, recovery is not yet complete, reducing the coping mechanisms of poor households.⁶ Exports of live animals are also still minimal, reflecting both lingering effects of the drought and import restrictions imposed by Saudi Arabia and the United Arab Emirates in December 2016. Total live animal exports went up only 6 percent in 2018 and are still about 50 percent lower than in 2015.

Figure 1.3: Livestock population, 2013–18



Source: Bank staff estimates using data from FSNAU and MFLR.

Money transfer services, transport, telecommunications, wholesale and retail trade, and other services have been driving private sector economic activity. The share of manufacturing in GDP and its contribution to growth have been small,

mainly due to the difficult security conditions, the harsh business environment, and other constraints on private investment. Various global rankings rate Somalia as one of the least competitive economies regionally and globally—and the leading constraints on its competitiveness are weak institutions and governance, a poor business environment, and dilapidated infrastructure and social services.

Growth, however, has not been sufficient to reduce poverty

With the population growing at an annual average of 2.9 percent for the last five years, real GDP growth has not been sufficient to boost per capita income.⁷

As a result, poverty remains high and widespread (Figure 1.4). More than 69 percent of Somalis live on less than \$1.90 per day, in 2011 purchasing power parity (PPP) terms.⁸ Monetary and nonmonetary poverty are higher and deeper among rural residents and nomads whose remoteness and mobility make them hard to reach. Consequently, poverty gaps are high, so that considerable resources are needed to lift them out of poverty. IDPs face unique challenges beyond extremely high poverty, including tenure insecurity and dislocation from social networks and former livelihoods. With most Somalis vulnerable to many forms of shocks, building resilience is essential.

Poverty is manifested along other dimensions beyond consumption or income.⁹

Multiple deprivations in living standards, education, health, water, and sanitation affect most Somali households. Nearly 70 percent of households suffer deprivation in two or more dimensions of poverty. There are large variations by population group, with nomads suffering most and urban dwellers the least. Nevertheless, the latest household survey data reveal that, on average, Somalis enjoy better access to improved water and sanitation and to electricity than do their counterparts in many other African countries.¹⁰

⁵ *Ibid.*

⁶ *Ibid.*

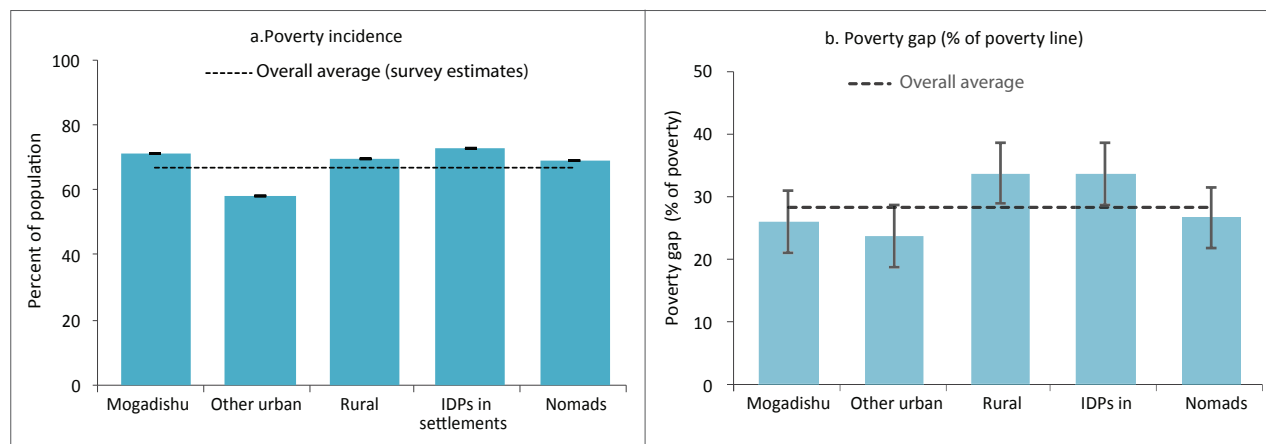
⁷ Real per capita GDP is estimated to have declined to \$311 in 2018 (preliminary data) from \$316 in 2013. One should be cautious in assessing the change in real GDP over time as the largest component of GDP—household consumption—is proxied by a constant.

⁸ World Bank, “Somali Poverty and Vulnerability Assessment: Findings for Wave 2 of the Somali High Frequency Survey,” July 2019.

⁹ *Ibid.*

¹⁰ The cost of electricity is much higher in Somalia than in neighboring countries.

Figure 1.4: Poverty is high and deep among households in rural areas and IDP settlements



Source: World Bank, "Somalia Poverty and Vulnerability Assessment," 2019.

Note: Columns represent point estimates. Thin lines at the top of columns show the confidence intervals around these point estimates.

Table 1.1: Selected economic indicators, 2015–2020

	2015	2016	2017	2018e	2019f	2020f
GDP, nominal (U.S. dollars)	4,049	4,198	4,509	4,721	4,958	5,218
real GDP growth	3.5	2.9	1.4	2.8	2.9	3.2
per capita GDP, nominal (U.S. dollars)	310	313	327	332	339	347
Poverty incidence (\$1.90/day PPP)			69			
Money and prices						
CPI inflation rate (end of period)	0.3	1.2	6.1	3.2	3.0	2.7
Private credit growth rate (end of period)	..	46.1	59.3	53.5
Fiscal (central government)	<i>share of GDP</i>					
Total revenue and grants	3.5	4.1	6.0	5.7	6.9	7.2
o/w external grants	0.7	1.4	2.8	1.8	3.0	2.9
Total expenditure	3.3	4.2	5.4	5.7	6.9	7.0
o/w Compensation of employees	1.3	1.3	2.8	3.0	3.2	3.3
o/w Transfers to subnational	0.3	0.2	0.5	0.6	0.7	0.7
Overall balance	0.1	-0.1	0.1	0.2	0.1	0.2
External	<i>share of GDP, unless otherwise indicated</i>					
Current account balance	-6.0	-9.4	-9.0	-8.3	-8.3	-8.0
Exports of goods and services	25.6	25.4	22.1	25.9	26.8	26.5
o/w Live animals	12.3	11.7	11.8			
Imports of goods and services	98.5	99.9	102.6	99.6	99.4	97.6
Remittances, private transfers	32.9	32.5	31.5	29.2	28.8	29.1
Official grants	34.9	33.3	40.8	36.9	36.3	34.7
FDI	7.4	7.9	8.2	8.6	9.0	8.9
External debt	112.4	107.4	104.3	99.5
Exchange rate (Somali shilling/U.S. dollar)	22,285	24,005	23,605	24,475

Source: Staff estimates, IMF, UN Comtrade.

Note: Livestock exports are based on data reported by trade partners.

In 2018, as food prices stabilized, inflationary pressure eased

Inflation declined from 6.1 percent in 2017 to 3.2 percent, as agricultural production rose, and international oil prices fell (Figure 1.5). The stable exchange rate—the Somali shilling depreciated by 3 percent against the U.S. dollar in 2018—and substantial dollarization of transactions helped to stabilize domestic prices.

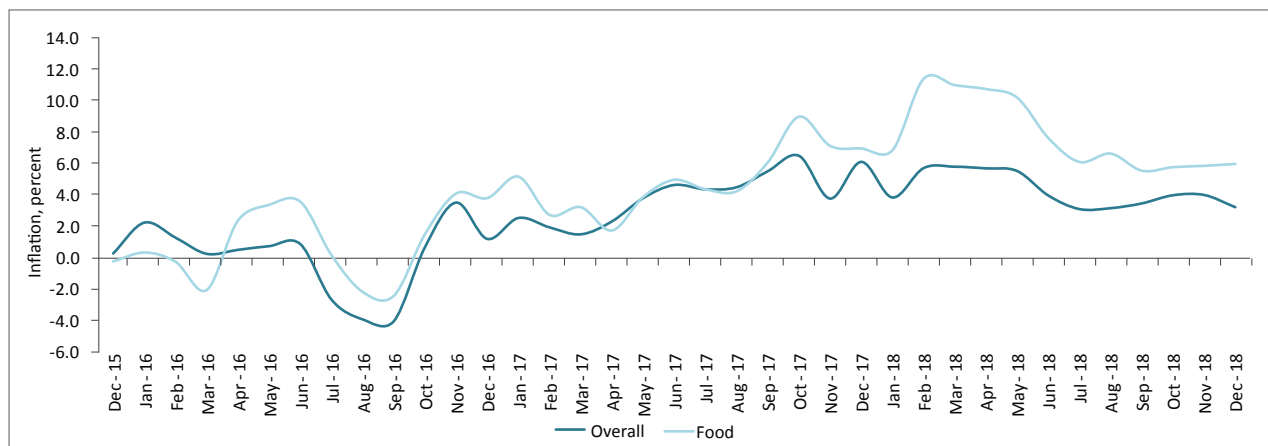
Cereal price inflation declined in most regions in 2018 due to increased production after the protracted drought in 2017 (Figure 1.6). Average maize prices declined by about 20 percent on average in 2018 compared to 2017. The declines in

Shebelle (35 percent) and North-east (30 percent) regions were the highest; in Central Somalia the decline was 19 percent (Figure 1.6A). Similarly, average red sorghum prices declined by 27 percent in the Central regions, 22 percent in Shebelle, 17 percent in Northeast, 8 percent in Juba Valley and 7 percent in North-west (Figure 1.6B). Prices in the North-west and North-east regions, although lower, were still relatively high.

Fiscal policy performance continued to improve

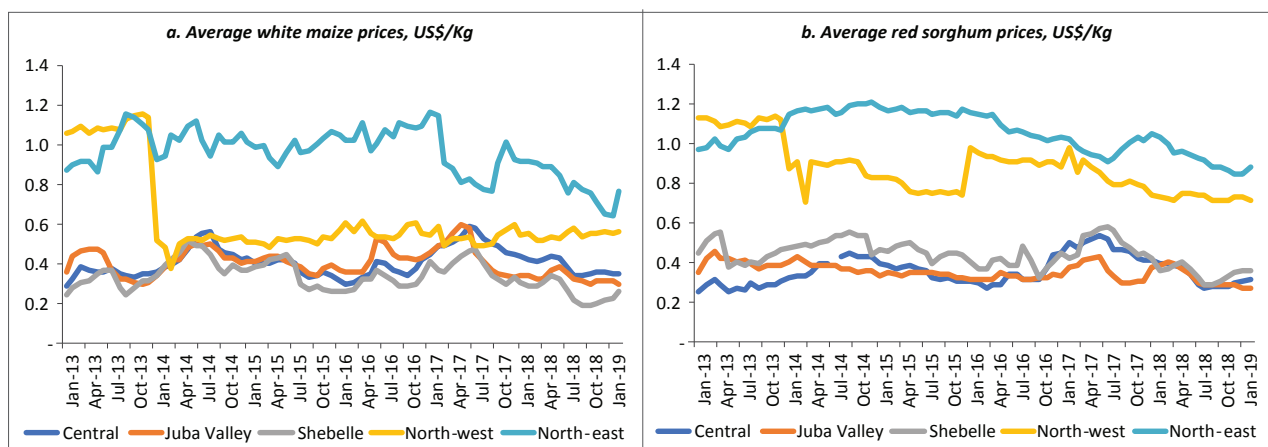
The federal government maintained a balanced budget in 2018 while significantly improving mobilization of domestic resources.¹¹ The government's continued efforts to broaden the tax

Figure 1.5: Inflationary pressure eased in 2018 as food price inflation declined



Source: Computations based on FSNAU and MoF, Directorate of National Statistics data.

Figure 1.6: Average cereal price inflation also eased in 2018 in most regions



Source: Computations based on FSNAU and MoF, Directorate of National Statistics data.

¹¹ Coverage of fiscal policy in this edition of the SEU is limited to the central government, the FGS. The World Bank's forthcoming Programmatic Public Expenditure Review will feature a module that analyzes fiscal operations of the general government (central government plus subnational jurisdictions), subnational public finance, and the structure of FMS-FGS fiscal relations.

base, enhance compliance, and improve collection capacity increased domestic revenue by 0.7 percent of GDP (Table 1.2). This partially compensated for a decline in donor grants received by the FGS.¹² The additional domestic revenue helped to finance higher spending on compensation of employees and transfers to subnational jurisdictions—the two items that account for two-thirds of total FGS expenditure.

Revenues

Total domestic revenue grew to 3.9 percent of GDP in 2018, up from 3.2 percent (Figure 1.7b).

Trade taxes accounted for an average of 69 percent

of domestic revenue in 2013–18, non-tax revenue averaged 20 percent, and tax on goods and services averaged 6 percent. Income and corporate taxes, though increasing, are still virtually untapped, demonstrating the possible inequity of the current Somali taxation system. In 2013–18 income taxes constituted only 2 percent of total domestic revenue. However, with the new reforms, which include establishing and operationalizing a Large- and Medium-Taxpayers Office (LMTO), continued expansion of the income and corporate tax base has boosted collection in 2018 to \$8.6 million in 2018, a 150 percent increase over 2017.

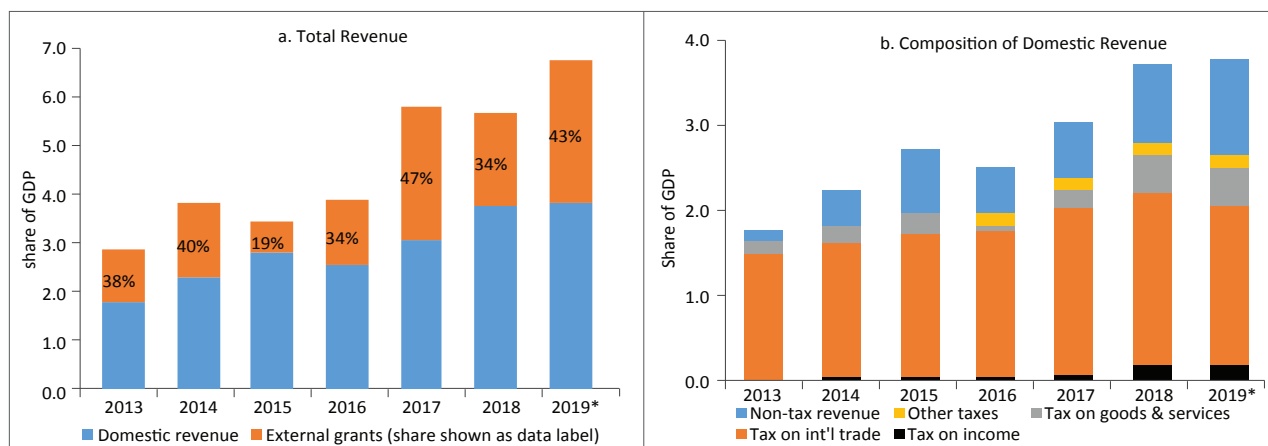
Table 1.2: Federal Government of Somalia fiscal operations, 2013–19

	2013	2014	2015	2016	2017	2018	2019*
	<i>(percent of GDP)</i>						
Total Revenue and Grants	2.7	3.7	3.5	4.1	6.0	5.7	6.9
Domestic revenue	1.7	2.2	2.8	2.7	3.2	3.9	4.0
Tax revenue	1.6	1.8	2.0	2.1	2.5	2.9	2.8
Taxes on income and profits	0.02	0.03	0.05	0.06	0.08	0.18	0.18
Taxes on international trade	1.5	1.6	1.8	1.8	2.1	2.1	2.0
Taxes on goods and services	0.0	0.1	0.2	0.1	0.2	0.5	0.5
Other taxes				0.2	0.2	0.2	0.1
Non-tax revenue	0.1	0.4	0.8	0.6	0.7	0.9	1.2
External grants	1.1	1.5	0.7	1.4	2.8	1.8	3.0
Bilateral donors	1.1	0.6	0.1	0.7	1.8	0.5	0.6
Multilateral donors		0.9	0.6	0.6	1.0	1.3	2.4
Total Expenditure	3.0	3.8	3.3	4.2	5.4	5.7	6.9
Recurrent expenditure	3.0	3.8	3.3	4.1	5.3	5.5	6.4
Compensation of employees	1.3	1.9	1.3	1.3	2.8	3.0	3.2
Use of goods and services	1.4	1.5	1.3	1.5	1.8	1.7	2.4
Transfers to subnational governments	0.2	0.3	0.3	0.2	0.5	0.6	0.7
Contingency and other expenses	0.1	0.1	0.1	0.2	0.1	0.1	0.1
Repayment of arrears and advances	0.0	0.1	0.3	0.8	0.2	0.0	0.1
Capital expenditure	0.0	0.0	0.1	0.1	0.1	0.2	0.5
Transfers to offshore govt. deposits					1.1		
Drawdown of offshore govt. deposits					0.7	0.1	
Fiscal Balance	-0.3	-0.1	0.1	-0.1	0.1	0.2	0.1

Source: Staff calculations using Ministry of Finance and IMF data.

