



Somalia Socio-Economic Impact Assessment (SEIA) of COVID-19

March 15, 2021

FOREWORD BY THE MINISTER

It is with great pleasure that I present the Socio-Economic Impact Assessment (SEIA) of COVID-19 on Somalia. Somalia has in recent years suffered a range of recurring shocks and natural disasters such as floods, droughts and locust infestation. The COVID-19 global pandemic has amplified the impact of the last round of these re-occurring shocks, undermining the country's prospects of economic recovery. In an effort to measure the economic and social impacts of the pandemic, the Ministry of Planning Investment, and Economic Development undertook the Socio-Economic Impact Assessment (SEIA) which will inform the planning of appropriate response and recovery measures.

The assessment has collated evidence from over 30 discrete COVID-19 related studies already conducted in Somalia. As such it analyses the existing evidence on the impact of the pandemic and provides greater insights on the extent of this impact while drawing recommendations for appropriate actions. In this regard, the report serves as a guidance for the government as a whole in its on-going efforts to gain a greater understanding of the impact of the pandemic in terms of scale, and its effects on the economy. This report also provides insight on the impact of the pandemic on households across different regions and social groups, and among vulnerable groups in particular. This is even more critical at the time given the significant resurgence of the disease in this deadly second wave.

Another area in which this report can potentially make a contribution to relevant policymaking is the strengthening of coordination between various actors involved in funding and/or implementing programs relating to recovery and resilience building measures across the country. Somalia's Ninth National Development Plan (NDP9) 2020-2024 provides an opportunity to advance Government-led coordination. NDP9 also aims to set a clear path to build the economy and reduce poverty, while focusing on inclusivity, resilience-building, and durable solutions to displacement. The SEIA seeks to simplify and harmonize existing frameworks and plans, including the Somalia Recovery and Resilience Framework (RRF), the National Reconciliation Framework, the NDP, Durable Solutions Strategy for internal displacement, the Drought Response Plan, and the Humanitarian Response Plan (HRP). This harmonization exercise will facilitate coordination and alignment across development and humanitarian actors. Furthermore, ongoing related projects, such as the Somalia Crisis Recovery Project (SCRCP) can also benefit from the SEIA. While the Project intends to promote a 'whole-of-government' approach to incentivizing cooperation and enhancing state-citizen-trust through state-led responses to the multiple crises confronting the country, this report can provide the necessary data and analysis necessary to inform these responses.

I would like to thank the SEIA Advisory Board Members especially the Office of the Prime Minister, the FGS ministries of Commerce, Finance, Livestock, Fisheries, Agriculture, Directorate of Environment and FMS Ministries of Planning for their invaluable contributions to the SEIA report. Similarly, I would like to thank the UNDP and the team who prepared this report, Dr. Peter J. Middlebrook, Dr. Abdirizak Hassan & Amba Tadaa, as well as the SEIA coordinators Mr. Muse Mohamed (Director of Planning – MoPIED), Laura Rio, Dr. Pau Blanquer and Omar Isack (UNDP).

Finally, I would also like to extend our gratitude and appreciation for the generosity of the Japanese Government in funding this study.



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NOTE TO THE READER

This Socio-Economic Impact Assessment (SEIA) has been established by collating over 30 discrete COVID-19 related survey works emanating from the Federal Government of Somalia (FGS), the Federal Member States (FMS) and international cooperation partners. The analysis and results presented here are limited to the available data as of December 15, 2020. Despite the fact that various surveys are still ongoing, and that this impact assessment will be continuously updated, the results largely reflect the reality of the situation.

Population estimates however bedevil statistical certainty. Estimates for the population of Somalia range from 12 million (CBRP), to 14 million (IMF, 2018) and 15.4 million World Bank; a 20 plus percentage variance that affects all analysis.

It is assumed – given the results of the SEIA – and continued global lockdown and logistical delays in vaccinating the global community – that the current crisis will continue into 2021 and beyond. Clearly, if the 2017 drought were to reappear in 2021, in a year of elections, the multiplier effects of various factors alongside COVID-19 risks being a very bad year indeed.

REFERENCE MATERIAL

The work and results of this SEIA are owed to the collective reporting efforts of National Agencies as well as the International Community. Since the beginning of the pandemic, numerous specific and general assessments and surveys have been commissioned, forming the backbone of the analysis presented here.

Thanks, are particularly owed to the work of the National Bureau of Statistics and the World Bank and IMF in Somalia, for data and analysis on the macro-economic trends of the Somali Economy. Data on business level impacts draws from the work of UNIDO, MoCI, IFC and the Somali Chamber of Commerce, as well as through separate surveys undertaken by Raagsan and the Nordic Horn of Africa Opportunities Fund (NHAOF). Data on vulnerable groups comes from a variety of sources, which are referenced in respective throughout – though significant contributions are drawn from UN Agencies and other international partners.

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Acronyms / Abbreviations

CBS	Central Bank of Somalia
CCCM	Camp Coordination and Camp Management
CFLC	Catalytic First Loss Capital
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
ECA	Economic Commission for Africa
ELED	Enterprise Led Economic Development
EPAU	Economic Policy Analysis Unit

EPZ	Economic Promotion Zones
EU	European Union
F2F	Funding to Finance
FDI	Foreign Direct Investment
FGS	Federal Government of Somalia
GDP	Gross Domestic Product
GIF	Global Infrastructure Facility
HIL	High Intensity Labor
HIPC	Highly Indebted Poor Countries
IMF	International Monetary Fund
IMO	International Maritime Organization
IPRSP	Interim Poverty Reduction Strategy Paper
ITC	Information Technology and Communication
LPI	Logistical Performance Index
LPWHIV	Living Person with HIV
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MoARD	Ministry of Agriculture and Irrigation
MoATA	Ministry of Air Transport and Aviation
MoCI	Ministry of Commerce and Industry
MoF	Ministry of Finance
MoFAIC	Ministry of Foreign Affairs and International Cooperation
MoFMR	Ministry of Fisheries and Marine Resources
MoLP	Ministry of Livestock, and Pasture
MoPIED	Ministry of Planning, Investment and Economic Development
MoPMT	Ministry of Ports and Marine Transport
MoPTT	Ministry of Posts, Telecommunications and Technology
MoPW	Ministry of Power and Water
MoPWRH	Ministry of Public Works, Reconstruction and Housing
MPTF	Multi Partner Trust Fund
NDC	New Deal Committee
NDP	National Development Plan
NEA	National Economic Advisors
NEC	National Economic Council
NEC/NEA	National Economic Council / National Economic Advisors

NGO	Non-Governmental Organization
NIPS	National Investment Promotion Strategy
OoP/OPM	Office of the President and Office of the Prime Minister
PDA	Public Development Assistance
PFM	Public Finance Management
SDG	Sustainable Development Goals
SEZ	Special Economic Zones
SME	Small and Medium Enterprises
TFP	Technical and Financial Partners
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
VC	Value Chain
WB	World Bank
WFP	World Food Program
WHO	World Health Organization

EXECUTIVE BRIEF

This Socio-Economic Impact Assessment (SEIA) has been established by a joint board, constituted by the Federal Government of Somalia and the international community, with strategic direction primarily informed by MoPIED. The impact assessment is based on secondary and not primary data, and therefore draws from a wider range of assessments taking place at different periods of the pandemic, covering different sectors, Federal Member States (FMSs) and geo-spatial communities. Moreover, given that the impact assessment has been undertaken after the April 2020 Recovery and Response Plan has been established, the findings do not focus on a recovery phase, but instead, establishing the impact of COVID-19 on the macro-economy, enterprises and vulnerability. The SEIA also includes indicative options for Building Back Better and Leaving No One behind (LNOB) to support any re-prioritization of the National Development Plan.

