

Federal Republic of Somalia

SOMALIA ECONOMIC UPDATE

June 2021 | Edition No. 6



Investing in Health to Anchor Growth

Public Disclosure Authorized
Public Disclosure Authorized
Public Disclosure Authorized
Public Disclosure Authorized
Public Disclosure Authorized

Investing in Health to Anchor Growth

Federal Republic of Somalia

SOMALIA ECONOMIC UPDATE

Investing in Health to Anchor Growth

June 2021

© 2021 The World Bank
1818 H Street NW, Washington DC 20433
Telephone: 202-473-1000; Internet: www.worldbank.org

Some rights reserved

This work is a product of the staff of The World Bank. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of the Executive Directors of The World Bank or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Rights and Permissions

The material in this work is subject to copyright. Because the World Bank encourages dissemination of its knowledge, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution to this work is given.

Attribution—Please cite the work as follows:

“World Bank. 2021. Somalia Economic Update, Sixth Edition: Investing in Health to Anchor Growth. © World Bank.”

All queries on rights and licenses, including subsidiary rights, should be addressed to World Bank Publications, The World Bank Group, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: pubrights@worldbank.org.

Photos credits: The World Bank/Mohamed Abihakim and WHO Somalia.

TABLE OF CONTENTS

Abbreviations	i
Acknowledgements	ii
Foreword	iii
Hordhac.....	iv
Executive Summary	v
Soo Koobid Guud	xi
PART I. Recovering from the Triple Shocks of the COVID-19 Pandemic, Floods, and the Locusts Infestation	2
1.1 The Global and Regional Context	2
1.2 Recent Developments in Somalia.....	2
1.3 Medium-Term Outlook, Risks, and Challenges.....	20
1.4 Policy Options for Economic Recovery	22
1.5 Building Resilience to Somalia’s Recurrent Shocks	23
PART II. The Importance of a Resilient Health System for Economic Growth	30
2.1 The Case for Investing in Health	26
2.2 The State of the Health Sector	27
2.3 How Can the Somali Health Sector Be Strengthened to Better Respond to Health Needs in the Next Three to Five Years?	37
2.4 Conclusion	43
References	46

LIST OF FIGURES

Figure 1: The number of daily COVID-19 cases began to fall in late March 2021, following a second surge that began in January..	3
Figure 2: Real GDP growth has been erratic since 2013, amid recurrent shocks.....	3
Figure 3: Agricultural production has been erratic for a decade.....	5
Figure 4: Sales declined in 2020 across firm types, but they were higher in the second half of the year than in the first half....	5
Figure 5: A large share of firms closed or adjusted their production in 2020.....	6
Figure 6: COVID-19 disruptions and restrictions did not greatly interrupt credit to the private sector.....	7
Figure 7: Inflation remained low, driven by lower food prices.....	8
Figure 8: Higher oil prices and medical costs drove increases in prices.....	8
Figure 9: Banking system’s domestic assets and liabilities grew significantly between 2018 and 2020	9
Figure 10: The composition of banking system assets changed between 2018 and 2020.....	10
Figure 11: Customer banking deposits grew sharply in 2020	11
Figure 12: The external position deteriorated in 2020	11
Figure 13: The composition of exports and imports changed in 2020	12
Figure 14: Remittances stagnated at the onset of the pandemic but recovered in the third and fourth quarters of 2020.....	12
Figure 15: COVID-19 containment measures dampened revenue collection, but grants eased the pressure.....	14
Figure 16: The composition of FGS spending changed in 2020	15
Figure 17: Expenditure pressure increased across Federal Member States in 2020.....	16
Figure 18: FGS domestic resources are expected to recover in 2021, but expenditure priorities to remain the same	18

Figure 19:	FGS expenditure in 2021 is set to increase across all sectors relative to the 2020 outturn	19
Figure 20:	Economic recovery will be moderate in 2021 and in the medium term	20
Figure 21:	Somalia has the highest number of disability-adjusted life years (DALYs) per 100,000 people in East Africa.....	29
Figure 22:	In 2019, Somalia had by far the highest total fertility rate in East Africa	29
Figure 23:	Coverage of maternal health services is low	30
Figure 24:	In East Africa, only South Sudan has a higher maternal mortality ratio than Somalia	30
Figure 25:	Almost half of DALYs in Somalia are caused by communicable diseases	30
Figure 26:	The burden of noncommunicable diseases has increased.....	31
Figure 27:	Maternal and reproductive health indicators vary widely across geographic areas	32
Figure 28:	Across Somalia, the share of women receiving antenatal care or delivering in an institution is low and the fertility rate high	32
Figure 29:	Higher-income people are more likely to seek medical treatment than lower-income people—and much more likely to see that treatment at a private facility	32
Figure 30:	Somalia has the lowest Global Health Security Index in East Africa	33
Figure 31:	Federal Ministry of Health spending increased between 2015 and 20, especially since 2018	33
Figure 32:	Government spending represents a small share of total health spending in most East African countries.....	33
Figure 33:	The number of inpatient beds per 10,000 people ranges widely in Somalia	35
Figure 34:	The level of service readiness of facilities is low	35
Figure 35:	Core health worker density ranges widely in Somalia—but is low across the country	35

LIST OF BOXES

Box 1:	Proposed tax measures by the FSG are expected to yield about \$30 million in 2021	17
--------	---	----

LIST OF TABLES

Table 1:	Recommended actions for strengthening the health sector in the short and medium term	ix
Table 2:	Selected economic and financial indicators, 2018–23	4
Table 3:	Impact of COVID-19 on firms’ operations	6
Table 4:	Banking sector performance, 2019–20	10
Table 5:	FGS fiscal operations, 2018–21	13
Table 6:	FGS revenue and expenditure outturn, first quarter 2020 and 2021.....	20
Table 7:	Summary opportunities to improve Somalia’s health sector	43

ABBREVIATIONS

ANC	Antenatal Care
CBS	Central Bank of Somalia
DALY	Disability-adjusted Life Year
DHIS2	District Health Information System
EPHS	Essential Package of Health Services
FGS	Federal Government of Somalia
FMoH	Federal Ministry of Health
HMIS	Health Management and Information System
JHNP	Joint Health and Nutrition Program
MDAs	Ministries, Department and Agencies
MSMEs	Micro, Small, and Medium-Size Enterprises
NDP	National Development Plan
NGO	Non-governmental Organization
PFM	Public Financial Management
SHDS	Somalia Health and Demographic Survey
WHO	World Health Organization



ACKNOWLEDGEMENTS

This sixth edition of the *Somalia Economic Update* was prepared by a World Bank team led by John Randa and Naoko Ohno. The core team consisted of Catherine Ngumbau, Philip Schuler, Jessica Flannery, Ahmed Salim Nuhu, and Sheila O’Dougherty. Natasha Sharma, Barbara Karni, Eugenia Konya, Robert Waiharo, Fatuma Hirsi and Vera Rosauer also made contributions.

The report benefitted from the comments of peer reviewers Fulbert Tchana, Inaam Ul Haq, and Ekaterine T. Vashakmadze.

The team received overall guidance from Vivek Suri (Practice Manager, Macroeconomic, Trade and Investment); Francisca Ayodeji Akala (Practice Manager, Health, Nutrition and Population), Allen Dennis (Program Leader, Equitable Growth, Finance & Institutions); and Kristina Svensson (Country Manager, Somalia).



FOREWORD

Somalia continues to contend with an unprecedented health and economic crisis that began in 2020. The country grappled with the triple shock of the COVID-19 pandemic, floods, and locust infestations which led to an economic contraction of about 0.4 percent in 2020. The contraction was milder than expected thanks mainly to official aid flows; fiscal policy measures put in place by the government to aid businesses; social protection measures to cushion vulnerable households; and higher than expected remittance inflows. Still, the triple shock pushed more people into poverty and joblessness. One out of every five Somalis had to stop working following the outbreak of COVID-19, and four out of every five households reported reduction in their income from wages.

Against this backdrop, I am pleased to present the sixth edition of the World Bank Somalia Economic Update series. These reports aim to contribute to policymaking and the national conversations on topic issues related to economic recovery and development. The report contains three main messages. The COVID-19 pandemic exposed the costs of not investing in a public health system. The near-term economic prospects for Somalia depend on the pandemic's path. Public spending on health is crucial to support testing and tracing and ensuring that the logistical, administrative, and financial requirements of mass vaccination are in place. The slower the pace of vaccination and the larger the unvaccinated population, the greater the possibility that new variants of the virus will develop, increasing the prospect of a more protracted pandemic.

The disruptive impact of the COVID-19 crisis on workers, labor markets, and livelihoods has further underlined the importance of the jobs' agenda. In Somalia, one year into the crisis, employment had contracted 37 percent, with medium-size, large, and older firms shedding most of the jobs. Even though the FGS responded quickly to address the immediate jobs challenges of COVID-19, by using liquidity support for firms with the Gargaara facility, and income support for vulnerable households Baxnaano program, it will need to address the medium and long-term effects of the pandemic by stimulating job creation, re-employment, and economic inclusion. This could be done by addressing two main challenges of: creating better jobs that increase productivity and earnings for the growing workforce; and supporting access to better jobs for the youth and women. This could be achieved economic integration, digitization, and enhancing agricultural productivity through improving water management.

Programs that support vulnerable populations build the economy's resilience to shocks. Extending the reach and responsiveness of social programs through the innovative and cost-effective use of mobile money, electronic cash transfers, and virtual engagement is key to supporting Somalia's vulnerable population. Building on the Baxnaano program to enhance Somalia's safety nets is key. It could be done by adopting a national social safety net strategy that clearly sets out target populations and delivery mechanisms and is capable of being scaled up rapidly in response to economic shocks or reforms.

Investments in Somalia's health sector are expected to contribute to economic growth in Somalia in the long term. Targeted investments in health service delivery, financing, and sector stewardship would strengthen the health sector, improving health outcomes and increasing emergency and epidemic preparedness toward economic stability and growth.

Kristina Svensson

Country Manager, World Bank Somalia

Soomaaliya waxay weli ku jirtaa xaalad caafimaad iyo mid dhaqaale oo aan hore loo arag oo bilaabatay 2020. Dalku wuxuu la halgamay naxdinta saddex-geesoodka ah ee masiibada COVID-19, daadadka, iyo cayayaanka ayaxa oo horseeday hoos-u-dhac dhaqaale oo qiyaastii ahaa 0.4 boqolkiiba sannadkii 2020. Hoos u dhaca ayaa ka fudud intii la filayay iyada oo ay ugu wacan tahay socodka gargaarka rasmiga ah; tallaabooyinka siyaasadda maaliyadeed oo ay dawladdu dejisay si loo caawiyo ganacsiyada; tallaabooyinka ilaalinta bulshada si loo dabciyo qoysaska nugal; oo ka sarreeya intii la filayay inay xawaaladuhu soo galaan. Sidaas oo ay tahay, masuubooyinka saddexda ah ayaa dad badan ku riixday faqri iyo shaqo la'aan. Mid ka mid ah shantii qof ee Soomaali ahba waxaa ay noqotay in uu joojiyo shaqada ka dib markii uu dillaacay COVID-19, iyo shantii qoysba afar ka mid ah ayaa sheegay inay hoos u dhaceen dakhligii mushaharka.

Kasoo horjeedo gadaal, waxaan ku faraxsanahay inaan soo bandhigo daabacaaddii lixaad ee taxanaha Cusboonaysiinta Dhaqaalaha ee Bangiga Adduunka ee Soomaaliya. Warbixinnadani waxay ujeedadoodu tahay inay gacan ka geystaan dejinta siyaasadda iyo wada-hadallada qaran ee ku saabsan arrimaha mowduuca ee la xiriiira soo kabashada dhaqaalaha iyo horumarka. Warbixintu waxay ka kooban tahay saddex farriin oo waaweyn.

Faafida COVID-19 waxuu daaha ka qaaday kharashaadka aan lagu maalgelin nidaamka caafimaadka dadweynaha Rajada dhaqaale ee mustaqbalka dhow ee Soomaaliya waxay ku xiran tahay waddada xanuunka caalamiga ah. Kharashaadkai dadweynaha ee caafimaadka u ah taageeridda tijaabinta iyo baafinta iyo hubinta in baahiyaha saadka, maamulka, iyo maaliyadda ee tallaalka baaxadda leh yihiin sidii loogu talo galay Yaraanta xaddiga talaalka iyo badnida tirada dadka aan la tallaalin, ayay u sii badanaysaa suurto galnimada in noocyo kala duwan oo fayrasku ay soo baxaan, taas oo kordhineysa rajada masiibo daba dheeraatay.

Saamaynta caqaladeysan ee xiisadda COVID-19 ku yeelatay shaqaalaha, suuqyada shaqada, iyo hab-nololeedyada ayaa sii hoosta ka xariiqday muhiimadda ajandaha shaqooyinka. Soomaaliya, hal sano oo ay dhibaatu ka jirtay, shaqaalaysiinta ayaa qandaraas la gashay 37 boqolkiiba, iyada oo shirkado dhexdhexaad ah, kuwo waaweyn, iyo kuwo duug ah ay shaqooyinkii ugu badnaa iska tuureen. In kasta oo DFS In kasta oo DFS ay si dhakhso leh uga jawaabtay si wax looga qabto caqabadaha shaqooyinka degdegga ah ee COVID-19, iyada oo la adeegsanayo kaalmada debaajiga ee shirkadaha leh xarunta Gargaara, iyo taageerada dakhliga ee qoysaska nugal barnaamijka Baxnaano, waxay u baahan doontaa inay wax ka qabato saamaynta dhexe iyo tan fog masiibada iyada oo kicineysa shaqo abuurka, dib u shaqaalaysiinta, iyo ka mid noqoshada dhaqaalaha. Tan waxaa lagu samayn karaa iyada oo wax laga qabanayo laba caqabadood oo waaweyn oo ah: in la abuurto shaqooyin wanaagsan oo kordhiya wax-soo-saarka iyo dakhliga shaqaalaha koraya; iyo taageeridda helitaanka shaqooyin ka wanaagsan dhallinyarada iyo haweenka. Tan waxaa lagu gaari karaa isdhexgal dhaqaale, digitization, iyo kor u qaadida wax soo saarka beeraha iyada oo la hagaajinayo maamulka biyaha.

Barnaamijyada taageeraya dadka nugal waxay dhisaan adkeysiga dhaqaalaha ee naxdinta leh. Kordhinta gaarsiinta iyo ka-jawaab-celinta barnaamijyada bulshada iyada oo loo marayo adeegsiga hal-abuurka leh oo wax-ku-oolka ah ee lacagta mobilada, xawilaadda kaashka elektiroonigga ah, iyo ka-qaybgalka dalwaddu waxay fure u tahay taageeridda dadka nugal ee Soomaaliya. Dhisidda barnaamijka Baxnaano si kor loogu qaado shabakadaha badbaadada Soomaaliya waa furaha. Waxaa la samayn karaa iyada oo la qaato istiraatiijiyad shabakad badbaado bulsheed oo qaran oo si cad u qeexaysa dadka la beegsanayo iyo hababka gaarsiinta oo awood u leh in si degdeg ah kor loogu qaado si looga jawaabo dhibaatooyinka dhaqaale ama dib-u-habaynta.

Maalgashiyada waaxda caafimaadka ee Soomaaliya ayaa la filayaa inay wax ku biiriyaan kobaca dhaqaalaha mustaqbalka fog. Maalgelinta la beegsaday ee bixinta adeegga caafimaadka, maalgelinta, iyo wakiilka waaxyaha ayaa xoojin doonta waaxda caafimaadka, hagaajinta natiijooyinka caafimaadka iyo kordhinta xaaladaha degdegga ah iyo u diyaargarowga cudurrada xagga xasilloonida dhaqaalaha iyo kobaca.

Kristina Svensson

Maareeyaha Dalka, Bangiga Adduunka ee Soomaaliya



EXECUTIVE SUMMARY

Somalia continues to contend with an unprecedented health and economic crisis that began in 2020.

The COVID-19 pandemic forced a temporary national lockdown and mobility restrictions, which pushed the economy into contraction during the middle of 2020. Vulnerable groups—including the poorest, informal sector workers, women, and youth—have suffered disproportionately from reduced opportunities.

Under the COVID-19 Vaccines Global Access (COVAX) Facility and through its development partners, the country has received over 708,000 doses of vaccine, which the government is using to vaccinate its population. However, vaccine hesitancy, the weak and overstretched healthcare system, and poor distribution infrastructure are hampering the vaccine rollout.

As a result, Somalia will struggle to achieve widescale vaccination before the end of 2023, leaving its people exposed to new, more virulent strains of the disease and raising the prospect that COVID-19 will become a permanent, endemic problem across the country.

Somalia's economy contracted by an estimated 0.4 percent in 2020, as the country grappled with the triple shocks of the COVID-19 pandemic, floods, and locust infestations.¹

The contraction was milder than the 1.5 percent forecast in the 2020 *Somalia Economic Update*, thanks mainly to official aid flows, which were higher than anticipated; fiscal policy measures put in place by the government to aid businesses; social protection measures to cushion vulnerable households; and higher than expected remittance inflows. Much of the economic contraction occurred in the second and third quarters, with easing of COVID-19 containment measures in August 2020

supporting recovery of economic activities in the fourth quarter. Recorded remittance inflows rose by an estimated 17.6 percent in 2020, thanks largely to a broad shift in flows from informal to formal channels, the desire of members of the Somali diaspora to help their families by sending money home, fiscal stimulus in host countries, and improvements in the central bank's recording of remittance flows.



COVID-19 containment measures severely disrupted businesses activity, although conditions became less severe toward the end of the year

The real sector saw a reduction in production in goods and services.

Low and erratic rainfall reduced agricultural production by 5.8 percent in 2020.

It also led to inadequate replenishment of water resources, leading to water scarcity and pasture shortages. The scarcity of water increased water costs, forced livestock migration to distant

grazing areas, and reduced milk availability and animal weight gain. Simultaneously, COVID-19 containment measures severely disrupted businesses activity, although conditions became less severe toward the end of the year. Faced with disruptions to their supply of inputs, raw materials, or goods for resale, firms coped by changing production and ways of delivering goods and services, delaying payments to their service providers and tax authorities, and reducing wages or the number of full-time permanent employees.

Higher aid inflows helped cushion the blow from shocks to exports.

The current account deficit increased in 2020, widening to 13.3 percent of GDP from 10.3 percent in 2019. The unprecedented collapse in global travel and trade caused a sharp fall in Somalia's principal exports—travel-related services and live animals. Travel to and from Somalia collapsed with the halt in global air travel. Somali livestock exports generally peak

¹ The Somalia National Bureau of Statistics estimated GDP growth at -0.3 in 2020.

during the Hajj season, but this demand dried up with Saudi Arabia's cancellation of the annual pilgrimage. On the positive side, reaching the Highly Indebted Poor Countries (HIPC) Decision Point in March 2020 restored Somalia's regular access to concessional grants from multilateral partners. The resulting increase in official grants helped support the external account. Large inflows of remittances also helped finance the trade deficit.

Public finances came under stress in 2020, necessitating large adjustments to budgets.

Disruptions stemming from the COVID-19 containment measures reduced federal and state revenue collection while increasing pressure to spend more on health and disaster relief. The federal government revised its 2020 budget to reflect lower domestic revenue targets and the new external grants it mobilized to finance a national response to the triple shocks. Large increases in external grants enabled the Federal Government of Somalia (FGS) to begin rebalancing public spending toward economic and social services and to provide funds for new social programs and emergency projects to address flooding and the locust invasion. The revised budget also substantially increased intergovernmental grants, which cushioned subnational governments from the COVID-19 impact. Although the 2020 out-turn shows that FGS domestic revenue fell by 8 percent from 2019, the recovery at year's end enabled revenue collection to outperform the revised budget target.

The triple shocks pushed more people into poverty and joblessness. One out of every

five Somalis had to stop working following the outbreak of COVID-19, and four out of every five households reported reduction in their income from wages, according to the Somali High-Frequency Phone Survey (World Bank 2021c). Work activities in the agricultural, energy, and professional services sectors were most disrupted. With the added shocks of the locust infestation and floods, 25 percent of households involved in farming or livestock activities were not able to carry out their normal farming activities. Households also reported a decline in remittances in July 2020.² Food insecurity increased during the pandemic, with one out of three households reporting having an adult who did not eat for an

“

The triple shocks pushed more people into poverty and joblessness. 1 out of every 5 Somalis had to stop working following the outbreak of COVID-19, 4 out of every 5 households reported reduction in their income from wages, and food insecurity increased with 1 out of 3 households reporting having an adult who did not eat for entire day

entire day. Hunger was even more prevalent among nomads and rural households. To curb the spread of COVID-19, the government closed all primary and secondary schools. Only 36 percent of households reported having children engaged in alternative learning activities.

Despite these stresses on the economy, Somalia continued to develop core institutions to support the nascent financial sector.

The Central Bank of Somalia (CBS) made progress in increasing international confidence in Somalia's domestic financial sector, which will support stronger links with the global financial community. Modern payment system platforms were deployed in September 2020 to drive the national payment system. The CBS is preparing to introduce a new national currency, which will not only provide the country with a monetary policy lever but also pave the way for financial inclusion of the poor and strengthen the Bank's supervision over the financial sector. These reforms, particularly the restoration of domestic

² The decline in remittances in the month of July reported by households reflects the uncertainty at the beginning of the global pandemic. At the macro level, data from the Central Bank of Somalia show that remittances increased by about 18 percent in 2020.

public confidence in financial institutions, are yielding results. Bank deposits continue to grow. Amid the COVID-19 crisis, banks became more liquid and profitable, with assets increasing by about 50 percent in 2020. Measures put in place by the government to restrict banks from moving dollar reserves out of the country during the pandemic prevented a cash crunch and curbed cash flight. However, banks remained risk averse in the presence of pandemic-induced uncertainty, preferring to hold cash rather than lend to the private sector. Commercial banks chose to enter into joint ventures and partnerships with the private sector rather than lending directly. The CBS estimates that the banking sector meets only a small share of demand for credit. Levels of intermediation are modest relative to Somalia's potential.

Medium-Term Outlook and Risks

The economy is expected to recover moderately over the medium term. Real GDP is projected to grow at 2.4 percent in 2021 in the baseline scenario and by 2.9 percent in 2022. As economic activities gain momentum, growth is expected to reach pre-COVID-19 levels of 3.2 percent in 2023. The baseline scenario is predicated on Somalia weathering the pandemic without the need to reimpose stringent lockdowns and serious travel restrictions, despite the slow uptake of vaccinations. In this scenario, economic activities continue to gradually resume, as businesses and firms return to their normal levels of sales. Continued support to firms and vulnerable households through the Gargaara lending facility and the Baxnaano program is expected to boost recovery efforts. Growth in remittances will stimulate demand for firms' operations and boost households' incomes. Demand for livestock exports is expected to rebound.

“

As economic activities gain momentum, growth is expected to reach pre-COVID-19 levels of 3.2 percent in 2023

In the downside scenario, growth reaches just 1.1 percent in 2021; increasing only to 1.6 and 2.2 percent in 2022 and 2023 respectively. This scenario is premised on an upsurge in COVID-19 cases, suppressed rainfall, a prolonged locust threat, and deterioration of the political climate. Delaying the elections past 2021 is likely to create political tensions that could increase insecurity and insurgence activities, which would affect economic activities and erode business confidence. External assistance is assumed to decline in this scenario.

In the upside scenario, growth is projected to rise by 2.8 percent in 2021. This scenario is anchored in improved weather conditions and the resolution of the election impasse, with general elections held in 2021. It assumes adequate rainfall, fewer floods, no lockdowns or mobility restrictions, and the expansion of current social protection programs to include vulnerable households in urban areas. As a result, output will increase by 3.2 percent in 2022 and 3.5 percent in 2023.

Policy Options for Economic Recovery

The COVID-19 pandemic exposed the costs of not investing in a public health system. The near-term economic prospects for Somalia depend on the pandemic's path. Added spending to contain the pandemic will necessarily come at the expense of other budget priorities, including vital spending on other key health areas and much-needed capital investment. Additional public spending on health is crucial to support testing and tracing and ensuring that the logistical, administrative, and financial requirements of mass vaccination are in place. The slower the pace of vaccination and the larger the unvaccinated population, the greater the possibility that new variants of the virus will develop, increasing the prospect of a more protracted pandemic.

Building a sustainable, resilient, and inclusive economy requires sustained reform momentum.

With limited fiscal space, Somalia needs to prioritize reforms that boost resilience to future shocks and emphasize sectors that are critical to growth and employment. Reducing poverty will require policy interventions to raise productivity, create jobs, and expand pro-poor programs. Such interventions could include expansion of social protection programs and increased investment in infrastructure and sanitation. Reforms that create a better investment climate would encourage formalization of businesses and attract more private investment. These reforms should focus on reducing the cost and improving the reliability of electricity, leveling the playing field among private firms (new and old entrants into the market), reducing red tape, and broadening financial inclusion. As Somalia embarks on the road to recovery from the triple shocks, these structural reforms will enable jobs to be at the center of policy action and private sector response.

Programs that support vulnerable populations build the economy's resilience to shocks.

The Baxnaano program highlighted the importance of being able to channel support quickly and efficiently to those most in need during the COVID-19 crisis and after the locust infestation. Extending the reach and responsiveness of such programs through the innovative and cost-effective use of mobile money, electronic cash transfers, and virtual engagement is key to supporting Somalia's vulnerable population. Building on the Baxnaano program to enhance Somalia's safety nets is key. It could be done by adopting a national social safety net strategy that clearly sets out target populations and delivery mechanisms and is capable of being scaled up rapidly in response to economic shocks or reforms.

Increasing exports of current products is also critical for inclusive growth.

In the short to medium term, Somalia's trade strategy should focus on increasing exports of products in which Somalia currently has a comparative advantage. Most of these exports are primary products (live animals and vegetables). Simple manufactured products (processed fish, fish oil, and meat) seem feasible given Somalia's capability stock. Fostering these products could lay the foundation for acquiring the more sophisticated technical skills necessary for large-scale manufacturing.

Investing in Health

Investing in health represents an investment in the economy and economic development.

A recent study estimates that every \$1 invested in health in a developing country yields \$2–\$4 in economic returns (McKinsey Global Institute 2020). Investments in health increase life expectancy and productivity, which spur GDP growth and economic development. The COVID-19 pandemic has reminded policy makers of the importance of investing in this sector. Robust health systems with the capacity to detect and respond to cases

“

Somalia has limited capacity for health sector regulation, data collection and use, or oversight of health services

are a cornerstone of pandemic and emergency preparedness and contribute to maintaining economic stability and growth.

Somalia's health outcomes lag those of neighboring countries.

Life expectancy is lower at 57.0 years compared with 66.3 years in Kenya. Fertility rates are higher at 6.9 children per women compared with 4.6 in Ethiopia as is maternal mortality at 692 per 100,000 compared with an average of 534 in Sub-Saharan Africa. Poor health outcomes reflect lagging health service delivery. Only 32 percent of births are delivered by a skilled health provider; just 24 percent of women receive antenatal, preventative care visits during

pregnancy; and only 12 percent of children are fully immunized against diphtheria, pertussis, and tetanus (DPT3).

Somalia’s Ministry of Health is nascent and health governance and financing capacities are not yet fully developed. Somalia has limited capacity for health sector regulation, data collection and use, or oversight of health services. Government health service delivery capacity is underdeveloped, with an inpatient bed density of 5.34 beds per 10,000 population, substantially below the target density set by the World Health Organization’s (WHO 2016a) of 25 beds per 10,000 population and the Sub-Saharan Africa regional average of 9 beds per 10,000 population (ADB 2013). In 2016, the estimated number of core health care providers was 4.28 per 10,000 population, well below the Sub-Saharan Africa average of 13.3 and the WHO recommendation of 23. Health service financing is mostly off the government’s budget. As a result, systems for fund flows through the government have not been fully developed, leaving the government with limited public financial management (PFM) capacity.