Notes: The unspent portion of a large bilateral budget support grant received in 2017 is reported here as a net purchase of a financial asset. Data for 2019 are from the approved budget, updated with outturn information from the first quarter.

¹² Table 1.2 shows that bilateral receipts were especially large in 2017, due the receipt of a \$50 million budget support grant. This grant exceeded the government's financing needs in 2017, and the government retained a large share of it as a reserve in its offshore accounts. It drew down a portion of these reserves in 2018.

Figure 1.7: Significant gains in FGS domestic revenue mobilization, 2013–19

Source: Staff computations based on FGS MoF data.
 Note: Data for 2013–18 are actual; data for 2019 are budgeted.

The new tax reforms and administrative measures have had a general positive impact—domestic revenue grew by 29 percent in 2018. The re-introduction of sales tax (replacing a presumptive tax), especially on telecoms, ports, and hotels; launch of the LMTO; and introduction of risk-based assessment on imported goods brought in \$13 million more in taxes on goods and services in 2018. An increase in the tax rate for khat and tobacco owing to fiscal dialogue with the FMS yielded another \$1.4 million of revenue in 2018, and expansion of the income and corporate tax bases added \$5.2 million more. These tax reforms led to the positive outcomes, coupled with administrative measures, particularly modernizing revenue payments, cancelling private revenue collection contracts, consolidating revenue collection under the Ministry of Finance (MoF), and capacity-building initiatives. Building on these efforts, the FGS has submitted to Parliament a draft bill to establish the tax instruments, which will be governed by federal law and a draft bill on tax administration. Once enacted, the revenue laws are expected to help bring in more revenue.

External grants to the FGS fell in 2018 but were still above the annual average since 2013 of

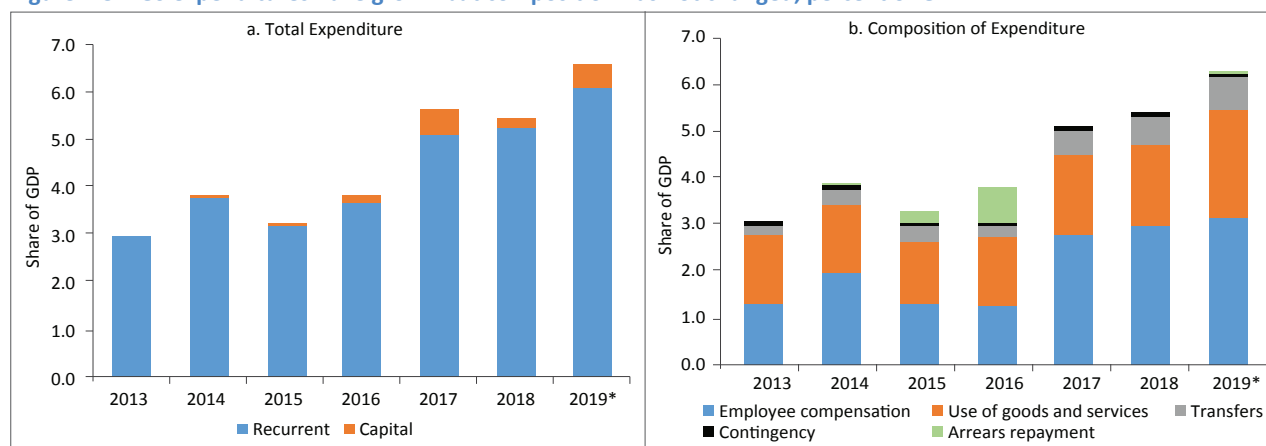
1.5 percent of GDP.¹³ Grant receipts were unusually high in 2017 at 2.9 percent of GDP, accounting for 47 percent of total revenue (Figure 1.7a), due in large part to a one-time \$50 million budget support grant from a bilateral donor.¹⁴ The decline to 1.9 percent of GDP in 2018 reflects both this base effect and also an unplanned reduction in aid from another donor. In 2018, multilateral grants overtook bilateral aid in Somalia for the first time. Three donors—the World Bank, Saudi Arabia, and Turkey—accounted for more than 90 percent of the total donor grants in 2015–18. Bilateral commitments have proven more volatile, with a high probability of not being realized, and multilateral commitments tend to record low disbursement ratios: 48 percent in 2015, 32 percent in 2016, and 50 percent in 2017.

Expenditure

Though FGS public spending has expanded significantly, driven by year-on-year increases in revenue, spending priorities are largely unchanged. Recurrent spending accounts for almost all of FGS spending, reflecting the pressing need to rebuild state institutions; public investment spending has generally been 0.1–0.2 percent of GDP (Table 1.2).

¹³ This section discusses only grants channeled through the FGS budget. One should recall from Table 1.1 that total donor assistance remained quite high in 2018 compared to historical levels, but that only a small share of these inflows were managed by the FGS.

¹⁴ Only \$30 million of this grant was spent in 2017. The balance was held in an offshore account as a cash reserve, which was partially drawn down in 2018.

Figure 1.8: FGS expenditures have grown but composition has not changed, percent of GDP

Source: Staff computations based on FGS MoF data.

Note: Data for 2013–18 are actual; data for 2019 are budgeted.

Compensation of employees and use of goods and services account for almost all FGS spending (Figure 1.8b). A significant share of the wage bill consists of allowances, mainly to the armed forces, police, security forces, and members of parliament, which averaged 57 percent in 2015–18. Security accounts for the highest share of goods and services, 47 percent in 2018, followed by consulting and professional services at 10 percent, and utilities, bank commissions, training and travel, and fuel at 6 percent each. Administration and security account for almost all spending on goods and services, 94 percent in 2015–18.

FGS transfers to subnational jurisdictions have been rising. In 2018, they were 0.6 percent of GDP—up slightly from 0.5 percent in 2017, but more than triple their value in 2012–16. These transfers make an important contribution to state activities and help to promote national unity.

Lack of capital spending continues to stifle potential growth. The lack of fiscal space to fund public investment projects has severely limited Somalia's capacity to invest in its dilapidated infrastructure to enhance transportation, water supply and electricity—services important for both growth and the well-being of the population.¹⁵

Spending is skewed toward security and administration services. Reflecting the continued efforts to recover from decades of conflict and state fragmentation, for the last five years administration has averaged 45 percent of total spending and security 36 percent; economic spending averaged only 8 percent and social services spending 3 percent.

Public debt

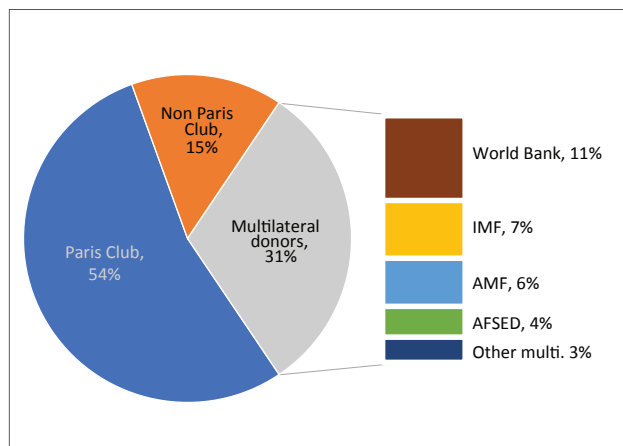
Somalia's external public debt in 2018 was an estimated \$4.7 billion, equivalent to about 99.5 percent of GDP. Debt Management Unit (DMU) records show arrears on principal and interest account for 96 percent of this debt¹⁶; just over half is owed to Paris Club members, followed by multilateral institutions (Figure 1.9). Arrears to IFIs have discouraged their financial assistance in the short run and their full reengagement with Somalia. Somalia's participation in the Highly-Indebted Poor Countries Initiative (HIPC) could relieve the debt burden, help restore public debt sustainability, and unlock resources to support poverty reduction. However, for that to happen, the country will need to (1) demonstrate at least six months satisfactory performance in an Upper Credit Tranche-quality IMF Staff-Monitored Program; (2) adopt at least an interim poverty reduction strategy; and (3) clear

¹⁵ See World Bank, "Third Somalia Economic Update: Rapid Growth in Mobile Money—Stability or Vulnerability," August 2018.

¹⁶ DMU records show that all principal that is not in arrears is concessional debt owed to the World Bank and African Development Bank.

arrears to the IFIs and mobilize adequate financial support from its creditors for debt relief.¹⁷

Figure 1.9: External debt by creditor grouping, 2018



Source: Staff calculations using DMU debt data.

Financial sector supervision is improving and credit to the private sector is growing rapidly

The CBS is invigorating its supervisory and regulatory capacities. It is working to reestablish the functions of core economic institutions and foster financial development, inclusion, and stability while strengthening compliance with anti-money laundering and combating the financing of

terrorism (AML/CFT). Efforts to lay the foundation for sustainable financial sector development and strengthen compliance with AML/CFT standards are underway. CBS is improving its inspection capacity; and regulations to supervise mobile money are almost finalized. On AML/CFT, with IMF assistance regulations for the Targeted Financial Sanctions Bill have been drafted.

The commercial banking system has expanded, and credit has grown rapidly, though from a low base.

CBS licensed five new banks at the end of 2018 (one a money transfer bureau), doubling the number of licensed banks. In 2015–18, from a low base, total banking sector assets grew by 94 percent, from \$194 million to \$377 million, and annual growth in credit to the private sector averaged 53.8 percent. The banking sector is not only sufficiently capitalized, it is very liquid: in 2018 the total loans to assets ratio was 15 percent and the loans to deposits ratio was 50 percent. Financial sector reforms are giving the private sector confidence to increase deposits and banks confidence to increase lending as the CBS builds up its supervisory capacity.

Table 1.3: Selected financial sector indicators show that the financial sector is booming

	2015	2016	2017	2018
<i>millions of U.S. dollars</i>				
Total assets	194.4	234.2	345.0	377.3
Credit to the private sector	45.2	66.1	105.2	149.0
<i>percentages</i>				
Credit to the private sector				
Share to total assets		28.2	30.5	39.5
Share to GDP		1.0	1.5	2.0
Year-on-year growth		46.1	59.3	56.0
Total loans to assets		22.0	15.0	14.9
Loans to deposit		37.3	39.4	50.3

Source: IMF, "Somalia: First Review under the SMP," February 2019.

¹⁷ The government intends for National Development Plan 9, which is under preparation and expected to be approved in September 2019, to meet the HIPC poverty reduction strategy requirement. In May 2019, the IMF and the authorities reached agreement on a 15-month Staff-Monitored Program that they expect will be endorsed as an Upper Credit Tranche arrangement by the IMF Board in July.

The Somali economy is highly dollarized, including the mobile money services that are used by about 73 percent of adults.

The CBS has not issued any official Somali shilling banknotes since 1991. Much of the remaining stock, which is used primarily by the poor, is counterfeit or of very poor quality. This undermines the financial access of the substantial proportion of the Somali population who are mainly poor and nomadic and have no access to U.S. dollars or other foreign currencies. It also inhibits any form of monetary policy since the CBS has no control of the money supply. Cash-based humanitarian interventions are also dollarized. These cash and mobile money transfers operate in an environment where regulation is minimal.

Remittances and official grants finance the large trade deficit.

Somalia typically runs large trade deficits, which are financed by remittance and grant inflows (Table 1.1). In 2018, exports of goods and services accounted for just 26 percent of GDP, with goods exports consisting mostly of livestock exports to Gulf Cooperation Council (GCC) countries. Imports of goods and services, on the other hand, remained high, accounting for about 100 percent of GDP, and consisting mostly of food and industrial goods. While exports are estimated to have modestly rebounded

from the effects of the 2016/17 drought, they remain small and narrow-based. Somalia's exports have been severely afflicted by conflict and climatic shocks and by subsequent GCC livestock import bans imposed to contain trans-boundary livestock diseases. The high imports have been covered by remittances, estimated at about 29 percent of GDP, and official grants, estimated at about 37 percent.

The current account deficit (CAD) declined slightly, from 9.0 percent of GDP in 2017 to 8.3 percent.

At 8.6 percent of GDP, foreign direct investment (FDI) more than financed the CAD. To ensure external sustainability over the long term, Somalia will need to reduce its high dependence on remittances and official grants—especially official grants—and increase its exports and FDI flows.

1.2 Medium-term Outlook, Risks, and Challenges

Real GDP is projected to pick up modestly over the medium term

Real GDP growth is projected to pick up to 3.0–3.5 percent over the medium term. The outlook is predicated on maintenance and extension of the security gains achieved so far, improvements in weather and thus agricultural production, continued

>> Box 1.1: Currency reform in Somalia

Currency reform is now a government priority. The government intends to introduce secure and legitimate small-denomination currency notes as a basis for monetary policy; and simultaneously promote financial inclusion and the development of a Somali shilling payment system. Currency reform will require intensifying central bank governance, banking supervision, and payment reforms and replacing counterfeit notes with legitimate currency. Making it possible to transact mobile money in Somali shillings would extend access to the poor, allow conversion between physical and mobile money, and formalize savings, particularly for poor households.

Currency reform would have two phases. The first would seek to replace damaged or counterfeit bills with new Somali shillings of less than a dollar in value. The second phase would replace the larger denominations and would be conditional upon the CBS having built up its institutional capacity and developed independent monetary policy instruments and reserve management guidelines. The government has requested World Bank support for the first phase, introducing new, legitimate, small-denomination Somali shilling notes, targeting the poorest who are financially excluded.

Source: World Bank 2017a.

development partner support to the government, and improved revenue collection. Consolidation of peace and security, rising domestic demand (due mainly to the growing population), remittances, and official donor inflows are expected to drive growth in 2019–21. The projection also assumes that agricultural production continues to grow, and that solid growth continues in transport, construction, and telecommunications.

Agriculture is expected to rebound slowly, with adequate rains in the *Gu* season (April to June 2019) expected to boost crop and livestock production and replenish depleted water resources in parts of the country that had a below-average 2018 *Deyr* season. Due to differences in rainfall and in access to and the quality of land across Somalia, outcomes are expected to differ by population group. Food security outcomes are thus likely to depend on rainfall and how it affects crops and livestock. Rapid and well-coordinated humanitarian responses will be critical in preventing adverse food security outcomes if another weather shock hits.

The fiscal position is expected to continue to improve as revenue mobilization and public expenditure discipline are reinforced. Domestic revenues are expected to increase to about 4.3 percent of GDP by 2020, and donor grants to remain steady. This is expected to facilitate a gradual increase in spending, which will offer Somalia opportunities to increase public investment in infrastructure and social services like health, education, and social protection—investments that are critical to enhanced resilience. CBS financial sector oversight and regulatory capacity are expected to improve gradually, with financial intermediation deepening to support higher growth over the medium term.

But the downside risks are substantial

Over the medium term, economic activity is likely to continue to be exposed to significant risks related to insecurity in Mogadishu and southern Somalia. Although the FGS is reforming its security forces to

improve security in Mogadishu and working with the FMS to enhance stability across the country, Al Shabaab retains the ability to launch deadly strikes against the government and African Union Mission in Somalia (AMISOM), constraining economic activity and the prospects for FDI and other private investment. Furthermore, the continued political tensions between the FGS and FMS could slow or undermine progress on reforms, especially those linked to fiscal federalism and revenue sharing, which could delay HIPC debt relief.

Exogenous shocks—related to both weather and commodity prices—add more risks to the outlook. Weather and climatic shocks could lower agricultural output (both crops and livestock), exacerbate water stress, and increase Somalia’s humanitarian needs. Higher oil prices could hurt Somalia’s economic prospects by increasing its import bill and worsening its already precarious external balance.