Baseline and Methodology

This Socio-Economic Impact Assessment aims to quantify the impact of COVID-19 on the macro-economic, business and vulnerability domains in Somalia covering the period of 2020. The results presented here do not come from a nationally representative sample survey, but rather are drawn from more than thirty assessments and points of analysis, conducted using different methods, sample populations, sample sizes and industries and markets.¹

As such, the approach adopted is one of data aggregation and triangulation. Firstly, impact and trend lines within each source was identified, coupled with key informant interviews, to allow the corroboration of findings. From here, findings re-evaluated and contextualized within a wider and emerging consensus in impacts, including triangulating results between alternate sources where they exist. Findings have been reviewed by members of the SEIA Board, adjusted and validated.

The baseline for the assessment was December 2019, prior to the arrival of the pandemic and at the beginning of the fiscal year. Given the rapid onset of COVID-19 in early 2020, such a baseline is logical for an appraisal of macro-economic impacts, as annual projects are made available by government and international partners at the end of 2019. In measuring the impact of COVID-19 on the business community and on vulnerable sections of society, baselines were drawn from the NDP and Agenda 2030 Sustainable Development Goal (SDG) dashboard.

Summary of Strategic Findings

Though more than 20 public assessments have been undertaken over the course of 2020, combining these results have resulted in a number of high-level findings that were not apparent prior to the assessment, as follows:

- To date, the direct impact of COVID-19 on health has sadly led to the loss of lives, but the impact of economic, business and vulnerability factors has also been substantial,² when compared to a range of other factors. In this sense, the primary impact of the pandemic is limited compared to the secondary impacts (knock-on effects);

¹ A detailed overview of secondary sources used for this assessment is provided in Section 2, Methodology.

² These direct health impacts are conventionally measured through metrics including total cases, hospitalisation rate, total fatalities and case fatality rate (both on aggregate and per 1M population).

- The largely positive trajectory of development in recent years has been arrested by the crisis, with the first year of implementation of the National Development Plan (NDP-9) significantly undermined by a collapse in GDP growth, trade and revenues, alongside the re-purposing of Official Development Assistance which undermines both financing and alignment of external flows to NDP priorities. According to the IMF, as a result of COVID-19, the average, domestic revenue mobilization will be some 0.7 percentage points of GDP lower on average over 2020-24, reflecting lower economic activity. (IMF, November 2020, First Review Under the Extended Credit Facility;
- Without the rapid support of key donors (grants increasing from 41.3 to 47.7 of GDP) and remittances (totalling 31.4 per cent of GDP in 2020), government finances would have dried up, imports would have been severely reduced, and the ability of the government to discharge its functions would have been severely inhibited.
- Relative to the original budget, estimated FGS domestic revenues were reduced by US\$67 million, but grants increased by US\$179 million, including additional World Bank support (US\$55 million), front-loading of EU budget support and anticipated African Development Bank (AfDB) support (\$13 million).
- Gross Domestic Product is forecast to contract -1.5 per cent in 2020, about 4.4 per cent below the original 2019 forecast, according to IMF projects in October 2020. As a result, economic growth and per capita income gains made since 2017 (particularly gains made among lower income groups) have largely been lost, given the size of economic contraction, in a period where the economy was still recovering from the 2017 drought.
- As a result of COVID-19, FGS fiscal transfers were undertaken in order to pay for teachers and female health workers, highlighting the important role that federalism has in removing horizontal fiscal imbalances.³ The support provided to the to the Federal Member States further primes the pump of fiscal federalism, which is still in the early stages of definition.
- The combined impacts of COVID-19, flooding, locusts and regional political instability demonstrate that Somalia remains hostage to range of external shocks, and that a greater focus on identifying and investing in sources of macro-economic, business and household resilience continues to remain policy central.
- The predominantly private and non-governmental organization supported provision of health and education services meant that declining purchasing power has substantially affected both access; but also, the commercial viability of many services and sectors, substantiated further in sections 6.3 and 6.4 on health and education respectively.
- Should 2021 turn out to be a bad drought year, for which there is some early indication that it may, given the asset and income loss already experienced in 2020, the most vulnerable communities will see worsening living conditions; and,

³ <https://www.worldbank.org/en/results/2021/01/14/helping-build-the-state-in-somalia-financing-financial-management-and-federalism>

- While a steep contraction in remittances in April 2020 returned to trend throughout 2020, the World Bank is reporting a global reduction in remittances by 14 per cent in 2021 (caused by weak economic growth and employment levels in migrant-hosting countries).⁴ The pulling forward of donor aid to counter the pandemic is forecast by the IMF to lead to small reductions in future official flows (averaging 33.5 percent of GDP through 2029, lowered by about 0.7 percentage points compared to previous assumptions).⁵ Given emerging drought risks in 2021, humanitarian spending is likely to dominate, despite its weak ability address structural causes.

The table below provides a summary of major impacts across the health, economic and social pillars, providing an easy-to-read understanding of the various impacts over the baseline period. Like any impact assessment, the results are time bound reflect the period under review and the final data of analysis, in this case December 2020. While a spike in COVID-19 cases has recently begun to emerge, the impact of another wave will be reported in the updated SEIA to be completed before the first half of 2021.