Targeted investments in health service delivery, financing, and stewardship are needed. Investing in high-impact, cost-effective services that address the leading causes of mortality and disability (communicable, nutritional, reproductive, maternal, neonatal and child health disorders) would improve health outcomes. In the context of limited government capacity, health services can be delivered through government contracting of health service providers to rapidly accelerate improvement in health service outcomes. Assessing health service contracting could also

clarify the health service delivery roles of the purchaser (the government) and the provider (contractor), which would improve PFM systems. Use of a harmonized, output-based formula for paying health service providers would increase equity in health service delivery. It would create incentives for providers to focus on health service outcomes, giving providers flexibility on inputs while holding providers accountable for health service results. The outputs to be measured could include coverage of key health and nutrition service indicators, such as completion of at least four antenatal care visits; the administration of specific types of child vaccination (for example, Pentavalent 3); and skilled birth attendance. Both the government and partners could use a harmonized, output-based formula as an interim step toward the pooling of health resources. Capacity development to build government stewardship would help solidify the government’s role in guiding the health sector. Capacity development in PFM,

health management and information systems, and regulation would help the government execute its core functions of overseeing and regulating the health sector. Table 1 summarizes the core actions recommended to strengthen the health sector in the short and medium term.

Investments in Somalia’s health sector are expected to contribute to economic growth in Somalia in the long term. Targeted investments in health service delivery, financing, and sector stewardship would strengthen the health sector, improving health outcomes and increasing emergency and epidemic preparedness toward economic stability and growth.

“
Investing in health sector is an essential component of resilient and inclusive development and sets Somalia on a path to reaping substantial demographic dividends from improvements in health outcomes and life expectancy



Table 1: Recommended actions for strengthening the health sector in the short and medium term

Area	Short-term recommendations	Medium-term recommendations
Health financing	<ul style="list-style-type: none"> • Use available resources more efficiently. • Increase resource mobilization for the health sector • Use a harmonized, output-based provider payment formula. • Contract nongovernmental organizations (NGOs) to deliver health services and closely monitor the desired results (outputs, outcomes and costs). 	<ul style="list-style-type: none"> • Increase investments in health as the resource base expands. • Adopt a harmonized, output-based provider payment formula for use by financiers as a step toward pooling health sector resources and moving towards donor resources flowing through government systems. • Contract with for-profit health service providers, using the harmonized payment formula.
Health service delivery	<ul style="list-style-type: none"> • Expand support for training health care workers. • Finance high-impact, cost-effective interventions to rapidly improve health outcomes. • Strengthen the Health Management Information System (HMIS), through a focus on improved data quality and use. 	<ul style="list-style-type: none"> • Develop and implement a strategy for efficiently deploying and retaining health care workers. • Finance additional interventions as additional resources become available and health outcomes improve. • Introduce digital data options to improve the timeliness of data.
Stewardship	<ul style="list-style-type: none"> • Develop the capacity of the Federal Government of Somalia (FGS) and the Federal Member States (FMSs). • Delineate service delivery roles and responsibilities. • FMSs conduct the day-to-day monitoring of the health service providers contracted by the FGS. • Develop the capacity for effective public-private partnerships. • Strengthen government accountability and PFM structures to support efficient resource use and improve donor confidence in Government systems 	<ul style="list-style-type: none"> • Develop and enforce a regulatory framework for the health sector. • Continue to develop the capacity of the FGS and FMSs. • Increase the service delivery role for FMSs, based on the outcome of constitutional discussions.

Soomaaliya waxay weli ku jirtaa xaalad caafimaad iyo mid dhaqaale oo aan hore loo arag oo bilaabatay 2020. Faafida COVID-19 waxay ku qasabtay xannibaad qaran oo ku meelgaar ah iyo xannibaadaha dhaqdhaqaaqa, taas oo dhaqaalaha ku riixday hoos u dhac inta lagu gudajiray bartamihii 2020. VKooxaha nugul—oo ay ku jiraan kuwa ugu saboolsan, shaqaalaha qaybta aan rasmiga ahayn, haweenka, iyo dhallinyarada—ayaa si aan kala sooc lahayn ula kulmay fursadaha yaraaday. Marka la eego Xarunta COVID-19 Tallaallada Caalamiga ah ee Helitaanka (COVAX), waddanku wuxuu helay 708,000 oo tallaah ah, oo dawladdu u adeegsanayso inay ku tallaasho shacabka. Si kastaba ha ahaatee, ka gaabinta tallaalka, nidaamka daryeelka caafimaadka oo aad u daciif ah, iyo kaabayaasha qaybinta oo liita ayaa caqabad ku ah soo bixitaanka tallaalka. Sidaas darteed, Soomaaliya way halgami doontaa si loogaaro tallaalka ballaaran ka hor dhammaadka 2023, taasoo dadkeeda u horseedaysa cudurro cusub oo aad u daran oo kor u qaadaya rajada ah in COVID-19 uu noqon doono dhibaato joogto ah oo dalka oo dhan ah.

Dhaqaalaha Soomaaliya ayaa lagu qiyaasey 0.4 boqolkiiba sannadka 2020, iyada oo waddanku la halgamayay sedex meelood oo masiibada COVID-19, fatahaadaha, iyo ayaxa.¹ Hoos u dhaca ayaa ka khafiifsan saadaashii 1.5 boqolkiiba ee Cusboonaysiinta Dhaqaalaha *Soomaaliya ee 2020*, taas oo ay ugu mahadcelinayso qulqulka gargaarka rasmiga ah, oo ka sarreeya intii la filayay; tallaabooyinka siyaasadda maaliyadeed oo ay dawladdu dejisay si loo caawiyo ganacsiyada; tallaabooyinka ilaalinta bulshada si loo dabciyo qoysaska nugul; oo ka sarreeya intii la filayay inay xawaaladuhu soo galaan. In badan oo ka mid ah hoos u dhac dhaqaale ayaa dhacay rubuc-labaadiyo saddexaad, iyadoo la fududeeyay tallaabooyinka xakamaynta COVID-19 bishii Ogosto 2020 oo

taageeraya soo-kabashada howlaha dhaqaalaha rubuca afaraad. Diiwaangelinta xawaaladaha ee diiwaangashan ayaa sare u kacday qiyaastii 17.6 boqolkiiba sannadka 2020, taas oo ay ugu wacan tahay isbeddel ballaadhan oo ka yimaadda kan aan rasmiga ahayn iyo kan tooska ah, rabitaanka xubnaha qurba -joogta Soomaaliyeed si ay u caawiyaan qoysaskooda iyagoo lacag u diraya dalkooda, kicinta maaliyadeed ee dalalka martida loo yahay, iyo hagaajinta diiwaangelinta bangiyada dhexe ee xawaaladaha.

Qeybta dhabta ah waxay aragtay hoos u dhac ku yimid wax soo saarka badeecadaha iyo adeegyada. Roobab aan badnayn oo aan kala go 'lahayn ayaa hoos u dhigay wax -soo -saarka beeraha 5.8 boqolkiiba sannadka 2020. Waxa kale oo ay horseedday in aan lagu filnayn buuxinta ilaha biyaha, taas oo keentay biyo yaraan iyo daaqa oo yaraaday. Biyo -yaridu waxay kordhisay kharashyada biyaha, waxay ku khasabtay hayaanka xooluhu inay tagaan dhulka daaqsinta fog, waxayna yareeyeen helitaanka caanaha iyo korodhka miisaanka xoolaha. Isla mar ahaantaana, xakamaynta COVID-19 waxay si aad ah u carqaladeysay dhaqdhaqaaqii meheradaha, in kasta oo xaaladuhu aad u yaraadeen dhammaadkii sannadka. Waxaa soo wajahay carqaladayn la xiriirta soo-gelintooda, alaabta ceyriinka ah, ama badeecadaha dib-u-iibinta, shirkaduhu waxay la qabsadeen wax-ka-beddelka wax-soo-saarka iyo siyaabaha loo keeno badeecadaha iyo adeegyada, dib-u-dhigista lacag-bixinta adeegyadooda iyo maamulka canshuuraha, iyo dhimista mushaharka ama tirada waqtiga buuxa shaqaale joogto ah.

Soo -galinta gargaarka sare waxay gacan ka geysaneysaa yareynta jugtii ka soo gaartay shoogga ilaa dhoofinta. Hoos -u -dhaca xisaabta ee hadda jira ayaa kordhay sannadkii 2020, isagoo ku sii fidaya 13.3 boqolkiiba Dhaqaalaha

¹ Xafiiska Tirakoobka Qaranka ee Soomaaliya ayaa ku qiyaasey kobaca GDP -0.3 sanadka 2020.

Guud marka loo eego 10.3 boqolkiiba sannadkii 2019. Burburkii aan horay loo arag ee socdaalka iyo ganacsiga adduunka ayaa sababay hoos u dhac weyn oo ku yimid dhoofinta ugu weyn ee Soomaaliya-adeegyada —la xiriira safarka iyo xoolaha nool. Socdaalkii Soomaaliya lagu tegi jiray iyo kuwii laga tegi jiray ayaa burburay markii la hakiyay socdaalkii hawada ee caalamka. Dhoofinta xoolaha Soomaaliya guud ahaan waxay ugu sarreysaa inta lagu jiro xilliga Xajka, laakiin dalabkaan wuxuu ku engegay markii Sacuudi Carabiya ay baajisay xajka sannadlaha ah Dhinaca wanaagsan, gaaritaanka Go'aankii Dalalka Saboolka ah ee aadka loo leeyahay (HIPC) bishii Marso 2020 ayaa Soomaaliya dib ugu soo celisay helitaankii joogtada ahaa ee deeqaha wax -ku -oolka ah ee ka imanayay shuraakada dhinacyada badan leh. Kordhinta ka dhalatay deeqaha rasmiga ahi waxay gacan ka geysatay taageeridda koontada dibadda. Soo gelitaanka xawaaladaha oo aad u badan ayaa sidoo kale gacan ka geystay maalgelinta cilladda ganacsiga.

Dhaqaalaha dawladda ayaa culays ku dhacay sannadka 2020, taas oo daruuri ka dhigtay in si weyn wax looga beddelo miisaaniyadda.

Carqaladaha ka dhasha tallaabooyinka xakamaynta COVID-19 waxay yareeyeen dakhli ururinta federaalka iyo gobolka iyadoo kordhineysa cadaadiska lagu bixinayo wax badan xagga caafimaadka iyo gargaarka musiibada. Dawladda federaalku waxay dib -u -eegis ku samaysay miisaaniyaddeeda 2020 si ay u muujiso bartilmaameedyada dakhliga gudaha ee hoose iyo deeqaha cusub ee dibedda ah ee ay abaabushay si ay u maalgeliso wax -ka -qabadka qaran ee saddexda masiibo. Korodhka weyn ee deeqaha dibadda ee la ogalaaday Dowlada Federaalka Soomaaliya (FGS) si loo bilaabo isu dheelitirka kharashaadka dadweynaha ee xagga adeegyada dhaqaalaha iyo arrimaha bulshada iyo in la bixiyo maaliyadaha barnaamijyada cusub ee bulshada iyo mashaariicda gurmada si wax looga qabto daadadka iyo duulaanka ayaxa.

Miisaaniyadda dib loo eegay ayaa sidoo kale si weyn u kordhisay deeqaha dawladda, taas oo ka dabargoysay dawladda hoose saamaynta COVID-19. In kasta oo ka-bixitaankii 2020-ka uu muujinayo in dakhliga gudaha ee DFS uu hoos uga dhacay 8 boqolkiiba laga soo bilaabo 2019, sookabashada dhammaadkii sannadka ayaa awood u siisay ururinta dakhliga inay ka sarreyso yoolkii miisaaniyadda ee dib loo eegay.

Masiibada saddex-geesoodka ah ayaa dad badan ku riixday faqri iyo shaqo la'aan.

Shantii qof ee Soomaali ah mid ka mid ah ayaa joojiyay shaqada ka dib markii uu dillaacay COVID-19, iyo shantii qoysba afar ka mid ah ayaa sheegay inay hoos u dhaceen dakhligii ka soo geli jiray mushaharka, sida laga soo xigtay Sahanka Taleefoonnada Joogtada ah ee Soomaalida (Bangiga Adduunka 2021c). Hawlihii shaqo ee qaybaha beeraha, tamarta, iyo adeegyada xirfadeed ayaa aad loo carqaladeeyay. Markii ay sii kordheen naxdinta ayaxa iyo daadadka, 25 boqolkiiba qoysaska ku hawlan beerashada ama hawlaha xoolaha ayaan awoodin inay qabtaan hawlahoodii beerashada ee caadiga ahaa. Qoysaska ayaa sidoo kale sheegay inay hoos u dhaceen xawaaladaha bishii Luuliyo 2020.² Kalsooni darrada cuntada ayaa kordhay intii lagu jiray aafada, iyadoo mid ka mid ah saddexdii qoysba uu soo sheegay inuu leeyahay qof weyn oo aan wax cunin maalin dhan. Gaajo ayaa xitaa aad ugu baahnayd reer guuraaga iyo qoysaska miyiga. Si loo xakameeyo faafitaanka COVID-19, dowladda ayaa xirtay dhammaan dugsiyada hoose iyo kuwa sare. Keliya boqolkiiba 36 ee qoysaska ayaa sheegay inay leeyihiin carruur ku hawlan waxqabadyo waxbarasho oo kale.

In kasta oo ay jiraan culeysyadaas xagga dhaqaalaha ah, haddana Soomaaliya waxay sii waday inay horumariso hay'ado muhiim ah si ay u taageeraan waaxda maaliyadeed ee curdinka ah. Bangiga Dhexe ee Soomaaliya (CBS) waxuu horumar ka sameeyay kordhinta kalsoonida caalamiga ah ee maaliyadda gudaha

² Hoos u dhaca xawaaladaha ee bishii Luulyo ee ay soo gudbiyeen qoysasku waxay ka tarjumaysaa hubin la'aanta bilowga masiibada cudurka caalamiga ah ee aduunka. Marka laga eego heerka sare, xogta Bangiga Dhexe ee Soomaaliya ayaa muujineysa in xawaaladaha ay kordheen qiyaastii boqolkiiba 18 sanadka 2020.

ee Soomaaliya, taasoo taageeri doonta xiriir xooggan oo lala yeesho bulshada maaliyadda adduunka. Aaladaha nidaamka lacag -bixinta ee casriga ah ayaa la geeyay Sebtember 2020 si loo wado nidaamka lacag -bixinta qaranka. CBS waxay isu diyaarineysaa inay soo bandhigto lacag cusub oo qaran, taas oo kaliya ma siin doonto dalka siyaasad lacageed laakiin waxay sidoo kale u gogol xaaraysaa ka mid noqoshada maaliyadeed ee dadka saboolka ah iyo xoojinta kormeerka Baanka ee dhinaca maaliyadda. Dib -u -habayntan, gaar ahaan soo -celinta kalsoonida dadweynaha gudaha ee hay'adaha maaliyada, waxay keenaysaa natiijooyin. Kaydadka bangiyada ayaa sii kordhaya iyada oo ay jirto xiisadda COVID-19, bangiyadu waxay noqdeen kuwo dareere badan oo macaash badan leh, iyadoo hantiduna ay korortay ilaa 50 boqolkiiba sannadka 2020. Tallaabooyinka dowladu ay kusoo rogtey bangiyada waxaa ka mid ah in la xakameynta lacagaha dollarka in aan dalka laga saarin xiliga masiibada cudurka caalamiga ah ee aduunka si looga hortago ciriiriga lacagaha iyo dibad u dhoofinta lacagaha cash'ka ah. Si kastaba ha ahaatee, bangiyada ayaa weli qatar ku ah jiritaanka hubanti la'aanta ay sababtay masiibadu, iyadoo doorbidaya inay haystaan lacag caddaan ah halkii ay deyn siin lahaayeen waaxda gaarka loo leeyahay. Bangiyada ganacsigu waxay doorteen inay galaan ganacsiyo wadaag ah iyo iskaashi lala yeesho qaybaha gaarka loo leeyahay halkii ay si toos ah wax u amaahin lahaayeen. CBS waxay ku qiyaastay in qaybta bangiyada ay la kulanto qayb yar oo ka mid ah dalabka amaahda. Heerarka dhex -dhexaadintu waa wax yar marka loo eego kartida Soomaaliya.

Muuqaalka Waqtiga Dhexdhexaad ah iyo Halista Dhaqaalaha ayaa la filayaa inuu si dhexdhexaad ah uga soo kabto muddada dhexe. Wax -soo -saarka dhabta ah waxaa la saadaalinayaa inuu ku kobco 2.4 boqolkiiba 2021 marka la eego heerka aasaasiga ah iyo 2.9 boqolkiiba 2022. Iyada oo dhaqdhaqaaqyada dhaqaaluhu ay sii kordhayaan, kobaca ayaa la filayaa inuu gaaro ka hor COVID-19

heerarka 3.2 boqolkiiba sanadka 2023. Xaaladda aasaasiga ah waxay ku qotontaa Soomaaliya oo la tacaaleysa masiibada iyada oo aan loo baahnayn in dib loo soo celiyo qufulka adag iyo xannibaadaha safarka ee halista ah, in kasta oo tallaallada si gaabis ah loo qaatay. Xaaladdan oo kale, dhaqdhaqaaqyada dhaqaaluhu si tartiib tartiib ah ayay dib ugu bilaaban doonaan, maaddaama meheradaha iyo shirkaduhu ay ku soo noqonayaan heerarkoodii iibka ee caadiga ahaa. Taageero joogto ah oo la siiyo shirkadaha iyo qoysaska nugul iyada oo loo marayo xarunta amaahda ee Gargaara iyo barnaamijka Baxnaano ayaa la filayaa inay kor u qaadaan dadaallada soo kabashada. Kobaca xawaaladaha ayaa kicin doonta baahida loo qabo hawlaha shirkadaha waxayna kor u qaadeysaa dakhliga qoysaska. Baahida dhoofinta xoolaha ayaa la filayaa inay soo laabato.

Xaaladda hoose, koritaanku wuxuu gaaraa 1.1 boqolkiiba 2021; kordhay kaliya ilaa 1.6 iyo 2.2 boqolkiiba 2022 iyo 2023. Muuqaalkan waxaa lagu saleeyay kor u kaca kiisaska COVID-19, roobab la xakameeyay, dhibaataada ayaxa oo sii dheeraatay, iyo sii xumaanshaha jawiga siyaasadeed. Dib -u -dhaca doorashooyinka ee la soo dhaafay 2021 waxay u badan tahay inay abuurto xiisado siyaasadeed oo kor u qaadi kara amni -darrada iyo dhaqdhaqaaqyada khalkhalka leh, kuwaas oo saamayn ku yeelan doona dhaqdhaqaaqyada dhaqaalaha oo lumin kara kalsoonida ganacsiga. Gargaarka dibedda ayaa loo malaynayaa inuu hoos u dhacay dhacdadan.

Xaaladda sare, koritaanka ayaa la saadaalinayaa inuu sare u kici doono 2.8 boqolkiiba sannadka 2021. Xaaladdan ayaa ku xiran xaaladaha cimilada oo soo hagaagaya iyo xallinta ismari -waaga doorashada, iyadoo doorashooyinka guud la qabanayo 2021 -ka. Waxay u malaynaysaa in ay jirayaan roobab ku filan, daadad yar, ma jiraan qufullo ama xannibaadyo dhaqdhaqaaq, iyo ballaarinta barnaamijyada ilaalinta bulshada

ee hadda si loogu daro qoysaska nugul ee magaaloooyinka Natiijo ahaan, wax soo saarku wuxuu kordhayaa 3.2 boqolkiiba sannadka 2022 iyo 3.5 boqolkiiba sannadka 2023.

Ikhtiyaarada Siyaasadda ee Soo -kabashada Dhaqaalaha

Faafida COVID-19 waxuu daaha ka qaaday kharashaadka aan lagu maalgelin nidaamka caafimaadka dadweynaha Rajada dhaqaale ee mustaqbalka dhow ee Soomaaliya waxay ku xiran tahay waddada masiibada. Kharashaadka lagu daray si loo xakameeyo masiibada waxay qasab ku noqon doontaa mudnaanta miisaaniyadaha kale, oo ay ku jiraan kharashaadka muhiimka ah ee meelaha caafimaadka ee muhiimka ah iyo maalgelinta raasamaalka ee aadka loogu baahan yahay. Kharashka dheeraadka dadweynaha ee caafimaadka ayaa muhiim u ah taageeridda tijaabada iyo baafinta iyo hubinta in baahiyaha saadka, maamulka, iyo maaliyadda ee tallaalka baaxadda leh. Sida tartiib -tartiib ah ee tallaalka iyo tirada dadka aan la tallaalin, ayay u sii badanaysaa suurtagalnimada in noocyo kala duwan oo fayrasku ay soo baxaan, taas oo kordhineysa rajada masiibo daba dheeraatay.

Dhisidda dhaqaale waara, adkaysi leh, oo loo dhan yahay waxay u baahan tahay dib -u -habayn joogto ah. Maadaama ay jirto meel maaliyadeed oo kooban, Soomaaliya waxay u baahan tahay inay mudnaanta koowaad siiso dib -u -habaynno kor u qaada u adkaysiga dhibaatooyinka mustaqbalka iyo inay xoogga saarto qaybaha muhiimka u ah kobaca iyo shaqaalaynta. Yaraynta saboolnimada waxay u baahan doontaa waxqabadyo siyaasadeed si kor loogu qaado wax soo saarka, loo aburo shaqooyin, loona ballaariyo barnaamijyada danyarta. Waxqabadyada noocan ah waxaa ka mid noqon kara ballaarinta barnaamijyada ilaalinta bulshada iyo kordhinta maalgelinta kaabayaasha iyo fayadhowrka. Dib -u -habaynta abuurta jawi maalgashi oo ka wanaagsan ayaa dhiirri -gelin doonta qaabaynta meheradaha waxayna soo

jiidan doontaa maalgelin gaar loo leeyahay.. Dib -u -habayntani waa inay xoogga saartaa dhimista kharashka iyo hagaajinta isku halaynta korontada, isku -dheelitirka goobta ciyaarta ee shirkadaha gaarka loo leeyahay (kuwa cusub iyo kuwii hore ee suuqa soo galay), yaraynta cajaladda cas, iyo ballaarinta ka -qaybgalka maaliyadeed. Markay Soomaaliya bilawdo wadadii ay uga soo kaban lahayd dhibaatooyinkii saddexda ahaa, dib -u -habayntan qaab -dhismeedku waxay awood u siinaysaa in shaqooyinku noqdaan udub dhexaadka hawlaha siyaasadda iyo wax -ka -qabadka qaybaha gaarka loo leeyahay.

Barnaamijyada taageeraya dadka nugul waxay dhisaan adkaysiga dhaqaalaha ee naxdinta leh. Barnaamijka Baxnaano wuxuu iftiimiyay muhiimadda ay leedahay in awood loo yeesho in la soo gaarsiiyo kaalmada si degdeg ah oo wax ku ool ah kuwa aadka ugu baahan inta lagu jiro xiisadda COVID-19 iyo ka dib markii ayaxa la galay. Kordhinta gaarsiinta iyo ka-jawaab-celinta barnaamijyada noocan ah iyada oo loo marayo adeegsiga hal-abuurka leh oo wax-ku-oolka ah ee lacagta mobilada, xawilaadda kaashka elektiroonigga ah, iyo hawlgelinta dalwaddu waxay fure u yihiin taageeridda dadka nugul ee Soomaaliya. Dhisidda barnaamijka Baxnaano si kor loogu qaado shabakadaha badbaadada Soomaaliya waa furaha. Waxaa la samayn karaa iyada oo la qaato istiraatiijiyad shabakad badbaado bulsheed oo qaran oo si cad u qeexaysa dadka la beegsanayo iyo hababka gaarsiinta oo awood u leh in si degdeg ah kor loogu qaado si looga jawaabo dhibaatooyinka dhaqaale ama dib -u -habaynta.

Kordhinta dhoofinta badeecadaha hadda jira ayaa iyana muhiim u ah koritaanka loo dhan yahay. Waqtiga dhow iyo kan dhexe, istiraatiijiyadda ganacsi ee Soomaaliya waa inay xoogga saartaa kordhinta dhoofinta badeecadaha oo ay Soomaaliya hadda ku leedahay faa'ido isbarbardhig ah. Inta badan dhoofintani waa

wax soo saarka asaasiga ah (xoolaha nool iyo khudaarta). Badeecadaha fudud ee la soo saaray (kalluunka la warshadeeyay, saliidda kalluunka, iyo hilibka) ayaa u muuqda kuwo suurtoagal ah marka la eego awoodda awoodda Soomaaliya. Kobcinta badeecooyinkan ayaa saldhig u noqon kara helitaanka xirfadaha farsamo ee ka ee aadka u casriyeeyan ee lagama maarmaanka u ah wax-soo-saarka ballaaran.

Maalgelinta Caafimaadka

Maalgashiga caafimaadka wuxuu u taagan yahay maalgashiga dhaqaalaha iyo horumarinta dhaqaalaha. Daraasad dhawaan la sameeyay ayaa lagu qiyaasay in \$ 1 kasta oo lagu maalgeliyo caafimaadka dal soo koraya uu ka helo \$ 2–\$ 4 soo-celinta dhaqaalaha (Majadka Caalamiga ah ee McKinsey 2020). Maalgashiga caafimaadka wuxuu kordhiyaa rajada nololaha iyo waxsoosaarka, taas oo kicisa kobaca GDP iyo kobcinta dhaqaalaha. Faafida COVID-19 waxay xusuusisay siyaasad dejiyeyaasha muhiimadda ay leedahay maalgelinta qaybtan. Nidaamyada caafimaad ee adag oo leh karti lagu garto oo looga jawaabo kiisaska ayaa udub dhexaad u ah masiibada iyo u-diyaargarowga xaaladaha degdegga ah waxayna gacan ka geystaan ilaalinta xasilloonida dhaqaalaha iyo koritaanka.

Natiijooyinka caafimaadka Soomaaliya ayaa ka hooseeya kuwa dalalka deriska ah. Rajada cimriga ayaa ka hooseeya 57.0 sano marka la barbar dhigo 66.3 sano Kenya ah. Heerarka bacriminta ayaa ka sarreeya 6.9 carruur ah haweenkiiba marka la barbardhigo 4.6 gudaha Itoobiya halka dhimashada hooyooyinka ay tahay 692 100,000 halkii marka la barbardhigo celcelis ahaan 534 Afrikada Saxaraha ka hooseysa. Natiijooyinka caafimaadka oo liita waxay ka tarjumayaan bixinta adeeg caafimaad oo soo daahay. Kaliya 32 cabbir dhalashada waxaa bixiya bixiye caafimaad oo xirfad leh; kaliya cabudhinta 24 ee haweenku waxay helayaan booqashooyinka cabashada ka -hortagga uurka, ka -hortagga daaweynta

uurka; oo kaliya cimrigii 12 -aad ayaa si buuxda looga tallaalaa gawracatada, xiiqdheerta, iyo teetanada (DPT3).