Certainly, a severe risk to the outlook is political and policy uncertainty. The economic reforms to unlock inclusive growth may be delayed because of political contestation, mistrust between political leaders, and fragmentation at different levels of government—each of which could undermine reforms. Moreover, institutional capacity to carry out reforms and ensure compliance is far from certain. These risks—many of which are cyclical, but with varying degrees of severity—can erode gains, and at worst can destabilize Somalia’s fragile political settlement. A slowdown on reform could then delay normalization of Somalia’s relations with the IFIs through the HIPC process, which in turn would delay Somalia’s access to critical external resources for development.

Major challenges remain

Maintaining reform momentum will be essential. Although, as noted, Somalia has been building a strong track record of economic policy reform. Nevertheless, the country continues to face major challenges in rebuilding the capacity for macroeconomic management.



Revenue mobilization: Somalia must further strengthen revenue collections through more efficient customs operations and collections; enacting the two revenue bills; and expanding the tax base through continued progress between FGS and FMS on intergovernmental fiscal relations and revenue assignments.

Expenditure policy: Here what is required is better expenditure control and fiscal discipline; and creating fiscal space for, and gradually reorienting growing spending, to encourage investment, especially in infrastructure and health, education, and other social services.

Monetary policy and the financial sector: The CBS needs to enhance its institutional capacity to conduct monetary policy; build up the supervisory and regulatory capacity of the central bank, including for mobile money and AML/CFT; gradually restore lost correspondent banking relationships; and reform the currency.

1.3 The Road Ahead

Social outcomes are inadequate

Education access and learning outcomes are low. Only half of the population is literate, and in virtually all age-groups women have less educational attainment than men. Only about 33 percent of children aged 6–13 are enrolled in primary school—very low by international comparisons and less than half the 74 percent average of low-income countries in Sub-Saharan Africa (SSA). Rural residents, IDPs in settlements, and nomads have significantly fewer educational opportunities. The share of rural residents without formal education is 1.6 times higher than that of urban residents and the shares are 2.5 times higher for nomads and 2.6 times higher for IDPs. Limited access, lack of qualified teachers, poor school infrastructure, and general insecurity are some of the major challenges for education. Part 2 of this edition of the SEU takes

an in-depth look at education in Somalia and offers policy options for improving the sector.

Somalia's health indicators are among the worst in the world. Most are below low-income country averages and the country has one of the world's highest levels of child malnutrition. In 2015 the mortality rate for children under 5 years was an estimated 137 per 1,000 live births and maternal mortality 732 per 100,000 live births.¹⁸ Over 90 percent of births take place in the home and only 33 percent are attended by a skilled birth attendant. Improved water and sanitation are also critical for health, school performance, and productivity, but 50 percent of households lack access to improved sanitation, and 20 percent have no improved water source.¹⁹

Somali households are quite vulnerable to shocks.

Natural disasters, conflict, and displacement affect large fractions of the population. Shocks contribute to extreme poverty and vulnerability, depressing economic opportunities and livelihoods, damaging assets, and limiting access to farms, fishing, and pastoralist routes. The persistent cycle of shocks heightens the vulnerability of Somalis to future shocks because there is little public or private insurance. The threat of climate change also exacerbates the risk of displacement by reducing the viability of household livelihoods. Social safety nets to cushion households against shocks are limited, fragmented, and underfunded.

Continued structural reforms will be critical to sustain growth

Somalia's economy is recovering, but determined efforts are still necessary to secure economic resilience and reduce poverty. Since 2017, growth has rebounded, inflation has slowed, and the trade deficit has narrowed. The exchange rate has held steady. But further efforts are needed to improve economic conditions, increase growth and employment, and significantly reduce poverty. In the

¹⁸ World Bank, World Development Indicators.

¹⁹ World Bank, "Somali Poverty and Vulnerability Assessment: Findings for Wave 2 of the Somali High Frequency Survey," July 2019.

near term, the HIPC process presents a unique opportunity for Somalia to re-engage with the international community, benefit from debt relief, and obtain secure access to the external resources crucial for financing its long-term development needs.

Over the medium term, even with better access to external resources, Somalia's rapid population growth, combined with slow economic growth, presents major problems in terms of providing public services and creating jobs for an ever-expanding youthful population, raising concerns for human capital formation, poverty alleviation, and peace and security. According to estimates from United Nations World Population Prospects, Somalia's fertility rate is among the highest in SSA and its youth are projected to reach 4 million by 2030 and 7 million by 2050, up from almost 3 million in 2015. Too few jobs in the future and too few educational opportunities for children in the present may cloud Somalia's prospects for reducing poverty and boosting shared prosperity.

The special topic in this edition focuses on the challenges of educating Somalia's children. The overthrow of the Barre government in 1991 and the ensuing civil war disrupted normal economic life; destroyed most public facilities, including schools; and led to the disappearance of many professionals and the collapse of the national government. The consequences for education have been dire: Even compared to other fragile countries, Somali today has among the lowest enrollment rates in the world. As of 2013, net enrollment rates were 17 percent compared, e.g., to 97 percent in the Congo, 76 percent in Yemen, and 73 percent in the Central African Republic. In 2015/16 the country's gross enrollment ratio for primary school was 32 percent, and in Galmudug, HirShabelle, Jubbaland and Southwest States, less than 25 percent of children were enrolled. The next chapter discusses the Somali education system and the major challenges it faces and presents some recommendations to address these challenges.



SPECIAL FOCUS

BUILDING EDUCATION TO BOOST HUMAN CAPITAL



2. Building Education to Boost Human Capital

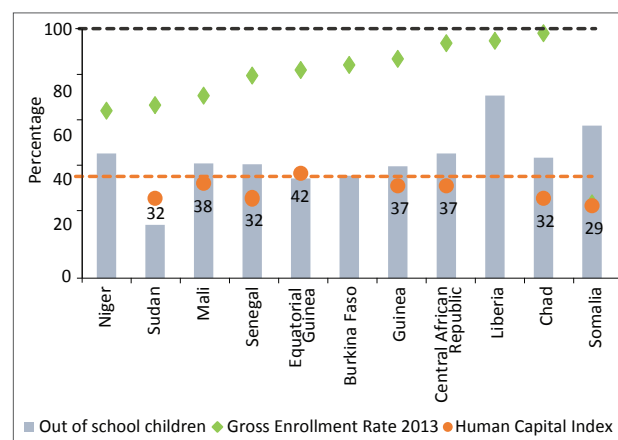
2.1 The Case for Investing in Education in Somalia

Investing in human capital will be essential if Somalia is to escape the trap of poverty and violence and move back onto the path to prosperity. The crucial 40 percent of Somalis who are now aged 6 to 18 need to acquire the knowledge, health, and skills to become productive contributors to the country's economy and thus break the cycle of conflict, exclusion, and vulnerability.

Making education a top priority will be critical for Somalia to improve its human capital. The Human Capital Index (HCI) developed by the World Bank measures how much human capital a child born today can expect to attain by age 18, given the risks of poor health and poor education prevailing in the country where they live.²⁰ Although as yet there is no HCI value for Somalia, mainly due to lack of data on education outcomes, comparison with countries already ranked shows that education outcomes would push it far down on the index. Table 2.1 compares Somalia's performance with SSA and Chad, the lowest scorer on the HCI. On health outcomes, Somalia compares well with SSA and Chad, but on education, Somalia trails them significantly. Gross primary enrollment in Chad is close to 100 percent; in Somalia it is just 30 percent.

Figure 2.1 compares Somalia's performance with other countries with low HCI values. Though there is no information available on Somalia's learning outcomes, it is clear from low participation in basic education that the country needs to be investing heavily in educating its children.

Figure 2.1: HCI and gross enrollment rates



Source: Based on data from HCI, World Bank and Facing Forward: Schooling for Learning in Africa, World Bank, 2018.

This special focus assesses the prospects for improving learning outcomes and school access as the Somali education system grows within a federal government structure. It provides an overview of the Somali education system, the major challenges it faces, and proposes ways to address these challenges as the country and its partners consider stepping up investments in education as part of a

Table 2.1: Human Capital Index: Chad, Somalia and Sub-Saharan Africa

	Somalia	Chad	SSA
HCI Component 1: Survival			
Probability of Survival to Age 5	0.868	0.858	0.934
HCI Component 2: School			
Expected Years of School	n/a	5.2	8.1
Harmonized Test Scores	n/a	403	374
HCI Component 3: Health			
Survival Rate from Age 15–60	0.7	0.629	0.732
Fraction of Children Under 5 Not Stunted	0.747	0.613	0.684
Human Capital Index (HCI)		0.3	0.4

Source: Compiled from World Bank Human Capital Index, 2018.

²⁰ The HCI is part of the World Bank Human Capital Project and ranks countries according to the expected human development outcomes of their children and youth.

wider approach to human capital development. Section 2.2 provides the most recent data available on education outcomes and outputs. Section 2.3 sets out service delivery issues, and Section 2.4 proposes investments that could substantially rebuild the system within 4-6-years.

2.2 The Education Landscape in Somalia

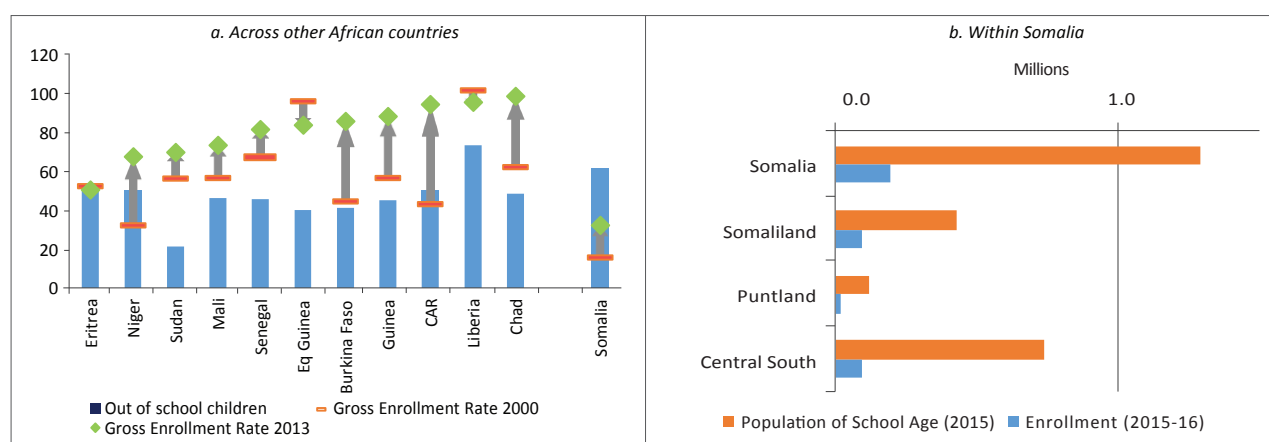
Somalia's education system has evolved through political and social upheaval. In the 1970s and 1980s, under General Siad Barre, the country was a centrally controlled "scientific socialist" state whose goal was to eradicate clan conflict and ignorance through mass education. The Somali language (*Af Soomaali*) was made the official language of business and education and a mass literacy campaign was launched to teach every Somali how to read and write. Textbooks and curriculum were designed to reflect the values and ideals of the Somali society. For the first time in the country's history, students throughout Somalia were taught in the same language, using the same textbooks; during this time progress in educational

attainment was substantial. The overthrow of the Barre government in 1991 and the ensuing civil war not only disrupted normal economic life but destroyed most public facilities, many of them schools; many professionals disappeared; and the national government collapsed. By 1994, school enrollment had hit bottom, with most if not all schools destroyed, materials unavailable, and both teachers and students abandoning education.

At present, Somalia's school enrollment rates are among the lowest in the world. In 2013, its net enrollment rates were 17 percent, compared with 97 percent in the Congo, 76 percent in Yemen, and 73 percent in the Central African Republic. Figure 2.2 compares education outcomes among the most delayed group of countries in SSA (Panel a) and in areas within Somalia (Panel b).

Data from the United Nations Population Fund (UNFPA) suggest that the number of out-of-school children and youth (aged 6–18) is 3 million, most of them in states in the less wealthy and secure southern and central parts of the country.²² Some

Figure 2.2: Somalia enrollment rates in comparative perspective



Source: Analysis of United Nations Educational, Scientific and Cultural Organization Institute of Statistics data, Multiple Indicator Cluster Surveys and Living Standards Measurement Surveys. Somalia data based on data from UNFPA Population data 2014 and Federal Government of Somalia Education Statistics Yearbook 2015/16.

Note: All Gross Enrollment Rates are standardized to a 6-year duration in primary education with the exception of Somalia which uses a national definition of primary based on 8 years. The improvements in Somalia GER are measured from a base of 1985 to 2015/16 compared to 2000 to 2013 for the other countries.

²¹ Unless otherwise noted, data for this chapter is drawn from the Federal Government of Somalia Ministry of Education, Culture and Higher Education, Education Sector Strategic Plan (ESSP) 2018–2020.

²² Somalia Education Cluster Annual Report 2016 (January 2017), Relief Web, <https://reliefweb.int/report/somalia/somalia-education-cluster-annual-report-2016-january-2017>

60 percent of primary school-aged children are out of school²³ and the percentage at the secondary level is even higher. Indeed, for Banadir and the four FMS, EMIS data suggests that about 92 percent of young people within the official age range for secondary school are not enrolled.

During the long period of conflict, and in the absence of state provision and oversight, an assortment of nonstate actors emerged to help fill the access gap in Somalia. Table 2.2 describes the different types of providers currently in place and Figure 2.3 shows their distribution. The share of students enrolled in government-managed primary schools throughout Somalia is 47.9 percent. In Somaliland and Puntland most schools are public. However, in Banadir and the four FMS of Jubaland, Southwest, HirShabelle

and Galmudug, only 7.4 percent of primary students are in government schools with the rest in private or community schools. At the secondary level, nearly 70 percent of students are in nongovernment schools: in Banadir and the Federal Member States of Galmudug, HirShabelle, Southwest and Jubaland, only 8 percent of students are in government schools with the rest in private or community schools. In Somaliland and Puntland, just over 50 percent are enrolled in government schools.

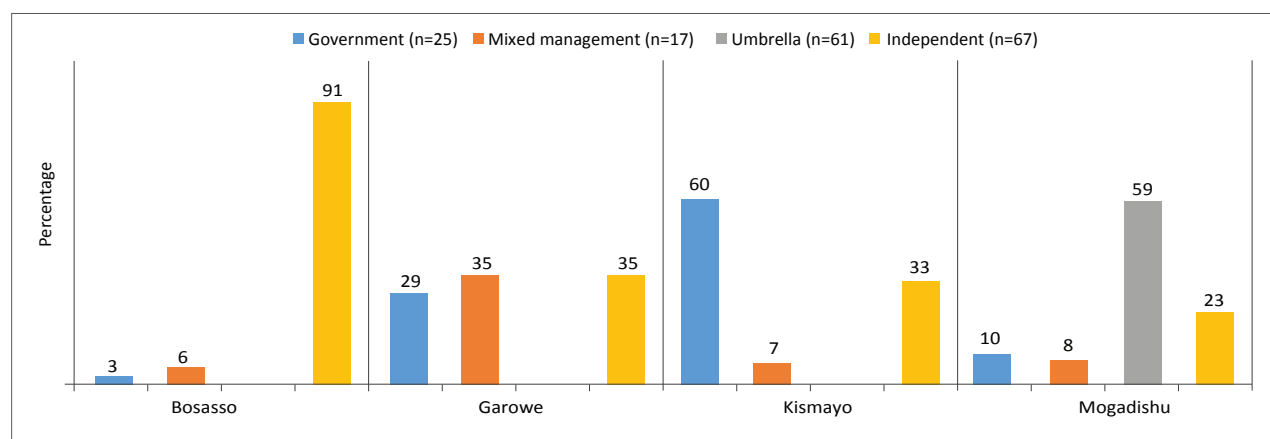
Rural children have far fewer educational opportunities. The education system does not cater to the lifestyle needs of rural and pastoralist communities, which constitute 60 percent of the population. The absence of school feeding programs in famine and drought zones affects the nutrition

Table 2.2: Different types of education service providers in Somalia by management

School type	Description
Government schools	Schools managed exclusively by the government, as represented by the MoECHE or the state-level MoE.
Mixed-management schools	Schools managed by the government in cooperation with a non-state actor. Non-state actors include local community, religious groups, (I)NGOs, umbrella associations or private individuals.
Umbrella schools	Schools managed exclusively by an umbrella association.
Independent schools	Schools managed by a non-state actor other than an umbrella association. Non-state actors include local community, religious groups, (I)NGOs or private individuals.