⁴ <https://www.worldbank.org/en/news/press-release/2020/10/29/covid-19-remittance-flows-to-shrink-14-by-2021>

⁵ <https://www.imf.org/en/Publications/CR/Issues/2020/11/30/Somalia-First-Review-Under-the-Extended-Credit-Facility-Press-Release-Staff-Report-and-49924>

COVID-19 SEIA Impact Data Scorecard			
#	Indicator	Pre-COVID-19 2020 Projection	SEIA 2020 Projected Value
Health Pillar			
1.	COVID-19 Infections (Dec 1 st)	0	4451
2.	COVID-19 Deaths (Dec 1 st)	0	113
3.	Immunization	Business as Usual	Reduced Participation in Various Vaccination Campaigns
Economic Pillar *			
4.	GDP (US\$ billion)	US\$ 5.218	US\$ 4.918
5.	GDP (Real) Growth %	3.2%	-1.5%
6.	GDP Per Capita	US\$ 339	US\$ 319
7.	Inflation (CPI, end of period)	3%	3%
8.	Remittances (% of GDP)	32.4%	31.4%
9.	Tax Revenues (% of GDP)	3.4%	2.3%
10.	Non-Tax Revenues (% of GDP)	1.7%	1.3%
11.	Current Account Balance (US\$ Million)	18.5	-10.6
12.	Exports (US\$ Million)	1,178	702
13.	Imports (US\$ Million)	5,817	5,184
14.	Grants (% of GDP)	5%	8.9%
15.	Unemployment Rate	14%	Significant temporary increase
Social Pillar			
16.	International Poverty Line	69%	Increase anticipated
17.	No. of People in IPC Phase 3	1.1 million	2.1 million
18.	Gross Enrollment Rate (primary)	26.9	25.5
19.	Safe Water Access	65.2%	Minor reduction anticipated
20.	People in Need of Health Interventions	3.9 million	3.15 million
21.	Per capita public sector health spending	\$10	Significant increase anticipated
22.	No. of Baxnaano Transfers	N/A	34,132 Transfers

What is most interesting from a long-term recovery perspective?

From a long-term perspective, the impact of the pandemic has been made worse by weak state fiscal capacities, underlying structural constraints (i.e., the absence of a national currency, financial inclusion, national insurance etc.) and over dependence on external flows for stability. A move towards self-reliance

is necessary, but this implies a far more aggressive focus on revenue generation, strengthening market-based mechanisms to better serve the poor, and using external assistance in a more catalytic manner. Moreover, given the lack of access to public services, strengthening the resilience of the private sector is obviously critical to securing access to services in times of stress.

With external flows – remittances, grants and foreign direct investment - so negatively impacted by the pandemic (including potential long-term reductions yet seen), Somalia urgently needs to diversify its economy into markets that continue to provide value in times of crisis, such as fisheries, oil and gas and livestock (though a major victim of the current crisis), as well as to strengthen regional economic cooperation for transnational issues.

What are the main policy recommendations?

While the socio-economic recovery response plan is under execution, the following investments should be strengthened in the NDP, to reduce the risks to the government, businesses and households from external shock:

- ***Health Service Delivery Upgrading:*** While healthcare delivery in Somalia is dominated by the private sector and NGOs, greater investment in essential health infrastructure is required. This would include developing a digital infrastructure backbone (a Digital-By-Default policy) in order to massively upgrade the level of real time health related data. Currently, legacy systems undermine the potential for both rapid response and predictive analytics.
- ***Health Related Solar Power:*** Without cold storage systems, vaccination is compromised. Moreover, a wide range of essential primary and secondary healthcare activities require power for basic day-to-day care, and yet in many clinics power is lacking. Given the absence of a national grid, power remains a generation and distributional problem, as a result investment in off grid power appears vital, linked to healthcare provision.
- ***Emergency Fiscal Support:*** 2021 is expected to be another challenging fiscal year for government, and emergency support from the IFIs seems likely, even assuming the elections lead to a peaceful outcome. Remittances are likely to contract, as is ODA, and the costing of the NDP will therefore need to focus on the macro-economic and fiscal framework, to assess the resource envelope prior to determining the budget, and how it should be balanced.
- ***Financial Inclusion:*** While inclusive economic growth has emerged a dominant theme in recent years, COVID-19 has demonstrated how exposed micro and small businesses are to economic shock, and how little credit they have access to. While Gargaara and MFIs have played a key role in supporting credit, the reality is that the entire micro-credit market – and indeed banking sector – needs further development and support; with a particular focus on meeting the needs of those who remain currently unbackable.
- ***Universal Access to Digital ID System:*** In terms of digital IDs and access to digital services, huge investments are required to bring service delivery in line with regional comparators. Moreover, digitization of services – to support improved access and services and to drive down costs – must be central to building forward better. The development of services delivery systems, including adaptive and agile capacities, are proving to be central for the management of external shocks. Such an investment – drawing lessons from countries such as Afghanistan – will become increasingly essential.

- ***Disaster Management through Employment Generation:*** Somalia continues to have a limited disaster preparedness, mitigation and management capability, though the World Bank financed Crisis Recovery Coordination Facility (CRCF) and US\$ 100 million Somali Crisis Recovery Project (SCRCP) are seeking to bolster existing systems and capacities. Moreover, during times of stress when labour intensive works and other programs might support employment generation, there is no formal system in place to generate employment for those most in need. Such an approach would lower the risk for informal sector workers and through shelf projects – encourage linking relief to development.
- ***Sustainable Development Finance and Integrated National Financing Framework:*** Somalia remains heavily dependent on remittances and official development assistance, to balance trade, current and capital accounts and to finance the national budget. The fundamental shift taking place globally around the Addis Ababa Action Agenda (AAAA) is not only leading to a reduction in traditional grant-based giving, but also working to crowd in private capital and to integrated domestic public and private, with international public and private flows. Clearly, Somalia needs to embrace the new Funding to Financing approach, to the benefit of both government and the business community.
- ***The Role of Women in Post COVID-19 Society:*** The role that women play in political, public and business life deserves far greater attention. Results show that women and children remain highly vulnerable to such exogenous shocks, and as noted through a number of surveys, they remain substantially under supported at the level of the public sector and the market – though at the same time tend to be the primary earners of households. What is required goes beyond social protection and welfare, requiring a thorough review of access to services by women, and the role that digital services can play in enhancing access, and voice. Women’s demand for 30 per cent of seats in the parliament is necessary to allow public resource to be committed in an equitable way, and to overcome both vertical and horizontal imbalances in access to services. Other demands in the recently produced Women’s Charter must similarly be made central to Somalia’s recovery.
- ***Social Protection:*** While social protection in Somalia has long been absent, relying instead on foreign assistance and remittances to fill this gap, this may be changing. The recent launch of the Somalia Social Protection Policy by the Ministry of Labour and Social Affairs (MoLSA) as well as the timely development of the Shock Responsive Safety Net for Human Capital Project (SNHCP) – informally known as Baxnaano – are two important milestones towards positive change. The current crisis will provide an important learning curve for social protection policy in Somalia, which, if combined with greater digital identification and financial inclusion, may pave the way towards the development of a highly functional and long-overdue safety net against future shocks.
- ***Education Delivery:*** A large number of children do not have access to education, and the period of the pandemic has certainly undermined access, attendance and the viability of the largely commercial and NGO delivery system. While previous efforts to increase online delivery and access through mobile devices has had some impact, the pandemic reminds us that the 3 to 5 million out-of-school population, will need to be better served through a new and improved service delivery model.
- ***National Climate Change Adaptation:*** Droughts and flooding continue to pose the most severe hazard to Somalia. The UN Office for the Coordination of Humanitarian Affairs (OCHA) forecasts an estimated 2.7 million Somalis facing severe food shortage between April and June 2021 as drought conditions worsen. The concomitant impacts of cyclical drought and flooding act as a reminder to increase investment to support the National Adaptation

Program of Action (NAPA). Environmental degradation is compounded by poor governance and mitigating the risks of future exogenous shocks, as occurred in 2020, will require new investment through vertical funds (i.e., Global Environment Facility and Green Climate Fund) alongside promoting market based solutions.