Wasaaradda Caafimaadka ee Soomaaliya ayaa ah mid curdin ah iyo awoodda caafimaadka iyo awoodda maalgelinta ayaan weli si buuxda loo horumarin. Soomaaliya waxay leedahay awood xaddidan oo ku aaddan nidaaminta waaxda caafimaadka, ururinta xogta iyo adeegsiga, ama kormeerka adeegyada caafimaadka. Awoodda bixinta adeegga caafimaadka ee dawladda ayaa ah mid aan horumarsanayn, iyadoo cufnaanta sariirta bukaan-jiifka ay tahay 5.34 sariirood 10,000 qofba, taasoo si aad ah uga hooseysa cufnaanta bartilmaameedka ee ay dejisay Ururka Caafimaadka Adduunka (WHO 2016a) oo ah 25 sariirood halkii 10,000 oo qof iyo celceliska heergobol ee Saxaraha Afrika. 9 sariirood 10,000 qofkiiba (ADB 2013). Sannadkii 2016kii, tirada lagu qiyaasay bixiyeyaasha daryeelka caafimaadka aasaasiga ah waxay ahayd 4.28 10,000 oo qofba, waxayna aad uga hooseysaa celceliska Afrika ee Saxaraha ka hooseeya oo ah 13.3 iyo WHO oo ku talisay 23. Maalgelinta adeegga caafimaadka ayaa inta badan ka baxsan miisaaniyadda dowladda. Natiijo ahaan, nidaamyada sanduuqyada ku soo qulqulaya dawladda ayaan si buuxda loo horumarin, taas oo dawladda ku reebaysa awoodda maareynta maaliyadda dadweynaha (PFM) oo kooban.

Maalgelinta la beegsanayo ee bixinta adeegga caafimaadka, maalgelinta, iyo wakiilnimada ayaa loo baahan yahay. Maalgelinta adeegyo saamayntoodu sarayso, oo wax-ku-ool ah oo wax ka qabta sababaha ugu horreeya ee dhimashada iyo naafanimada (la kala qaado, nafaqada, taranka, hooyooyinka, dhallaanka iyo jirrooyinka caafimaadka carruurta) ayaa hagaajin doona natiijooyinka caafimaadka. Marka la eego awoodda dawladeed ee xaddidan, adeegyada caafimaadka waxaa lagu bixin karaa qandaraas dawladeed oo bixiyeyaasha adeegga caafimaadka

si loo dardargeliyo hagaajinta natiijooyinka adeegga caafimaadka. Marka la eego awoodda dawladeed ee xaddidan, adeegyada caafimaadka waxaa lagu bixin karaa qandaraas dawladeed oo bixiyayaasha adeegga caafimaadka si loo dardargeliyo hagaajinta natiijooyinka adeegga caafimaadka. Isticmaalka qaacido is-waafaqsan, oo ku salaysan wax-soo-saar si loo bixiyo bixiyayaasha adeegga caafimaadka ayaa kordhin doonta sinnaanta bixinta adeegga caafimaadka. Waxay u abuuri doontaa dhiirigelin bixiyayaasha inay diiradda saaraan natiijooyinka adeegga caafimaadka, iyadoo siinaya bixiyayaasha dabacsanaan xagga wax -soo -gelinta iyadoo lala xisaabtamayo bixiyayaasha inay la xisaabtaan natiijooyinka adeegga caafimaadka Wax -soo -saarka la cabirayo waxaa ka mid noqon kara daboolidda tilmaamayaasha adeegga caafimaadka iyo nafaqada ee muhiimka ah, sida dhammaystirka ugu yaraan afar boqashooyinka

daryeelka dhalnada ka hor; maamulka noocyada gaarka ah ee tallaalka carruurta (tusaale ahaan, Pentavalent 3); iyo imaanshaha xirfadda leh. Dawladda iyo la-hawlgalayaashuba waxay isticmaali karaan qaacido is-waafaqsan, oo ku salaysan wax-soo-saar si ay u noqoto tallaabo ku-meel-gaadh ah oo ku aaddan isku-darka ilaha caafimaadka. Horumarinta awoodda si loo dhiso mas'uuliyadda dowladda ayaa gacan ka geysan doonta xoojinta doorka dowladda ee hagidda waaxda caafimaadka. Kobcinta awoodda ee PFM, maareynta caafimaadka iyo nidaamyada macluumaadka, iyo nidaaminta ayaa ka caawin doonta dowladda inay fuliso shaqooyinkeeda asaasiga ah ee kormeerka iyo nidaaminta waaxda caafimaadka. Jadwalka 1 wuxuu soo koobayaa tallaabooyinka udub -dhexaadka ah ee lagu taliyay in lagu xoojiyo waaxda caafimaadka muddada gaaban iyo ta dhexe.

Kursi 1: Tallaabooyinka lagu taliyay ee lagu xoojinayo waaxda caafimaadka muddada dhow iyo ta dhexe

Goobta	Tallooyinka muddada-gaaban	Taliooyinka muddada-dhexe
Maalgelinta caafimaadka	<ul style="list-style-type: none"> U adeegso khayraadka jira si hufan. In la kordhiyo abaabulka kheyraadka ee waaxda caafimaadka. Isticmaal qaaciddada lacag-bixiyaha ee ku salaysan wax-soo-saarka. Qandaraasyada ururada aan dawliga ahayn (NGO -yada) si ay u bixiyaan adeegyo caafimaad oo si dhow ula socdaan natiijooyinka la rabo (wax -soo -saarka, natiijooyinka iyo kharashyada). 	<ul style="list-style-type: none"> In la kordhiyo maal -gashiga caafimaadka marka saldhigga kheyraadka la ballaariyo. Qaado qaaciddada lacag-bixiyaha ee ku salaysan wax-soo-saarka ku salaysan wax-soo-saarka si ay u adeegsadaan maal-galiyayaashu tallaabo u ah isu-keenidda ilaha waaxda caafimaadka. La heshii bixiyayaasha adeegga caafimaadka ee macaash doonka ah, adiga oo adeegsanaya qaaciddada lacag-bixinta ee is-waafaqsan.
Bixinta adeegga caafimaadka	<ul style="list-style-type: none"> Ballaarinta kaalmada Expand support for tababarka shaqaalaha daryeelka caafimaadka. Wax-ka-qabad dhaqaale oo wax-ku-ool ah, waxqabadyo wax-ku-ool ah si degdeg loogu hagaajiyo natiijooyinka caafimaadka. Xoojinta Nidaamka Macluumaadka Maaraynta Caafimaadka (HMIS), iyada oo diiradda la saarayo tayada xogta iyo adeeggeeda oo la hagaajiyay. 	<ul style="list-style-type: none"> Samee oo hirgeli istaraatiijiyad si hufan loogu hawlgelinayo loona hayo shaqaalaha daryeelka caafimaadka. Wax -ka -qabadyo maaliyadeed oo dheeraad ah maaddaama kheyraad dheeraad ah la heli karo iyo natiijooyinka caafimaadku oo soo hagaagaya. Soo bandhig ikhtiyaarada xogta dhijitaalka ah si loo wanaajiyo waqtiga xogta.
Masuulnimo	<ul style="list-style-type: none"> Kobcinta awoodda Dowladda Federaalka Soomaaliya (DFS) iyo Dawladaha Xubnaha ka ah Federaalka (FMSs). Xaddid doorka iyo waajibaadka bixinta adeegga. FMS-yada ayaa sameeya kormeerka maalinlaha ah ee bixiyayaasha adeegga caafimaadka ee ay qandaraaska la siisay DFS. In la horumariyo awoodda wax-ku-oolnimada iskaashiga dawladda iyo kuwa gaarka ah. 	<ul style="list-style-type: none"> Horumarinta iyo hirgelinta qaab -dhismeed sharciyeed oo loogu talagalay waaxda caafimaadka. Sii wad kobcinta awoodda DFS iyo FMSs. In la kordhiyo doorka adeeg bixinta ee FMS -yada, iyadoo lagu saleynayo natiijada wadahalada dastuurka.

RECENT ECONOMIC DEVELOPMENTS



1. Recovering from the Triple Shocks of the COVID-19 Pandemic, Floods, and the Locusts Infestation

1.1 The Global and Regional Context

The global economy is projected to rebound strongly, growing at 5.3 percent in 2021, following the historic contraction of 3.5 percent in 2020 induced by the COVID-19 pandemic. This growth is forecast to moderate to 4.2 percent in 2022 (World Bank 2021b).³ A stronger-than-expected global recovery is envisioned in 2021, helped by a large fiscal expansion in the United States and the rapid rollout of vaccination in many advanced economies. Vaccine rollout continues to lag across emerging market and development economies, however. As a result, there is great uncertainty about the global growth forecast, as the sustainability of the recovery depends on the duration of the pandemic, the effectiveness of policy actions in achieving widespread vaccination and preventing financial meltdowns, and the resumption of global travel.

Despite a more buoyant external environment, Sub-Saharan Africa will be the world's slowest-growing region in 2021. The region is forecast to grow 2.6 percent in 2021, up from the 2.4 percent projected in October, supported by improved exports and commodity prices as well as recovery in both private consumption and investment (World Bank 2021a). Sub-Saharan Africa is still in the grip of the COVID-19 health and economic emergency, however. Measures to contain the virus had a dramatic impact on local economies, causing output in the region to shrink 2.4 percent in 2020—the worst outcome on record. This contraction was less severe than the 3.3 percent projected in October 2020, reflecting a slower spread of the virus and lower than expected COVID-19-related mortality in the region, strong agricultural growth, and a faster-than-expected recovery in commodity prices. For the region as a whole, per capita output is not expected to return to 2019 levels until after 2022—and in many countries, per capita incomes will not

return to pre-COVID-19 levels until 2024 or later. Cumulative output losses from the pandemic will amount to almost 12 percent of GDP over 2020–21. Vulnerable groups are suffering disproportionately from reduced opportunities and unequal access to social safety nets.

The pandemic hit fragile countries hard, and their recovery is set to be more sluggish. Growth in fragile and conflict-affected low-income countries contracted by an estimated 3.9 percent in 2020 (World Bank 2021b). The decline in the per capita GDP is expected to set average living standards back at least a decade in 25 percent of these countries. Specifically, Somalia real GDP per capita declined to \$302 in 2020, almost equivalent to 2013 level. Weak state capacity and limited fiscal space have constrained the scope for authorities to respond decisively to the pandemic. As a result, gains in living standards have been eroded, tipping tens of millions of people into extreme poverty in 2020–21. The recovery in these countries is projected to be slow, with growth resuming at 1.7 percent in 2021 before firming to 3.4 percent in 2022. Despite the pick-up in growth, economic activity in these economies will remain below its pre-pandemic level.

1.2 Recent Developments in Somalia

The COVID-19 pandemic continues to inflict pain **Somalia is still contending with an unprecedented health and economic crisis caused by the COVID-19 pandemic.** Like other countries, Somalia swiftly implemented national lockdowns and other containment measures to control and contain the spread of the virus. While vital in saving lives, these measures had a deleterious effect on the economy. With the decrease in the number of cases and the mounting economic and social costs of the lockdowns, Somalia cautiously reopened its economy in August 2020.

³ These estimates are higher than forecast in the January 2021 edition of *Global Economic Prospects*, which projected a contraction of 4.3 percent in 2020 and growth of 4.0 percent in 2021 and 3.8 percent in 2022.

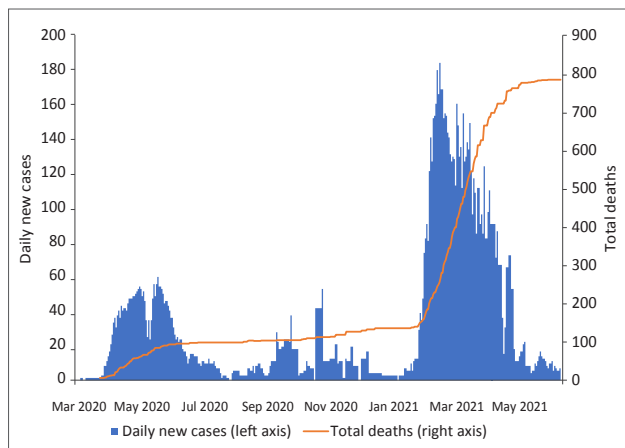
In March 2021, the country was hit with a second wave of the pandemic. Average daily new cases surpassed 180 in early March before beginning to subside; total reported deaths exceeded 700 as of the end of June (Figure 1). The containment measures implemented during the second wave were less restrictive than the measures imposed during the first wave, in an effort of avoiding a repeat of the economically costly measures deployed in 2020. In addition, the country has no fiscal buffers with which to finance stricter containment measures. However, the social protection measures put in place in 2020 through the Baxnaano program helped protect vulnerable rural households from falling into poverty.⁴

Somalia has secured limited amount of vaccines. By end of August, 2021, Somalia had received just over 700,000 doses of the vaccines from the COVID-19 Vaccines Global Access (COVAX) Facility and its development partners to protect its population. The program will support the procurement of vaccines for 20 percent of the eligible adult population (1,044,000 doses). The vaccine rollout is limited by the weak and stretched health system and the distribution infrastructure the authorities have put in place. By end of August, 2021, just over 291,000 doses had been given, with fewer than 97,000 (less

than 0.6 percent of the population) had been fully vaccinated. If supply, distribution, and slow uptake of the vaccine continue, Somalia will struggle to achieve widescale vaccination before the end of 2023, leaving its population exposed to new, more virulent strains of the disease and raising the prospect that COVID-19 will become a permanent, endemic problem across the country.

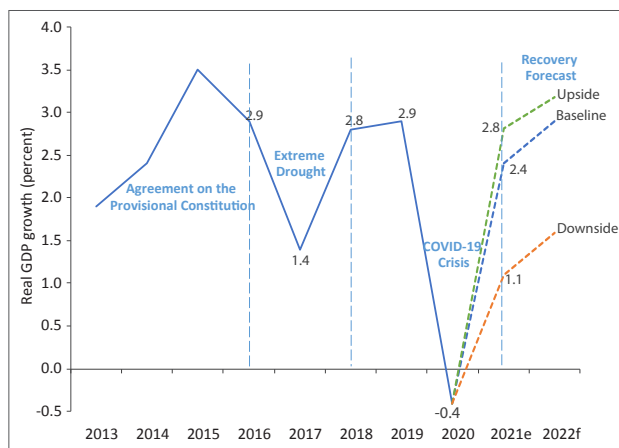
The triple shocks dampened growth in 2020
Somalia’s economy contracted by an estimated 0.4 percent in 2020, as a result of the triple shocks of the COVID-19 pandemic, floods, and the locust infestation (Figure 2). The contraction was less severe than the 1.5 percent projected in the 2020 *Somalia Economic Update*. The economy performed better than expected because of increased official flows, which cushioned the economy against adverse effects of the COVID-19 crisis; fiscal policy measures put in place by the government to aid businesses; and social protection measures to help protect vulnerable households. Much of the economic contraction occurred in the second and third quarters. Economic performance was supported by stronger-than-expected recovery with the easing of COVID-19 containment measures in August 2020 and rising credit to the private sector. Official data from the CBS show that remittance

Figure 1: The number of daily COVID-19 cases began to fall in late March 2021, following a second surge that began in January



Source: World Health Organization, 2021.
 Note: Latest observation is for June 27, 2021.

Figure 2: Real GDP growth has been erratic since 2013, amid recurrent shocks



Source: World Bank and IMF staff estimates.

⁴ The Somalia Shock Responsive Safety Net for Human Capital Project (SNHCP)—known as the Baxnaano Program—provides cash transfers to targeted poor and vulnerable households and establishes the building blocks of a national shock-responsive safety net system in Somalia. Launched in April 2020, the program is expected to enhance resilience by investing in the ability of communities and households to cope with shocks and crises and protect their human capital.

inflows rose by an estimated 17.6 percent in 2020, thanks largely to improvements in the recording of official flows, broad shift in flows from informal to formal channels, sustained assistance by members of the Somali diaspora to help their families through consumption cuts and/or drawdowns on savings, and fiscal stimulus in host countries that resulted in better-than-expected economic performance and job continuity.⁵ Remittances provide an important source of financing for household consumption, business investment, and imports in Somalia and have historically been tightly linked to global

economic performance. They are more important for the bottom 40 percent of the population, for whom they finance 54 percent of total consumption, than among the upper 60 percent, for whom the figure is 23 percent.

Agricultural production slumped

Poor and erratic rains led to lower agricultural production in 2020. Crop production declined 5.8 percent in 2020, with cereals (sorghum, maize, and cowpeas) falling 9.6 percent (FAO database) (Figure 3). Delayed and erratic rainfall distribution

Table 2: Selected economic and financial indicators, 2018–23

Item	2018	2019	2020e	2021f	2022f	2023f
Nominal GDP (millions of dollars)	4,721	4,942	4,975	5,402	5,672	5,976
Real GDP growth (percent)	2.8	2.9	-0.4	2.4	2.9	3.2
Nominal per capita GDP (dollars)	332	338	331	350	359	369
Poverty incidence at \$1.90/day (purchasing power parity)	69					
Money and prices						
Consumer Price Index inflation rate (end of period)	3.2	3.1	4.1	2.5	2.1	2.1
Private credit (percentage change)	9.2	11.8	6.5			
Private credit (share of GDP)	2.3	3.9	4.2			
Fiscal (central government)						
Total revenue and grants	5.7	6.8	10.1	12.6	11.5	12.5
of which external grants	1.8	2.2	5.8	7.6	6.2	6.7
Total expenditure	5.7	6.4	9.9	12.4	10.8	11.9
of which compensation of employees	3.0	3.3	4.6	4.7	5.1	5.5
of which purchase of nonfinancial assets	0.2	0.3	0.4	1.5	1.0	1.0
Overall net balance	0.1	0.5	0.2	0.3	0.7	0.6
External						
Current account balance	-7.5	-10.5	-13.3	-12.2	-11.9	-11.9
Trade balance	-84.8	-83.0	-91.3	-85.8	-86.9	-83.5
Exports of goods and services	23.7	22.6	14.3	21.8	22.2	22.6
Imports of goods and services	108.5	105.6	105.5	107.6	109.1	106.1
Remittances, private transfers	31.4	31.9	30.8	31.3	31.9	31.4
Official grants	46.6	41.3	47.9	42.9	43.8	40.7
Foreign direct investment	8.6	9.1	9.4	9.2	9.3	9.7
External debt	111.3	107.4	39.3	36.7	35.5	29.4
Exchange rate (shilling/dollar) (end of period)	23,954	25,065	25,761			

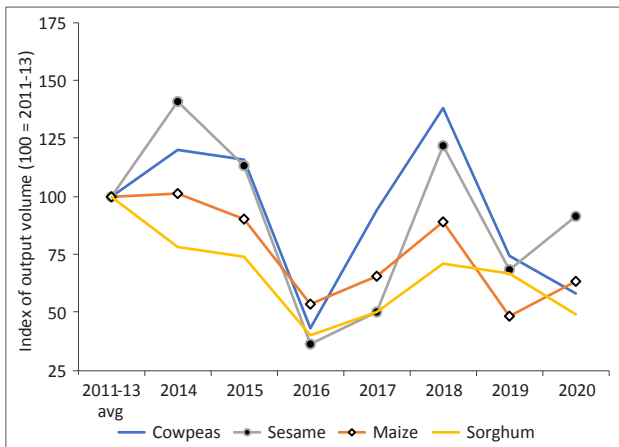
Source: FGS, IMF, and World Bank estimates.

⁵ Remittances may be countercyclical, as relatives and friends often send more during economic downturns, disasters, conflicts, and other negative shocks (World Bank 2019).

characterized the 2020 October–December *Deyr* season, resulting in below-average cumulative rainfall across most regions (FNAU 2021). The poor rains led to inadequate replenishment of pasture and water resources and below-average crop production. Recurrent floods between July and early November caused further population displacement and damaged crops and farmland in riverine areas of the Hiiraan, Shabelle, and Juba regions. Favorable *Hagaa/Karan* (July–September) rainfall in agropastoral and pastoral livelihood zones in the Northwest could not compensate for crop losses caused by poor rains during the *Gu* (April–June) season. Pastoral areas faced water scarcity and pasture shortages, prompting atypical,

earlier-than-normal livestock migration to distant grazing areas, and milk availability for consumption and sale became limited. A sharp decline in livestock exports since August 2020 adversely affected pastoralists and other households that work in the livestock value chain. In late November, Cyclone Gati caused significant damages and livestock deaths in the northeastern coastal regions, although the rains alleviated dry conditions.

Figure 3: Agricultural production has been erratic for a decade

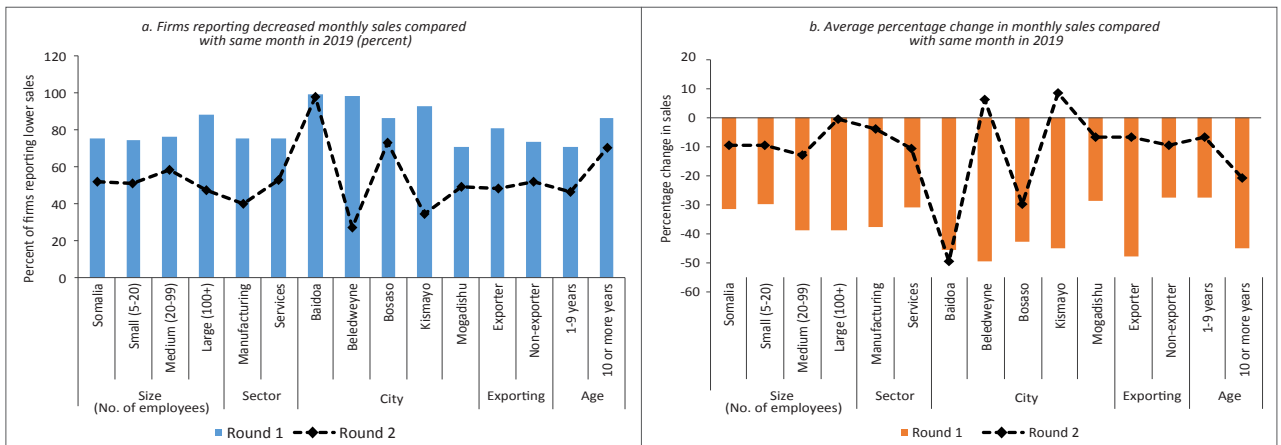


Source: FAO database.

Businesses suffered

COVID-19 mobility restrictions severely disrupted business activity in 2020; conditions became less severe toward the end of the year. About 75 percent of the firms surveyed for the 2021 Somalia Enterprise Survey in June/July 2020 suffered a drop in sales compared with a year earlier—and in some parts of the country, virtually all firms lost sales (FGS, World Bank, IFC and UNIDO 2020).⁶ The share of firms that experienced decreased sales fell to about 50 percent at the end of 2020 (Figure 4, panel a). Although total sales at year’s end remained below the levels of a year earlier, the severity of the decline fell in almost all parts of the country (Figure 4, panel b), with the share of firms reporting liquidity and cash flow shortages falling from 90 percent in Round 1 (June–July 2020) to about 50 percent in Round 2 (December 2020–January 2021).

Figure 4: Sales declined in 2020 across firm types, but they were higher in the second half of the year than in the first half



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

⁶ Two surveys were undertaken covering formal businesses in five cities, Baidoa, Beledweyne, Bosaso, Kismayo and Mogadishu. The first round of the survey interviewed 550 businesses in June/July 2020 while the second round was conducted between December 15, 2020 to January 30, 2021. The survey covered formal firms with 5 or more employees except in Mogadishu where it also covers formal firms with less than 5 employees.

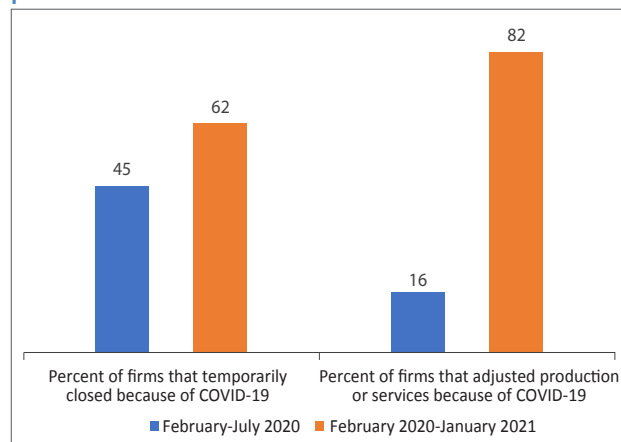
For businesses in fragile economies that face a plethora of existing structural challenges, recovering from a systemic shock is likely to be slow.

Disruptions to supply and demand persist, although they eased with the reopening of the economy. In November/December 2020, 44 percent of firms in Somalia faced disruptions to their supply of inputs, raw materials, or finished goods purchased for resale, down from 71 percent in June/July 2020.

Firms responded to the pandemic changing the way they produced and delivered goods and services.

About 82 percent of businesses adjusted their products or services as a result of the pandemic (Figure 5), and about 70 percent adjusted the way they delivered goods or services.⁷ Eighty percent of firms delayed payments to their service providers and tax authorities. Most firms, particularly large firms and exporters, reduced wages. However, only 46 percent of firms reduced the number of full-time permanent employees. One year into the crisis, employment had contracted 37 percent, with medium-size, large, and older firms shedding most of the jobs (Table 3).

Figure 5: A large share of firms closed or adjusted their production in 2020



Source: Somalia Rapid Business Surveys.

The COVID-19 crisis heightened liquidity challenges for businesses.

The depth and breadth of the impacts point to the need for a broader inclusive assistance to businesses. There is also a growing need for external finance. Bank loans are now the most common means of bridging liquidity and cashflow shortages for most firms (46 percent), up from 14 percent in June–July 2020. However, firms face difficulty accessing credit, with 68 percent of firms considered credit constrained across five

Table 3: Impact of COVID-19 on firms' operations

Item	Round 1 (June–July 2020)	Round 2 (December 2020– January 2021)	Change
Percent of firms with decrease in supply of inputs compared with a year earlier	71	44	–27
Percent of firms experiencing decrease in monthly sales compared with a year earlier	75	52	–23
Percent change of permanent full-time workers since February 2020	–31	–37	–6
Percent of firms experiencing liquidity or cashflow problems	90	49	–41
Percent of firms delaying payments to supplies, landlords, or tax authorities	89	80	–9
Percent of firms that temporarily closed because of COVID-19	45	37	–8

Source: Somalia Rapid Business Surveys.

⁷ Sixty-nine percent of firms started or increased online business activities since June–July 2020, and 21 percent reported starting or increasing remote work arrangement for employees.

cities in Somalia. One year into the crisis, less than 3 percent of firms had received or expected to receive government support. Businesses cited delaying payment to service providers and tax authorities as the most desired form of policy support from the government (see Table 3).

The crisis did not affect the distribution of bank credit; the expected decline in lending did not materialize, even with the lockdown and mobility restrictions. Data from the CBS show that the sectoral allocation of bank loans remained relatively constant in 2020. Households' share of loans rose from 11.6 percent in December 2019 to 13.0 percent in December 2020. Pre-pandemic trends in loans to other major sectors (vehicles, trade, and construction) continued, with a marginal drop in the financial services and real estate sectors (Figure 6). Loans for trade financing—which includes letters of credit for importers and exporters and lending to the retail and wholesale trade sector—and construction remained steady.