Source: Altai Consulting Report, 2018.

Figure 2.3: Distribution of schools by management type



Source: Altai Consulting Report, 2018.

Notes: Based on a survey sample 170 of primary and secondary schools operating in urban and peri-urban areas across four locations: Bosasso and Garowe in Puntland; Kismayo in Jubaland, and Mogadishu in Banadir.

²³ Education Sector Strategic Plan (ESSP), p. 67.

as well as school attendance and retention of the poorest children. The extent of the discrepancy at the primary level is nearly 2 to 1: in urban areas 65 percent of primary-age students are in school; in rural areas, only 35 percent are enrolled. The imbalance between secondary urban and rural enrollment is even greater—only 5.5 percent of all secondary students are in rural areas, and in Banadir and the FMS, only 1.3 percent live in rural areas. This has important implications for student success since, for Somalia overall, school survival rates are more than 22 percent higher in urban (70.8 percent) than in rural areas (47.9 percent). This discrepancy (see Figure 2.4) points to significant inequities in the distribution of educational resources (e.g., schools, teachers, learning materials, water facilities).

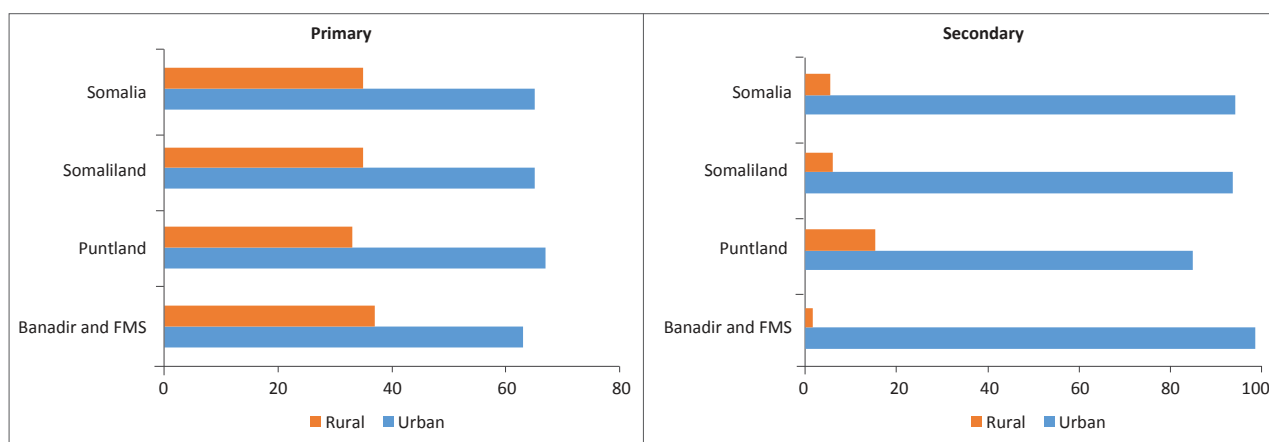
Formal schooling systems have largely neglected Internally Displaced Persons (IDPs). As of April 2019, about 2.6 million IDPs were spread across over 2,000 locations in 60 districts of Somalia.²⁴ About 1.1 million are in protracted displacement, and 1.5 million were displaced after November 2016 because of drought, conflict, and flooding. Most IDPs immigrate from rural to urban areas to seek jobs or assistance. The main IDP hubs are Baidoa (circa 325,000), Mogadishu (circa 175,000),

and Belet Xaawo (circa 85,000). In addition to IDPs within Somalia, there is a large group outside (e.g., in Dadaab, Kenya), who, if repatriated will increase this already large population. Enrollment of IDPs at both the primary and secondary school levels is far below national averages for Somalia and depress progress on these key development indicators for the country as a whole. For IDP children older than 6, 24.2 percent are enrolled in education—nearly 12 percent less than the national average. The primary GER for IDP children is roughly half the national average, and only 12 percent are enrolled in secondary school.²⁵

Since education depends heavily on fee-paying schools, poor students are at a distinct disadvantage.

The limited availability of public schools handicaps those who cannot afford private fees. Often private schools are not even an option since operators do not run schools in poor and disadvantaged areas. Over 69 percent of the Somali population live in poverty, which has resulted in highly unequal access rates for the disadvantaged, who are served by neither state nor nonstate schools.²⁶ Notably, households in the bottom 40 percent that receive international diaspora remittances have substantially higher school enrollment than non-recipients.

Figure 2.4: Primary (incl. IQS) and secondary enrollment by location



Source: ESSP, p. 55 - weighted figures, urban / rural ratio derived from UNFPA Population Estimation Survey (PESS).
Notes: IQS are Integrated Quranic Schools.

²⁴ Total identified in the Camp Coordination and Camp Management (CCCM) Cluster Somalia April 2019 Status Report. The CCCM cluster is supported by the Somalia Humanitarian Fund, German Human Assistance, European Union, USAID and DFID.

²⁵ ESSP, p. 32.

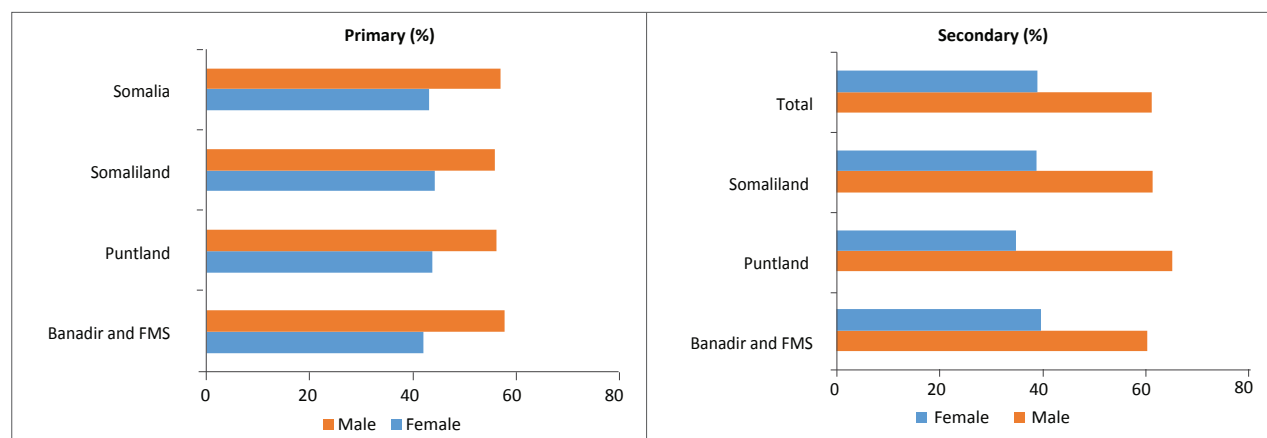
²⁶ World Bank, "Somalia Poverty and Vulnerability Assessment: Findings from Wave 2 of the High Frequency Survey," July 2019 (forthcoming).

Girls' participation and survival rates trail far behind those for boys (Figure 2.5). Critical barriers to girls achieving equity in education are social pressures for early marriage, expectations that girls support households and rear younger siblings, and a perception of greater social value in boys accessing education rather than girls. Risks of gender-based violence in and around schools also create barriers. The Gender Parity Index (GPI) for primary school in Banadir, the four FMS, Puntland, and Somaliland ranges from .72 to .79; the secondary GPI is even lower, from .53 to .66.

Across Somalia, there are significant differences in primary school survival rates to grade 5 (Figure 2.6).

Nationally the survival rate was 64 percent (66 percent boys, 62 percent girls); Somaliland had the highest rate at 71 percent (72.7 percent boys, 68.8 percent girls), followed by Banadir and FMS²⁷ at 65 percent (67.4 percent boys, 62.1 percent girls), with Puntland at the bottom at 56 percent (57.4 percent boys, 54.2 percent girls). Neighboring Kenya has a national survival rate of 93 percent. Several factors are commonly cited for low survival rates, ranging from economic barriers to participation and difficulty with access to facilities. Rural and urban survival rates also vary significantly: they are more than 22 percent higher in urban areas (70.8 percent) than in rural (47.9 percent).

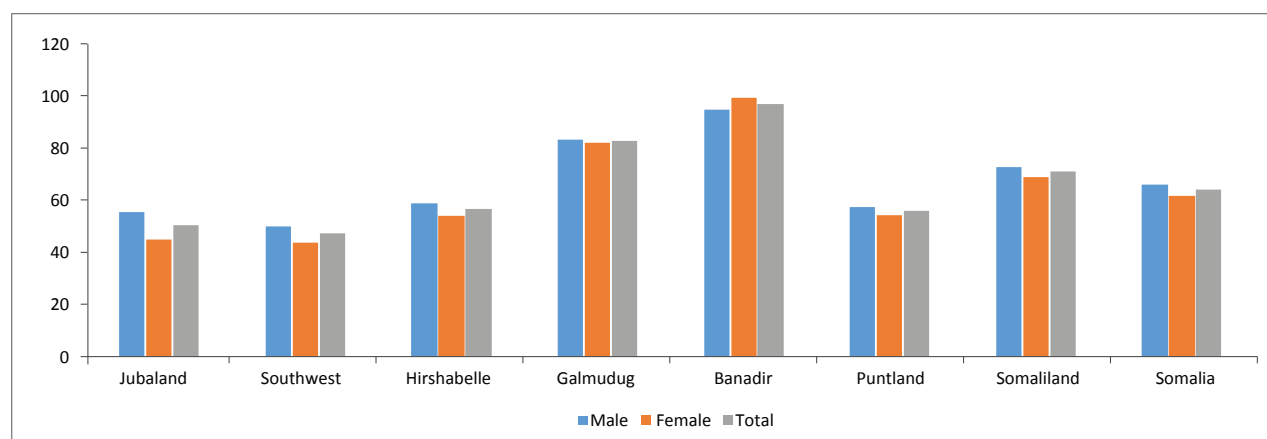
Figure 2.5: Primary and secondary enrollment by region and gender



Source: PESS, EMIS.

Notes: Weighted averages of PESS and EMIS.

Figure 2.6: Survival rate to grade 5 (%)



Source: Derived from PESS.

Notes: Total enrollment using weighted figures, upper/lower ratio derived from PESS.

²⁷ FMS refers to HirShabelle, Galmudug, South West and Jubbaland.

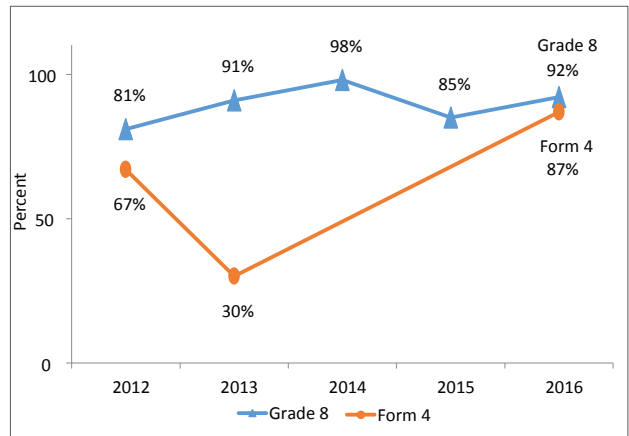
Low adult literacy rates in Somalia indicate that performance of the system has been poor for generations. The disadvantaged suffer most. Adult literacy rates are lowest among nomads/ pastoralist, rural communities; and IDPs; they are highest in urban areas (Figure 2.7). However, even in urban areas, literacy rates are much higher for those from the richest wealth quintiles compared to those from poorest wealth quintiles. By state, adult literacy rates are lowest in Banadir and the four FMS, where only 38.3 percent of Somalis are literate. This is lower than Somaliland, where 45.3 percent of adults are literate, and in Puntland with 42.9 percent.

Learning Outcomes

Indicative learning outcomes have seen some improvement. Results for the primary school leaving exam (Grade 8) and Form 4 exam (for entrance to university) for Banadir and FMS show some improvement between 2012 and 2016, though these results must be viewed as indicative, because they may be related to a change in criteria (Figure 2.8).

An Early Grade Reading Assessment (EGRA) in FGS schools in Mogadishu showed positive learning outcomes.²⁷ In 2013–15, MoECHE schools in Mogadishu participated in an EGRA assessment administered by Concern Worldwide. The schools

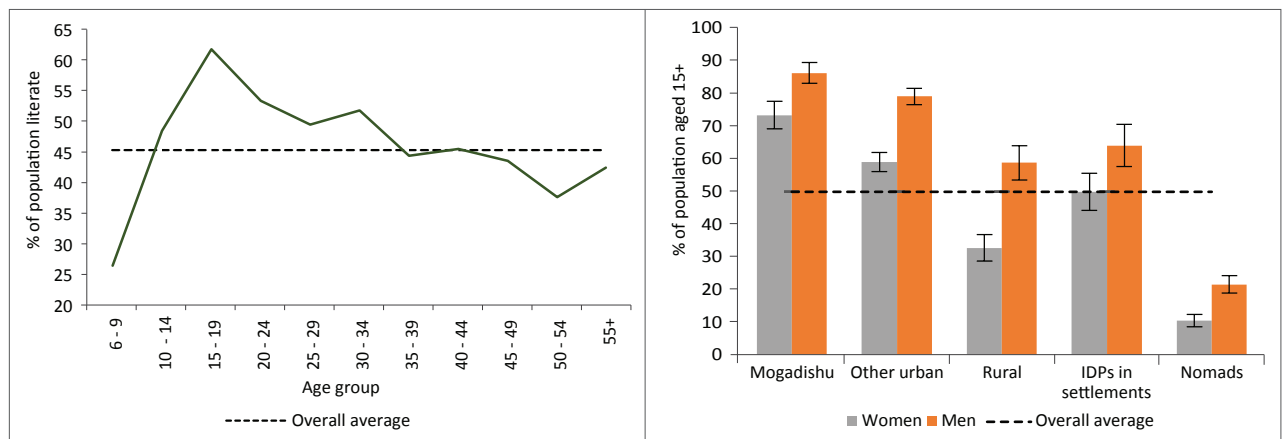
Figure 2.8: Examination pass rates for Banadir and FMS - Grade 8 and Form 4 exams



Source: ESSP.

assessed demonstrated significant improvement in reading for both boys and girls.²⁸ Students in Grade 2 had a mean score of 42 correct words per minute (cwpm) by 2015, more than double the 2013 score of 16 cwpm. Scores grew significantly between grades as students progressed through the education system. By 2015 scores for grade 4 students reached a mean of 64 cwpm, up from 51 cwpm in 2013. This success is attributed to new foundational literacy teaching methods and materials, rolled out through teacher training and in-classroom mentoring. Also contributing to this program's success was the focus on learning in the students' mother tongue. Moreover, the early grade gender disparities visible

Figure 2.7: Literacy by age, gender and location



Source: Based on High Frequency Survey Wave 2 data.

²⁷ Concern Worldwide. FINDING WORDS: A further analysis of Early Grade Reading Assessments in vulnerable communities, (https://www.concern.net/sites/default/files/resource/2017/02/finding_words.pdf)

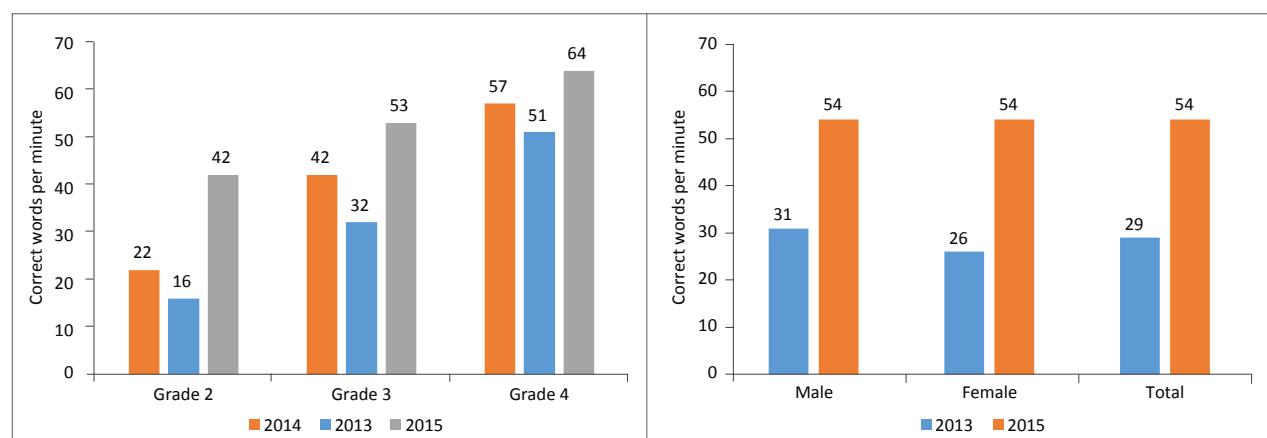
²⁸ Protracted conflict over the period studied (2013 and 2015) restricted some assessments to schools located in Mogadishu with access to rural schools in Lower Shebelle highly restricted. Therefore assessments are only representative of the children in attendance in school on the days the assessments took place.

in Somalia's 2013 assessment had disappeared by the time of the endline assessment. In 2015 there was no difference in the scores of boys and girls—the mean for both was 54 cwpm, compared to the 2013 scores of 26 cwpm for girls and 31 cwpm for boys baseline. To achieve this, the program focused on enrollment and retention campaigns for girls (see Figure 2.9).