- ***Sustainable Future for Diaspora and Remittances:*** Without remittances in 2020, households and the entire economy would have come close to collapse. The importance of remittances is vital to securing consumption, but such flows can also be directed towards investing in more productive assets, through for example, supporting bankarization, diaspora bonds and other investment tools. Once the full effects of HIPC are in place, the NDP would do well to consider new measures to better deploy the financial and human capital available to the diaspora to improve the sources of resilience.

The areas suggested above are highlighted to overcome some of the structural constraints made obvious by the pandemic, while also laying the foundation for a future ready government. These measures will need to be considered, costed and fully integrated into the NDP, and they must also support the consistent updating of the SDG Dashboard; so that baselines are updated and progress can be more easily tracked.

Summary of Key Pillar Findings:

Perhaps, alongside many direct casualties of the current crisis, and overlooked, the progress of ‘development’, which has once again been taken hostage by an external shock, may be development; one not of the making of Somalia. While the government response plan, the UN COVID-19 Country Preparedness and Response Plan (CBRP) and staunch support provided by the international community have thwarted the worst effects of the crisis; Somalia remains profoundly affected. Should misfortune raise its head – for example bring a deep drought in 2021 – considerable external support will be required to save lives and keep government systems afloat.

This Socio-Economic Impact Assessment (SEIA) aims to quantify the impact of COVID-19 through an aggregation of existing surveys and assessments undertaken across Somalia. Despite this, there remain clear limitations to the availability of data for this assessment. First and foremost, the majority of surveys and assessments fail to be nationally representative, tending to focus one Federal Member State (FMS) or one region. Where multiple surveys exist, differences in methodology make analogizing results difficult. Further to this, it is worth noting that certain sectors and vulnerable populations similarly remain underserved. At the business level, the informal sector remains the most underserved, with no results to date yielding large nationally representative insights. In addition, in-depth assessments of certain vital sectors and sources of Somali livelihood also remain absent, including the impact of the pandemic on the livestock sector and the ban khat. The same is also true for certain populations, including a rigorous assessment of the pandemic’s impact on Gender Equality, the impact on nomadic populations (linked to the livestock sector) and people with disabilities among other disadvantaged groups. This should be supported by a rigorous assessment on the state of, and learning curve associated with, public service delivery in 2020.

Nonetheless, despite the somewhat disparate nature of available data in certain areas, on the whole the findings presented here still provide sufficient confidence to draw important conclusions from the current situation. For example, and while the assessment only focuses on the health impact at the level of vulnerability, as can be seen below, while total number of ‘known’ cases remain low, the reported case fatality rate is higher than the regional average, excluding Sudan.

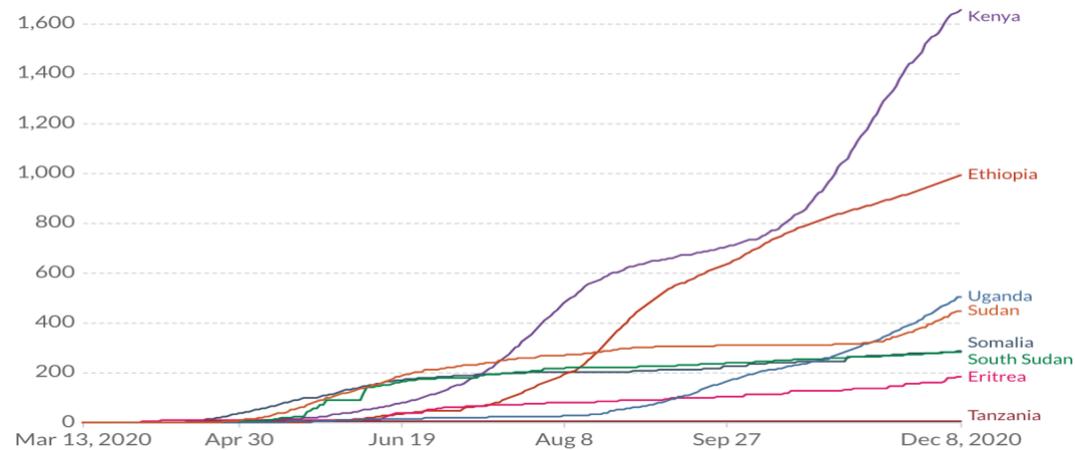
REGIONAL COVID-19 INFECTION AND MORTALITY COMPARATORS (DECEMBER 01 2020)

Country	Population (Millions)	Total Cases	Total Deaths	Case fatality rate (%)	Mortality rate (% of population)
Somalia	15	4,451	113	2.539	0.001
Ethiopia	114.9	109,534	1,700	1.552	0.001
Kenya	53.77	83,316	1,452	1.743	0.003
Djibouti	0.99	5,677	61	1.075	0.006
Eritrea	3.5	577	0	0.000	0.000
Sudan	43.8	17,404	1,235	7.096	0.003
Uganda	45.7	20,145	201	1.008	0.000

Source: WHO

As shown in Figure 1 below, at the time of writing Somalia has fewer COVID-19 contagion cases reported when compared to Uganda, Ethiopia and Kenya. Given that all three countries have far better healthcare systems and infrastructure, it is likely that cases and deaths have been under-reported, due to inadequate testing (in the first 6 months there were 18,000 tests administered)⁶ as well as limited monitoring of territory currently controlled by Al Shabab. Regardless, the assessment makes clear, the extensive impact of the COVID-19 pandemic on the economy, as detailed fully in Sections 4 (macro-economy) and 5 (business impact).

Figure 1 REGIONAL COMPARISON OF COVID-19 CASES (PER MILLION POPULATION)



Source: <https://ourworldindata.org/covid-cases>

⁶ Reliefweb, Somalia marks 6 months of COVID-19.

Unfortunately, the COVID-19 crisis emerged during the first year of execution of the Somalia National Development Plan (NDP), fundamentally re-focusing investment efforts and re-purposing external assistance.⁷ The results presented here show that the impacts of these factors will take many years to be fully revealed; with impacts expected to continue into 2021 and beyond. As a consequence, Somalia enters a period of heightened risk, in which it must navigate various historic and emerging challenges.