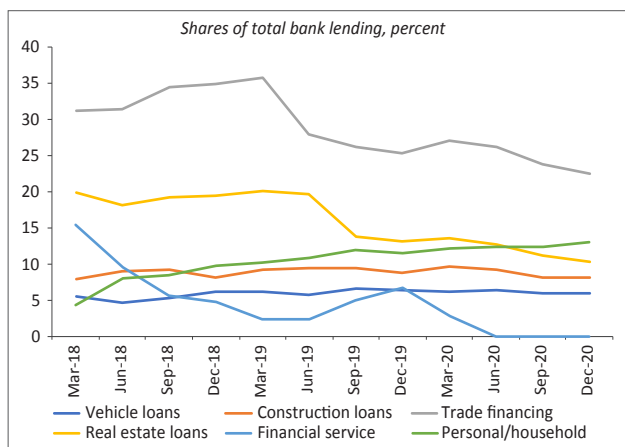
The rollout of pro-poor programs provided relief to households and businesses. The Ministry of Labor and Social Affairs launched the Baxnaano program in April 2020 which delivers cash transfers to vulnerable households and provides a platform to support households suffering losses caused

by locusts and weather shocks. About 100,000 households have benefited under the Baxnaano program. The Gargaara Company Limited was established in 2019 as an apex institution to increase credit to micro, small, and medium-size enterprises (MSMEs). It expanded the MSME financing facility, with the objective of supporting economic relief and recovery of MSMEs by enhancing liquidity and supporting derisking to mitigate the effects of the COVID-19 pandemic. As of September 2020, Gargaara had onboarded three Somali financial institutions to participate in the \$15 million MSME financing facility. It had disbursed \$1.45 million to 76 beneficiaries, with another \$850,000 expected to be disbursed in 2021.

Inflation remained low

Prices have been relatively stable. Overall inflation in Mogadishu increased from 3.1 percent in 2019 to 4.8 percent in 2020 and 5.1 percent in March 2021 (Figure 7, panel a). However, food price inflation declined to 1.2 percent in December 2020, down from 3.8 percent in December 2019. In March 2021, inflation was negative, at –0.3 percent. The decline in prices is attributable to increased supplies from crops harvest from the Dyer rains in December 2020 and enough food imports to meet domestic demand. The increase in overall inflation was driven by higher prices of health services because of COVID-19 and higher prices of housing, water, and electricity and gas, driven mainly by higher oil prices (Figure 8). De facto dollarization tends to keep overall price inflation relatively low.

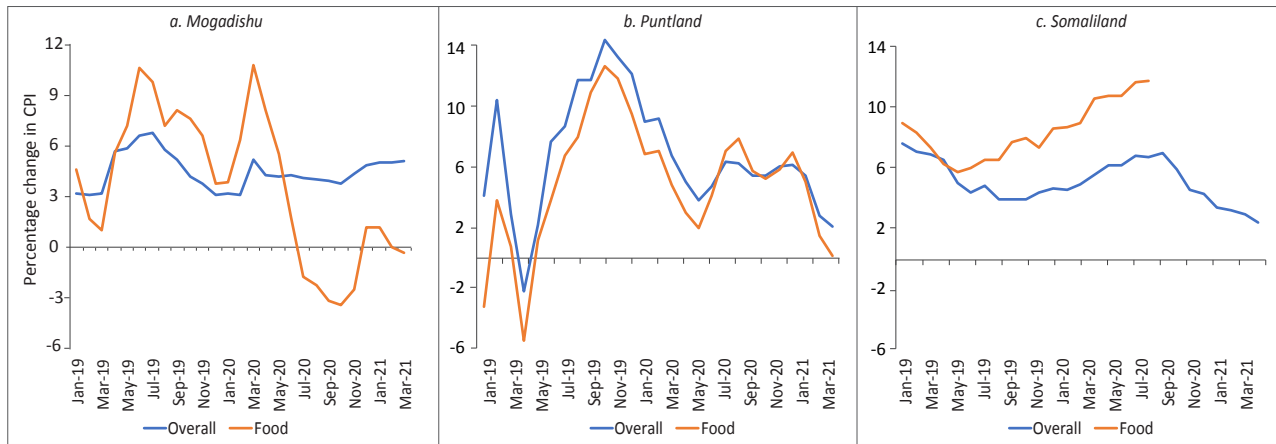
Figure 6: COVID-19 disruptions and restrictions did not greatly interrupt credit to the private sector



Source: Central Bank of Somalia.

Reforms in the financial sector are yielding results Somalia continues to develop core institutions to support the economy's nascent financial sector. The CBS has made progress in licensing financial institutions. As of June 2021, 13 banks, 10 money transfer businesses and 1 mobile network operator had been licensed under the 2019 Mobile Money Regulation. Modern payment system platforms were deployed in September 2020 to drive the national payment system.⁸ The authorities are also making

⁸ The Somalia Transaction and Reporting System (STARS) and Somalia Payment Switch (SPS) systems were installed, tested, and accepted using cloud-hosting computing platforms.

Figure 7: Inflation remained low, driven by lower food prices

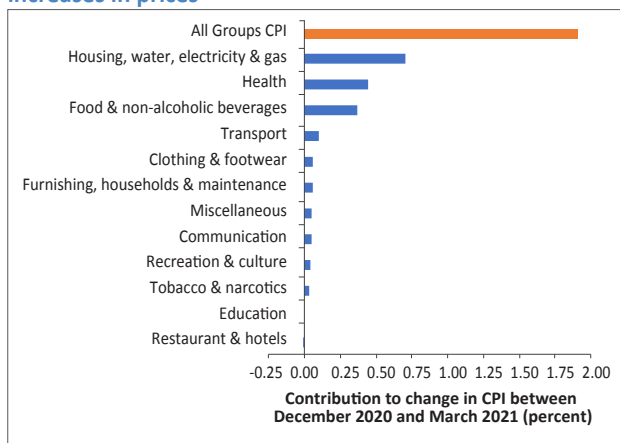
Source: Somalia National Bureau of Statistics, Somaliland Ministry of Planning, and the Puntland Ministry of Planning.

progress in building international confidence in the domestic financial sector, in order to support stronger links with the global financial community. However, Somalia missed its self-imposed deadline of December 2020 for delivering the National Risk Assessment (NRA), a whole of government self-assessment of money laundering and financing of terrorism risks. The assessment is important to increase integration of the Somali financial system with the global banking system, which requires robust understanding of money laundering and financing of terrorism risks. As a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), Somalia committed to being assessed by a regional body in 2024 for compliance with international standards enhancing the fight

against money laundering and financing of terrorism risks. The authorities are working to ensure that the NRA is completed as soon as possible, and that gaps and correction actions are implemented well ahead of the evaluation by MENAFAFT.

The CBS is preparing a new legal national currency to replace counterfeit Somali shillings currently circulating. The new currency will provide Somalia with a monetary policy lever and should pave the way for financial inclusion of the poor and the strengthening of CBS supervision of the financial sector. The lack of a legitimate local currency undermines prospects for building household wealth and formal financial inclusion for a substantial proportion of the population. The death of legitimate banknotes disproportionately affects the poor and vulnerable. Key to the success of this initiative is political buy-in at the highest levels of the FGS and FMSs. The setting up of a national high-level steering committee for the currency exchange, which intends to include FMS ministers of finance, is pending, but preparation is underway. Speeding up the establishment of the committee is critical.

Domestic public confidence in financial institutions is being restored. Bank deposits grew by 53 percent in December 2020, to \$659 million, up from \$430 million in December 2019. The increase indicates growing confidence in Somalia's formal banking

Figure 8: Higher oil prices and medical costs drove increases in prices

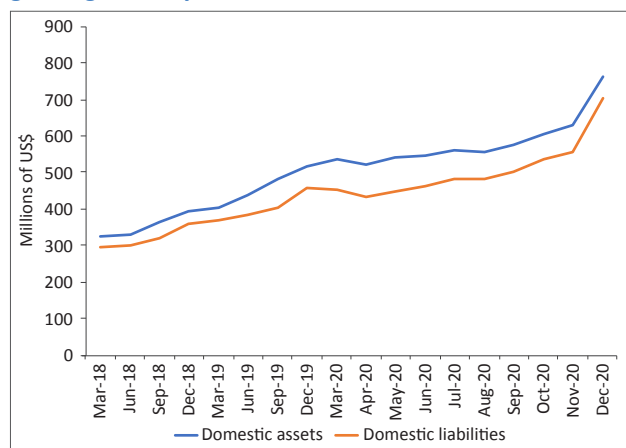
Source: Somalia National Bureau of Statistics.

institutions. Bank credit to the private sector increased by 6.5 percent, to \$219 million in December 2020, up from \$205 million in 2019. Measures put in place by the government to restrict banks from moving dollar reserves out of the country during the pandemic prevented a cash crunch and curbed cash flight. Commercial banks were more cautious about lending to the private sector during the pandemic, however, preferring to enter into joint ventures and partnerships with the private sector. Loans to firms and households (*murabaha* and *qarad-hasan*) declined in 2020, continuing a trend that began in early 2019. Meanwhile, the share of financing through bank partnerships and joint ventures (*musharakah* and *mudadarabah*) grew steadily over the past several years, rising from 11 percent in March 2018 to 33 percent in December 2020. The level of financing through bank partnerships and joint ventures increased 47 percent, from \$50 million in 2019 to \$73 million in 2020. Despite recent progress, the CBS estimates that the banking sector meets only a small share of demand for credit and that levels of intermediation are modest relative to Somalia's potential.

The banking sector continues to be profitable.

Total bank assets increased 48 percent in 2020, to \$821 million, up from \$556 million in 2019 (Figure 9). The growth was driven by cash on hand, which more

Figure 9: Banking system's domestic assets and liabilities grew significantly between 2018 and 2020



Source: Central Bank of Somalia.

than doubled, from \$117 million in December 2019 to \$285 million in 2020. The share of cash on hand at commercial banks rose from 21 percent in 2019 to 35 percent in 2020. Domestic bank assets and liabilities dipped at the start of the pandemic (in April 2020) but recovered sharply in May 2020; by December 2020, they had increased significantly. Table 4 describes banking sector performance in 2019–20.

The composition of domestic assets indicates that the banking system is risk averse.

Somalia's banking system is becoming more liquid as CBS reforms instill confidence in the banking system. However, the pandemic is associated with uncertainty and increased risks. As a result, commercial banks became risk-averse, preferring to hold liquid cash rather than lend to the private sector in 2020. The share of loans to the private sector dropped from 47 percent in 2018 to 40 percent in 2019 and 29 percent in 2020 (Figure 10, panel b). The share of cash on hand in domestic assets increased from 23 percent in 2019 to 37 percent 2020 (Figure 10, panel a).

Despite the pandemic, customer deposits grew 53 percent between December 2019 and December 2020, rising from \$430 million to \$659 million (Figure 11).

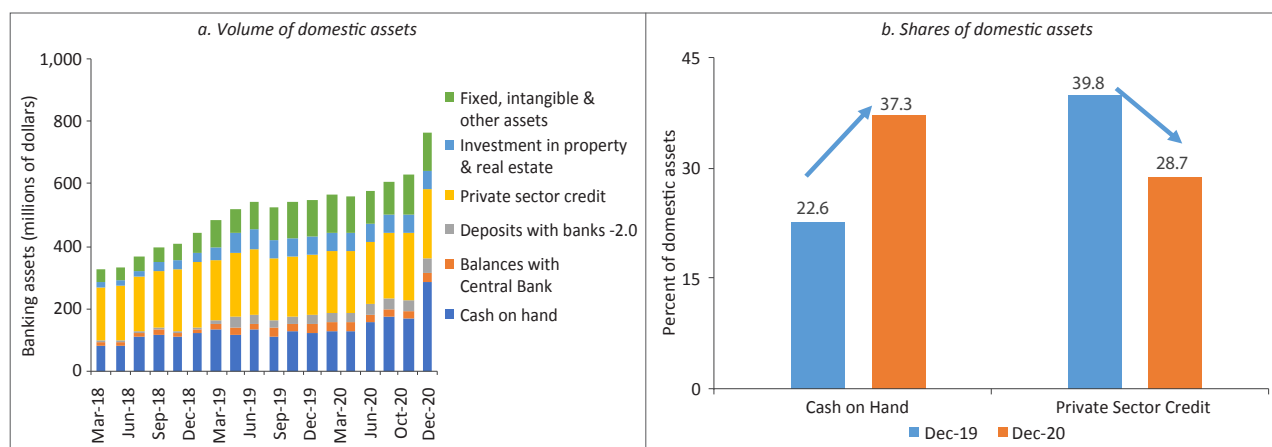
When the pandemic first hit, in March 2020, customers reduced their demand deposits. Demand deposits fell in March–July 2020, but they returned to pre-COVID levels in August 2020, implying that anxiety related to the pandemic and lockdowns/mobility restrictions may have pushed customers to prefer to have cash in hand. Saving deposits remained resilient despite the pandemic, as customers increased their precautionary balances. After the relaxing of initial restrictions, households increased their demand and savings deposits, because of lack of investment opportunities (a wait-and-see attitude) or an increase in cautiousness about their health and finances (forced and precautionary savings).

Table 4: Banking sector performance, 2019–20

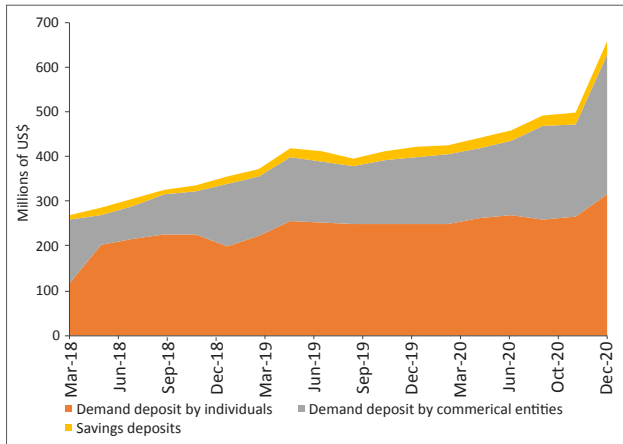
Item	December 2019	December 2020	Percentage change (year-on-year)
Balance sheet Items (\$ millions)			
Cash on hand	116.6	285.2	144.5
Credit to the private sector	205.6	219.0	6.5
Of which			
Financing assets	155.6	145.8	-6.3
Investment in equities (partnerships, joint ventures)	40.0	73.3	46.6
Investment in property and real estate	59.7	60.8	1.9
Total assets	556.2	821.4	47.7
Customer deposits	430.1	659.3	53.3
Total shareholder's equity	97.0	117.1	20.8
Net profit after tax	1.2	(2.3)	-290.9
Nonperforming financial assets	8.2	5.9	-28.6
Total capital (CBS/BS/REG/02)	86.3	100.5	16.5
Total net assets (CBS/BS/REG/02)	544.2	806.5	48.2
Ratios (percent)			
Nonperforming assets/gross loans	4.0	2.7	
Profit/equity	1.2	(2.0)	
Capital/assets	15.5	12.2	
Loans/deposits	47.8	33.2	

Source: Central Bank of Somalia.

Figure 10: The composition of banking system assets changed between 2018 and 2020



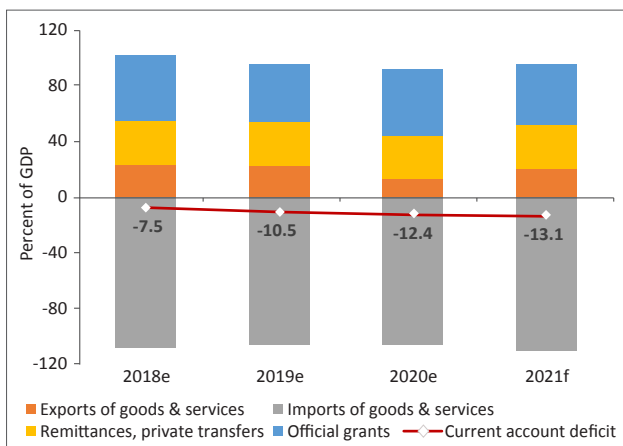
Source: Central Bank of Somalia database.

Figure 11: Customer banking deposits grew sharply in 2020

Source: Central Bank of Somalia.

The vulnerability of the external sector increased

External balances deteriorated in 2020. The current account deficit widened to 12.4 percent of GDP in 2020, up from 10.5 in 2019. A significant fall in exports, from 22.6 percent of GDP in 2019 to 14.0 percent in 2020 (Figure 12) was the primary cause, with merchandise exports falling 13.9 percent in 2020 according to CBS data. The unprecedented collapse in global travel caused reductions in Somalia's two main exports—travel-related services and live animals. Somali livestock exports generally peak during the Hajj, but this demand dried up in 2020 with Saudi Arabia's cancellation of the annual pilgrimage.⁹ Higher official grants and remittances helped finance the current account deficit. Reaching the Highly Indebted Poor Countries (HIPC) Decision

Figure 12: The external position deteriorated in 2020

Source: Central Bank of Somalia and IMF.

Point in March 2020 restored Somalia's regular access to concessional grants from multilateral partners. As a result, official grants increased to 47.9 percent of GDP in 2020, up from 41.3 percent in 2019. These grants helped Somalia respond to the triple shocks.

Merchandise imports increased in 2020. Total imports increased marginally to 106.4 percent of GDP in 2020, up from 105.6 percent in 2019. Merchandise imports increased 3.8 percent in 2020 to \$3.8 billion, up from \$3.6 billion in 2019 (Figure 13, panel a). Imports of medical products and oil products increased by 46.6 and 39.7 percent, respectively, in 2020. Imports of food products declined 19.6 percent to \$1.2 billion in 2020, from \$1.5 billion in 2019, as by COVID-19 restrictions disrupted supply routes and investors drew down inventory. The share of total imports rose for all categories of imports except food and construction. The share of food in total imports fell to 31.1 percent, down from 40.2 percent, and the share of construction imports fell from 11.2 to 11.0 percent.

Merchandise export earnings contracted by 13.9 percent in 2020, from \$633 million to \$545 million.

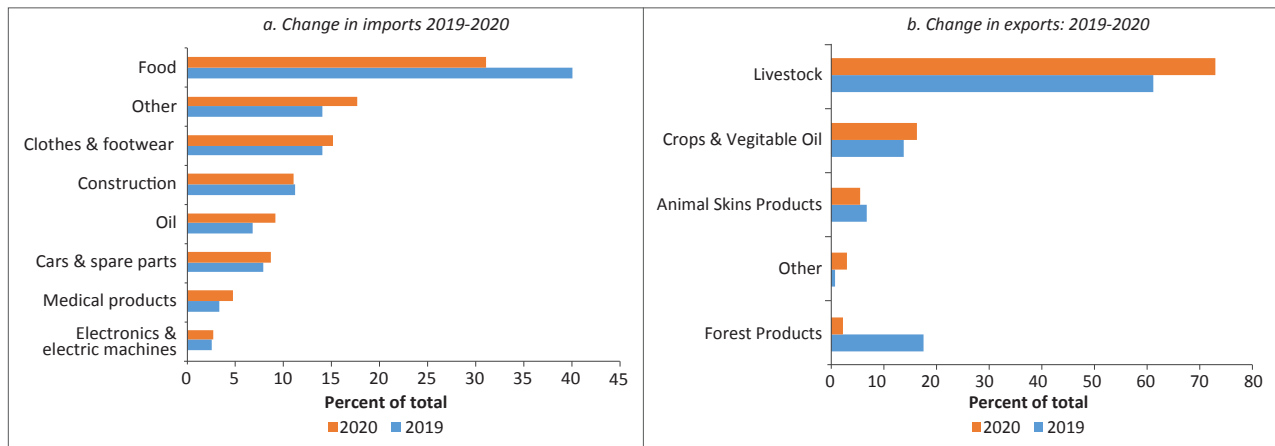
The decline reflected the significant drop in exports of forest products, which fell 88.1 percent to \$12.7 million, from \$110 million in 2019. Exports of livestock increased by 2.6 percent to \$398 million, up from \$388 million. As a share of total exports of goods, exports of livestock increased to 73.0 percent in 2020, up from 61.3 percent. The share of exports of forest products plummeted, from 17.4 percent to 2.3 percent (Figure 13, panel b).

Remittances remained resilient during the pandemic.

Predictions at the outset of the pandemic envisaged that mobility restrictions and the global recession would cause a sharp drop in remittances to developing countries. In the event, inflows to Somalia rose 17.6 percent to \$2.8 billion in 2020, up from \$2.3 billion in 2019. The growth was driven by inflows to households, which grew 23.4 percent,

⁹ The Somalia Transaction and Reporting System (STARS) and Somalia Payment Switch (SPS) systems were installed, tested, and accepted using cloud-hosting computing platforms.

Figure 13: The composition of exports and imports changed in 2020



Source: Central Bank of Somalia database.

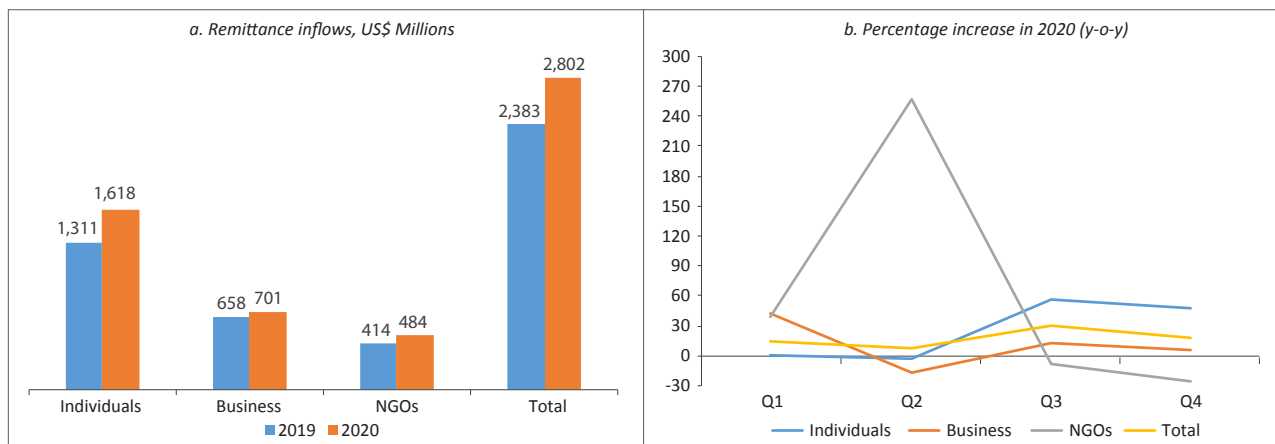
from \$1.3 billion in 2019 to \$1.6 billion in 2020. Remittance inflow to NGOs and business enterprises increased by 16.9 and 6.5 percent, respectively (Figure 14, panel a). Counter-cyclical fiscal policy implemented in host countries cushioned a fall in personal income, consumption, and job losses for many Somalis in the diaspora. The negative impact of COVID-19 on remittances was felt only at the onset of the pandemic; remittances recovered quickly in the third and fourth quarters of 2020 (Figure 14, panel b).

Public finances came under stress in 2020, necessitating large adjustments in the revised budget

Somalia's triple shocks increased pressure on public finances. Disruptions stemming from the pandemic reduced revenue collected by the federal and state

governments at the very time that they faced demands to spend more on health and disaster relief. As a result of reaching the HIPC Decision Point, the FGS mobilized new external grants to finance new social programs, emergency projects to address flooding and the locust invasion, and intergovernmental grants to the FMS and the Banadir Regional Authority. In June, the Ministry of Finance submitted a revised 2020 budget to parliament to obtain authority for spending adjustments and revise revenue targets. Estimates of the 2020 outturn show that FGS domestic revenue fell below the levels collected in 2019 and projected in the original 2020 budget but outperformed the targets in the revised budget (Table 5). Large increases in external grants enabled the FGS to begin rebalancing public spending toward economic and social services. Revenue was insufficient to support full execution of

Figure 14: Remittances stagnated at the onset of the pandemic but recovered in the third and fourth quarters of 2020



Source: Central Bank of Somalia.

Table 5: FGS fiscal operations, 2018–21

Item	2018 Actual	2019 Actual	2020			2021 Budget
			Original budget	Revised budget	Actual (estimates)	
Revenue and grants	276.2	337.8	466.2	578.1	506.8	680.5
Domestic revenue	183.4	229.7	234.4	167.5	211.2	269.7
Tax revenue	138.9	154.7	155.5	107.0	139.5	182.9
Taxes on income, profits, property	8.6	11.7	11.3	8.7	16.2	13.8
Taxes on goods and services	22.1	25.0	27.1	17.8	21.3	30.0
Taxes on international trade	100.3	107.0	106.0	74.8	91.1	128.0
Of which import tax on khat	13.4	16.6	14.0	5.0	5.5	37.0
Other taxes	7.9	11.1	11.1	5.7	11.0	11.0
Nontax revenue	44.5	74.9	78.9	60.5	71.7	86.8
Of which telecoms spectrum fees	..	8.7	12.6	12.6	1.7	12.6
Grants	92.8	108.1	231.8	410.6	295.6	410.8
Budget support	42.8	65.5	63.0	167.3	123.1	130.0
Project support	50.0	42.6	168.8	243.3	172.5	280.8
Expenditure	268.5	315.7	476.2	696.6	494.7	680.5
Recurrent spending	258.6	300.9	435.5	652.4	476.2	597.5
Compensation of employees	142.8	162.8	220.3	229.9	227.0	252.8
Use of goods and services	80.6	92.7	132.2	152.6	80.3	183.1
Debt service (including principal)	0.0	0.0	0.3	14.4	14.4	16.5
Grants (intergovernmental and other)	30.8	45.0	42.6	155.0	90.2	70.5
Social benefits	0.3	0.0	25.0	93.4	62.1	60.2
Other expenses	4.1	0.4	15.1	7.0	2.2	14.4
Capital spending	9.9	14.8	40.6	44.3	18.6	83.0

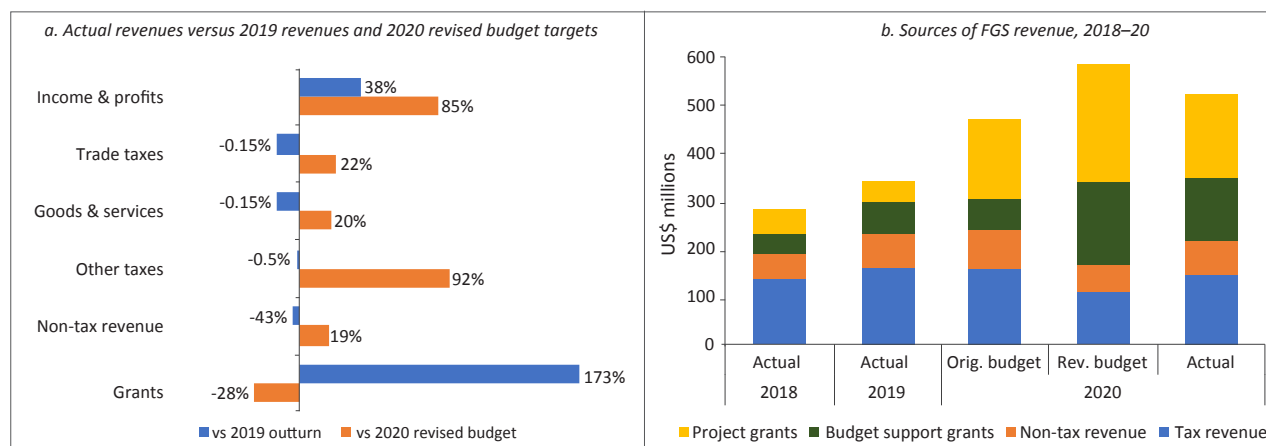
Source: Data for 2020 are from the Ministry of Finance website (mof.gov.so/fiscal); other data are from 2021 Ministry of Finance budget documents. Note: Budget support excludes disbursements from the World Bank's Recurrent Cost and Reform Financing Investment Project, which are shown as budget support in Ministry of Finance tables. .. = Negligible.

the ambitious revised budget, however, forcing the FGS to cut discretionary spending on procurement of goods and services.