A Minimum Learning Assessment (MLA) conducted by MoECHE in 2012 showed better learning outcomes for Banadir and FMS, which perform poorly on other education indicators. The MLA was

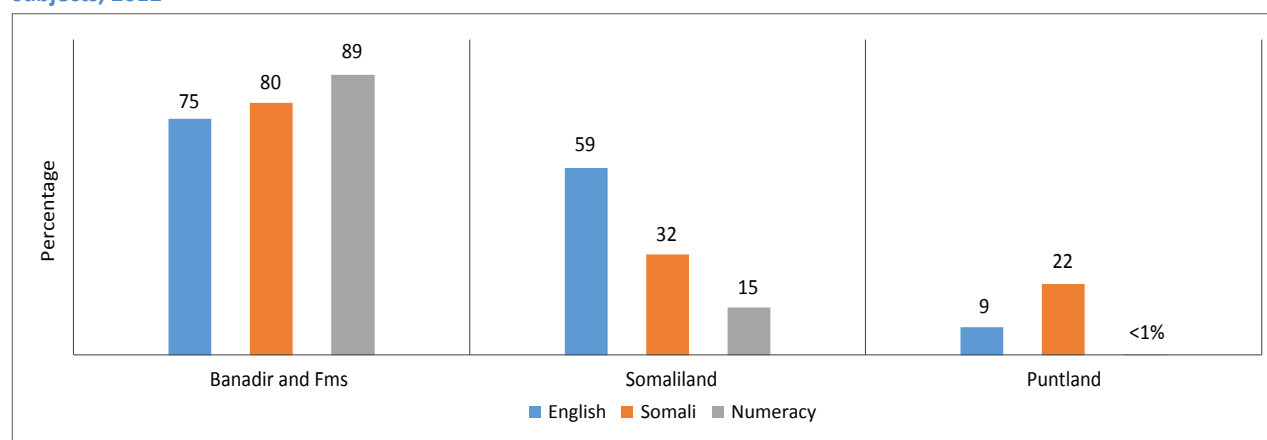
conducted for a cross-section (5 percent) of seventh-grade students in Banadir and FMS, Puntland, and Somaliland. The MLA has not been repeated. In the MLA states in Central and South Somalia performed much better than in the educationally advanced states of Somaliland and Puntland (Figure 2.10). Education in the former is predominantly provided by privately managed schools. Also, given low access in these states, only those in the highest wealth quintiles attend school, which may also contribute to the better MLA performance of these schools. A repeat assessment could validate the earlier findings and support more analysis

Figure 2.9: Early Grade Reading Assessment results in FGS schools, 2013–15



Source: Concern Worldwide. *Finding Words: A further analysis of Early Grade Reading Assessments in vulnerable communities.*

Figure 2.10: Percentage of students that score 60%+ in Grade 7 Minimum Learning Assessment (MLA) by states and subjects, 2012



Source: MLA report, 2012.

2.3 Service Delivery Challenges

School Infrastructure

The draft Constitution of Somalia and draft National Education Policy state that free and compulsory education is the right of every child; however, the inability to ensure access with acceptable infrastructure is a significant problem for Somalia.

Because the civil war destroyed more than 75 percent of existing schools, the school system has to be rebuilt from the ground up. The schools that survived are not in good shape; for example, in Banadir and FMS, the majority of schools, 55.9 percent across all types of infrastructure, are rated in 'poor' condition, 40.7 percent in 'fair' condition, and only 3.4 percent in 'good' condition. To accommodate more students many schools operate double shifts. Because so many schools were destroyed, a large number of private schools also cropped up to meet demand. MoECHE is embarking on a needs assessment for 2018–20 to prioritize construction of new school buildings in underserved areas where demand for education is high.

Teachers

The teaching force is largely uncertified and predominantly male. Only 37.9 percent of primary teachers across all Somalia are qualified; the fewest number qualified are in Banadir and FMS (20.8 percent). The government estimates that only 34.4 percent of secondary teachers are qualified; the proportion of certified teachers is highest in Somaliland at 55 percent, followed by Puntland at 35.6 percent certified, and Banadir and FMS at only 21.1 percent. Of particular concern is the predominance of male teachers: 91.8 percent of primary teachers and 97 percent of secondary teachers are male. Somali National University has played a central role in training and certification of teachers, paid for by donors/NGOs but without government coordination.

The distribution of teachers between rural and urban areas is inequitable, particularly in the central southern states, where 86 percent of all primary school teachers are in urban areas compared to only 13.5 percent of teachers recorded in government EMIS. This is clearly a misallocation given the population distribution, with 51.7 percent rural and nomads and 48.3 percent urban and IDPs.²⁹

In most of the country, teachers are not paid by public funds, which reduces top-down accountability within the system and the space for effective teacher management. In Banadir and FMS, government funds just 8 percent of teachers. The fact that teacher payments and incentives are largely dependent on a variety of agencies and international NGOs (INGOs) has undermined the development of integrated civil servant pay schemes with consistent pay levels, further undermining the coherence of the education sector and the sustainability of pay schemes. By contrast, in Somaliland the government is responsible for 66 percent of salaries and coordinates the training delivered by universities within its borders.

Administration in a federal structure

Though not fully codified in law, the federal Ministry of Education, Culture and Higher Education (MoECHE) is responsible for guidance and the administration of education in Somalia. The Ministries of Education (MoEs) in the Federal Member States of HirShabelle, Galmudug, Southwest, and Jubaland and the Federal Government MoECHE have agreed in a Memorandum of Understanding (MoU) to work cooperatively in all matters related to education and agreed upon the responsibilities of each jurisdiction.³⁰ The MoECHE is mandated to draft regulations such as Education Acts, set policies, and provide coordination. The FMSs are mandated to implement education programs and policies. At this time, the four FMS have their own state laws and policies and Puntland and Somaliland also have established their own MoEs, supported by laws, policies, and education sector plans.

²⁹ ESA, p. 125.

³⁰ National Education Conference Declaration, Unesco media, <http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/ED/pdf/NEC-declaration.pdf>

As a consequence of the collapse of the Somali state and the political and security challenges of reconstruction, capacity at all levels of administration is inadequate.

- At the FGS level, the MoECHE administrative structure was established only a few years ago, starting virtually from scratch, and capacity within the ministry is still low in terms of staffing, skills, and training. Infrastructure to support the organizational capacity of the MoECHE (offices, vehicles, computers, and logistics) is also limited. Less than 1 percent of all MoECHE personnel (teachers, ministry officials and other ministry staff) are paid from the government budget. Minimal transparency, accountability, and financial utilization capacities undermine the ability of the MoECHE to absorb funds and deliver activities. Due to inherent system and staffing weaknesses, it relies (like many other ministries) on additional support financed externally.
- According to the MoU, the FMSs are mandated to implement education programs and policies, but they also suffer from inadequate capacity. Few resources flow from FGS to the states' MoEs.
- Regional and District Education Officers (REOs and DEOs) find it difficult to coordinate and monitor delivery of education services. Of the 58 districts across Banadir and the four FMS, very few have functioning governance structures. Districts are supposed to oversee primary

education, but their capacity is severely limited, as are infrastructure, materials, and salaries. REOs and DEOs must also deal with significant of travel, security, and authority issues.

There are two distinct educational cycles in Somalia, one in public schools and the other in non-state schools (Figure 2.11). Private institutions mainly use the 9-3 system and public schools the 8-4 system. The discrepancy illustrates some of the difficulties for the Ministry, which currently has little control over a relatively large nonstate sector. The new national curriculum that the MoECHE is disseminating is intended to bring consistency to the system by requiring 12 years of mandatory education (4 lower primary, 4 upper primary, and 4 secondary level).

Curriculum and Materials

A new National Education Curriculum Framework is being phased in. The government has launched a multiyear effort to develop a new national competency-based curriculum to be delivered through progressive learning styles based on current research on how children learn. MoECHE has finalized the curriculum for grades 1 to 4 and in August 2018 distributed textbooks to elementary students. The intermediate curriculum is also complete, and the plan is to use the new curriculum in the 2019/20 academic year. For

Figure 2.11: Two distinct systems of education cycles in Somalia: public and private

	ECE		Primary								Secondary			
Public			Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8	Form I	Form II	Form III	Form IV
Private Arabic			1	2	3	4	5	6	7	8	9	10	11	12
Ages	4	5	6	7	8	9	10	11	12	13	14	15	16	17

Source: Constructed from Federal Government of Somalia Draft National Policy of Education 2015-30.

secondary students, Grades 9–12, there is a unified syllabus which has been used by schools in Banadir, Jubaland, Southwest, Galmudug, and Hirshabelle since 2014. Since 2015, this has enabled the federal government to organize national examinations for students leaving secondary school. The MoECHE plans to launch the national secondary curriculum by 2020.³¹ Because of the large number of nonstate schools, ensuring its use across the country will not be easy.

Crucially, the new curriculum also introduces a consistent use of languages. In primary school this will be Somali; Arabic and English will be used in secondary school, which could have a positive impact on textbook production and the examination system.

Assessment and Examination Systems

A significant number of students, many of them from private schools, do not participate in assessments of student learning. The MoECHE has established examinations for Grade 8 (primary school-leaving exam) and Form 4 (university entrance exam), managed by a Department of Examinations and overseen by an autonomous National Examination Board. In 2015, only 3,400 took the Form 4 exam; by 2018, 32,000 secondary students across FMS and Banadir sat for it. For Grade 8, the 43,000 exam takers in 2018 were 7,000 more than in 2017. However, Puntland and Somaliland do not currently take part in the government-administered exams since each has its own, which prohibits state comparisons. Further, most nonstate schools undertake their own testing which, since they enroll the most students, undermines the effectiveness and utility of the assessments.

Monitoring the delivery of schooling (EMIS)

Education Management Information System (EMIS) activities depend on external donor support and for the past few years have on the whole been

implemented on a minimal budget. There has been progress in establishing an annual school census, particularly in terms of coverage. The current system involves visits to schools in accessible areas by trained data collectors supervised by regional personnel and the cost is high (about \$66 per school surveyed). The data are now published in the MoECHE annual report of education statistics. Using EMIS is complicated by insufficient FMS capacity; issues related to the paper-based data collection approach and issues of data quality, verification, and ambiguity; lack of links to teacher registration and examination databases; lack of feedback to states, regions, and districts; and technical issues with the software.

Accountability, Quality Assurance, and School Supervision

Systematic monitoring of delivery of education services is lacking. Though MoECHE has attempted to standardize efforts through its Department of Quality Assurance, regions use a patchwork of quality assurance approaches. REOs, DEOs, and Quality Assurance Officers are responsible for monitoring FMS schools using the MoECHE *Comprehensive Quality Assurance Checklist for Schools*. However, the structures described in the *School Inspection and Improvement Manual* are nascent and school supervisor positions may not yet exist. Further, there is not much information available on the number of school quality assurance inspections conducted because inspection report data are not integrated into the EMIS. The resources available to regional and district officers are also so low as to limit their ability to systematically supervise schools.

The difficulty of assuring quality is exacerbated by the large number of private and informal schools.

In the absence of meaningful government funding for education, School Management Committees and Community Education Committees have become important in school monitoring and accountability.

³¹ Somali Public Agenda “Examining public schools in Mogadishu,” Governance Brief 02, April 2019.

Planning and Financing of Education

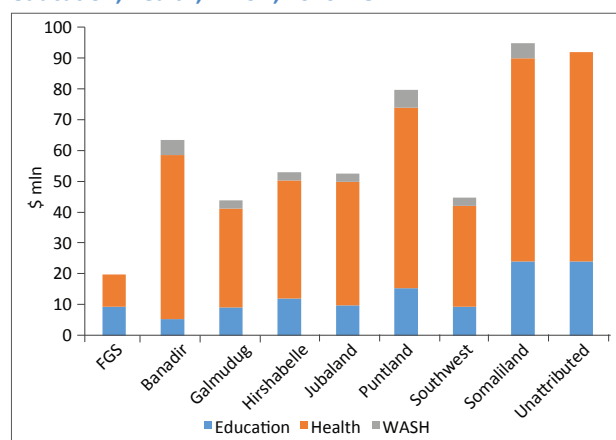
Somalia has little national revenue, and what is available is often prioritized away from education, which accounts for less than 2 percent of total government spending. This is far below the 20 percent recommended by the GPE, what neighboring countries spend, and the 7 percent allocated by the government of Somaliland. However, Government revenue has increased in recent years and the National Development Plan 8: 2017–19 commits to increasing the budget allocation for education by 3 percent annually. Looking ahead, it is expected the National Development Plan 9 will target further increases in social spending.

Education planning is complicated by insufficient and unreliable financing. MoECHE has in place a national education sector plan and is supporting development of plans for the FMS. Somaliland and Puntland have their own Education Sector Strategic Plans with no specific coordination or harmonization. The current budget allocation, however, is insufficient to support core functions of an effective public education system that include payment for teachers and school construction.

The large number of donors and unreliable donor budget support has created a complicated aid environment.³² Education finance is supported by donors and development partners. Though data on domestic funding for the ministry has improved, there are no reliable data on outside direct support to the budget, but the MoECHE finance department estimates \$1.25 million annually in 2015/16. Budget support can be unreliable—donors do not always meet their full budget commitments, making it difficult for the MoECHE to plan. Donor and education partner support also take other forms, such as training of MoECHE staff, support for important meetings such as the Annual Joint Reviews, and technical support to key ministry functions through

payment of technical advisors.³³ There is off-budget support to education across Somalia (see Figure 2.12), and a wide range of development partners, such as the World Bank, UN agencies, traditional bi-laterals, non-traditional donors and foundations, and groups focused on humanitarian response and education in emergencies.³⁴ With such a diverse group of development partners, it is difficult for the MoECHE to coordinate and report on off-budget support, which is far from easy to quantify.

Figure 2.12: Project disbursements by location in education, health, WASH, 2016–18



Source: Aid Flows in Somalia, 2018, pp29.

Notes: Disbursement for 2016–18 combined; Water and Sanitation (WASH)

Security

Conflict in states in the southern and central parts of the country has serious impact on enrollment levels. There is a clear correlation between the degree of security in a region and school enrollments there. As detailed by Amnesty International, attacks on innocent children and teachers in learning institutions have made parents skeptical about sending their children to school, where they are vulnerable to abduction and other life-threatening consequences during raids on schools.³⁵ There is a close correlation between the Composite Security Indicator and levels of enrollment across the regions: Enrollment rates are higher in Somaliland, where the security index is higher (48 percent with an index of

³² According to the Ministry of Planning, Investment and Economic Development, there are a startling number of international actors in the country as a whole: at least [????] 12 bilateral donors, 26 multilaterals, and seven pooled funds.

³³ ESSP, p. 157.

³⁴ Federal Government of Somalia, Aid Flows in Somalia: Analysis of Aid Flow Data, March 2018.

³⁵ Somalia: An Overview of Primary and Secondary Education, Journal of Somali Studies, 2014, Mohamed A. Emo, p. 9.