For Somalia, 2020 has been a uniquely challenging year, not just because of the pandemic, but because Somalia has also been threatened by a cocktail of other factors, including flooding, locusts, regional and global instability, de facto trade partner import and export bans and the re-purposing of official development assistance (ODA); all of which combine to negatively impact growth, revenue, employment and poverty outcomes. Not only has this effected the execution of the National Development Plan (NDP-9), but it also acts as a reminder to all that the impact of such external shocks has been made worse by domestic amplifiers, such as the weak fiscal dispensation which undermines fiscal space and governments discretion to unilaterally meet the needs of the federal member states. We call this cocktail of shocks ‘triple+’, because they are not just limited to COVID-19, flooding and locusts.

Moreover, in Somalia, the social contract between the governed and the government has been tenuous since the war of 1991. With weak government institutions, public service delivery is very limited, with many services such as health and education being delivered by the emerging private sector and non-governmental organizations, as well as international partners that have often fulfilled this role.

With Presidential elections set to take place in 2021 – and despite signs that the global economy is bouncing back in Quarter 3 – the impact assessment team concluded that 2021 is likely to continue to present challenges for Somalia, with the fear of a new drought in some of the regions already beginning to affect vulnerability. Moreover, while both export and imports are expected to recover in 2021, the IMF forecasts a long-term reduction of about 5 percent lower over the medium term, with the current account deficit also remaining large, financed by official grants and remittances.

⁸ Moreover, assessing (attributing) the impact of such a multi-dimensional crisis on all three domains is made complex by the direct, indirect, induced and spill over effects of the different factors. As a result, COVID-19 can only be understood and quantified within a ‘system-of-impacts’; constituting *direct impacts* (i.e., health impacts), *indirect impacts* (i.e., remittances and grants), *inducted effects* (i.e., lower household spending) and *spill over impacts* (i.e., policy and business uncertainty), all of which have impacted 2020 outturns.

As this impact assessment relates to COVID-19, and as the pandemic did not impact Somalia until early 2020, the prior fiscal year of 2019 was taken as the baseline. Such a baseline is pre-COVID-19, fully capture the impact on the macro-economy, business and vulnerability, based on indicators (specified in sections 4 and 5), for which the results are clear. However, for the vulnerability impact assessment, and given the lack of up-to-date social baselines in particular, the impact on the social domain has been reported on using survey data, an understanding of pre-existing baselines and corroboration from across the various impact studies.

⁷ <http://mop.gov.so/wp-content/uploads/2019/12/NDP-9-2020-2024.pdf>

⁸ Assessments of 2021 rainfall in East Africa, based North American Multi-Model Ensemble (NMME) sea surface temperature forecasts suggest the March-April-May to be a below-average rainfall season (source <https://blog.chc.ucsb.edu/?p=868>)

MACRO-ECONOMIC, BUSINESS AND VULNERABILITY FINDINGS

The Federal Government of Somalia has fared well in the ‘*eye of the storm*’, due to government responsiveness and leadership, but also as a result of the significant re-purposing of external assistance to offset fiscal and budget deficit constraints. This assistance has also primed the pump of fiscal federalism, by providing emergency sub-national block grants that might never have occurred. Although Inflation is in line with expectations, foreign direct investment has contracted sharply as have exports, with imports being less affected. While government operations have been largely secured, a fundamental shift in the composition of spending has also occurred, to the detriment of many sectors.

The impact of COVID-19 on business and vulnerability however has been significant, mirroring similar patterns to those seen in Ethiopia and Djibouti. At the same time, Somalia has a far narrower fiscal space, noting that domestic revenue declined by 55 percent in 2020, impeding prospects for safety nets and business bailout support. The impact on vulnerability is likely to be across the board, with many individuals and households either expected to have fallen back into poverty, or to have been pushed below the poverty line for the first time. The impact on employment is difficult to assess because of the high levels of employment in the informal sector (which no enterprise survey has specifically assessed) and seasonality for certain sectors, though if Djibouti is used as an acceptable comparator, there have been substantial losses to employment in an already rather narrow employment market.

The implementation of NDP-9 has been disrupted by the pandemic, at a critical time in its execution. The ongoing costing of NDP-9 activities must make fiscal space and alignment and harmonization central to the ongoing costing exercise, and it is suggested that a period of recovery is required, running in parallel to the general government program. Recovery would focus on building forward better, building forward greener, and leaving no one behind, to include a particular focus on digitized service delivery models and investments, to remove existing fragilities.

The impact of COVID-19 on the SDGs cannot be easily ascertained from the SEIA, as no national sample survey was conducted related exclusively to particular SDG indicators. However, it is inevitable that certain SDGs have suffered as a result of the disruption to government, economic lockdown and continued economic downturn. According to the latest SDSN data, Somalia has a 2020 Index Score of 42.7 and a regional average score of 53.8.⁹ As a result, the trend – not the exact impact – is reported here based on the evidence available to the assessment team.

MACRO-ECONOMIC IMPACT SUMMARY

Macro-economic impact is in line with the wider region, though external support and remittances have played a critical role in bolstering government finances in order to maintain day-to-day operations. For example, donors increased grants by US\$179 million, and funded the expansion of safety nets, support to MSMEs and transfers to the FMS. That said, Somalia is in a critical stage of its evolution from a unitary to federal state and was soon to host the first popular elections in the country since 1969. However, COVID-19 has almost certainly undermined macro-fiscal stability, redirecting resources, reducing exports, and near term progress towards achieving NDP growth targets, elevating per capita incomes and improving fiscal space have been affected.

⁹ Africa SDG Index and Dashboards Report.

Gross Domestic Product is forecast to contract -1.5 per cent in 2020, about 4.4 per cent below the original 2019 forecast, according to IMF projects in October 2020. This constitutes a real loss of US\$ 186 million, and a total forgone lost growth opportunity of US\$ 300 million; totally some US\$ 820,000 daily. Based on a 15 million population, per capital GDP has contracted by US\$ 4.5, with a total foregone loss of US\$ 20 per capita. Of course, with remittances totalling 31.4 per cent of GDP in 2020, and with grants increasing from 41.3 to 47.7 of GDP, overall GDP losses have been substantially compensated for. Impacts on the macro-economy have been significant, and include:

- Macro-economic impacts leading to the contraction of gross domestic product;
- Fiscal impacts as a result of a declining tax base;
- Expenditure impacts as greater budgetary prioritization is needed;
- Disruption to service delivery in health and education;
- Impacts on the micro-economy, particularly the informal sector;
- Increased poverty, social strain and unrest;
- Loosing ground in relation to security with lockdowns favouring Al Shabab;
- Compounding factors that increase the risk of food insecurity;
- High risks of debt unsustainability;
- Private sector collapse and bankruptcy including (MSMEs);
- More resilient remittance flows than anticipated, however ever-present risks of decline in 2021;
- Heightened challenges for vulnerable populations, including women, youth and IDPs (See map below of food insecurity with IDP number overlay);
- Reduced markets for existing livestock exports;
- Impacts in unemployment in both the formal and informal sectors;
- Impacts on the nature and severity of multidimensional poverty; and,
- Impacts on progress towards attainment of the Sustainable Development Goals.