Domestic revenue collection contracted, but higher grants cushioned fiscal operations

FGS domestic revenue collection surpassed the revised target but was lower than the previous year's outturn. COVID-19 containment measures led to revenue shortfall across all streams except income and profits taxes, which grew 38 percent, albeit from a small base (Figure 15, panel a). Tax revenue and nontax revenue (licenses, fees, and other charges) exceeded the target in the revised budget by 29

percent and 19 percent, respectively, but they fell short of actual collection in 2019 by 6 percent and 4 percent, respectively. The five-month airport closure halted the legal importation of khat from Kenya and Ethiopia, accounting for a drop of about 85 percent in domestic revenue collection in 2020. Revenue from the import tax on khat declined 67 percent compared with 2019, as there was no revenue collection from importation of khat in the second and third quarters and fourth quarter collection was just 12 percent of the \$5.6 million collected in the same period in 2019. Telecommunications spectrum fees also declined in 2020. As a result of challenges in introducing the new universal communications

Figure 15: COVID-19 containment measures dampened revenue collection, but grants eased the pressure

Source: FGS Ministry of Finance 2020.

licensing framework, the FGS collected only \$1.7 million in spectrum fees—just 20 percent of what it collected in 2019 and 14 percent of the 2020 target. Partially offsetting these declines, increased revenue from customs duties on petroleum imports and higher income from the port concession and overflight fees generated US\$9.9 million more in 2020 than in 2019.

Increased donor grants supported the country's response to the triple shocks and partially mitigated the drop in domestic revenue (Figure 15, panel b).

Total donor disbursements almost tripled, increasing by 3.7 percentage points in 2020 to reach 5.9 percent of GDP in 2020. Total budget support accounted for 42 percent of total donor grants in 2020, increasing by more than \$100 million compared with 2019, mainly through reengagement grants from the African Development Bank and the World Bank provided after Somalia reached the HIPC Decision Point. Reaching the Decision Point also enabled the country to access much-needed financing for its response to the triple shocks. Disbursements for the Baxnaano program, the emergency locust response, and the crisis response projects accounted for almost all of the increase in project grants between 2019 and 2020.

The FGS increased spending to meet crisis needs but underspent on procurement of goods and services

The FGS revised the 2020 budget to respond to the triple shocks. Total expenditure in 2020 rose to 9.9 percent of GDP in 2020, up from 6.4 percent in 2019 (Table 2). The revised budget almost quadrupled the appropriation for cash transfers delivered to households through the Baxnaano program. New expenditure on these social benefits accounted for 13 percent of total FGS spending in 2020. This spending was in addition to other new spending on social and economic services.

The budget allocated more funds to the health sector.

The national response to the COVID-19 crisis saw increases in both intergovernmental transfers and spending by the FGS health sector. Although health spending remains low, it more than doubled its 2019 level to account for 1.3 percent of total spending. The COVID-19 crisis highlighted weaknesses in Somalia's health sector, including lack of critical infrastructure, personnel, access and limited resources with which to respond to health-related shocks. (Part II of this report focuses on the urgent need to strengthen the healthcare system.)

The FGS increased intergovernmental grants to subnational governments to offset revenue shortfalls caused by the COVID-19 crisis. Total grants (including projects grants) reached 1.8 percent of GDP in 2020, up from 0.9 percent in 2019, making grants the second-largest expenditure after the wage bill. The COVID-19 crisis exposed the vulnerability of subnational governments to manage their operations and is likely to create additional pressure as they become increasingly reliant on grants. Monitoring of subnational fiscal risks remains critical going forward.

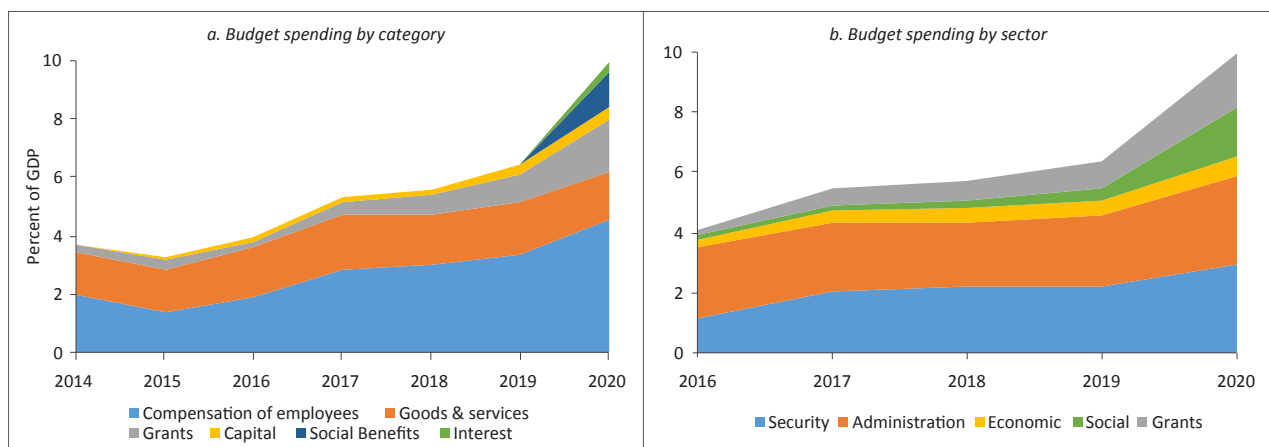
The FGS cut spending on the procurement of goods and services in 2020. Actual 2020 spending on goods and services was 47 percent below the revised budget appropriation and 13 percent below actual spending in 2019. Several factors account for the decline. The main factor is PFM reforms in the security sector. Anchored in the 2017 National Security Architecture (NSArch) and the 2018 Operational Readiness Assessment, reforms implemented included biometric registration of all Somalia security forces, which allows verification of all payments, including direct payments to individual accounts; enhancement of the human resources management system, which now connects the security sector payroll to the overall Somalia Financial Management Information System

(SFMIS); and improvement of internal controls, which include logistics procedures and central purchasing contracts for major supplies in the sector (World Bank 2020b). At the beginning of 2020, the government started including security rations in the wages of eligible personnel (previously, they were paid as “other general expenses” under use of goods and services).¹⁰ The lockdown also contributed to the decline in spending. Spending on rent and travel fell by 30 and 25 percent, respectively. Spending fell short of the revised 2020 budget because execution of donor-financed and other projects was delayed. Under-spending on consultants, health and hygiene products (for COVID-19 projects), and specialized materials and services (including, for example, those needed for locust control) totaled \$39.3 million (53 percent of the total under-execution of goods and services spending shown in Table 5).

Change and continuity in the FGS budget

The revised 2020 budget introduced important changes to the composition of FGS spending. Initiation or expansion of projects to address the triple shocks sharply increased the social sector’s share of the budget as well as spending on social benefits (which was nonexistent before 2020) (Figure 16, panel b). FGS spending on grants to subnational governments also rose.

Figure 16: The composition of FGS spending changed in 2020



Source: World Bank staff calculations based on IMF, Ministry of Finance, and World Bank data.

¹⁰ Security sector spending on “other general expenses” alone fell by US\$12.6 million in 2020—more than the decline in total FGS goods and services spending of US\$11.3 million across all sectors and goods and services.

Despite the decline in spending, security and administration continued to be the FGS's top spending priorities. Even after excluding intergovernmental grants from the administration sector, total spending by these two sectors increased in nominal terms by 26 percent and the share of spending by the two sectors fell only slightly, to 48 percent in 2020, down from 52 percent in 2019.

The wage bill continues to absorb the lion's share of total expenditure, accounting for almost half of total spending (Figure 16, panel a). It increased 39 percent in 2020, to 4.6 percent of GDP, up from 3.3 percent in 2019. The increase is attributed mainly to the new and harmonized salary scales for both the Somalia National Army and the police force.¹¹ Administration sector wages increased 14 percent, economic services 25 percent, and social services 13 percent. Together, the administration and security sectors account for more than 80 percent of the total FGS wage bill.

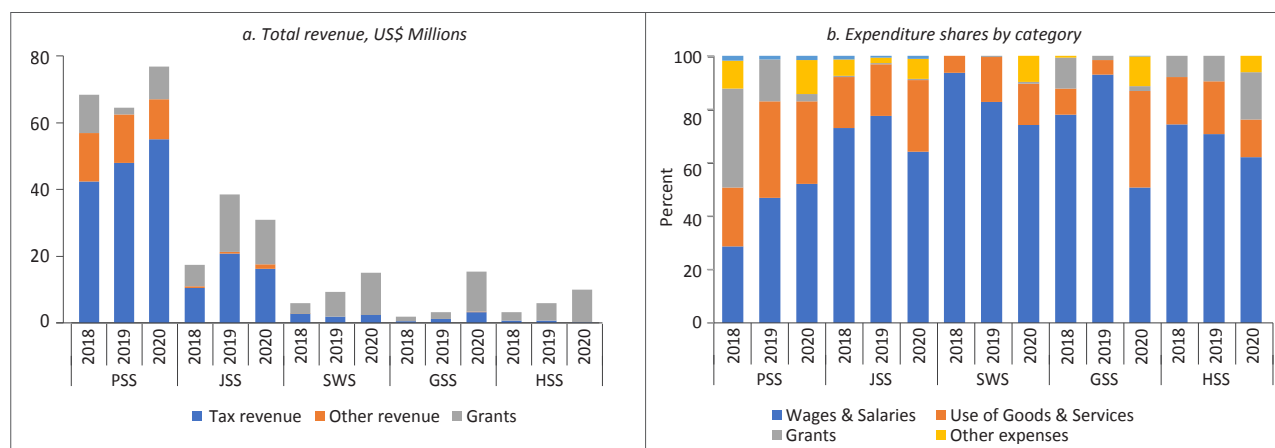
Public investment spending remains low. Despite increasing by 25 percent in nominal terms in 2020, the share of capital spending fell to 3.7 percent of total FGS spending in 2020, down from 4.7 percent in 2019. Under-execution is also a problem: Projects spent only 44 percent of the funds appropriated in the revised budget for capital investments.

Diversifying sources of revenue continues to be an urgent priority. Since its establishment, in 2012, the FGS has made strides toward rebuilding the legal and institutional framework for inland revenue administration (Raballand and Knebelmann 2021). The government is heavily dependent on revenue from international trade, transport, and travel, all of which are extremely vulnerable to shocks. These revenue streams accounted for 72 percent of domestic revenue in 2020 (only a modest decline from 76 percent in 2018).¹² Meanwhile, the FGS's reliance on external grants increased sharply in 2020, as a result of both reengagement with international financial institutions and the onset of the triple shocks, rising to 58 percent of total revenue and grants, up from 33 percent in 2019. Such heavy reliance poses a risk to fiscal operations and undermines budget credibility when these funds are not realized and/or disbursements are low.

Intergovernmental grants eased fiscal stress at the subnational level

Domestic revenue performance was muted in almost all the FMSs in 2020. Tax revenue in Puntland increased 15 percent over 2019, driven by taxes on goods and services and a strong rebound in trade taxes (Figure 17, panel a). Grants offset underperformance in other revenue streams. In contrast, Jubbaland experienced a 22 percent decline in tax revenue, with

Figure 17: Expenditure pressure increased across Federal Member States in 2020



Source: World Bank calculations based on data reported by FMS finance ministries.

¹¹ The FGS also took over Somalia National Army stipend payments.

¹² In addition to customs duties and other taxes on international trade, this figure includes harbor fees, overflight fees, stamp duty on customs, airport fees, and visa charges and passports.

taxes on goods and services dragging performance down by 50 percent compared with the 2019 outturn. Strong collection of trade taxes (which was 17 percent higher than in 2019) and grants eased the contraction. The newer states (SWS, GSS, and HSS), which have very low domestic revenue, benefited from increased grant financing.

Expenditure pressure increased in all FMSs in 2020 (Figure 17, panel a). Like the FGS budget, budgets in the FMSs are allocated largely to compensation of employees and the purchase of goods and services, leaving no fiscal space for investments or service delivery.

The COVID-19 crisis enhanced intergovernmental cooperation. Federal and subnational governments engaged in a coordinated national response at the onset of the COVID-19 pandemic, and mobilization of external assistance increased, easing fiscal stress across jurisdictions. Coordinated effort is also evident in areas of budget planning, data sharing, and reporting. Federal and state ministers of finance stepped up their engagement in 2020 to plan a coordinated fiscal response to the crisis. They increased the frequency and improved the quality of data sharing—a much needed action that will support the coordinated response and help the government monitor results. The Federal Ministry of Finance has begun publishing a monthly consolidated (FGS and FMS) report on fiscal operations report on its website. As Somalia continues to battle COVID-19, including new waves and variants, continued

cooperation will be instrumental in enhancing support for public health measures around prevention, early detection, and treatment of cases and rapid vaccination of the population.

Multiple shocks and political uncertainty increased fiscal challenges

The 2021 FGS budget anticipates higher revenues to finance current expenditure priorities. Parliament approved the 2021 budget December 29, 2020. It envisaged continued efforts to increase domestic revenue mobilization, based on the assumption that the COVID-19 crisis would abate starting in the fourth quarter of 2020 and the economy would begin to rebound. Although this assumption may hold to some extent, Somalia, like other countries, continues to battle the virus. Projected weather-related shocks (continued locust infestation and a suppressed Gu rainy season) and lingering political uncertainty related to the next general elections could combine to slow recovery momentum.

Revenues are expected to rebound, but expenditures will also be higher

Revenue mobilization is expected to recover in 2021. Domestic revenue is projected to increase 28 percent to \$270 million, equivalent to 5 percent of GDP (see Table 5). This projection is predicated on revenue collection across all streams rebounding to 2019 levels with the easing of COVID-19 containment measures and new proposed tax measures boosting collection by \$30 million (Box 1). Trade taxes are expected to grow 41 percent in 2021, thanks to

>> Box 1: Proposed tax measures by the FSG are expected to yield about \$30 million in 2021

The new measures include the following:

- an increase in the tax rate on khat from \$2.50 to \$4.00 per bundle
- a surcharge on petroleum products (yielding additional revenues of \$1.9 million)
- removal of temporary COVID-19 tax relief measures (lower rates on rice, dates, and flour)
- continuation of higher tax rates on tobacco, plastic bags, and cosmetics
- resumption of full tax collection on electricity sales as at January 1, 2021
- an increase in rental collection, thanks to automation.

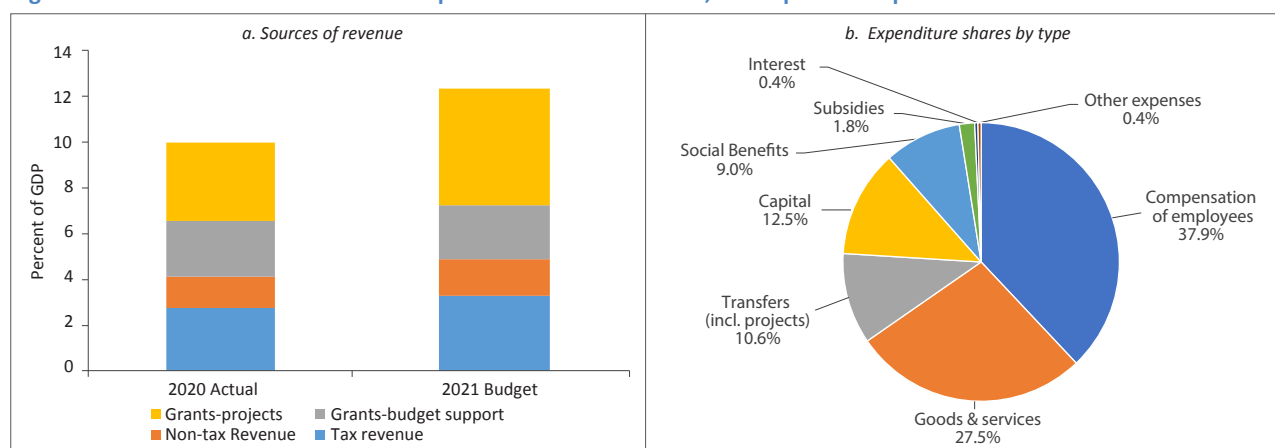
a rise in imports as economic activities pick up. Importation of khat resumed with the lifting of international flights suspension in August 2020. However, supply chain constraints, mainly with Kenya, remain unsolved, threatening the rebound in revenue collection under this stream. Taxes on goods and services are also estimated to grow 41 percent, as hotels, telecommunication, and electricity companies resume tax payments, which they had halted because of the COVID-19 crisis. Tax revenue on imported goods is expected to remain strong. Nontax revenue is projected to grow 21 percent, thanks to sustained growth in harbor fees, resumption of airport and overflight fee collection, and a rebound in telecommunication spectrum fees and administrative charges.

The 2021 budget aims to meet increased spending needs. The government has proposed spending US\$666 million in 2021 (about 12.3 percent of GDP), 35 percent more than the 2020 outturn (see Table 5). The expenditure is expected to be driven by year-on-year revenue growth, which is projected to reach 12.6 percent of GDP, 2.4 percentage points higher than in 2019 (Figure 18, panel a). The budget anticipates a 39 percent increase in donor grants, which could finance up to 60 percent of

total expenditure with project grants accounting for 41 percent and budget support 19 percent. Over-reliance on donor grants, particularly budget support, to finance operations could prove risky in 2021, given the political environment.¹³

The wage bill and use of goods and services still dominate FGS spending. The two categories will account for 37.9 percent and 27.5 percent of the budget, respectively, in 2021 (Figure 18, panel b). The wage bill is expected to increase by 10 percent compared with the 2020 outturn, mainly because of wage adjustments in the security sector (the Somalia National Army and police force, among other MDAs). Use of goods and services is estimated to more than double in 2021, reflecting anticipated donor projects expenditure under this category. Grants to subnational governments are expected to return to their 2019 levels—\$41.3 million, representing 6.2 percent of the budget. Project grants, mainly for public works, water, and crisis response programs, account for 4.4 percent of the budget, bringing total transfers to 10.6 percent. Social benefits introduced in 2020 are projected to remain at the same level (1.1 percent of GDP). Capital spending is expected to quadruple to 1.5 percent of GDP, up from 0.4 percent in 2020.

Figure 18: FGS domestic resources are expected to recover in 2021, but expenditure priorities to remain the same



Source: FGS 2021 Fiscal Year Budget Act No.00017/2021.

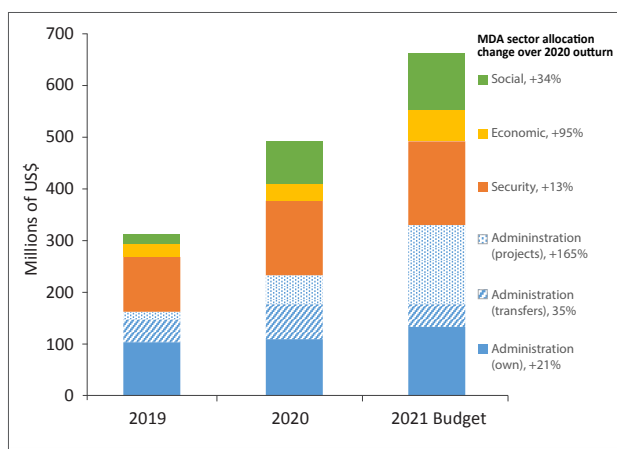
Note: Subsidies consist of financing provided by the Gargaara Facility to micro, small, and medium-size enterprises.

¹³ The term of the current administration expired February 8, 2021. The delay in undertaking elections poses a significant risk of continued political tensions across the country and waning support by development partners. General elections are now scheduled for July–October 2021.

Security and administrative services are the biggest gainers in the 2021 budget and will continue to constitute the largest share of the budget.

Spending on administration is set to increase by 21 percent and security spending by 13 percent (Figure 19). Economic sector spending will increase 95 percent. The increase will be driven by higher spending on water, energy, urban development, and road infrastructure. Donor projects are playing an increasingly critical role in enhancing public service delivery and strengthening government institutions. Donors' projects commitments now account for 36 percent of the budget, mainly in the administration, economic, and social sectors.

Figure 19: FGS expenditure in 2021 is set to increase across all sectors relative to the 2020 outturn



Source: World Bank staff calculations using data from the FGS Appropriation Act 2021.

The budget proposes to sustain increased pro-poor spending on social protection, health, and education, mainly through donor-funded programs.

Social sector spending will increase 34 percent, with most spending supporting poor and vulnerable households through the Baxnaano program; the Somalia Crisis Recovery Project, which supports the recovery of livelihoods and infrastructure in flood and drought affected areas and strengthens capacity for disaster preparedness; and the Recurrent Cost and Reform Financing Facility, which supports health and education support. As the country continues to battle COVID-19, health sector spending is estimated to reach 5 percent of FGS total expenditure, an increase of almost 500 percent, albeit from a small share of 1.3 percent in 2020. Resourcing the sector

will remain critical in the medium term, given uncertainty surrounding the end of the COVID-19 crisis and the need to rebuild and strengthen the weak healthcare system. Education expenditure is projected to almost triple to \$40 million (6 percent of the total budget), up from \$14.3 million in 2020.

Domestic revenue fell in the first quarter of 2021

Lingering political uncertainty and the second wave of COVID-19 infections are making it difficult to implement the FGS budget.

Domestic revenue collection in the first quarter was 13 percent lower than in the same period in 2020 (see Table 5). Nontax revenue fell 45 percent during this period, driven by dismal to virtually no collection of overflight, passport, and telecommunication spectrum fees. Rebounds across all other revenue streams cushioned the shortfall. Trade taxes were 2 percent higher in the first quarter of the year than in the same period in 2020, thanks to rising demand for imports as economic activities gradually rebound. However, tax revenue from importation of khat remained subdued, as supply chain constraints persist. Preliminary data suggest that if monthly collection is sustained, the annual outturn will reach the 2020 level, of just over \$200 million, making it unlikely to achieve the projected growth of 28 percent. The challenging fiscal situation is exacerbated by lower donor grants, particularly expected multilateral budget support, which did not materialize in the first quarter, leaving only earmarked projects grants and the small share of bilateral assistance to supplement fiscal operations.

Expenditure in the first quarter of 2021 was 27 percent higher than in the same period in 2020, driven by compensation of employees (Table 6).

Actual expenditure reached 12.8 percent of the approved budget. Wages and salaries accounted for 8.4 percent—31 percent higher than in the same period in 2020, goods and services 2 percent, and intergovernmental transfers 1.4 percent which has fallen during this period in line with lower allocated amounts in the overall budget.

Table 6: FGS revenue and expenditure outturn, first quarter 2020 and 2021

Item	First quarter 2020 (millions of \$)	First quarter 2021 (millions of \$)	Percentage change (year-on-year)
Total revenue and grants	122.4	76.9	-37
Domestic revenue	59.5	52.0	-13
Tax revenue	36.1	39.1	8
Taxes on incomes and profits	2.4	3.0	26
Taxes on goods and services	5.0	5.8	16
Taxes on international trade	26.1	26.5	2
Other taxes	2.6	3.8	45
Nontax revenue	23.4	12.8	-45
Grants	62.9	25.0	-60
Total expenditure	67.4	85.5	27
Recurrent	65.9	83.7	27
Compensation of employees	42.7	56.1	31
Use of goods and services	8.8	13.7	55
Interest and other charges	1.5	4.2	181
Grants (intergovernmental, etc.)	12.9	9.6	-25
Social benefits	—	—	—
Other expenses	—	0.1	—
Capital	1.5	1.8	18

Source: FGS Ministry of Finance (www.mof.gov/fiscal).

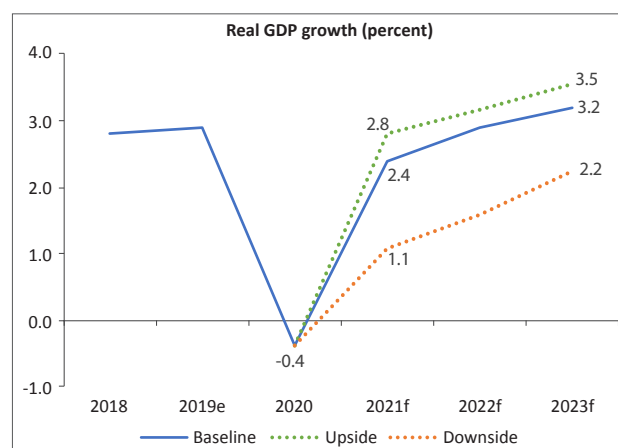
Note: — = Not available.

1.3 Medium-Term Outlook, Risks, and Challenges

Somalia is emerging from the triple shocks of 2020

The economy is projected to record a moderate recovery over the medium term. Real GDP growth is estimated at 2.4 percent in 2021 in the baseline scenario. Growth will increase gradually in 2022. It is projected to reach pre-COVID-19 levels of 3.2 percent in 2023 as economic activities gain momentum (Figure 20). The baseline scenario is predicated on Somalia weathering the pandemic without the need to reimpose the stringent lockdowns and travel restrictions imposed in April 2020. At the same time, slow uptake of vaccination is expected because of hesitancy (vaccines are available under the COVAX facility).¹⁴ The scenario assumes a gradual pick-up in economic activities as

Figure 20: Economic recovery will be moderate in 2021 and in the medium term



Source: World Bank staff estimates.

businesses and firms return to their normal levels of sales and continued support to firms and vulnerable households through the Gargaara lending facility and Baxnaano program. Demand for livestock

¹⁴ It is assumed that 500,000 people will be fully vaccinated in 2021 and another 700,000 vaccinated in 2022.

exports will rebound, and growth in remittances will stimulate demand, boosting firms' recovery and households' incomes.

The baseline scenario projects a rebound in household consumption, domestic investment, and export demand. The gradual pick-up of economic activities began with the easing of the COVID-19 lockdown restrictions in August 2020, after which private consumption and export demand increased and businesses began to stabilize. Private consumption, the main driver of Somalia's GDP, is projected to grow 2.8 percent in 2021, 3.3 percent in 2022, and 3.5 percent in 2023. With the modest recovery, per capita private consumption is projected to stagnate in 2021 and into the medium term. Government consumption is expected to increase marginally, as political uncertainty lingers, in line with the expected recovery in domestic revenue collection, and external grants are assumed to continue unhindered. Private investment is expected to pick up in 2021, with planned investments in sectors such as energy, ports, and the financial sector promising to gradually reinvigorate the economy as the COVID-19 crisis abates. Recovery of agricultural productivity will improve households' incomes and food security and increase exports. Easing of the COVID-19 containment measures will continue to boost export demand, and higher growth in remittances will improve household incomes and investments.

Inflation is assumed to remain low. Inflation declined to about 2.5 percent in the first half of 2021, down from 3.0 percent in 2020. De facto dollarization continues to provide relative price stability, particularly given Somalia's dependence on imports. In the baseline scenario, growth in the agriculture sector is moderate, reducing domestic inflationary pressure.

The external sector will remain vulnerable in the medium term. The current account deficit is forecast at 13.1 percent of GDP in 2021 and projected to steadily narrow over the medium term, to about 12.7 of GDP in 2022 and 13.0 percent

in 2023. The decline will be driven by Somalia's high import needs, higher oil prices, and the high level of grants and remittances. The import basket will gradually include a larger share of investment goods as recovery picks up. Stronger export demand amid improved economic activity and a more hospitable global environment can ease external vulnerability.

Risks to the outlook are mainly on the downside

The medium-term outlook remains highly uncertain. It will continue to be subject to risks from political developments related to the upcoming elections, possible deterioration of the security situation, lingering impacts of COVID-19 crisis, and climate-related shocks. These risks can impede economic activity and reverse the growth recovery in the baseline scenario.