44 percent) and lower in HirShabelle, Galmudug, Jubaland and South states of Somalia, where the security index is lower (18 percent primary net enrollment with an index of 32 percent).³⁶

2.4 Rebuilding Somalia's Education System

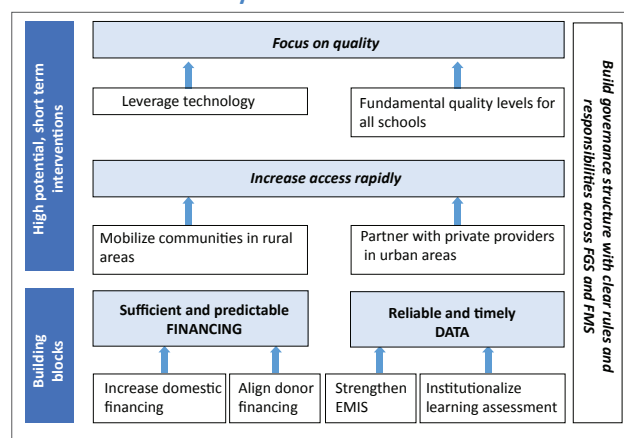
Despite the many challenges the country faces, it has made notable recent progress in education that can serve as the foundation for accelerating progress towards creating access to quality education to Somalia's children, such as:

- **Phasing in a Somali-owned and -prepared curriculum framework.** Ultimately, this national curriculum will be adopted in all schools, both public and private.
- **Introducing a consistent language of instruction.** Stakeholders in all jurisdictions have agreed that Somali is to be the language of instruction for teaching and learning in all primary schools and Arabic and English will be used in secondary schools.
- **Collecting and reporting education system data.** There has been progress in developing the school census/EMIS, which collects data and reports on the coverage of the school system, among other indicators. The data are now published in the MoECHE annual report of education statistics.
- **Expansion of affordable mobile phone and Internet services.** High mobile connectivity could enable Somalia to leapfrog and more rapidly improve education services built on Internet platforms. An added benefit is that the technology enables money transfers and other banking activities via mobile phones, which has advantages for paying teacher salaries and grants to schools.
- **Successful piloting of an Early Grade Reading Assessment in Mogadishu in 2013–15.** This pilot demonstrated that EGRA can provide valuable information about reading tasks, that can be used to improve student performance.
- **Impressive work of Somali communities and nonstate actors in creating educational opportunities in the absence of government action.** The role of private and partnership schools is a testament to the willingness of nonstate sector to fill the education vacuum.
- **A diaspora that is investing in education for the children of Somalia.** Somalis abroad provide substantial funding to their family and friends to support children in schools, including opening and operating nonstate schools.

It is urgent that Somalia's leaders build on this progress to bridge the significant gap between the vision of an education system in which all of Somalia's children can learn and the reality of a system struggling on multiple fronts. A conceptual framework could guide investments in education. The foundation (Figure 2.13) should consist of two building blocks: (1) reliable data on the characteristics and performance of students, schools, and education management entities in order to monitor schooling, education spending, and learning; and (2) sufficient and predictable funding at the federal and member state levels with aligned donor funding to support system improvement. Good data and sufficient funding are in turn prerequisites for expanding the provision of quality schooling across Somalia, leveraging the efforts of communities and the private sector. Finally, reliable data on schools and students, especially learning outcomes, and adequate access to quality schooling, are necessary for the design and delivery of effective and targeted support to teachers and learners.

³⁶ The Composite Security Index is a measure provided in the UNDP Human Development Report of 2012 regarding the attainment of physical, mental and spiritual peace and security of individuals and communities at home and in the world. It is defined by weighted calculation of up to 33 indicators for social capital, human, environmental and economic security and measured on a 0-1 scale.

Figure 2.13: Conceptual framework for rebuilding Somalia's education system



Source: Constructed by authors.

Core functions of the education sector need to be operationalized even as allocation of responsibilities to the federal and state governments is being negotiated. Until Somalia's federal and regional leaders and citizens reach agreement on the country's constitutional structure and overall governance, the distribution of responsibilities for education will continue to evolve. In the absence of a legal mandate for coordination, standard-setting, and service delivery between federal and state authorities, the framework is based on the states ensuring improving service delivery and a strong stewardship role for the federal government, exercised by improving foundational elements like data and financing and coordinating efforts to reach agreement on standards with the FMS. This division of responsibility will help ensure that options for supporting teachers, learners, and schools can be launched quickly in numerous places and have visible impact across Somalia; meanwhile, options that strengthen the entire system will be built to enhance the role of the federal government in coordination and leadership.

The priority should be quick gains within a framework that promotes longer-term stability. Any interventions by federal or member state education authorities should be designed as part of a long-term sector development plan. The plan will

require consensus between federal and member state authorities, demand significant funding and capacity development, and take time to get off the ground but will provide a stable ecosystem for the country to be able to invest in building its human capital. However, the country cannot afford to build these systems from the bottom up; it would need to leverage its strengths to launch high-potential interventions in the short to medium-term to provide basic education services to its citizens.

The following are high-potential, short-term interventions that could help put Somalia on a path to rebuilding the education system:

1. Deliver effective teaching and learning to all

Increasing access alone will not produce the human capital Somalia requires to get on the path to prosperity; students will need to acquire through a quality education, the skills to help them become productive members of society. Education can also be a powerful basis for promoting unity and a Somali identity to break the cycle of violence in the country; that means systems that provide the same learning experiences to all in the country. A single language of instruction, an approved Somali national curriculum, and affordable mobile connectivity open up opportunities to build a system that can leapfrog and provide quality learning opportunities to its students, even in the areas of the country that are hardest to reach.

Use technology

The increasing availability of broadband across the country and the increasing interaction of Somalis with online and mobile platforms opens up a tremendous opportunity. Mobile penetration is high and still rising. About 90 percent of Somalis over 16 years old have a phone, and 30.8 percent of which are smartphones.³⁷ Interaction with online platforms and tools is also high. For example, of the 1.2 million Somalis who are active Internet users, 1.1 million were active on Facebook. SomaliREN, a consortium

³⁷ Altai Consulting, "Mobile Money Ecosystem in Somalia," June 2017.

that has received support from the World Bank, has been able to connect several universities in Somalia at low cost.

There is tremendous potential for Somalia to leverage its high levels of connectivity to provide a low marginal-cost, blended instructional model that enables personnel (for instance, community teachers, new and experienced) with training and qualifications to deliver learner-focused education.

Technology could be used to provide: (1) a digital platform for teachers, designed to improve their ability to teach at the right level, to systematically build their qualifications while in service, and to take advantage of such teaching resources as scripted lesson plans based on the curriculum; (2) complementary learning modules that deliver content directly to students to overcome the disadvantages of a teaching force that has low content and pedagogical knowledge; and (3) tools to support student assessment and differentiated learning through adaptive learning.

A significant benefit of digital platforms is that they can be rapidly and remotely enhanced and refined based on the lessons learned during implementation. This approach has shown success in bringing disadvantaged students up to grade level in Haryana, India, where it was introduced in 2015. It would also enable students in insecure areas to stay in contact with schools even when security prevents physical access and would reinforce use of a single curriculum and learning standards across the country.

This technology-based approach could be rolled out in the short term while the government invests in improving its teacher training institutions to produce the required number of qualified teachers and later support their continuous development over time. It can also be the vehicle for getting high-quality teaching and learning resources to teachers and students at significantly lower cost when government's access to schools, especially in rural

areas, is limited by security and cost considerations. Important considerations in using this approach would relate to introducing the new technology to classrooms, production of high-quality local-language content, and identifying a technology partner. If successful, this approach could stimulate creation of a mechanism for enhancing the quality of instruction in a highly challenging operational environment.

Target scarce resources

There is an urgent need to improve learning quality in Somalia schools. The government could provide financing to schools to achieve an agreed-upon minimum or fundamental quality of operation. Because so many are below standard, this approach would provide an objective basis for allocating educational funding to schools where it is most needed.

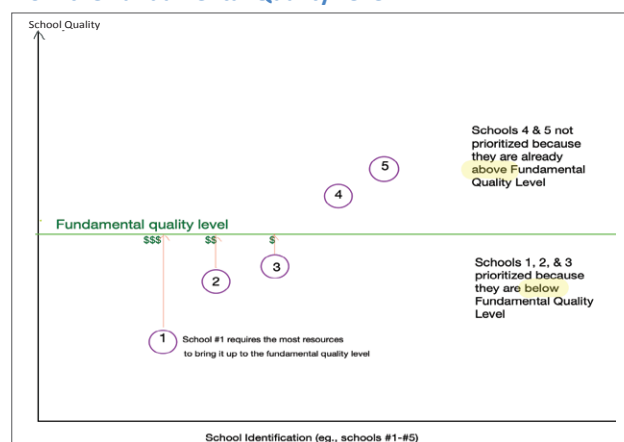
To establish the quality threshold, it will be necessary to (1) define conditions based on a participatory audit process, collecting data from primary schools on classroom infrastructure and sanitation, furniture, textbooks, learning materials, teacher training, and community engagement to determine current school conditions; (2) conduct surveys and estimates of the costs needed to invest in each school to bring it up to the fundamental quality level, and (3) establish a total budget for this initiative for a given period of time. Among conditions to consider at the outset would be the adequacy of infrastructure and equipment, basic teaching and learning materials, teachers, and child safety factors.

Establishing a fundamental level of quality is a pragmatic way to determine at the outset the minimum levels of service provision necessary, and also to provide an information base for calibrating the needs of individual schools and monitoring their performance over time. It is also an equity-enhancing initiative in that priority would be given to schools where conditions are furthest below



the fundamental quality level. Once this level is achieved for every school, the quality threshold could be moved up so that the quality all schools could ultimately be raised (Figure 2.14). One way to operationalize the provision of funding to schools would be through a government-financed school improvement fund. This approach has been credited with providing a solid foundation for Vietnam's successful education program and with positive results in, e.g., Brazil, Nepal, and Benin.

Figure 2.14: Prioritizing investments for schools furthest from the Fundamental Quality Level



Source: Constructed by authors.

2. Partner to increase access rapidly

Addressing in the short and medium term the severe lack of school places that offer basic learning opportunities, particularly for girls, IDPs, rural/pastoralists and the poorest will require multiple mechanisms to enhance public provision. The government can also work to open new schools through partnerships with communities and public-private partnerships.

Mobilize communities

The main reasons for low enrollment in rural communities, surveys find, are that schools are not available, they are too far from children's homes, or parents have no money to pay school fees. In rural localities and hard-to-reach areas that have low school coverage, member state governments could engage with Community Education Committees, community-based organizations, or other education-oriented members of the community (such as

university or teacher training graduates) to set up primary schools. In this case, the community would:

- a. **Secure a school site.** Communities could identify underutilized government buildings, or members of the community might donate space. In partnership with the community, the government could help to construct simple learning structures. As a requirement, these designs should include features that would facilitate girl's enrollment, such as boundary walls and separate latrines.
- b. **Recruit teachers, especially women.** These could be selected based on a test developed by the government to ensure they have basic knowledge and skills, and are committed to teach primary students. The government would provide on-site training and continuing support via technology as well as teaching and learning materials. An incentive would be that the government would pay the teacher salaries.
- c. **Encourage girls to enroll.** Provide an environment that would support girls' enrollment, such as recruiting female teachers and school construction that ensures privacy.
- d. **Monitor service delivery and quality instruction and ensure security for students and teachers.** Community partners could submit periodic reports on student learning, teacher attendance, and school conditions using mobile apps, as a way to support District Education Officers who are over-burdened and have problems traveling to distant locations.

Important benefits of government-supported community schools are that it could bring schools into the government database and also increase the legitimacy of local government. The community school approach has been used successfully in Pakistan's Balochistan Province, which has similar extreme access-related challenges because of small communities—almost half of the 22,000 settlements have no education facility due to scarce resources, conflict, and a general lack of implementation capacity. In less than four years, community schools

established in these settlements enrolled more than 40,000 students.

Incentivize entrepreneurs

Somalia's nonstate sector has been resourceful in helping meet the country's demand for education.

Nonstate schools serve over 50 percent of primary school students and 70 percent of secondary students, especially in relatively less-stable areas of the country where the public sector has been unable to operate. Nonetheless, over three million children are still not in school, with the vast majority living below the poverty line. Leveraging the private sector's ability to operate in unstable environments by giving private entrepreneurs incentives to open new schools could be the fastest way to begin closing this massive access gap, especially in urban and peri-urban areas, and to target IDPs and other communities that have fallen behind. Public-private partnerships could incentivize entrepreneurs to open new schools in low access localities if the government paid a per-child-enrolled subsidy. This could help ensure that the national curriculum is used, the public sector can regulate the private sector, and the government would quickly increase its footprint in providing education.

3. Strengthen Data for Monitoring and Accountability

There is a dearth of routine and reliable data on students, schools, and the entire system. Though the progress has been significant, the EMIS does not ensure that collection and reporting of school data are fully transparent, reliable, and timely. Nor is there a national student assessment system at the early primary level to help teachers, parents, and policymakers understand what the students are learning and where remedial instruction is needed.

Upgrade EMIS

To build on and further institutionalize the EMIS so that it can serve as the data foundation for system-wide reform, a number of institutional improvements are needed:

- a. Enhancing the technology infrastructure to make EMIS more web-based and capable of incorporating real-time data (a system-wide issue).
- b. Introducing mobile phone-based data collection (including 2G mobile SMS) to enable DEOs, REOs, parents, and community members to collect and submit real-time data into the EMIS on school conditions, teacher registration, teacher and student attendance, and the availability of teaching and learning materials (the basic indicators of fundamental quality). This could be done through a tool like EduTrac, an innovative mobile system of data collection that UNICEF is currently supporting in Afghanistan, Zimbabwe, Peru, and Uganda.
- c. Establishing multiple rounds of sample-based independent verification of EMIS data to gauge and improve the reliability of the data and to implement corrective measures to increase quality and transparency.
- d. Defining priority indicators for EMIS, such as international indicator protocols, so that information on the sector is globally comparable and available to decision makers, while ensuring that the system is as streamlined and realistic as possible. FMS and FGS will need to agree to align data collection with these indicators and mechanisms for collecting and reporting data.

Institutionalize learning assessment

In the short term, the EGRA, which measures the foundational skills needed to learn to read, could be used as a quick and reliable method to assess a range of early reading skills known to be central to reading fluently with comprehension. This knowledge can inform teachers and administrators, providing a basis for interventions to raise learning outcomes. EGRA can also support education officials setting standards and benchmarks for reading, as well as planning curriculum and teacher training to best facilitate children's reading achievement. EGRA can also be used to monitor system progress and evaluate programs. EGRA has already been

piloted in Mogadishu and could be expanded to other jurisdictions in a national pilot and then institutionalized. Since its inception in 2006, EGRA has been adapted for use in more than 65 countries and in over 100 languages. Despite the differences in instrument development between languages, contexts, and countries, EGRA's widespread use gives users a shared platform to describe results and monitor system changes.

4. Ensure Sufficient and Coordinated Funding for Quality Education

Somalia's ability to expand schooling and systematically raise educational quality and learning outcomes depends on an adequate, predictable, but also growing funding base. This in turn, depends on (1) state and federal mobilization of domestic revenue and allocation to education and (2) donor financing of education projects and education budget expenditure programs, both on- and off-budget.

Currently Somalia's allocations to education as share of the national budget are about 1 percent, far below the GPE benchmark of 20 percent of their budget to education. Over the past several years, the federal government has also allocated some of its budget to support education in the underserved federal states of HirShabelle, Galmudug, South West and Jubbaland, but the budgeted amount comes to less than \$2 million a year for all four states.³⁸ For their part, Member States spend little of their own resources on education due to low revenue mobilization and other priorities. Almost all of the funding for education in Somalia today is provided by external donors, such as the United Nations, other multilaterals, bilateral partners, NGOs, philanthropies, and the Somalia diaspora. Although the federal government has set up processes for dialogue with donors and coordinating donor programs, it has not yet managed to ensure that the funding flows reinforce efforts to strengthen Somalia's evolving federal education system or align

efficiently with Somalia's objectives of increasing access, equity, and the quality of schooling across the country.