BUSINESS IMPACT SUMMARY

The impact on micro, small, medium and large firms has been hugely negative, for both start up and established firms. While few surveys have been undertaken to capture impacts in the fourth quarter of 2020, the lockdown has clearly had a profoundly negative impact on business viability and job shedding, made worse by the informality of the economy, which undermines the possibility of support; for example, liquidity support from banks.

Businesses were taken by surprise by the crisis. The lockdown was unexpected, and had a far greater impact on sales, caused by supply and demand side shocks. Moreover, high levels of uncertainty (both in terms of changing market demand and emerging global policy response) meant that many businesses failed to adapt to the crisis, though many did. Adaptations included basic business survival strategies (i.e., cutting costs, reduce the wage bill, going into arrears etc.) but also a modest spike in businesses going online. For large-traded sectors such as livestock and Khat, adaptation has not been possible, nor has it been possible for street sellers, many of whom are women.

Pre-existing conditions such as lack of access to finance due to under-development of the banking sector just exacerbated the situation, with a large number of companies likely going into liquidation. Foreign direct investment rates have been slashed, and it is forecast that while remittances and official development assistance have fared better than anticipated for 2020, both have the potential to contract in 2021, impacting the trade balance.¹⁰ While the impact of COVID-19 will predominantly be felt over the next 12-24 months, the impact on business viability for many sectors such as alternative energy, technology sectors and even education may be affected over the medium term, for many years, undermining future investment. Moreover, both backwards and forward linkages for investment into NDP-9 year 2 (2021) can be expected to be significant.

VULNERABILITY IMPACT SUMMARY

Somalia remains one of the most vulnerable societies in the world, with structural inequalities everywhere apparent, largely as a result of the weak institutional and fiscal dispensation. While structural inequalities affected marginal communities such as the Bantu and Benadiri, the reality is that so many different groupings are vulnerable to external shocks, of which the pandemic is merely one.

The Somali Poverty and Vulnerability Assessment Findings for Wave 2 of the Somali High Frequency Survey find that nearly 7 out of 10 Somalis live in poverty, making Somalia one of the poorest countries in Sub-Saharan Africa.¹¹ The impact of COVID-19 on the poorest of the poor will likely have forced many into deeper poverty, many just above the poverty line into poverty, and many households that had managed in recent years to develop an economic escape velocity out of poverty, are likely to feel the gravitational effects of the crisis on their income. Given the absence of public services – in health, education and other sectors – outside of the disruption in delivery, those unable to afford access would simply have been denied. Vulnerabilities are reported here, geospatially, and of course by particular groups, which include women, the disabled, elderly, children, internally displaced and refugees. This assessment outlines the extent to which the crisis has worsened social outcomes, and the trends for the Sustainable Development Goals (SDGs) is presented below, with the main SDG 2020 status being provided in Annex 1 and Annex 2.

¹⁰ IMF projects remittances and grants reducing from 31.4% and 47.7% of GDP in 2020 to 31% and 43.7% in 2021 respectively.

¹¹ About 69 percent of the population lived in poverty in 2017; defined by having daily per-capita consumption expenditure lower than the international poverty line(IPL)of US\$ 1.90,at 2011 purchasing power parity(PPP). <http://documents1.worldbank.org/curated/en/140061594111217103/pdf/Summary-of-Chapter-1-Poverty-Profile.pdf>

Sustainable Development Goals (SDG) Dashboard for Somalia (2020)



Notes: The full title of Goal 2 "Zero Hunger" is "End hunger, achieve food security and improved nutrition and promote sustainable agriculture".
The full title of each SDG is available here: <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

1. CONTEXT AND BACKGROUND

1. *As of December, 19 2020, Somalia had only recorded 4,662 cases of COVID-19 leading to 124 deaths.* Even though deaths and infections are likely under-reported, it seems obvious that the secondary effects of the pandemic have had a greater impact on Somalia than the actual pandemic itself. Somalia has been impacted by what we call a ‘triple+’ shock; in which the impact of COVID-19 has been compounded by flooding, locusts and regional insecurity. The external shocks have been amplified by existing domestic fragilities, such as weak institutions and a weak fiscal dispensation. Differentiating between a combination of shocks is therefore necessary; albeit complex.

2. *The impact of the pandemic and the global response to it is not yet over.* As a result, the impacts reported here constitute the impacts accumulated so far in 2020, and these are set to extend into 2021 and perhaps beyond. As Europe goes back into lockdown and experiences a second wave of infections, it seems highly likely that COVID-19 will continue to inhibit a return to ‘normal’ trade regimes; which has already impacted the livestock trade and associated incomes for nomadic communities and traders; for example. Given that COVID-19 has exposed existing fragilities, the results of this assessment must not just inform ongoing recovery planning, but also reinforce the urgent need to reduce fragilities to external shocks in the future, allowing Somalia not just to bounce back but also bounce forward.

3. *Somewhat ironically, COVID-19 has emerged in the year following the completion of the NDP-9, and also in the year of the Highly Indebted poor Countries (HIPC) initiative Decision Point.* 2020 was anticipated to be a positive year for Somalia, with so much effort and investment in recent years to align external support with the state and economy building agendas and increasing harmonization and use of government systems. Much of that however has been put on hold, with fundamental changes to the macro-fiscal regime and the composition and re-purposing of external assistance too. Following a year of planning in 2019, in many ways 2020 has been a year of undoing and forestalling.

4. *In this context, this assessment suggests how current and future external shocks can be both mitigated and managed; in order to secure progress in meeting NDP-9.* The assessment recognizes that the world following the emergence of COVID-19, is in many ways more volatile and complex to navigate than before, but also that the pandemic brings with considerable opportunity; as a catalyst for accelerating structural reforms towards improved service delivery, automation and digitization. This crisis also reminds us that the way our societies are organized is often part of the problem, and that a deep review of service delivery arrangements has never been more important. Transformation is required to foster new and more resilient social contract between citizens and the state.

1.1. SEIA OBJECTIVE

5. *The objective of the Socio-Economic Impact Assessment (SEIA) is to review and document the various impacts of the pandemic on the macro-economy, businesses and on vulnerability.* The assessment informs future socio-economic recovery investments and influences the prioritization and sequencing of NDP-9 investments and humanitarian spending in order to ameliorate impacts.