Somalia's political environment remains challenging. The general elections scheduled for February 2021, in accordance with the Provisional Federal Constitution, were delayed because of disagreements among political actors. The issues have been resolved and Somalia's political leaders have agreed to conclude elections by October 2021. Further delay could raise political divisions across Somalia, with increasing tensions and insurgence activities, and reverse the steady progress and reform momentum achieved since 2012. Delayed elections could cause a decline in the international community's willingness to provide official development assistance at levels comparable to 2019 and 2020. Growth in 2021 may be weaker if external financing conditions tighten and political tensions escalate.

The ongoing insurgency in Somalia is delaying and dampening growth prospects. Although Somalia's economy remains stable, simmering conflict continues to pose risks to economic activity. Terrorism attacks by Al Shabaab continue to threaten the security situation in Somalia and may be heightened by the political environment. They have scared away both domestic and foreign potential investors and tilted FGS spending toward security.

Weather-related shocks add more risks to the outlook. Weather and climatic shocks could reduce 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 vulnerable external sector.

Resurgence of COVID-19 would slow growth. The pace of recovery in 2021 is expected to be subdued, reflecting the lingering disruptions to activity from the second wave of COVID-19 and the emergence of more contagious variants of the virus. The success of the vaccine rollout depends crucially on the distribution infrastructure the authorities and international community put in place and citizens' willingness to be vaccinated. If supply and distribution issues continue, Somalia will struggle to achieve widescale vaccination before the end of 2023, leaving it exposed to new, more virulent strains of the disease and raising the prospect that COVID-19 crisis will become a permanent, endemic problem in the country. Growth in 2021 will likely be weaker if the pandemic is prolonged. Reflecting these risks and the uncertain environment, this *Somalia Economic Update* presents two scenarios for the medium-term growth outlook.

In the downside scenario, the economy grows at 1.1 percent in 2021, increasing to a modest 1.6 percent and 2.2 percent in 2022 and 2023 respectively. This scenario is premised on an upsurge in COVID-19 cases, suppressed rainfall, a prolonged locust threat, and deterioration of the political climate. New COVID-19 variants and waves are likely to force the government to reimpose lockdown and mobility restrictions, constraining the economic recovery. Early-warning systems point to the possibility of below-average rainfall, including worse drought conditions and the continued threat of locust invasion. Below-average rainfall would reduce crop and livestock production

and demand for agricultural labor and likely increase food imports. Delays in lifting restrictions exacerbate the slowdown in consumption expenditures, and weather-related shocks will be more severe than in the baseline scenario. Delaying elections beyond 2021 is likely to create political tensions, leading to increased insecurity and insurgence activities that would adversely affect economic activities and erode business confidence. External assistance is assumed to decline in this scenario.

In the upside scenario, the economy grows 2.8 percent in 2021. This scenario is anchored in improved weather conditions and the resolution of the election impasse. Economic recovery will be robust in 2021 if rainfall is adequate, flooding abates, no lockdowns or mobility restrictions are imposed, current social protection programs are expanded to include vulnerable households in urban areas, and elections are held in 2021. The economy is projected to grow 3.2 percent in 2022 and 3.5 percent in 2023.

1.4 Policy Options for Economic Recovery

The COVID-19 global pandemic exposed the costs of not investing in a public health system. The near-term economic prospects for Somalia depend on the pandemic's path. Spending to contain the pandemic will necessarily come at the expense of other budget priorities, including vital spending on other health areas and much-needed capital investment. Additional public spending on health is needed not only to scale up the resilience of local health systems and public infrastructure to support testing and tracing but also to ensure that the logistical, administrative, and financial requirements of mass vaccination are in place. The slower the pace of vaccination and the larger the unvaccinated population, the greater the possibility that new variants of the virus will develop, adding to the prospect of a more protracted pandemic in the country.



Building a sustainable, resilient, and inclusive economy requires maintaining reform momentum.

With limited fiscal space, Somalia needs to prioritize reforms that boost resilience to shocks and emphasize sectors with strong potential for growth and employment. Reducing poverty will require policy interventions to raise productivity, create jobs, and expand pro-poor programs. Such interventions could include expansion of social protection programs, efforts to increase agricultural productivity, and increases in public investments.

Creating a better investment climate is key. Reform initiatives to improve the business climate and attract more private investment should be urgent priorities of the post-election government. These reforms could include reducing the cost and improving the reliability of electricity, leveling the playing field among private firms (new and old entrants into the market), aligning the treatment of firms in the formal and informal sectors, reducing red tape, and broadening financial inclusion. As Somalia embarks on the road to recovery from the triple shocks, these structural reforms will enable jobs to be at the center of policy action and private sector response.

Supporting vulnerable population will strengthen the economy's resilience to shocks. The Baxnaano program highlighted the importance of being able to channel support quickly and efficiently to those most in need during the COVID-19 crisis and after the locust infestation. Extending the reach and responsiveness of such programs through the innovative and cost-effective use of mobile money, electronic cash transfers, and virtual engagement is key to supporting Somalia's vulnerable population. Building on the Baxnaano program to further enhance safety nets in Somalia is key. It could be done by adopting a national social safety net strategy that identifies target populations and delivery mechanisms and is capable of being scaled up rapidly in response to economic shocks or reforms.

Increasing exports of current products is critical for inclusive growth.

In the short to medium term, Somalia's trade strategy should focus on increasing exports of products in which Somalia already has a comparative advantage. Although most of these exports are primary products (such as live animals and vegetables), other manufactured products, such as agro-food products on the lower end of the complexity spectrum (sesame oil, meat, processed fruits, and processed fish products), seem within Somalia's reach. Fostering them would lay the foundation for acquiring the more sophisticated technical skills necessary for large-scale manufacturing.¹⁵

1.5 Building Resilience to Somalia's Recurrent Shocks

The triple shocks pushed more people into poverty.

The COVID-19 crisis increased joblessness and poverty. It is estimated that 21 percent of Somalis had to stop their work activity following the outbreak of COVID-19, in a country where only 55 percent of the population is actively engaged in the labor market. In addition, 78 percent of households reported reductions in their income from wages (Somali High-Frequency Phone Survey (World Bank 2021c). In particular, work activities in the agricultural, energy, and professional services sectors were disrupted. With limited formal job opportunities, more than a third of Somalis were engaged in self-employment, which was particularly hard hit, with almost one in three household enterprises not operating in July 2020. With the added shocks of the locust infestation and floods, 25 percent of households involved in farming or livestock activities were not able to carry out their normal farming activities.

Low-income households experienced both crop losses and low income from agricultural production and employment. With few alternative food and income sources, poor households with few saleable animals faced moderate to large food consumption

¹⁵ For analysis of and recommendations on the new national trade strategy, see World Bank (2021d).

gaps in 2020, which are expected to persist through mid-2021. Erratic and low rainfall, infestations of desert locusts and pests, and armed conflict led to crop losses and low income from agricultural employment. In riverine livelihood zones along the Shabelle and Juba rivers, recurrent floods destroyed farmland and crops and displaced local populations, leading to significant crop and income losses. Food insecurity among the rural population and internally displaced persons has also affected rural livelihood activities. The slowdown in economic activities in urban areas reduced the assets and income-earning opportunities of the urban poor.

The triple shocks exacerbated food insecurity. A third of households reported having an adult who had not eaten for an entire day (Somali High-Frequency Phone Survey (World Bank 2021c). Hunger was particularly prevalent among nomads (42 percent) and rural households (37 percent). Food insecurity is expected to remain high through mid-2021 because of localized floods, below-average rainfall, and a worsening desert locust infestation.

School closures have affected the formation of human capital. On March 18, 2020, the government announced the closure of all primary and secondary schools, to curb the spread of COVID-19. During this time, students engaged in alternative learning activities in only 36 percent of households.

The COVID-19 crisis has highlighted the weaknesses in Somalia's health system and underscored the importance of increasing health sector investments to build a more robust and resilient health system.

Building a resilient health system is essential not only for preventing and managing future disease outbreaks but also for improving the health and human capital outcomes of the population to promote sustainable economic growth and development. As resources are limited, selecting high-impact, cost-effective health and nutrition interventions is critical to improving health outcomes. Such interventions would increase life expectancy and help create a healthier and more productive workforce. Improving the health outcomes of the Somali labor force would increase the tax base and allow workers to contribute to economic growth through increased productivity. Higher economic growth, increased revenues, and increased government allocation to the health sector can help fund the long-term goal of achieving self-sustaining universal health coverage.

Part II of this report describes the importance of health to long-term growth in Somalia. It examines health outcomes in Somalia; the major system bottlenecks faced by the health sector; and the ways in which they affect the efficiency of the health system, service utilization, and outcomes.



SPECIAL FOCUS

THE IMPORTANCE OF A RESILIENT HEALTH SYSTEM FOR ECONOMIC GROWTH



2. The Importance of a Resilient Health System for Economic Growth

2.1 The Case for Investing in Health

The health sector is an essential component of resilient and inclusive development. Health spending accounts for just 1.3 percent of total government spending in Somalia—a small fraction of the 29 percent of the budget that goes to the security sector. Health spending is well below the Abuja target of at least 15 percent of the total government budget.¹⁶

The COVID-19 pandemic highlighted the national economic and security importance of strengthening Somalia's health system. As of end of August 2021, Somalia had reported 18,019 confirmed coronavirus cases and 982 deaths. With 284,140 tests conducted in a country of 15 million people as of end of August 2021, Somalia has very limited capacity to adequately test, trace, and report cases of COVID-19 infections and deaths. Actual COVID-19 fatality rates are almost certainly higher than reported. The government's response to the COVID-19 pandemic suggests that Somalia is among the least prepared countries to detect, manage, and report disease outbreaks to prevent their global spread. An inability to manage epidemics is often linked to civil unrest, political instability, and a weakened economy (Price-Smith 2002). Investing in Somalia's health system is thus not only an urgent political and economic consideration, it is also foundational to reducing fragility and enhancing economic development.

Investments in health are inextricably tied to Somalia's long-term economic growth and development. Healthier workers are more innovative and productive. Increases in life expectancy tend to make people more forward-looking, which incentivizes saving for retirement and the accumulation of physical capital, improving labor productivity and contributing to economic

growth. In low-income countries, it is estimated that an increase in life expectancy from 50 to 70 years increases GDP per capita by 1.4 percent (Barro 1996). In Sub-Saharan Africa, it is estimated that improvements in labor productivity resulting from better childbirth practices and treatment and prevention of high-burden infectious diseases would result in regional GDP increases of 0.2 percent a year. As communicable diseases and reproductive, maternal, and neonatal disorders are responsible for most premature deaths in Somalia, highly cost-effective investments in reducing disability-adjusted life years (DALYs) caused by communicable, reproductive, maternal, and child health disorders will be key to Somalia's long-term economic growth.¹⁷

Investments in quality and reliable health services would enhance the visibility of the government, demonstrate its governance capacity, and reinforce its legitimacy. The provision of public goods and services offers a fundamental pathway to stabilization, reconstruction, and nation-building in fragile postconflict environments and enhances the legitimacy of the government. Enhanced legitimacy then leads to a self-enforcing cycle of increased sociopolitical stability and improved service provision, facilitated by the government's bolstered role (Brinkerhoff and others 2012).

Investing in the health sector would increase economic opportunities, especially for women, whose labor force participation has far-reaching implications for human capital growth (WHO 2016b). Around the world, the health and social services sector employs more women than any other sector. In Sub-Saharan Africa, for example, 65 percent of nurses are women. Investing in the health sector provides an opportunity to increase female labor force participation in Somalia, where only 7.4 percent of all women 15–49 have some form of

¹⁶ In April 2001, heads of state of African Union countries pledged to allocate at least 15 percent of their annual budgets to improve the health sector (WHO 2011).

¹⁷ The WHO defines an intervention as cost-effective if the cost of the intervention is lower than the cost of the country's per capita gross national income (GNI)

employment (SHDS, 2020). Investments in health can catalyze women’s economic empowerment, with several downstream effects on human capital accumulation, especially during childhood, and help promote equitable, inclusive, and sustainable economic growth (IMF 2017; World Bank 2018).

Investing in health would set Somalia on a path to reaping substantial demographic dividends from improvements in life expectancy and reductions in fertility. Persistently high fertility contributes to maternal mortality, household poverty, childhood malnutrition, and lower workforce participation among women. There are substantial benefits to smaller family sizes, at both the micro and macro levels. At the household level, families will face continuing challenges in ensuring that their children are educated, nourished, and healthy. At the national level, Somali authorities will continue to face enormous pressure to educate additional cohorts of schoolchildren, and the rise in demand for health and social services will outstrip the capacity of the fragile systems in the country. Somalia’s high dependency ratio (97 percent) indicates a low working share of the population. A 2016 World Bank study finds that a 1 percentage point reduction in the child dependency ratio is associated with a roughly 0.4 percentage point drop in the poverty headcount rate. This finding underlines the economic importance of investments that reduce fertility rates and improve female labor force participation.

2.2 The State of the Health Sector

Following independence, in 1960, Somalia had a rudimentary but functioning health system, which achieved several milestones. By 1970, two nursing schools had been established (one in Hargeisa and another in Mogadishu). A faculty of medicine and surgery was established in Mogadishu in 1973. By the mid-1970s, primary health care had been introduced, with the help of the Finnish International Development Agency (FINIDA). By 1977, Somalia

had eradicated smallpox, becoming the last country in the world to report a naturally occurring case. These achievements resulted in inflows of foreign assistance, which helped establish medical training institutions, with emphasis on respiratory diseases (Qayad 2008).

Decades of political instability and prolonged conflict destroyed health infrastructure, leading to a deterioration in health outcomes, particularly among women and children. Before the military regime of Siad Barre, which began in 1969, private medical practice existed concurrently with public healthcare. The socialist government ended private medical practices in 1972 (Barre 1973), which reduced the quality of care, as health workers grew increasingly dissatisfied with government wages. Sustained conflict between 1991 and 2012 destroyed the health system, sanitation, and safe drinking water systems, creating fertile grounds for a rise in infectious disease. Women and children have been most affected, as Somalia has one of the highest fertility rates in the world, and maternal and child health services barely exist. The high burden of communicable and reproductive, maternal, newborn, child, and adolescent disorders highlights the need for immediate investments in health that focus on reproductive, maternal, and child health services as well as the surveillance, prevention, and treatment of preventable infectious diseases.¹⁸

A vibrant private sector has now emerged, but significant health needs remain unmet. Somalia’s private sector delivers at least 60 percent of health services and 70 percent of medicines, which are concentrated in urban areas (Buckley, et al., 2015). The sector is informal and unregulated, because the government lacks regulatory capacity. As a result, no quality or safety standards are in place for health services or pharmaceutical products. In such an environment, the full potential of the private sector is not realized, because the supply of unsafe

¹⁸ Communicable, maternal, and neonatal disorders constitute 63 percent of all DALYs in Somalia (IHME 2019).

health services undermines efforts to improve health outcomes. Although the private sector has no formal organization, several private sector networks have emerged to coordinate private sector health providers in the country.

Alongside Somalia's large private sector, a multiplicity of NGOs provides humanitarian health services. Numerous international and national NGOs provide health services, with funding from donor organizations, the diaspora, and other private sources. The exact number of NGOs providing humanitarian health services is not available, and the sector is fluid, with organizations leaving and new actors emerging. The UN health cluster system provides some coordination for the humanitarian health sector, but this is limited.

Government health service delivery is limited. Puntland and Somaliland manage some health services on a limited basis. The FGS delivers some hospital services in Mogadishu. NGOs deliver the overwhelming majority of health services in public facilities.

In 2013, the Joint Health and Nutrition Program (JHNP) and the Health Consortium for Somali People began implementing an essential package of health services (EPHS), coordinating donors and NGOs to provide services. Somalia's 2009 EPHS included six core programs (maternal, reproductive, and newborn health; child health; communicable disease surveillance and control; first aid and critical care; treatment of common illnesses; and treatment of HIV, sexually transmitted diseases, and tuberculosis) as well as four additional programs (chronic disease management, mental health and mental disability, dental health, and eye health). Because of limited resources, the JHNP did not cover the entire country or all components of the EPHS. However, it did improve coordination between health service delivery partners.

After the closure of the JHNP, in 2016 (largely because of the end of financial support from the UK Foreign Commonwealth and Development Office [FCDO]), fragmentation occurred, with different partners covering different geographic areas and package components. According to 2017 WHO figures, following the JHNP's closure, about 47 of Somalia's 89 districts (home to some 5.7 million people) had access to part of the EPHS, representing 41 percent of the population. Numerous humanitarian health service providers operate in the country, with limited information on who covers what services in which locations. Several larger donors, including Germany, Sweden, and the FCDO, support larger swaths of the country. The coordinate with the government, although the financing they provide is not on the government's budget.

The FGS is trying to coordinate development partners in order to address the leading causes of mortality and morbidity. The government holds regular health sector coordination meetings to bring together health sector development partners. In 2020, it revised the EPHS, creating a comprehensive package of health and nutrition services, with the aim of aligning fragmented donor financing around the implementation of the EPHS. The just approved World Bank financed Damal Caafimaad Project in June 2021 will help the government quickly expand access to high-impact, essential health and nutrition services to address the leading causes of mortality in Somalia.¹⁹ It will also strengthen health systems and the institutional capacities of federal and state health ministries to coordinate, pool, and use health resources. By focusing on high-impact and cost-effective interventions, the project will help optimize life expectancy within current resource constraints. An improvement in life expectancy and the health of the labor force would provide a much-needed basis for increased revenue mobilization (through taxation and other pooling mechanisms) to fund the long-term goal of achieving self-sustaining universal health coverage.

¹⁹ Key high-impact services to be delivered through the project include: (i) child health services (routine immunization, micronutrient supplementation, promotion of infant and child feeding and nutrition referral); (ii) maternal and neonatal health services, including testing and interventions during ANC visits, basic and comprehensive emergency obstetric and newborn care, and family planning; (iii) Gender Based Violence services (awareness raising, case identification, counselling, and management); (iv) disease surveillance (strengthening and maintaining integrated disease surveillance and response as well as preparedness and response to disease outbreaks); (v) communicable and select non-communicable disease prevention, treatment, and detection; (vi) first aid; and (vii) mental health (including basic psycho social support and follow up).

Health Outcomes

Life expectancy remains low and fertility high

Although life expectancy in Somalia increased over the past three decades, it remains lower than the Sub-Saharan Africa average. The average child born in Somalia today can expect to live 57.1 years, up from 50.4 years in 2000 and 45.3 years in 1990. This figure compares with 66.3 years in Kenya and 61.3 years in Sub-Saharan Africa as a whole. The number of DALYs, which measures the overall disease burden, is 64,069 per 100,000 population in Somalia, well above the Sub-Saharan Africa average of 47,359 (Figure 21). As a result, much critical labor needed for development is lost to death and disability.

The economy has not been able to create jobs for the rapidly growing youth population. The average number of children per woman in Somalia as was 6.9 in 2020, compared with the Sub-Saharan Africa average of 4.6 (Figure 22). The estimated annual population growth rate is 2.9 percent, resulting in the doubling of the population every 24 years. Because the economy is barely able to generate enough economic opportunities to meet the needs of a rising population, Somalia has an unemployment rate of 13.4 percent—more than twice the Sub-Saharan African average of 6.6 percent (World Development Indicators [World Bank 2020e]). High unemployment can increase the vulnerability of unemployed youth to armed groups, making them

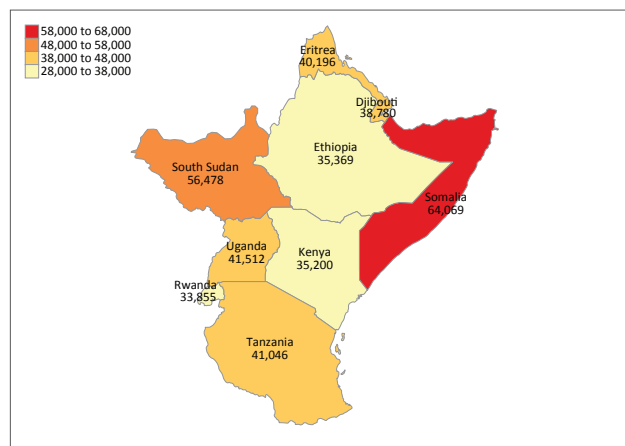
more likely to participate in systemic violence and exacerbating insecurity (Cramer 2011).

Maternal, child, and reproductive health outcomes are weak

Access to birth spacing services in Somalia is severely limited. According to the 2020 Somalia Health and Demographic Survey (SHDS), between 2015 and 2020, 32 percent of all births to women 15–49 were unwanted at the time of conception, and 37 percent of currently married women reported having unmet birth spacing and limiting needs for short- and long-acting contraceptive methods that could help couples space children.

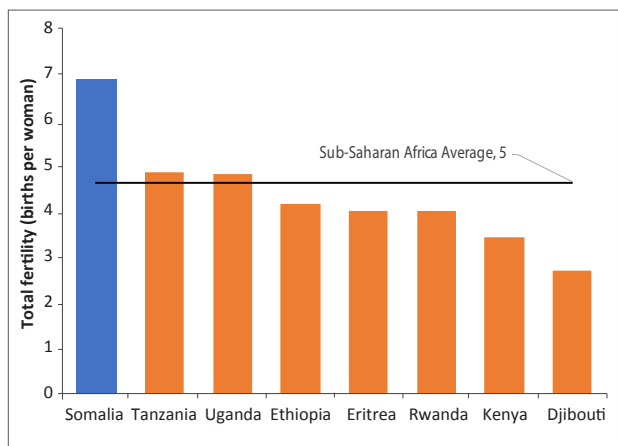
Maternal and child health services are extremely limited. Antenatal care (ANC)—the prenatal health services a pregnant woman receives from a trained provider—can reduce the risk of morbidity and mortality of both the expectant mother and the newborn child. However, only 8 percent of women in Somalia receive the four ANC visits with a trained provider during pregnancy recommend by the WHO, and only 32 percent of all births are delivered with the assistance of a skilled provider (Figure 23). In addition, only 11 percent of all mothers had a postnatal check within the first two days after delivery, according to the 2020 SHDS, and just 11 percent of all children between the ages of one and two received all basic childhood vaccinations.

Figure 21: Somalia has the highest number of disability-adjusted life years (DALYs) per 100,000 people in East Africa



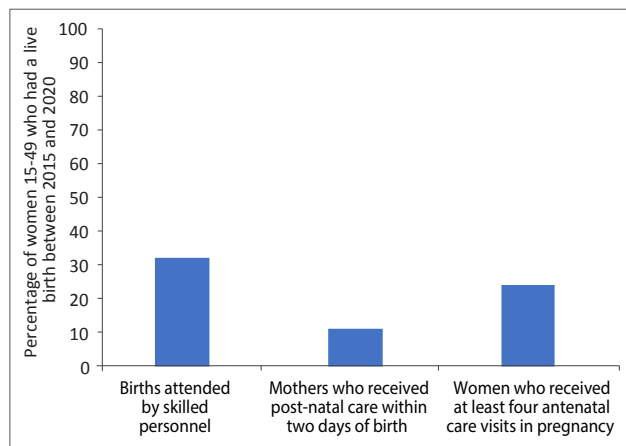
Source: Global Burden of Disease (IHME 2019).

Figure 22: In 2019, Somalia had by far the highest total fertility rate in East Africa



Source: Somalia estimate is from the SHDS, 2020; other estimates are from World Bank 2020.

Figure 23: Coverage of maternal health services is low

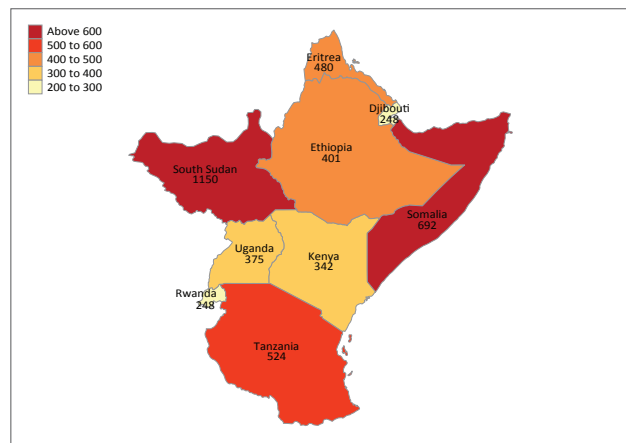


Source: Somalia Health and Demographic Survey 2020.

Consequently, maternal and child mortality rates in Somalia are among the highest in the world. Somali women are frequently pregnant, increasing their exposure to pregnancy risks. Frequent and close births also leave women more susceptible to disease, disability, and malnutrition. Although it has declined, Somalia’s maternal mortality ratio remains high, at 692 per 100,000 births—well above the Sub-Saharan Africa average of 534 (Figure 24) (UN MMIEG 2020). At 117 per 1,000 live births, the under-five mortality rate is also much higher than the Sub-Saharan Africa average (76) (UN IGME 2020).

Although the burden of communicable disease has declined from its 2009 level of 52 percent of all DALYs, at 47 percent in 2019 it remains higher than

Figure 24: In East Africa, only South Sudan has a higher maternal mortality ratio than Somalia



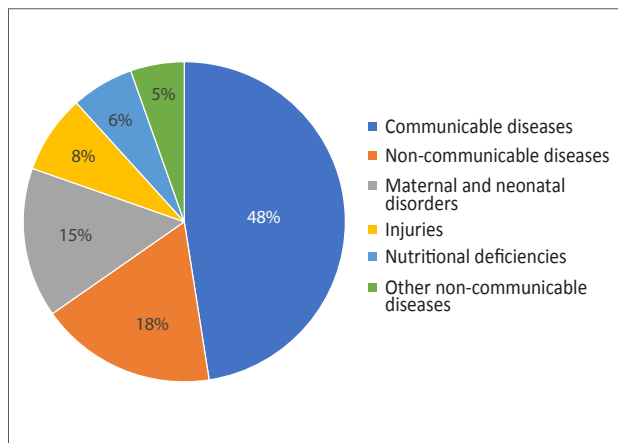
Source: Somalia Health and Demographic Survey 2020; UN Maternal Mortality Estimation Inter-Agency Group 2017.

the East African subregional average of 40 percent (IHME 2019) (Figure 25). Tuberculosis, meningitis, acute hepatitis, measles, and other respiratory and infectious diseases account for the majority (37 percent) of the communicable disease burden (IHME 2019). The prevalence of vaccine-preventable diseases such as measles reflects Somalia’s low vaccination rate.

Although the burden of communicable disease has declined from its 2009 level of 52 percent of all DALYs, at 47 percent in 2019 it remains higher than the East African subregional average of 40 percent (IHME 2019) (Figure 25). Tuberculosis, meningitis, acute hepatitis, measles, and other respiratory and infectious diseases account for the majority (37 percent) of the communicable disease burden (IHME 2019). The prevalence of vaccine-preventable diseases such as measles reflects Somalia’s low vaccination rate.