Ensure adequate financing across Somalia through a National Education Development Fund

There is a need to ensure access to quality schooling for all Somali students by providing more equitable per student funding. To accomplish this, the MoECHE could require every state to budget and spend an agreed minimum amount per student in its schools; and where this is not sufficient, use a centrally-managed national fund to 'top up' state spending in a transparent and equitable manner (Figure 2.15). Because both the states and the federal government have very limited revenues, multiyear donor financing could be used to maintain the fund.

Those managing the fund would have the FGS and FMS (1) agree to a national per-student threshold set based on a fiscal analysis for education in Somalia and approved by Member States and the FGS cabinet or legislature; (2) demonstrate a fair financial effort to meet this threshold from their own revenues, for example by spending a larger share of state revenues on education (growing to 20 percent over time); and (3) agree to a process for providing top-up funding as needed by Member States on a per-child-enrolled basis, which would be transferred each year. A critical component of this option is a credible, transparent, and up-to-date EMIS and financial monitoring system, since top-up distributions would be based on EMIS data on enrollments and state expenditures reported in the previous year. Monitoring and control of distribution, transfer, and use of resources would be shared between FGS and the Member States with MoECHE as administrator.

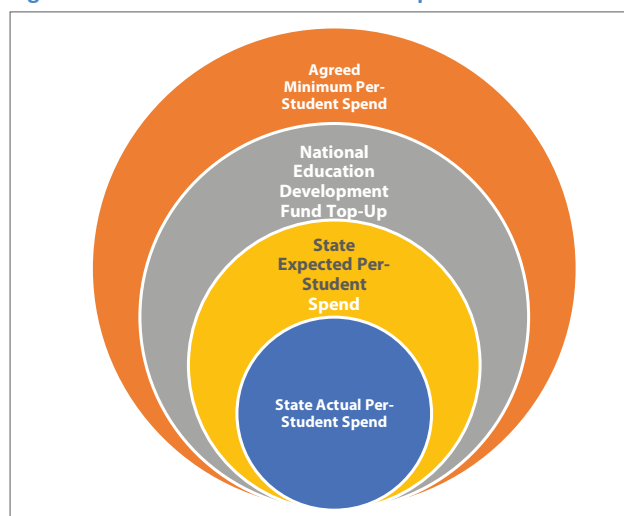
This approach can also incentivize Member States to expand enrollments by tying top-up funding to the number of children they succeed in enrolling. A model for the fund could be the

³⁸ ESSP, p.160.

Fundamental Education Development Fund (Fundo de Desenvolvimento do Ensino Fundamental, FUNDEF) introduced in Brazil in 1996. FUNDEF was designed to equalize funding through redistribution of education resources, taking into account the social and economic development of each state. A recent OECD evaluation reported that the program, now in operation for over 20 years, has contributed significantly to both increasing student enrollment and learning outcomes and enhancing teacher salaries.

Once such a fund is established, its criteria and transparency would make it easier for donors to improve the equity of Somalia's education system by providing financing to states and districts through the Fund rather than by financing some Member States but not others.

Figure 2.15: National Education Development Fund



Source: Constructed by authors

Align Donor Funding

Rebuilding education in Somalia will require a sector-aligned aid architecture that (1) reinforces the leadership of the MoECHE in planning and programming, in consultation with FMSs, donors, and development partners; (2) regularly monitors commitments, disbursements, and the impact of education aid; and (3) permits education-focused donors to earmark funds to the sector.

The Somalia Development and Reconstruction Facility (SDRF)— which brings donor financing into an integrated unit that facilitates collaboration and ensures alignment of donor funds with the National Development Plan is transparent and efficient. The current structure of SDRF does not permit donors to earmark funding for education. As a consequence, many if not most contributors to education negotiate their education projects with state or local actors outside of the SDRF, for both on- and off-budget initiatives. This means that most funding for education does not benefit from SDRF's processes and tools for monitoring donor funds and evaluating their impact. A separate education pillar (or an equivalent mechanism) in SDRF could overcome these limitations.

Meanwhile, however, MoECHE should adopt an oversight role that could, e.g., authorize new projects, as is the case with more mature federal systems like Pakistan, India, and Brazil.

2.5 Conclusion

Somalia has reached an inflection point in its efforts to create a firm foundation for its education system. Complementing consolidation of a governance structure characterized by well-defined responsibilities is the development and launch of a program of reforms. These could help reshape the education system to deliver much better results for more children and youth across the country.

Recommended priorities for action are the following:

- Establish a National Education Development Fund that ensures adequate education financing in Member States with incentives and support to maximize student enrollments.
- Partner with the nonstate sector and communities to deliver affordable and quality schooling in localities that are today severely underserved.

- Adopt a fundamental quality framework for schools backed up by a school improvement fund that ensures that every school in Somalia offers adequate conditions for learning.
- Use technology to provide learning support to teachers and students throughout Somalia.
- Adopt a student assessment system that routinely measures and leads to action based on what matters most – what students know and are able to do.

These options all depend fundamentally on the school-level data captured by the EMIS. For this reason, enhancing the quality, reliability, transparency, and timeliness of the EMIS is the *sine qua non* for these priority actions.



APPENDICES



Appendix A: Estimating GDP in Somalia

This appendix describes methods that have been used to make provisional estimates of Somalia's gross domestic product (GDP). It gives particular emphasis to how GDP for 2013–18 has been updated to incorporate data from Wave 2 of the Somalia High Frequency Survey (SHFS). Unlike previous surveys, Wave 2 covered virtually all of the area of Somalia and included nomads. It also employed more sophisticated sampling techniques. These factors make its estimates of household consumption more statistically reliable than previous ones and therefore a better basis for estimating national GDP. Wave 2's results indicate that previous household surveys overstated average consumption. Consequently, the GDP estimates published in the past overstated actual GDP in Somalia for 2013–18.

The annex identifies several other implications of revising the 2013–18 GDP estimates with data from the Wave 2 survey. When annual government revenue and spending are scaled by the value of GDP, they appear higher using the revised GDP estimates. The ratio of public debt to GDP is also higher. However, ratios of public debt to government revenue or of external debt to exports—two indicators that are important for debt relief—are not affected by this revision.

Finally, the annex identifies several caveats that apply to GDP estimates based on either Wave 1 or Wave 2. Unfortunately, neither provides a good indicator for measuring changes in real GDP.

The challenge of estimating GDP in Somalia

Somalia faces severe constraints in producing estimates of GDP and other socioeconomic data. It has been decades since the government has been able to gather key data. The last complete set of national accounts was published in 1991, the last nationally representative household income and expenditure survey was conducted in 1985, and the last population census was taken in 1975. This gap is one legacy of civil war and disintegration of state institutions that the country is working to fill. The World Bank, IMF, Statistics Sweden, and other international partners have been working with the Federal Government of Somalia to rebuild the national statistical system, and in the meantime to make provisional estimates of GDP and key indicators needed for policy making.

Applying the expenditure method to estimating Somali GDP

In a conventional setting, a country's statistical authorities regularly gather a wide range of data that are used to construct GDP. They collect information on the expenditure components of GDP— household consumption, government spending, investment and net exports—as well as on the value of goods and services produced in the economy and also information on incomes earned by the economy's factors of production (land, labor and capital). Statistical authorities take advantage of the fact that total GDP is conceptually identical whether computed from spending, production, or income data. By comparing estimates from multiple approaches, they can compensate for deficiencies in the data that inevitably arise when following any of one of them.

The severe data constraints in Somalia rule out computing GDP using the production or income method at this time. It has been possible to construct an estimate using proxies for the expenditure components, however. In the absence of firm-level surveys, for example, one can proxy firms' investment spending using data on imports of the major items that firms purchase when they undertake new investments. The existing

household surveys can be used to compute consumption. Somali customs data collection systems are still in development and national historical statistics do not exist. So-called “mirror statistics” published by Somalia’s trade partners have been the primary source for data on trade flows, supplemented where possible with information gathered by Somali customs officials and the Central Bank of Somalia’s balance of payments statistics. Figure A 1 presents the components and data sources that have been used since 2015 to estimate GDP in Somalia.^a

Figure A 1: Expenditure components of GDP and sources of data

Consumption	<ul style="list-style-type: none"> • Average daily household consumption (estimated by the SHFS) × Somali population × 365 days, adjusted by the CPI • Plus imputed rental services from owner-occupied housing (based on SHFS data) and an adjustment to account for consumption financed by grants
Government	<ul style="list-style-type: none"> • Combined federal and state government spending on personnel, procurement of goods and services, and consumption of fixed capital (using government fiscal operations data)
Investment	<ul style="list-style-type: none"> • Business gross fixed capital formation, proxied by imports of capital goods, cement, and transport equipment (using UN Comtrade exporter data), adjusted to domestic producer prices • Plus federal and state capital spending (using government fiscal data)
Net exports	<ul style="list-style-type: none"> • Merchandise imports and exports data from IMF Direction of Trade Statistics, supplemented by national statistics from non-reporting countries • Service exports and imports proxied by travel data from the Immigration Department

Table A 1 below shows values for these components that the IMF and World Bank have computed using the latest available data. Deflators for the expenditure components are used to convert nominal values into constant 2013 U.S. dollars. The household and government consumption deflators are based on the CPI series produced by Federal Directorate of National Statistics (DNS). IMF international price deflators are used for investment, exports, and imports.

Table A 1: Estimated nominal GDP, 2013–18
(millions of U.S. dollars)

Expenditure component		2013	2014	2015	2016	2017	2018e
C	Household final consumption expenditure	5,685	6,022	6,113	6,373	7,098	7,358
	Consumption of goods and services	5,192	5,412	5,585	5,817	6,351	6,745
	Imputed rent and adjustments for grants	493	610	528	556	747	613
G	Government final consumption expenditure	272	319	320	361	496	531
I	Gross fixed capital formation	555	582	565	592	545	309
	Private investment spending	555	570	550	564	519	0
	Public investment spending	0	12	15	28	26	0
	Net exports of goods and services	-2,618	-2,959	-2,949	-3,127	-3,630	-3,478
X	Exports	943	945	1,038	1,067	994	1,224
M	Imports	3,561	3,904	3,987	4,194	4,624	4,702
Gross domestic product = C+I+G+X–M		3,892	3,964	4,049	4,198	4,509	4,721
Memorandum							
Real GDP (constant 2013 dollars)		3,892	3,984	4,122	4,241	4,300	4,420
Annual real GDP growth rate (percent)		1.9	2.4	3.5	2.9	1.4	2.8

Sources: IMF and World Bank staff estimates

Note: 2018 is a preliminary estimate; complete data on investment proxies are not yet available.

^a The IMF Statistical Affairs Department worked with the Directorate of National Statistics to develop this method. This is described in IMF, “Somalia: Report on a National Accounts Statistics Mission,” August 2017.

The challenges of measuring household consumption in Somalia

Estimating consumption spending has proved to be the biggest challenge in Somalia. In an ideal setting, the national statistical authorities would periodically conduct a detailed household budget survey, visiting a sample of households throughout the country that is drawn from the national population census. This ensures that sample data can be correctly extrapolated to the whole population to arrive at a statistically reliable estimate of national consumption for the GDP calculation. Statistical authorities routinely supplement these survey-based data with additional information related to household spending and income to arrive at an estimate of total household final consumption expenditure for each year.^b

In the absence of a population census and a full household budget survey, the World Bank has supported DNS to estimate consumption and poverty by conducting household surveys using the Rapid Consumption methodology. This methodology employs an abbreviated questionnaire and multiple statistical imputation techniques to estimate household consumption in situations where security risks or other factors make it impractical to conduct a conventional household budget survey.^c In 2014, the World Bank and DNS piloted the Rapid Consumption methodology in Mogadishu, which it combined with results from the 2013 Somaliland Household Survey to inform the 2015 GDP estimate.

The World Bank has progressively expanded the geographic scope of these surveys and improved their quality (Figure A-2). The World Bank scaled up the Mogadishu pilot in 2016 as Wave 1 of the SHFS. This surveyed households in North East, North West, and Banadir. The World Bank carried out Wave 2 of the SHFS during the last quarter of 2017 and first quarter of 2018.^d This further expanded the survey's geographical coverage to include southern Somalia, which was not possible in Wave 1 due to security concerns. It also included the nomadic population, unlike previous surveys, as well as more households in internally displaced people (IDP) settlements. Wave 1 used the 2014 Population Estimation Survey of Somalia (PESS) to construct the sampling frame for urban areas. Wave 2 supplemented the PESS with other existing data sources to strengthen the statistical reliability of the urban, rural and IDP strata. SHFS Wave 2 is the first survey to be nationally representative. For purposes of estimating GDP, this means that estimates from Wave 2 paint the most credible picture of the country's total consumption.

Two practical challenges arise when using SHFS data to estimate Somali GDP, however. First, there is a widely accepted population estimate for one year only: 12.32 million people at end-2013.^e Values of population for other years are constructed by applying the UN World Population Prospect's estimate of annual population growth for 2010–15 (2.88 percent per year) to the 2013 population.^f

Second, estimates from the three surveys are not directly comparable (due to coverage and sampling differences described above). One cannot use the Wave 1 consumption data to estimate 2016 GDP and then the Wave 2 data for 2017 GDP, for example. Instead, one must use the same per capita consumption estimate to construct the entire series of annual consumption. This edition of the SEU uses the estimate of

^b For example, statistical authorities often use the income tax register to correct for under-reporting of income, which is common in household surveys. In addition, many household surveys do not report the imputed rental value of owner-occupied housing, which must be estimated separately to obtain a complete account of consumption. See United Nations, "System of National Accounts 2008," Report Number ST/ESA/STAT/SER.F/2/Rev.5, 2009.

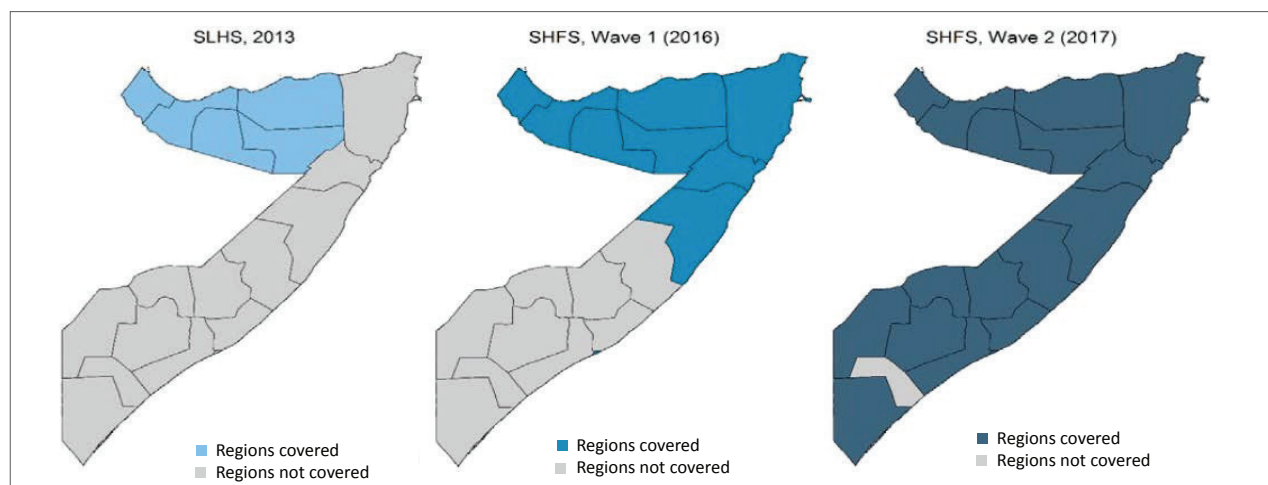
^c The Rapid Consumption methodology is described in Utz Pape and Johan Mistiaen, "Measuring Household Consumption and Poverty in 60 Minutes: The Mogadishu High Frequency Survey," World Bank, June 2015, and in World Bank, "Somalia Poverty Profile: Findings from Wave 1 of the Somalia High Frequency Survey," World Bank, June 2017.

^d World Bank, "Somali Poverty and Vulnerability Assessment: Findings from Wave 2 of the Somali High Frequency Survey," forthcoming July 2019. The microdata from both Wave 1 and Wave 2 of the SHFS are published on the DNS website at <<http://microdata.dns.org.so>>.

^e UNFPA, "Population Estimation Survey 2014 for the 18 Pre-War Regions of Somalia," October 2014. The survey was conducted from October 2013 through March 2014. The GDP estimation uses the PESS results as an estimate for the population at the end of 2013.