1.2. POLICY AND IMPACT LEVEL DESIGN CONSIDERATIONS

6. *In order to meet this objective, and to attribute (apportion) impacts to COVID-19, the design of the SEIA will be instrumental in isolating effects uniquely caused by the pandemic.* Importantly, the SEIA comes at a critical time in Somalia history, in advance of year two of NDP-9, prior to Presidential elections, on the back of HIPC, and at a time when official development assistance is being re-purposed to provide stronger support to the private sector. While these and other considerations do not shape the findings of the SEIA – given that the SEIA provides an empirical description of current

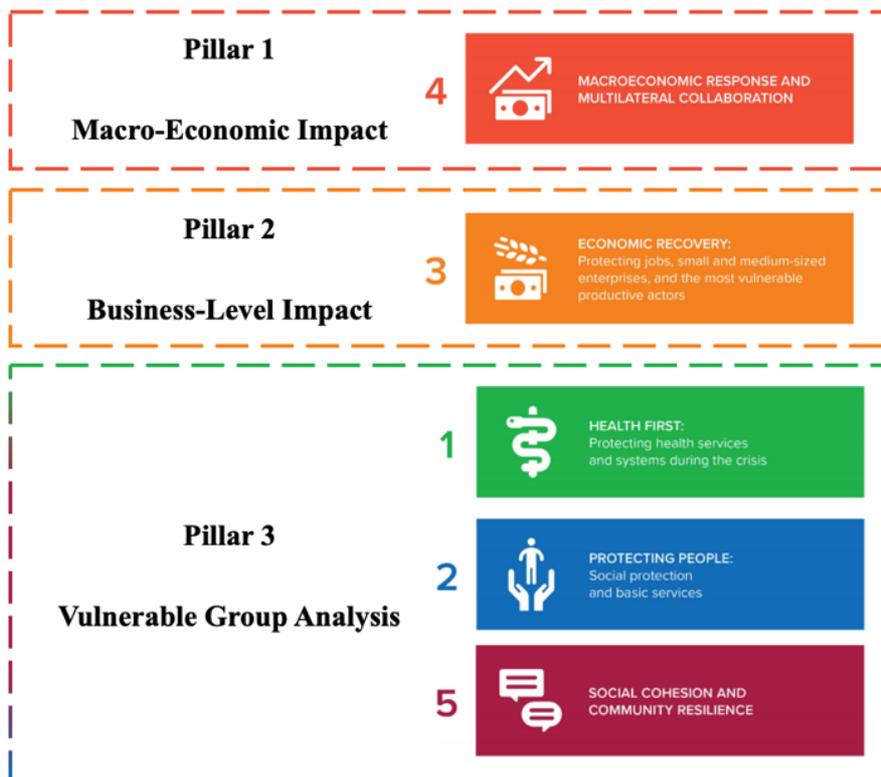
status – they do influence the how the findings will be deployed to improve the wider investment and policy domain in relation to resilience and recovery.

7. *In terms of linking the SEIA with the normative international approach and agenda, hundreds of SEIAs have already been undertaking providing useful cross-national comparators for this assessment.* Globally, there has been considerable conformity in relation to the international response, with SEIA’s conducted widely across many states, including across the Horn of Africa. The impact assessments have been designed to provide an empirical description of the impact of pandemic with a particular focus on primary and secondary impacts. These impact statements have supported the development of national recovery plans, which in most countries has been anchored around the five pillars of the UN Response Framework:

- Health First;
- Protect People;
- Economic Recovery;
- Macro-economic response and multilateral collaboration; and,
- Social Cohesion and Community Resilience.

8. *However, breaking from this slightly, this assessment follows a three-pillar structure established and approved by the Federal Government of Somalia.* The alignment between Somalia SEIA pillars and the five-pillar normative approach developed by the United Nations is provided in Figure 2 below. Here, *macro-economic impact* (Pillar I) is aligned to global response framework pillar 4 on macro-economic response and multilateral collaboration (ii) *business level impact* (Pillar II) aligns with global response pillar 3 on economic recovery and (iii) *the vulnerability pilar* (Pillar III) aligns with global pillars health first, protecting people and social cohesion and community resilience.

Figure 2 SEIA ALIGNMENT WITH UN GLOBAL RESPONSE



9. *Underscoring the assessment – and securing its wider utility - the narrative connects with the agenda emerging around the crisis, including a focus on Building Forward Better (BFB) and*

Leaving No One Behind (LNOB). LNOB is a key principle of the Agenda 2030 and the Sustainable Development Goals it contains, as well as to the NDP-9, and has obvious linkages with the macro-economic, business and vulnerability pillars here.

- **An Evidence-Based Approach:** There is considerable risk that efforts to address the crisis are simply based on ramping up traditional approaches rather than making smart investments informed by evidence. Of course, establishing the evidence is also challenging given that the many causes and effects of the pandemic are difficult to isolate, particularly given the multiple impacts of locusts, flooding and regional instability. Not only are there external shocks, but there are also domestic amplifiers that need to be accounted for, as well as the problem of attribution. For example, while the pandemic led to an economic lockdown, it also impacted remittances, foreign direct investment flows and the structure and prioritization of international support. Each factor has direct, indirect, induced and spill over effects. Establishing an evidence-based approach is also hindered by clear data limitations observed, including both an absence of surveys on certain sectors/populations, as well as weak disaggregation of data for those conducted. In such cases analysis has been inferred from pre-pandemic baselines and regional impact observations, as well as outlined as areas for further study;
- **A Calibrated Response:** With the government implementing its NDP-9 in support of Agenda 2030, the SEIA should contribute towards making sure that any emergency response does not compromise longer term investments in promoting resilience, peace, stabilization and inclusion. In this sense, the pandemic brings challenges that need to be addressed (i.e., resource mobilization challenges), but it also brings with considerable opportunities for improving investment to build resilience, in order to support self-reliance. In this context, the impact assessment should point the way to investments that are more catalytic in nature; delivering positive multipliers to accelerate inclusive growth outcomes;
- **Leave No One Behind (LNOB):** In line with the human-rights-based approach central to NDP-9 (iPRSP) and Agenda 2030, this assessment focuses on the most vulnerable (Pillar III), in order to ensure that the socio-economic response focuses on identifying the key inequalities (i.e., geospatial or gender inequality). Other groups at risk include nomadic communities, children, disabled, the elderly who are more vulnerable to COVID-19, IDPs, detainees/prisoners, health workers, unemployed youth and minority groups. These communities are known to be disenfranchised and this assessment focuses on these groups through Pillar III, and through the other pillars as cross-cutting issues;
- **Building Forward Better:** Secondly, the assessment aims to lay the foundation for ‘Building Forward Better’ by accelerating progress towards Agenda 2030 and laying the foundation for more effective governance. In the context of the environmental challenges faced by Somalia, building forward better implies building forward greener. Of course, while building forward better is the desired outcome, in practical terms this means identifying impacts caused by the pandemic (which expose vulnerabilities) as well as key entry points for improvement by which they can be achieved. These factors will be driven by the political economy/drivers of change and involve both linear and non-linear approaches. While the SEIA is not a recovery plan, it provides the evidence base for identifying actionable opportunities to build forward better/greener in Somalia;
- **Provide Evidence in order to Bolster Frontline Services:** Given limited Federal Government of Somalia (FGS) and Federal Member State (FMS) capacities, protecting equitable access to basic services, including health, sanitation and education but also social protection and welfare for vulnerable groups will remain an important lens to apply in thinking through impact and associated responses; given the disruption likely caused by the pandemic. The extent to which the impact assessment can provide disaggregated impact statements, particularly at the geospatial level, would assist targeting of recovery spending’