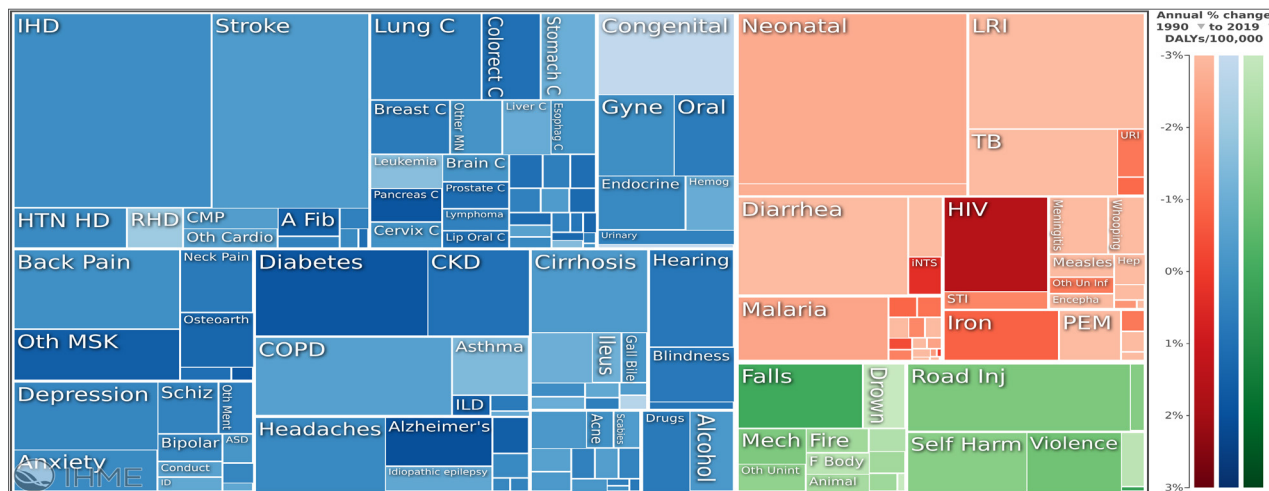
The share of noncommunicable diseases increased from 19 percent in 2009 to 23 percent in 2019 (Figure 26). Cardiovascular diseases, diabetes, congenital birth defects, urinary and gynecological diseases, and mental disorders account for more than half of all noncommunicable disease-related DALYs in Somalia (IHME 2019). The most commonly diagnosed chronic health problems in Somalia are hypertension and diabetes. About a third of all

Figure 25: Almost half of DALYs in Somalia are caused by communicable diseases



Source: IHME 2019.

Figure 26: The burden of noncommunicable diseases has increased



Source: IHME GBD Compare (<https://vizhub.healthdata.org/gbd-compare/>), retrieved April 16, 2021.
 Note: The orange shaded region represents the communicable, maternal, neonatal, child health and nutritional disease burden. The blue shaded region represents the non-communicable disease burden while the green shaded areas represent injuries. For each region, darker shades represent an increase in the disease burden from 1990 to 2019.

Somalis have high blood pressure, and 20 percent have diabetes diagnosed by a physician, according to the 2020 SHDS. Regular checks for blood pressure, which can help manage the disease, are not always available at health facilities (WHO 2016a).

Mental disorders are estimated to cause 13 percent of all years lived with disability (YLD), a measure reflecting the impact an illness has on quality of life before it resolves or leads to death. As of 2020, only 4.3 percent of the population was diagnosed with mental illness by a physician, according to the 2020 SHDS, although the actual prevalence is estimated to be more than 14 percent (IHME 2019). Care and support for individuals with disabilities, including mental illness, is insufficient, with only 56 percent of people who need it receiving medical support.

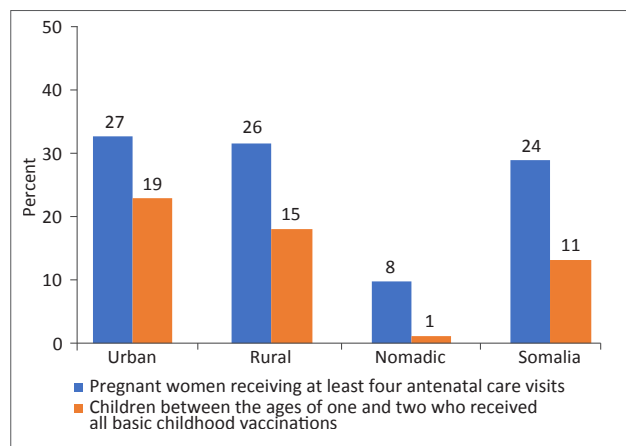
Nearly all women in Somalia have undergone female genital mutilation/circumcision (FGM/C). The practice has substantial support from women in Somalia, 72 percent of whom agree that the practice should continue. Support for FGM/C declines with educational and income status: 78 percent of all women with no formal education support the practice, compared with only 44 percent of women with higher education, according to the 2020 SHDS.

Health disparities across geographic areas and socioeconomic groups are wide

Health outcomes are worse in rural and nomadic areas, where women tend to have more children than women in urban areas and are less likely to have access to ANC and post-natal care from a trained provider. Only 9 percent of mothers in nomadic areas and 35 percent of mothers in rural areas received at least four ANC services from a trained provider, compared with 49 percent in urban areas. ANC coverage is only 12 percent among women in the lowest income quintile, compared with 56 percent in the highest income quintile., Basic childhood immunization coverage is less than 1 percent in nomadic areas, 14 percent in rural areas, and 19 percent in urban areas (Figure 27). The percentage of women 15–49 who are underweight is 25.5 percent in nomadic areas, 16.1 percent in rural areas, and 13.7 percent in urban areas.

Maternal health outcomes are generally better in Somaliland than elsewhere in Somalia. The fertility rate in Somaliland is lower (5.7 children per woman) than the Somali average (6.9 children per woman). ANC coverage (20 percent) and institutional delivery rates (40 percent) are higher than in Somalia as a whole, where the rates are 11 and 21 percent, respectively (Figure 28).

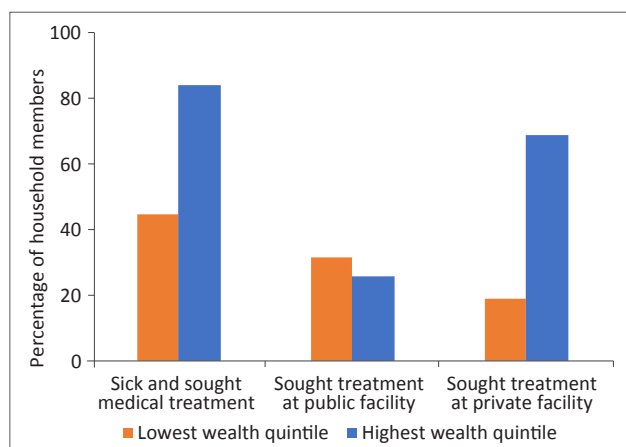
Figure 27: Maternal and reproductive health indicators vary widely across geographic areas



Source: Somalia Health and Demographic Survey 2020.

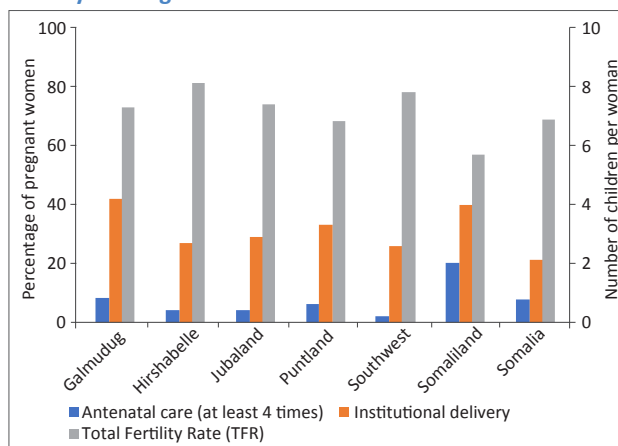
Disparities between the health-seeking behavior of low-income and high-income households are great. Households in the lowest wealth quintile are 86 percent less likely to seek treatment when sick than households in the highest wealth quintile (Figure 29). Financial constraints faced by households in rural and nomadic areas, where the majority of households are in the lowest wealth quintiles and the number of facilities is inadequate, are likely at the root of these disparities. These disparities are also reflected in health service delivery indicators. The percentage of deliveries by a skilled provider is 9.7 percent in the lowest wealth quintile and 64.1

Figure 29: Higher-income people are more likely to seek medical treatment than lower-income people—and much more likely to see that treatment at a private facility



Source: Somalia Health and Demographic Survey 2020.

Figure 28: Across Somalia, the share of women receiving antenatal care or delivering in an institution is low and the fertility rate high



Source: Somalia National Bureau of Statistics.

percent in the highest quintile, with progressive increases in the middle quintiles. The socioeconomic disparities in health-seeking behavior and outcomes have significant implications for Somalia’s sustainable economic growth and development. These disparities underscore the need for targeted actions to improve health service delivery equity.

Disparities in women’s health outcomes reveal the impact of gender disparities.

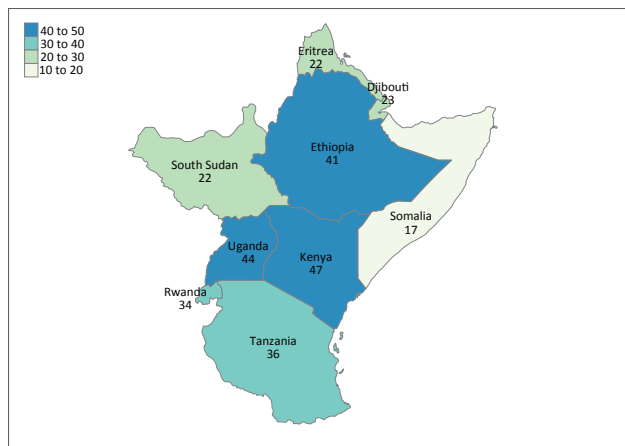
Among people 15–49, for example, the death rate is 7.6 per 1,000 people among women and 6.7 among men. Globally and in most countries, men have higher death rates than women. In the context of ongoing conflict and insecurity, which generally disproportionately increase mortality rates among men, high death rates among women underscore the severe impact of high maternal mortality and fertility rates.

Health System Bottlenecks

Somalia’s health system is considered the second-most fragile in the world. It ranks 194th out of 195 countries on the Global Health Security Index (ahead of Equatorial Guinea), with a score of just 17 out of 100 (Figure 30).²⁰ Several institutional and systemic challenges account for the fragile and weak nature of Somalia’s health system.

²⁰ The index measures the health system’s capacity in six areas: (a) prevention of the emergence or release of pathogens; (b) early detection and reporting of epidemics; (c) rapid response to and mitigation of epidemics; (d) a robust health system to treat the sick and protect health workers; (e) compliance with international norms; and (f) overall risk environment and country vulnerability to biological threats (Bloomberg School of Public Health 2019).

Figure 30: Somalia has the lowest Global Health Security Index in East Africa



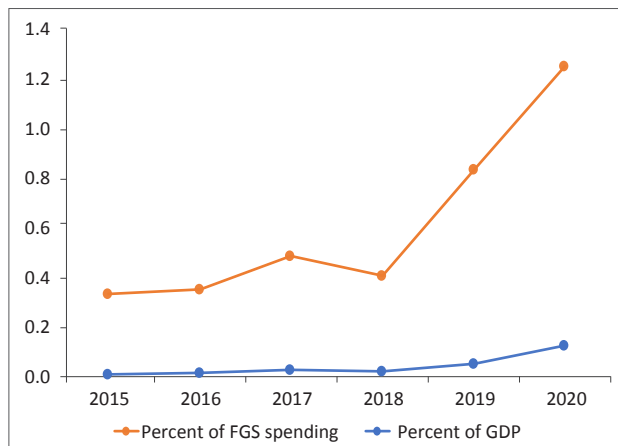
Source: Bloomberg School of Public Health, 2019.
 Note: The GHS index ranges from 0 to 100.

This section analyzes the status of the Somali health system and identifies its bottlenecks within the framework of the 2007 WHO health system building blocks: (a) service delivery, (b) health workforce, (c) health information systems, (d) access to essential medicines, (e) financing, and (f) leadership/ governance. These building blocks are used to highlight financing, service delivery (including health workforce and medicines), and governance (including health information systems).

Health financing is inadequate

Low government revenue mobilization leaves Somalia dependent on foreign and private sources of health financing. Although the FGS has been strengthening its revenue systems since 2012, it collected only about 3 percent of GDP in tax revenue in 2020 (Ministry of Finance data [www.mof.gov/fiscal, 2020])—far below the Sub-Saharan Africa regional average of 19 percent (World Bank, 2020).²¹ Inability to mobilize sufficient revenues limits the financing envelope for public services and investments, including health. Although health spending by the FGS increased almost 14-fold between 2015 and 2020, this growth was from a small base; FGS health spending remains minimal, as both a share of total FGS spending and a share of GDP (Figure 31). Donor support and private spending are instead the major

Figure 31: Federal Ministry of Health spending increased between 2015 and 20, especially since 2018

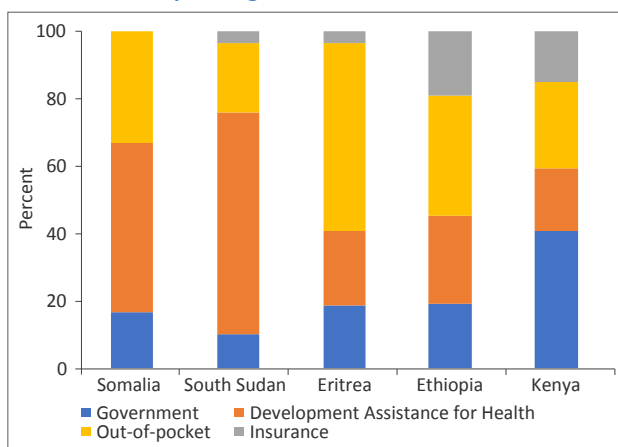


Source: Ministry of Finance.

sources of health expenditure in Somalia, accounting for 40 percent and 43 percent, respectively, of total health spending (Micah and others 2020) (Figure 32).

Health spending varies widely across FMSs. FGS spending makes up about 47 percent of total government spending on health. Jubaland accounts for 20 percent of total government spending on health. Hirshabelle and Galmudug have the smallest shares in total government spending, at 7 percent each as of September 2020 (FGS and FMS, 2020). Health spending in Somaliland was 4.7 percent of total spending (Citizen’s Budget [Republic of Somaliland, Ministry of Finance Development 2020]).

Figure 32: Government spending represents a small share of total health spending in most East African countries



Source: Health sector spending supplementary data, (Vos, et al., 2020)

²¹ FMSs collected tax revenue equivalent to 0.14 percent of GDP in 2020.

Challenges pooling funds and purchasing health services compound the low level of government health spending. The fragmentation of government and development partner funds undermines equity and financial risk protection. Risk pooling would allow cross-subsidization from healthy to sick and from richer to poorer populations. The health system is not yet fully developed to efficiently determine the type of health services to purchase, how to purchase them, whom to purchase services from, and how to coordinate financial management systems.

Health insurance is almost nonexistent in Somalia.

In 2020, only 2 percent of households reported using insurance to cover their health expenses, according to the SHDS. The absence of insurance means that households without enough savings liquidate private assets or borrow to finance health expenses, creating financial risk protection problems and limiting access to care.

Donors finance the majority of health sector spending.

A resource mapping and expenditure tracking (RMET) exercise was conducted between 2019 and 2020 by the government and the Global Financing Facility to understand the sources of health sector funding, the government's priorities, and the activities funded. It revealed total 2019 health sector funding (excluding out-of-pocket payments) of \$208 million, of which \$191 million came from development and humanitarian partners, up from \$156 million in 2018 (Global Financing Facility 2020).²² The United Kingdom was the largest donor, followed by the Global Fund. Most donor funding is off the government's budget, limiting coordination and efficiency. A mapping of funding available to support the government's priorities in Somalia's Second Health Sector Strategic Plan 2017–21 (HSSP-II) revealed that between 2018 and 2020, 59 percent of all health sector funding went toward service delivery, followed by emergency preparedness and response, which received 16 percent of total funding. There was effectively no allocation for health financing reforms.²³

Fragmentation of funds and associated purchasing issues create inefficiency and inequity, as each flow uses its own provider payment system, which can create mixed or perverse financial incentives at the provider level. Each fund flow also has its own operational procedures and accounting systems, putting a heavy burden on service providers in a low-capacity system. A medium-size primary health care center, for example, may have 10 or more government, development partner, or private funds flows, all with different financial incentives and accounting systems.

Weak PFM systems make it difficult to use funds efficiently.

PFM in the health sector is critical to strengthen resource use and accountability, mitigate fiduciary risks, and encourage donors to move resources on government systems. The FMOH lacks the robust internal controls and systems that are needed in PFM, as highlighted by the Consolidated Compliance Audit Report of the Federal Government of Somalia for the Year Ended 31 December 2019. The paucity of on-treasury health sector resources severely constrains PFM capacity in the sector resulting in significant governance challenges. The government recognizes the importance of strong PFM systems in improving the efficiency, effectiveness, and equity of government spending across the FGS and the FMS and building the capacity for efficient, effective, transparent, and accountable public expenditures to increase confidence in the state. The government has demonstrated a commitment to anti-corruption, as evidenced by the passage of anti-corruption legislation in September 2019 and a new PFM Act passed in December 2019. Despite its post-conflict context, in a short timeframe the country has developed the foundations for PFM, with systems supporting workflow and authorization controls for government finances to bring discipline to control activities and strengthen accountability and transparency.

²² The FGS also reported \$188 million of donor funding for the health/nutrition sector in 2019 (Ministry of Planning, Investment and Economic Development 2020).

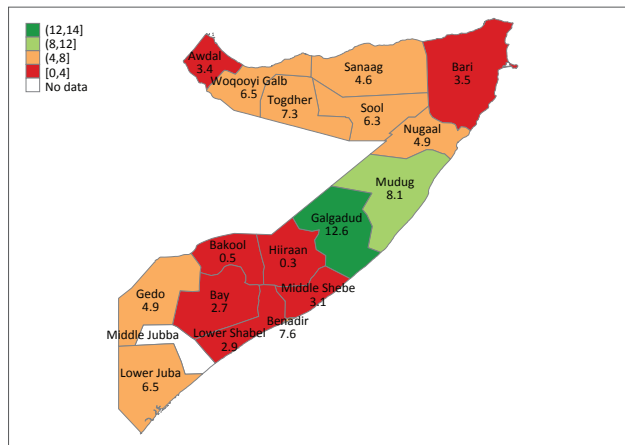
²³ The HSSP-II is a detailed plan to operationalize the first ever Somali National Health Policy (NHP 1) endorsed in 2014, and the health part of the 2017–19 National Development Plan (NDP 1).

The 2020 Somalia public expenditure management assessment conducted by the World Bank identified three priority areas to strengthen Somalia’s PFM systems: strengthening the legal and regulatory framework, improving PFM procedures for effective budget implementation, and promoting greater transparency and accountability in PFM systems. Government-wide PFM reforms are ongoing.

Service delivery is weak

Gaps in health infrastructure are widespread, with significant differences in facility density across regions. The national inpatient bed density is 5.34 inpatient beds per 10,000 population—substantially below the WHO target density of 25 (WHO 2016a) and the Sub-Saharan Africa regional average of 9 (ADB 2013). Inpatient bed density is highest in Galguduud and lowest in the southwestern parts of Somalia (Figure 33). The national maternity bed density stands at 2.55 per 1,000 pregnant women—well below the WHO target of 10 (ADB 2013).

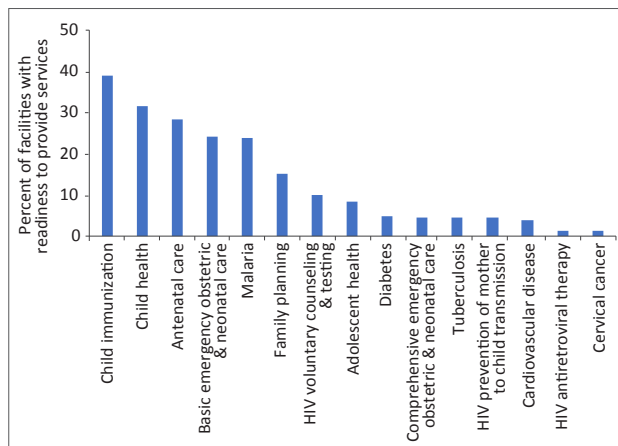
Figure 33: The number of inpatient beds per 10,000 people ranges widely in Somalia



Source: Service Availability and Readiness (SARA) Survey (WHO 2016a).

Facilities are not adequately equipped with the basic equipment and supplies needed to deliver health services. Only 28 percent of facilities have the ability to deliver ANC services; only 32 percent have the capacity to provide child health services; and less than 5 percent are able to screen for and treat tuberculosis, diabetes, and cervical cancer (Figure 34).

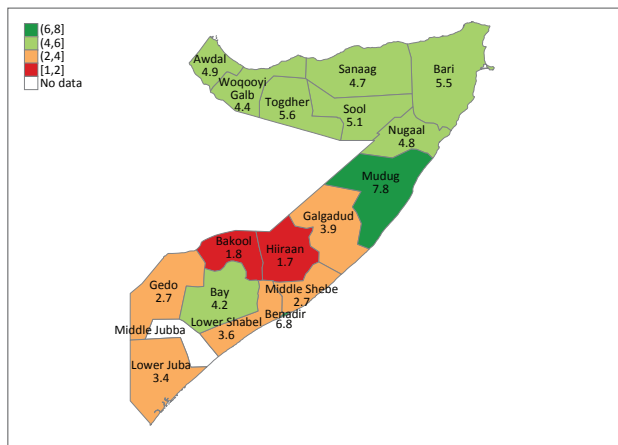
Figure 34: The level of service readiness of facilities is low



Source: Service Availability and Readiness (SARA) Survey (WHO 2016b).

There is a severe shortage of frontline health workers, with the few workers that exist inequitably distributed across the country. The number of core health care providers (generalist medical doctors, specialist medical doctors, nonphysician clinicians, nursing professionals, and midwives) per 10,000 population was estimated at 4.28 as of 2016—well below the Sub-Saharan Africa average of 13.3 and the WHO recommendation of 23 (WHO 2016). These figures are slightly higher in Puntland and Somaliland than in the four emerging states (Figure 35). Foreign medical professionals, who cost much more to hire and retain than Somalis, have been hired to fill the gap (Danish Immigration Service 2020).

Figure 35: Core health worker density ranges widely in Somalia—but is low across the country



Source: Service Availability and Readiness (SARA) Survey (WHO 2016b).

Utilization of both outpatient and inpatient services remains low. The outpatient service utilization rate (measured as the number of outpatient visits for ambulant care per capita) is 0.23 a year; the inpatient service utilization rate (measured as the number of hospital discharges per 100 population) is about 0.81 (WHO 2016b). Significant demand-side barriers magnify supply-side problems, contributing to the low service utilization rates across the country. About 65 percent of women 15-49 surveyed in the 2020 SHDS cited cost as a major constraint to accessing healthcare, 62 percent cited distance to a health facility, and 42 percent cited the need for permission from the household head.

Sector Stewardship

The FMOH, formed with the FGS in 2012, is in the process of developing its role as the steward of the health sector. Somalia's lengthy constitutional review process, which has not yet been concluded, is expected to clarify the roles between the FGS and FMS.

Definitions of health sector stewardship vary in the literature and across public health organizations it is broadly defined as “the wide range of functions carried out seeking to achieve national health policy objectives” (Murray and Frenk 2000). Elaborating on the WHO's health systems function, Murray and Frenk (2000) identify six core health sector stewardship functions: system design, performance assessment, priority setting, intersectoral advocacy, regulation, and consumer protection. This section focuses on policy and priority setting, sector coordination, regulation, and health information systems and performance management.

Policies are being developed, but the resources to implement them are inadequate

The FMOH, in coordination with the FMSs, develops policies to guide health service delivery. The FGS prepared the Second Health Sector Strategic Plan (HSSP-II, 2017–2021), which is in line with the National Development Plan (NDP, 2020–2024). It recently validated the Reproductive

Maternal, Neonatal, Child and Adolescent Health (RMNCAH) Strategy 2020–2024. Implementation of these policies faces challenges, as resources and implementation capacity are insufficient to achieve them. In 2020, the government revised the EPHS, developing a comprehensive package of health services based on the most recent burden of disease data and other updated information. Balancing the breadth of coverage and the breadth of services within the EPHS package within a limited available resource envelope was a key challenge in updating it. The government is in the process of coordinating partners to align around the 2020 EPHS.

Sector coordination is weak

Government health sector coordination capacity is weak, partly because of the FMOH's nascent state and partly because of the substantial fragmentation in both country and donor financing and interventions.

Health development has been coordinated primarily through the NDP coordination structure, with health coordination falling under the Social and Human Development Pillar (along with education and water/sanitation). The Human Development Pillar includes government leadership from the health, water and sanitation, and education sectors, with donor co-chairs. All FMSs are not participating in the platform, and follow-through on actions and a focus on the health sector are limited. Each development partner and financier has been running separate coordination structures for its programs. Somalia has an active humanitarian cluster system, which is fragmented from development coordination in the health sector. Efforts by partners in 2013–16 to coordinate financing and service delivery around the common EPHS demonstrated an effective mechanism, but closure of the program and changes to political structure constrained progress. The Global Financing Facility, in collaboration with other partners, is supporting the government's efforts to set up a multi-stakeholder health sector country coordination platform, in order to accelerate efforts to align resources around government priorities for health by identifying and filling gaps in service delivery, institutional capacity, and health system building.

Intergovernmental coordination in the health sector is limited, reflecting political complexity and the nascent state of federalism. Ad hoc intergovernmental coordination activities in various sectors, including health, are being formalized, building on the experience of intergovernmental coordination between ministries of finance at the FGS and FMS levels.

The health sector is largely unregulated

As a result of the legacy of state collapse and conflict, pharmaceuticals; medical services; and the supply, registration, and licensing of health workers are largely unregulated. The only requirement to provide medical services or import and sell pharmaceuticals in Somalia is the acquisition of a business license. Somaliland and Puntland have more developed regulatory frameworks in some areas, but implementation is weak. Regulation of the health sector is fundamental to translating health policy goals into outcomes through the use of standards and sanctions to guide service delivery and ensuring that patients receive safe, good-quality healthcare. The FMOH's limited capacity, along with financial and logistic constraints, have hampered its ability to design and implement a functioning regulatory framework. The Somali Federal Parliament unanimously passed the National Health Professionals Council (NHPC) Act in July 2020. The act marks an important first step toward building a functioning regulatory body for health services and professionals. Functional regulation of the Somali health sector will take time to develop, however, and is expected only in the medium to long term.

Health information systems and performance management need strengthening

Substantial gaps exist in both the availability of reliable, timely health information and the use of data. The SHDS was the first nationwide survey on health outcomes and service delivery. Previous surveys included the 2016 Service Availability and Readiness Assessment, which detailed health service availability; a 2014 population estimate survey conducted by the government in collaboration with

the United Nations Population Fund; and a 2011 Multi Indicator Cluster Survey (MICS), which was limited to Somaliland and Puntland. Execution and publication of the SHDS, although complicated by delays and challenges in the release of disaggregated and raw data, signaled progress toward increased availability of health service data in Somalia. The lack of data has made use of information for performance management difficult, engendering a reliance on soft information that is not based on evidence. Since publication of the SHDS, there have been increasing efforts to use the data as the basis for decision making, including the development and prioritization of the EPHS.

Somalia's health management and information system (HMIS) is nascent. Somali governments at the FGS and FMS levels have committed to using the District Health Information System (DHIS2). Reporting has not been consistent across all regions within the country, however, and quality remains low. Data use is concentrated at higher levels of the system, with limited data flowing down to health facilities and little use of data to improve health outcomes, the ultimate goal of routine information systems. Fragmentation in partner support for HMIS has constrained the development of strong supervisory, quality improvement, and data use activities, although efforts are underway to harmonize partner support for HMIS. In addition, the government is integrating vertical databases into the DHIS2 and updating indicators in the DHIS2 system. In conjunction with the increased use of survey data, the government is increasing the use of routine data for decision making.