^f United Nations, "World Population Prospects: The 2017 Revision," Report ST/ESA/SER.A/399, 2017.

Figure A 2: Expanding coverage of household surveys, 2013–17



Source: World Bank, "Somali Poverty and Vulnerability Assessment," June 2019 (forthcoming).

Notes: The boundaries on the map show approximate borders of Somali pre-war regions and do not necessarily reflect official borders, nor imply the expression of any opinion on the part of the World Bank concerning the status of any territory or the delimitation of its boundaries.

\$1.26/day from Wave 2 of the SHFS to compute 2017 consumption, and adjusts this by changes in the annual CPI to compute nominal values for other years.⁸ Finally, this nominal value of daily consumption is multiplied 365 days per year and by total population to arrive at a value of annual household consumption in current dollars, as shown in Figure A-3. The full series of annual estimates of Somalia household consumption of goods and services for 2013–18 is presented in Table A-2.

Figure A 3: Method for estimating 2018 consumption

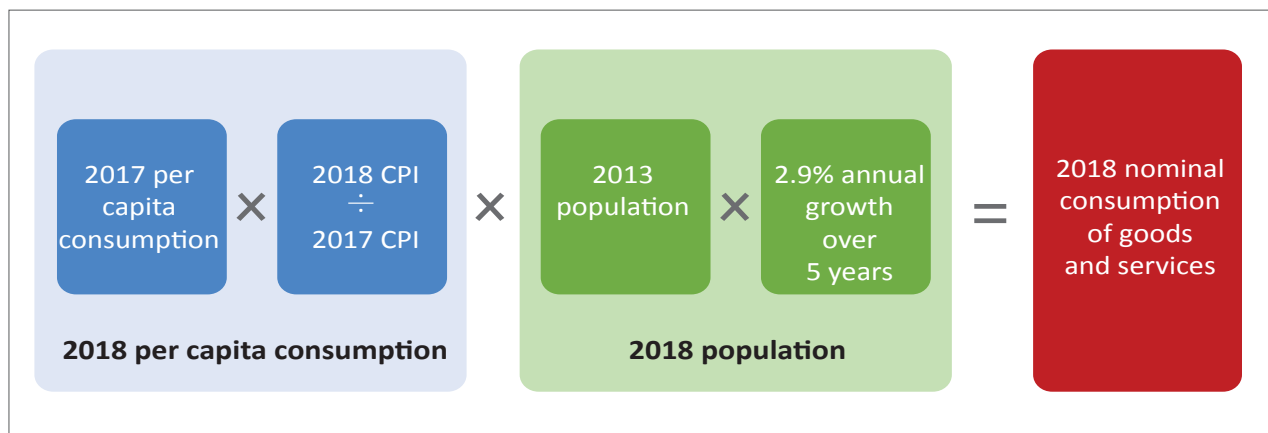


Table A 2: Estimates of household consumption of goods and services, 2013–18

	2013	2014	2015	2016	2017	2018e
Mogadishu consumer price index	99	100	100	102	108	111
Nominal per capital daily consumption	\$1.15	\$1.17	\$1.17	\$1.19	\$1.26	\$1.30
Estimated population (million)	12.32	12.67	13.04	13.42	13.81	14.21
Consumption of goods and services (million)	\$5,192	\$5,412	\$5,585	\$5,817	\$6,351	\$6,745

Sources: CPI from DNS, 2017 per capita consumption from Wave 2 of the SHFS, 2013 population from the 2014 PESS.

Notes: Data points from source surveys are in shaded cells; other values are constructed estimates. Each year is assumed to have exactly 365 days.

⁸ The CPI is published by the Federal Directorate of National Statistics at <<http://www.dns.org.so/consumer-price-index>>. This is currently based on price surveys conducted in Mogadishu only. DNS is working to expand the price survey to other markets in the country.

Implications of these challenges for Somali GDP estimates

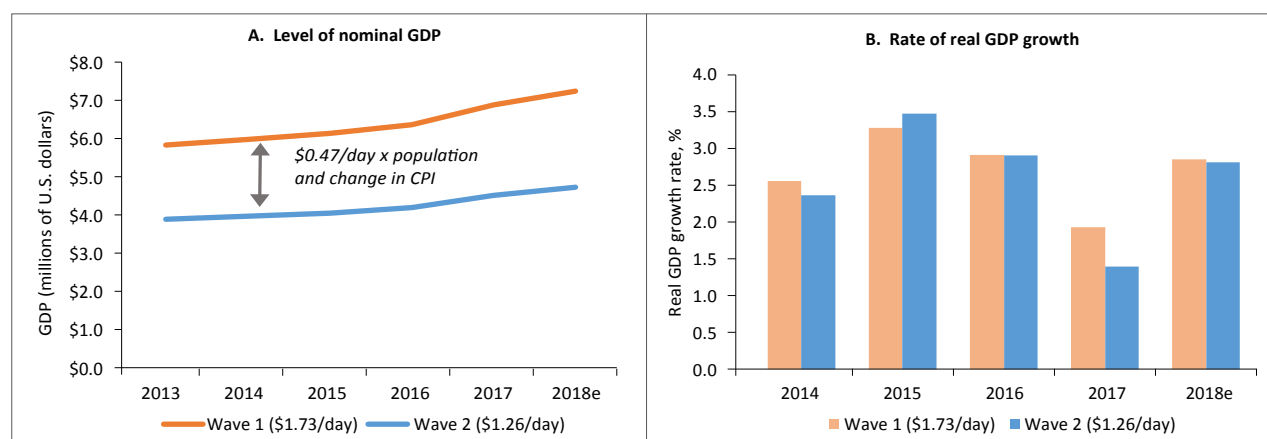
This method of estimating GDP has several implications. The most important expenditure component—household consumption—is based on three constants: 2017 per capita consumption, 2013 population, and the average population growth rate. Consequently, all year-to-year variations in real GDP growth come from changes in government spending, GDP deflators, and international trade flows (which are used not only for net exports, but also to construct the proxy for private investment spending). This weakens the value of GDP as an indicator for measuring changes in household welfare from improvements in security conditions, for example, or from adverse weather shocks.

Factors that may be unique to one survey or one year are imposed on all years. For security reasons, Wave 1 was conducted only in the safest areas of the country. These happen to be the most prosperous as well. Applying its per capita household consumption estimate of \$1.73/day to the entire population likely overstates true GDP for all years in the series. Wave 2 happened to be conducted during an unusually severe drought. Its estimate of \$1.26/day likely understates GDP for all years.

Finally, the entire GDP series must be revised after each household survey. Even after Somalia's statistical systems are fully rebuilt and the statistical authorities resume collecting data needed to estimate GDP using conventional methods, they will regularly revise official statistics as new information becomes available. But in most countries, such revisions affect only the most recent few periods. Only when the national accounts are rebased to reflect changes in the structure of the economy (generally once every decade) are there such large changes in a longer-term series.

How do these considerations affect Somalia's GDP estimates? Figure A-4 shows that changing the value of per capita consumption moves the level of nominal GDP up or down for all years (Panel A), but this has minimal effects on the growth rate of real GDP from one year to the next (Panel B). The chief effect on the growth rate is that the variation in annual growth rates over the series is greater when the constant value of real per capita consumption is lower. This is because the other expenditure components of GDP, which are based on data that show observable annual changes, have a greater weight in total GDP than household consumption. For this reason, one must be cautious about using annual changes in estimated GDP as an indicator of improvement or decline in national economic well-being.

Figure A 4: Effects on GDP of changing the per capita daily consumption estimate

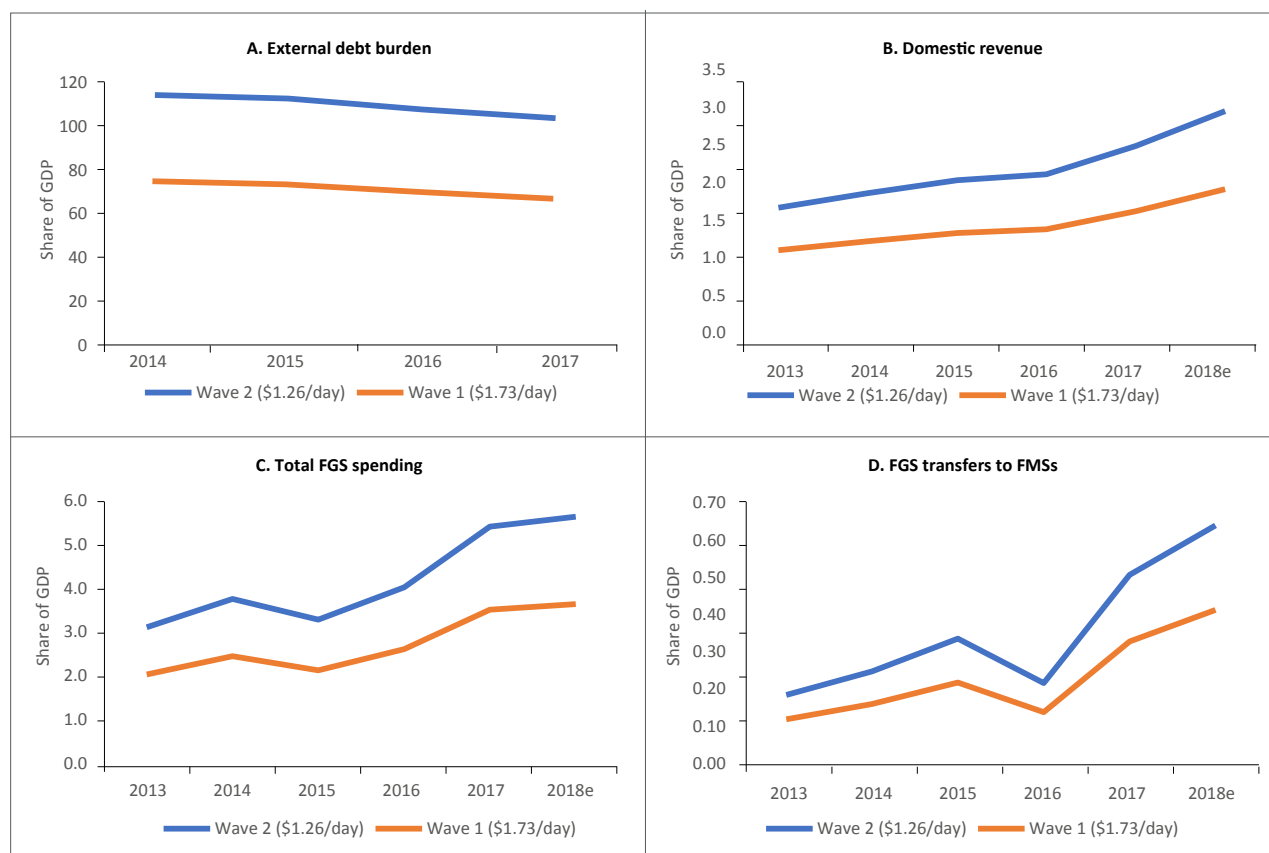


Source: World Bank staff calculations

Notes: These figures show only the direct effects of using a different value of per capita daily consumption. Previously reported GDP statistics were based on older CPI, fiscal, and trade data and therefore differ from what are shown here.

Changing the level of GDP naturally changes the value of other indicators that are important for policy makers. When expressed as a ratio to GDP, government revenue and spending reported for 2013–18 in this edition of the SEU appear substantially higher than what was reported in previous editions. This is because of the change in the daily consumption estimate, not because of a sudden change in the government's capacity to collect or spend money. Similarly, the ratio of debt to GDP is also much higher, even though the budget remains balanced and there has been no change in debt management.^h As shown in Figure A-5, the levels of these variables are higher when the per capita daily consumption estimate from Wave 2 is, but otherwise the trajectories of how they change over time are the same.

Figure A 5: Other effects of different per capita consumption estimates



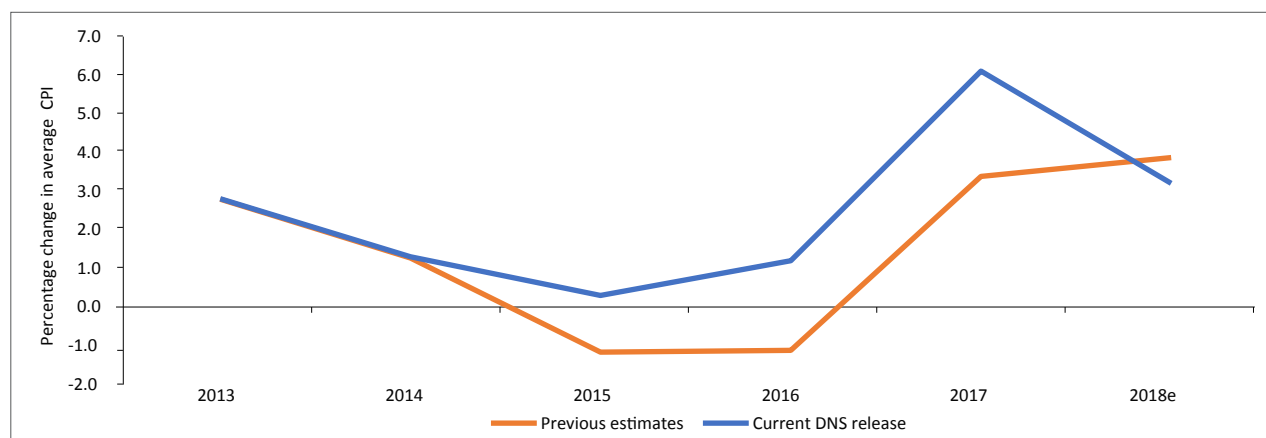
Source: World Bank staff calculations.

Other revised data incorporated into the updated GDP series

The GDP statistics reported in this edition of the SEU also incorporate other new or revised data. More complete international trade and government spending data for 2017 have become available since the 2018 edition of the SEU, and data for 2015 and 2016 have been revised slightly to incorporate updated statistics. In addition, the new GDP series uses official CPI data from DNS as the source for household and government consumption deflators in place of CPI data constructed using other data. Average inflation rates implied by the constructed CPI estimates are somewhat lower for 2015–17 than official DNS estimates (see Figure A-6). The previous CPI data tended to overstate real GDP.

^h One should note that updating GDP with the latest consumption data has no effect on the ratio of external debt to exports, which is a key variable for determining the amount of debt relief in the Heavily Indebted Poor Country initiative.

Figure A 6: Inflation estimates used in GDP deflators



Source: DNS, IMF.

Looking ahead

In the coming years, as the country continues to rebuild the national statistical system, DNS will begin estimating the total value added of production in agriculture, industry and services sectors of the economy. This will require DNS to conduct regular surveys of enterprises to supplement data on household and informal production obtained from household surveys.ⁱ Comparing estimates from both the demand (expenditure approach) and supply (production approach) sides of the economy will enable DNS to arrive at a more accurate estimate of GDP than is possible using data that are currently available. It will then be feasible for DNS to begin following the standard international practice of annually revising GDP statistics and periodically rebasing the national accounts to reflect long-term structural changes in the economy.

ⁱ The World Bank is currently preparing an investment project to support this work.

Building Education to Boost Human Capital

Somalia's economy is slowly recovering from 2016/17 drought impact and the country continues to strengthen its public finances. Real GDP grew by an estimated 2.8 percent in 2018 compared to 1.4 percent in 2017 and will remain unchanged in 2019. Moderate real GDP growth of 3.2–3.5 percent is projected over the medium term. However, the economy continues to face significant challenges and the projected poor harvests due to below-average 2019 Gu rainfall is a reminder of the cyclical climatic shocks that will continue to stretch the country's fiscal and economic resources. Lower agricultural output (both crops and livestock), exacerbate food insecurity, water stress, households' income, increases humanitarian needs, and threatens growth outlook.

Social outcomes are poor across the country. Education access and learning outcomes are low, and health indicators are among the worst in the world. Globally, it is estimated that 10 to 30 percent of differences in GDP per capita are attributed to differences in human capital. Investing in human capital will be essential if Somalia is to escape the trap of poverty and violence and move back onto the path to prosperity. The crucial 40 percent of Somalis who are now aged 6 to 18 need to acquire the knowledge, health, and skills to become productive contributors to the country's economy and thus break the cycle of conflict, exclusion, and vulnerability.

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