2.3 How Can the Somali Health Sector Be Strengthened to Better Respond to Health Needs in the Next Three to Five Years?

Despite substantial needs, there are currently important opportunities to strengthen health systems for improved health outcomes. Somalia is developing an investment case for health—a prioritized plan of reforms that different partners

and the government can support. It represents an opportunity for increased coordination among partners through government leadership, and initial step towards government ownership, coordination, and oversight of the sector. Building on the health system bottlenecks identified in the previous section, this section outlines strategies the Somali health sector could focus on in the next three to five years to address health system challenges given Somalia's limited resources and capacity. It addresses the following questions:

- How can resource efficiency be improved, in light of current fragmentation?
- Where should the initial focus of service delivery be, in order to rapidly improve health outcomes?
- What is the role of the government in the health system?

How can resource efficiency be improved?

Health financing has three globally recognized functions: (a) the entity that purchases health services, (b) how the services are purchased, and (c) what is purchased (what constitutes the health service package).

Which entity should purchase health services?

Government contracting of health service providers has been demonstrated to rapidly expand health service provision by governments with low delivery capacity. To support rapid expansion of health services given its limited capacity, the government has decided to use health service contracting in the Damal Caafimaad project, which is scheduled to begin in the fiscal year 2022. In a government contracting model, the roles of the government and contractors are clearly established. The government is the purchaser and regulator of health services; contractors manage and deliver health services. This clear division of responsibilities would improve transparency and accountability in Somalia's health systems. NGOs are a service delivery asset. Currently,

most of them are financed by development partners or private donors and operate almost entirely outside of government systems. Government contracting of these service providers is a way to harness these resources, reduce fragmentation, and increase efficiency and government leadership. In the short term, the capacity and knowledge of these NGO providers will help facilitate rapid expansion of health services. In the medium term, the government may decide to either continue contracting with nonstate actors or develop a mixed model of contracting with both public and private providers. Somalia also has a large number of largely for-profit private sector service providers that can be contracted to improve health service quality and equity and provide a mix of services that addresses populations needs. Contracting would also spur a broader policy dialogue across levels of government and with development partners and nonstate actors to develop comprehensive policies, strategies, and plans for the structure of the Somali health system.

Good financial management is needed at the service provider level. Somali health systems could be strengthened over the next three to five years by creating space for and actively encouraging service provider management through good financial management systems and processes. Contract terms, standards, requirements, and monitoring indicators could help improve performance in many aspects of service provider management and accountability, including (a) creating financial management systems and processes to establish basic business management functions and better use information (for example, planning, budgeting, procurement, internal controls, accounting, reporting, internal and external auditing, and human resource management) and (b) building management capacity, including confidence to respond to incentives and better use information and analysis to assemble inputs into services delivered to clients.



How should a health service package be purchased?

Using provider payments to contract service providers requires a mechanism or system to establish the price or payment amount of the health service package. They can be determined through market dynamics in which bidders individually determine prices for their services and the government selects contractors based on a series of factors, including cost. Such a system is likely to put the future Somali health purchaser in a difficult position by driving inequality, fragmentation, cost escalation, and an inability to move toward universal health coverage. If one service provider negotiates higher payment rates than another to deliver the same services to a population with largely the same characteristics, the government will have difficulty convincing the lower-paid provider to accept lower payment rates in the future. Similar problems will persist if different development partners use different payment formulas. Alternatively, the government could use regulatory policy to establish predefined parameters that determine the contract price for specific services. A harmonized payment system could be used for both NGOs and government contracting of private, for-profit health service providers to harness Somalia's large private healthcare market. Standardizing payments would improve efficiency and harmonize fund flows to move toward fund pooling. Pooling resources, aligned with government objectives and systems, is a step towards donor resources flowing through government systems.

Bundled output-based payments for a health service package would harmonize payments, reduce fragmentation, and increase efficiency. By design, output-based payments enable the government and development partners to match limited resources to a prioritized health service package while empowering service providers to determine the optimal mix of inputs to deliver service outputs. Payments could also be based on inputs of the service delivered (for

example, salaries, supplies, drugs, travel, utilities). However, given Somalia's lack of a well-established system and limited information on health service delivery, input-based payments are unlikely to match the covered benefits or services being purchased. Furthermore, exactly what is being purchased would not be transparent to either the health purchaser or the service provider. Input-based payment systems also allow little flexibility for service providers to adapt to local needs and conditions. Evidence in fragile settings has found these systems to be ineffective in improving health service delivery and health outcomes. In contrast, output-based systems (for example, payments for services provided or delivery outcomes) have been found to improve health outcomes (Loevinsohn and Harding 2005). Unbundled payments (for example, payments for consultation, diagnostic tests, or surgical procedures) increase the risk to the purchaser of exceeding the available budget if providers submit greater than expected claims. Unbundled payments also require fully functional data and payment operating systems to track services provided and make timely payments. Although bundled service payments may contribute to underserving patients and increasing the risk to the service provider of service costs exceeding payments (often because of factors beyond their control), given the weaknesses in data and financial management systems in Somalia, such systems make the most sense.

To reflect differences in different populations' service delivery needs variables adjusting for needs could be included in the formulas to (a) ensure that sufficient funds are available for populations whose services may involve additional delivery costs and (b) incorporate policy objectives such as need, equity, and performance. For example, infants and women of reproductive age tend to need and use more primary health care services than young men; poorer people may have higher service delivery costs than wealthier people and may be a priority group for government policy, necessitating additional

funds. Output-based payment formulas can be set such as annually and do not necessitate real-time data. As such, they are more feasible, because they can use existing national data, entail lower administrative costs, reduce the risk of overspending available budget, and enable the establishment of a role for the government as health purchaser in setting up provider payment rates. In addition, bundled output-based payments can incentivize the provision of services across the entire package, facilitating holistic and patient-oriented care and a focus on prevention, health promotion, and disease management without prioritizing specific services. Such a method could also be used in conjunction with other performance-based payment systems on top of base payments (bonuses) to incentivize specific needed improvements.

Giving contracted service providers autonomy to determine the best mix of inputs can improve health service outcomes. With autonomy, health service providers can use locally available information to determine how to best improve health service and produce results based on established indicators and changing environments.

The second phase of health financing could focus on increasing health sector allocations, pooling funds, refining and deepening health purchasing and financial management, and further addressing health system inefficiencies. Revenue collection activities include dialogue between health and finance authorities on the appropriate level and types of revenue for the health sector and steps to ensure certain and predictable general revenue for service provision. Pooling government and development partner funds to purchase a health service package from both public and private providers will be difficult before government structures and capacity are built. However, the government could increase efficiency by reducing fund flow fragmentation and administrative costs while increasing equity and financial risk protection on the road to universal health coverage. To improve health purchasing

and financial management in the second phase, the government will assess the impact of financial incentives on provider service delivery and improve data to gradually refine provider payment, provider financial management, and PFM systems to adapt to both evolving health policy and service provider responses. More complex purchasing of outpatient specialty and rehabilitative or other forms of long-term care could be incorporated into a second phase of a health service package purchasing. Identifying the most effective interventions to reduce unnecessary care, improving the quality of care, and ensuring that the right services are delivered by providers who are well trained and placed would reduce inefficiencies and increase value for money.

Where should the initial focus of service delivery be to rapidly improve health outcomes?

There is a pressing need to improve health outcomes in Somalia, where high rates of neonatal mortality, maternal mortality, injury, and communicable diseases are the major causes of morbidity and mortality (see Figure 25). Global evidence indicates that focusing on the major causes of morbidity and mortality using high-impact, cost-effective interventions (rather than providing a more extensive package) is a means to rapidly improve health outcomes in settings with limited health service resources and capacity. Using a prioritized package of high-impact health services Afghanistan, for example, reduced child mortality from 161 per 1,000 live births in 2008 (Icon Institute, 2008) to 50 in 2018 (KIT Royal Tropical Institute, 2019). Similarly, the percentage of women receiving at least one antenatal care visit increased from 36.8 percent of pregnancies in 2008 (Icon Institute, 2008) to 65.2 percent in 2018 (KIT Royal Tropical Institute, 2019).

To identify high-impact health services that have proven cost-effective and focus on Somalia's major causes of morbidity and mortality, Somalia used global data available in the Global Health Cost-Effectiveness Analysis and the third edition of the Disease Control Priorities (DCP3). The result



is a health service package with high-impact interventions focusing on reproductive, maternal, child, and neonatal health as well as communicable disease and injury.

A health service package focusing on high-impact interventions to address the major causes of morbidity and mortality is feasible given Somalia's capacity and could help improve health equity.

Although improvements in staffing and physical infrastructure will be needed, the proposed interventions are largely enhancements to existing service capacity. A package focusing on high-impact interventions addressing the major causes of disease can also be scaled up to increase population coverage and improve health service equity. Over time, as resources increase and service capacity improves, additional interventions can be added to the package of health services.

Expanding coverage of a health service package with high-impact, cost-effective interventions would increase life expectancy and promote a healthier and a more productive workforce.

An increase in the life expectancy and health of the Somali labor force would provide a much-needed basis for expanding revenue mobilization through taxation and other pooling mechanisms to fund the long-term goal of achieving self-sustaining universal health coverage.

What is the role of the government in the health system?

In the health service contracting model, the government is responsible for regulation, oversight, and monitoring. These responsibilities, which only government can perform, require the development of oversight, accountability, and monitoring capacities. Oversight of contracts requires the establishment of procurement, financial management systems, and accountability systems, including internal and external audit as well as mechanisms for community engagement. Two regulatory priorities include

regulating the supply of medicine (including the essential medicines list, import processes, and taxation) and ensuring high-quality medicines and developing a legal and regulatory framework for health service providers that ensures a level playing field for private and public sector providers. Developing government contracting capacity and the related financial management, accountability and procurement capacity also aims to increase donor confidence in government systems so donor resources flow through the government budget instead of through parallel systems, increasing sustainability and further strengthening Government ownership of the health sector.

Health information systems and the use of data for analysis and decision making are key to both system-level strengthening and provider-level service delivery.

Output-based payment systems rely on accurate, reliable data. Refinement of the systems will require high-quality, real-time data. Integrated or interoperable systems would help avoid the fragmentation, inefficiency, and lack of reliable data that have occurred in other developing countries. Linking health and financial information systems yields a variety of benefits. Health information directly related to payments tends to generate higher-quality data, because of penalties for inaccurate reporting. Harmonized or interoperable information systems can also enable better analysis and use of data for decision-making at both the service provider and system levels. In the medium to long term, digital health information systems can be used to improve the interoperability, availability, and reliability of data.

Organizational and individual capacity building and on-the-job training will help strengthen the health system and realize the envisioned role of the government in the health sector.

Organizational and individual development will help ensure that the right organization or person does the right thing. Individual capacity building should include both theory and practice, with a focus on on-

the-job training, particularly in the financing and management of service delivery. Capacity building should include mentoring and seek to build practitioners' confidence. The initial focus will be on the practical, feasible, and sustainable first-step functions and systems described throughout this paper while laying the groundwork for subsequent implementation phases.

Strengthened accountability systems are critical to improve transparency and the government's responsiveness to citizens' needs. Accountability systems can be improved through health facility-level feedback. Routine household surveys that collect information on both citizen and beneficiary perspectives on health services can be used to help improve the health system's responsiveness to citizens. Good mobile phone coverage in Somalia means that mobile phone-based platforms can be used to collect feedback on health services from citizens. Strengthened government-led coordination platforms incorporating robust data use, with engagement from civil society, donors, and the private sector, are also critical to improving accountability. Strengthened financial transparency through PFM systems, with engagement from civil society, the FMS, and the FGS, would improve the use of financial resources. Strengthened accountability and PFM systems will also increase donor confidence in government structures to support a move towards donors putting resources through the government system.

Development of institutional roles, rights, responsibilities, and relationships is also critical for contracting. The process of defining and strengthening the role of the government in the health sector should take into account (a) roles across levels of government, including assignment of functions and ownership of public providers; (b) roles across national-level government structures, including for key multisectoral programs, such as health, nutrition, and social welfare; (c) the division of responsibilities between the FGS and FMSs under

a contract management arrangement; and (d) the structure and roles within the FMoH, including health purchaser contracting for delivering a health service package and organization of service delivery departments.

Somalia is a new federal country; like many other federations in the world, including Brazil, Ethiopia, India, Nigeria, Pakistan, and Uganda, its federal structure has developed in response to its unique history, culture, and socioeconomic needs (Sharma and Dillinger, 2020). Federalism presents a number of benefits for the health sector. The proximity of decentralized levels to local needs provides opportunity for decision making, planning, and budgeting based on the local context and evidence and can increase the timeliness of decision making. However, many federal systems face revenue generation challenges and inadequate planning and implementation capacity at the decentralized levels.

Delineation of health functions of the FGS and FMSs remains unclear. It is part of broader constitutional development efforts underway. Somalia is at a critical juncture for identifying roles in the federal system. Core considerations include how to ensure equity, effectively operationalize health system functions, and tailor health services to local needs. Capacity is also a key consideration in determining who does what. As that capacity changes, each party's role in the federal system may change.

There is a need to identify short- and long-term options for decentralization. Lessons and experience from other federal countries indicate that in the long term, subnational governments are best placed to manage health service delivery and the federal government is best placed to handle intra-state coordination, set quality standards, and regulate the sector. In the short term, ensuring consistent, equitable delivery of basic health services is a priority. To address capacity gaps and inconsistencies at the FMS level and ensure equity



and consistency across the country, in the short term it may therefore be most effective for the FGS to coordinate service delivery. Regulatory functions—such as regulation of health workers and health facilities, pharmaceuticals, and health service quality—can be established at the federal level, with execution at both the federal and subnational levels. For example, the federal level may set regulatory standards for pharmaceuticals while the state level carries out quality checks on pharmaceuticals to ensure that pharmaceuticals meet standards. Day-to-day oversight of health service delivery as well as identifying the health facility profile (facility locations and type) may benefit from local, contextual knowledge and oversight inherent to decentralization at the state level. To ensure equity and align with global targets, the FGS may be best

placed to identify the nationwide health service delivery package. Initially, contracting may be handled at the federal level, with a gradual transition of contracting to FMSs as their capacity increases.

2.4 Conclusion

Important opportunities exist to strengthen Somalia’s health sector to improve health outcomes, increase efficiency, strengthen the government’s stewardship role, increase health sector resources, improve health sector coordination, and take steps to strengthen government systems to move towards donor resources flowing through government structures. Table 7 summarizes these opportunities.

Table 7: Summary of opportunities to improve Somalia’s health sector

Area	Short-term recommendations	Medium-term recommendations
Health financing	<ul style="list-style-type: none"> • Use available resources more efficiently. • Increase resource mobilization for the health sector. • Use a harmonized, output-based provider payment formula. • Contract nongovernmental organizations (NGOs) to deliver health services and closely monitor the desired results (outputs, outcomes and costs). 	<ul style="list-style-type: none"> • Increase investments in health as the resource base expands. • Adopt a harmonized, output-based provider payment formula for use by financiers as a step toward pooling health sector resources and moving towards donor resources flowing through government systems. • Contract with for-profit health service providers, using the harmonized payment formula.
Health service delivery	<ul style="list-style-type: none"> • Expand support for training health care workers. • Finance high-impact, cost-effective interventions to rapidly improve health outcomes. • Strengthen the Health Management Information System (HMIS), through a focus on improved data quality and use. 	<ul style="list-style-type: none"> • Develop and enforce a regulatory framework for the health sector. • Continue to develop the capacity of the FGS and FMSs. • Increase the service delivery role for FMSs, based on the outcome of constitutional discussions.
Stewardship	<ul style="list-style-type: none"> • Develop the capacity of the Federal Government of Somalia (FGS) and the Federal Member States (FMSs). • Delineate service delivery roles and responsibilities. • FMSs conduct the day-to-day monitoring of the health service providers contracted by the FGS. • Develop the capacity for effective public-private partnerships. • Strengthen government accountability and PFM structures to support efficient resource use and improve donor confidence in Government systems 	<ul style="list-style-type: none"> • Develop and enforce a regulatory framework for the health sector. • Continue to develop the capacity of the FGS and FMSs. • Increase the service delivery role for FMSs, based on the outcome of constitutional discussions.



Health financing needs to increase and be made more efficient

The use of a harmonized, output-based provider payment formula would help establish the government's role in setting health service prices, with the goal of achieving more equitable service delivery. The output to be measured could include the coverage of key health and nutrition service indicators, such as completion of at least four ANC visits; specific types of child vaccination (for example, Pentavalent 3); and skilled birth attendance. These harmonized, output-based payments would also establish a basis through which pooling could be established.

Government contracting of NGOs to deliver health services is an optimal way to expand health service delivery in the context of limited government capacity. Contracting can also help define the roles of the health service purchaser (the government) and providers (NGOs) and help harness Somalia's large, primarily for-profit private sector, which could be more effectively deployed. Further, contracting can help to develop core accountability and PFM structures, improving the health system's responsiveness to citizens needs and increasing donor confidence in government systems to encourage donors to put resources through government systems.

Health service delivery needs to focus on a few high-impact areas

Incoming donor funding from the World Bank and other partners can be used to help Somalia focus on high-impact, cost-effective interventions that target the primary burdens of disease. Interventions targeting family planning; maternal

health (such as basic and emergency obstetric care) and newborn health (such as neonatal resuscitation in institutions); malaria; HIV/AIDS; immunization; and child health, with nutrition (such as vitamin A supplementation) can have a dramatic impact on value-for-money. Improvements in health outcomes will have substantial economic impacts, improving economic participation, livelihoods, and revenue mobilization. Health care workers need to be trained and a strategy implemented for deploying and retaining them, especially in rural and nomadic areas.

Stewardship of the health sector needs to be enhanced

Developing government stewardship capacity is a means to strengthen the responsiveness of the health sector to the population's needs by enabling sound and sustainable regulatory, monitoring, and oversight. Health service contracting would rapidly expand health service delivery in the context of limited government capacity and help delineate the roles and responsibilities of health service purchasers and providers, strengthening PFM. In the short term, the FGS could contract health service providers while the capacity of FMSs is strengthened. FMSs could be responsible for day-to-day monitoring of health service contracts. Contingent on the direction of ongoing discussions on constitutional arrangements between the FGS and FMSs, the FMSs could gradually take on responsibility for service delivery. There is also a need to develop the capacity of both government and the private sector for effective public-private partnership in all areas of health sector stewardship, including the development and enforcement of a regulatory framework.



REFERENCES

- ADB (African Development Bank). 2013. *Health in Africa over the Next 50 Years*, Abidjan.
- Barre, M. S. 1973. *My Country and My People: The Collected Speeches of Major-General Mohamed Siad Barre, President, the Supreme Revolutionary Council, Somali Democratic Republic*, vol. 3. Ministry of Information and National Guidance, Mogadishu.
- Barro, Robert. 1996. “Determinants of Economic Growth: A Cross-Country Empirical Study.” NBER Working Paper 5698, National Bureau of Economic Research, Cambridge, MA. <https://www.nber.org/papers/w5698>.
- Bloomberg School of Public Health. 2019. Global Health Security Index 2019. John Hopkin University, Baltimore, MD.
- Brinkerhoff, Derick W., Anna Wetterberg, and Stephen Dunn. 2012. “Service Delivery and Legitimacy in Fragile and Conflict-Affected States: Evidence from Water Services in Iraq.” *Public Management Review* 14(2): 273–93.
- Buckley, Joanna, Liz O’Neill, and Ahmed Mohamed Aden. 2015. “ASSESSMENT OF THE PRIVATE HEALTH SECTOR IN SOMALILAND, PUNTLAND AND SOUTH CENTRAL.”, Oxford
- Cramer, Christopher. 2011. *Unemployment and Participation in Violence*. World Bank, Washington, DC.
- Danish Immigration Service. 2020. *Somalia Health System*. Copenhagen.
- FAO Somalia, Food Security and Nutrition Analysis Unite (FSNAU) database
- Federal Government of Somalia. 2019. *Consolidated Compliance Audit Report of the Federal Government of Somalia for the Year Ended 31 December 2019*, Mogadishu. <https://oag.gov.so/audit-reports>.
- Federal Government of Somalia and Federal Member States. FGS and FMS Fiscal Data. 2020, Mogadishu
- Federal Government of Somalia, and United Nations Population Fund Somalia. 2020. *Somalia Health and Demographic Survey*, Mogadishu.
- FGS (Federal Government of Somalia), World Bank, IFC (International Finance Corporation), and UNIDO (United Nations Industrial Development Organization). 2020. Enterprise Survey 2020: Coronavirus and the Private Sector in Somalia: Results from Wave 2 of COVID-19 Focused Enterprise Survey, Mogadishu.
- Global Financing Facility. 2020. *The Somalia Resource Mapping and Expenditure Tracking (RMET) Report*, Mogadishu.
- Government of Somaliland, and United Nations Population Fund. 2016. *Somalia Health and Demographic Survey*, Hargeisa.
- Icon Institute. 2008. *Afghanistan National Risk and Vulnerability Assessment 2007/2008*, Kabul.
- IHME (Institute for Health Metrics and Evaluation). 2019. *Global Burden of Disease*, Seattle.
- IMF (International Monetary Fund). 2017. “Invest in Women and Prosper.” *Finance and Development* 54(3).
- KIT Royal Tropical Institute. 2019. *Afghanistan Health Survey 2018*, Kabul.
- Loevinsohn, Benjamin, and April Harding. 2005. “Buying Results? Contracting for Health Service Delivery in Developing Countries.” *The Lancet* 366 (9486): 676–81.
- McKinsey Global Institute. 2020. *How Prioritizing Health Could Help Rebuild Economies*, New York.
- Micah, Angela E., and others. 2020. “Health Sector Spending and Spending on HIV/AIDS, Tuberculosis, and Malaria, and Development Assistance for Health: Progress towards Sustainable Development Goal 3 (2020).” *The Lancet* 396(10252). [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(20\)30608-5/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(20)30608-5/fulltext).
- Ministry of Finance Development, Republic of Somaliland. 2020. *Citizen’s Budget 2020*, Mogadishu.
- Ministry of Planning, Investment and Economic Development 2020. *Aid Flow in Somalia*, Mogadishu.
- Murray, C., and J. Frenk. 2000. “A Framework for Assessing the Performance of Health Systems.” *Bulletin of the World Health Organization*. [https://www.who.int/bulletin/archives/78\(6\)717.pdf](https://www.who.int/bulletin/archives/78(6)717.pdf).
- Price-Smith A. 2002. *The Health of Nations: Infectious Disease, Environmental Change, and Their Effects on National Security and Development*. Cambridge, MA: MIT Press.
- Qayad, M. G. 2008. “Health Care Services in Transitional Somalia: Challenges and Recommendations.” <https://digitalcommons.mcalester.edu/bildhaan/vol7/iss1/10/>.

- Raballand, Gaël, and Justine Knebelmann. 2021. *Domestic Resource Mobilization in Somalia*. World Bank, Washington, DC.
- Sharma, Natasha and Dillinger, William R. 2020. *Somalia - Moving the Federalism Agenda Forward* (English). Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/199431596779832046/Somalia-Moving-the-Federalism-Agenda-Forward>
- Vos, T., Lim, S. S., Abbafati, C., Abbas, K. M., Abbasi, M., Abbasifard, M., . . . Abdelalim, A. (2020). Global burden of 369 diseases and injuries in 204 countries and territories, 1990–2019: a systematic analysis for the Global Burden of Disease Study 2019. *The Lancet*, 396(10258), 1204-1222.
- WHO, UNICEF, UNFPA, World Bank Group, and UNDP. 2019. *Maternal Mortality: Levels and trends 2000 to 2017*, Geneva. <https://www.who.int/reproductivehealth/publications/maternal-mortality-2000-2017/en/>
- WHO (World Health Organization). 2000. *Stewardship in Health Systems*. Geneva.
- . 2011. *The Abuja Declaration: Ten Years on*. Geneva.
- . *WHO, Global Health Observatory Database*: <https://www.who.int/data/gho>.
- . 2016a. *Somalia Service Availability and Readiness Assessment (SARA) Survey*. Geneva.
- . 2016b. *Women’s Contribution to Sustainable Development through Work in Health: Using a Gender Lens to Advance a Transformative 2030 Agenda*. Geneva.
- World Bank. 2016. *Global Monitoring Report 2015/2016: Development Goals in an Era of Demographic Change*. Washington, DC.
- . 2018. “To Build Human Capital, Prioritize Women’s Empowerment.” *In Africa Can End Poverty*. Washington, DC.
- . 2019. *Somalia Poverty and Vulnerability Assessment*. Washington, DC.
- . 2020a. *Africa’s Pulse, April and October*. Washington, DC.
- . 2020b. *Somalia Economic Update*. Washington, DC.
- . 2020c. *Somalia: Moving the Federalism Agenda forward*. Washington, DC.
- . 2020d. *World Bank Group Strategy for Fragility, Conflict and Violence 2020–2025*. Washington, DC.
- . 2020e. *World Development Indicators*. Washington, DC.
- . 2021a. *Africa’s Pulse, April*. Washington, DC
- . 2021b. *Global Economic Prospects, June*. Washington, DC.
- . 2021c. *Somali High-Frequency Phone Survey (SHFPS)*. January. Washington, DC.
- . 2021d. *Trade as an Engine of Growth in Somalia: Constraints and Opportunities*. Washington, DC.



Investing in Health to Anchor Growth

Somalia continues to contend with an unprecedented health and economic crisis that began in 2020. The country grappled with the ‘triple shocks’ of the COVID-19 pandemic, floods, and locust infestations which led to an economic contraction of 0.4 percent in 2020. This was less severe than 1.5 percent contraction projected at the onset of the global pandemic. Higher than anticipated aid flows, fiscal policy measures by the government to aid businesses, social protection measures to cushion vulnerable households, and higher than expected remittance inflows mitigated the adverse effects of the shocks.

The country is emerging from the triple shocks and the economy is projected to recover moderately over the medium-term. Economic activities have picked up with the easing of the COVID-19 lockdown restrictions since August 2020. Real GDP growth is projected at 2.4 percent in 2021 and at 2.9 in 2022. This growth trajectory is expected to continue in the medium term and reach pre-COVID levels of 3.2 percent in 2023.

The COVID-19 crisis exposed the costs of not investing in the public health system. The report highlights that 30 years of political instability has made Somalia’s health system the second most fragile in the world. Investing in the health sector is an essential component of resilient and inclusive development and sets Somalia on a path to reaping substantial demographic dividends from improvements in health outcomes and life expectancy. This could be achieved by Somalia prioritizing reforms that boost resilience to future shocks and emphasizing on sectors that are critical to growth and job creation. Importantly, the near-term economic prospects for the country depend on the pandemic’s path. Public spending on health is crucial to support testing and tracing and ensuring that the logistical, administrative, and financial requirements of mass vaccination are in place. The slower the pace of vaccination and the larger the unvaccinated population, the greater the possibility that new variants of the virus will develop, increasing the prospect of protracted negative effects.

The World Bank Group
Delta Center
Menengai Road, Upper Hill
P. O. Box 30577 – 00100
Nairobi, Kenya
Telephone: +254 20 2936000
Website: www.worldbank.org/en/country/somalia

SOMALIA ECONOMIC UPDATE

Join the conversation:

Twitter

[@mpf1somalia](https://twitter.com/mpf1somalia)

Find out more on:

[#SomaliaEconomicUpdate](https://twitter.com/SomaliaEconomicUpdate)



Photo credits:

The World Bank/Mohamed Abihakim and WHO Somalia.