- **Strengthen Existing Systems:** As a joint exercise between the FGS and UNDP, it is essential that this exercise and the recovery and humanitarian outcomes do not distract focus from building a viable and sustainable state. The SEIA should therefore be used in a way that positively stimulates FGS and FMS in ensuring engagement across society (civil society; women groups; private sector; community engagement) in support of the social contract; and,
- **A Coordinated Response:** The SEIA – and eventually response plan – must contribute towards a coordinated response between the FGS and FMS, but also across the international community and between development and humanitarian partners (NEXUS), if the limited resources available are to be deployed in a value-for-money fashion.

1.3. SEIA FRAMEWORK ALIGNMENT AND HARMONIZATION

10. The SEIA aims to secure alignment and harmonization with the FGS NDP-9, FMS Impact Assessments, UN Global Response and UN Country Assessments, by bringing the results of numerous impact assessments together. Key documents used in this regard are provided below:

- **FGS National Development Plan 2020-2024:** Launched in December 2019, the ninth National Development Plan (NDP-9) establishes Somalia's development priorities for economic growth and poverty reduction for the period 2020 to 2024 and serves as the foundational planning framework for the Government. Although this was completed just prior to the emergence of COVID-19, it is important to note the extent to which COVID-19's has impacted NDP-9 implementation in its first year in particular. As such, NDP-9 - in focussing on the root causes of poverty and fragility - provides an important starting point for analysis and the ongoing NDP costing would do well to reflect on the findings of the SEIA, to inform prioritization;
- **FMS Impact Assessments:** The approach benefits from and integrates the results from the Puntland Assessment Report of the '*Economic Impact of the Global COVID-19 Outbreak in Puntland*' and the '*Socio-Economic Impact Analysis of COVID-19 in Galmudug State of Somalia, issued in June 2020*', for example;¹²
- **UN Global Response:** The SEIA is informed by the UN Secretary General's guidance provided in March 2020, under the title '*Shared Responsibility, Global Solidarity: Responding to the socio-economic impacts of COVID-19*', which structures socio-economic impact and recovery work around a 5-pillar framework. The SEIA also links with the UN COVID-19 Country Preparedness and Response Plan (CBRP).¹³
- **UN Common Country Analysis & Sustainable Development Cooperation Framework:** Complementing the strategy established in NDP-9, the UN CCA and UNSDCF, both completed in 2020, crucially translate Somalia's development agenda into SDGs. With the CCA representing an integrated cross-pillar assessment of SDGs to date, and the UNSDCF establishing the UN's collective contribution towards their improvement, the two effectively establish the backdrop upon which the impact of COVID-19 should be assessed.

1.4. CHRONOLOGY OF EVENTS

11. **Somalia ended 2019 with the specter of famine ever present following heavy rains in October and November, resulting in flooding on the Shabelle and Juba Rivers.** With the new NDP-9 approved as an iPRSP, and with the HIPC Decision Point providing a timeline for debt forgiveness from US 5.2 billion at the end of 2018 to US\$557 million once it reaches completion point, despite the flooding, Somalia looked like it was moving towards a virtuous circle, until COVID-19 emerged.

12. **At the beginning of 2020, widespread flooding led to the destruction of homes, devastation of crops and ultimately the displacement of more than half a million people.**¹⁴ Flooding also created

¹²

<https://mail.google.com/mail/u/0/#inbox/FMfegxwKjxCvNMgRSqTfsvjBZdVNSvbW?compose=CllgCJqVxJsSnCtxDxbbDBRGgMHRgBqwmcbMXqFxbzbgGNwSvtXWxzpSJHLQmJMDKfCVgMDWXnjB&projector=1&messagePartId=0.1>

¹³ <https://somalia.un.org/en/88515-somalia-covid-19-country-preparedness-and-response-plan-cprp>

¹⁴ <https://reliefweb.int/report/somalia/floods-locusts-and-covid-19-somalia-s-triple-threat>

the perfect conditions for the emerging locust invasion, the largest in several decades, which has continued to result in large-scale crop damage and food insecurity, across East Africa. As a result, throughout much of the beginning of the year, Government's priorities were to work closely with FAO and other partners engaging ground and air control methods to limit the impact.

13. ***The first reported case of COVID-19 was on March 16 2020, following which the Federal Government allocated US\$ 5 million to respond to the potential crisis; and the Ministry of Health and Human Resources launched the 'National Contingency Plan for Preparedness and Response to COVID-10 for March to June 2020.*** The US\$ 5 million was used to provide US\$500,000 as general fiscal support to offset revenue shortfalls for each state, and another US\$500,000 to support response efforts. Given the lack of discretionary finance available to Government, this support was indicative of the forward approach that the government was to take. As a result, by 15 March 2020, the government banned passengers arriving from Iran, China, Italy, or South Korea from entering Somalia, while also establishing quarantine measures. In April, the Somalia COVID-19 Country Preparedness and Response Plan (CPRP) - a joint effort by UN agencies and cluster partners, including NGOs – was produced to respond to the direct public health and indirect immediate humanitarian and socio-economic consequences of COVID-19. In June 2020 Puntland leased its Assessment Report of the '*Economic Impact of the Global COVID-19 Outbreak*' and Galmudug released its '*Socio-Economic Impact Analysis of COVID-19 in Galmudug State of Somalia*'.

14. ***Beyond emergency measures the government launched a coordinated national response to the crisis.*** In the short-term, the government prioritized containment of the pandemic's spread through promoting social distancing, restrictions of large public gatherings, a partial domestic lockdown, and strengthening disease surveillance and health interventions. Further measures included a closing all borders, educational facilities, as well as domestic and international flights, instituting a nighttime curfew and even banning the sale and distribution of Khat). Flights resumed in August 2020.

15. ***Following the emergency response, the government and international community quickly turned its attention to mitigating longer-term socio-economic implications on households and enterprises.*** The FGS announced tax exemptions and tax relief for certain essential food products, to reduce price inflation and to relieve the financial burden on households. Government has relied on two flagship programs to ensure relief to at risk households and enterprises; Baxnaano (a cash transfer system for the most vulnerable) and the expeditious launch of Gargaara; a credit facility for Micro, Small and Medium Enterprises (MSEMs).

16. ***At the same time. Government also instituted fiscal measures aimed at increasing the health sector budget to help fight the pandemic at both Federal government and member states, utilizing concessional financing to strengthen the healthcare system already constrained by lack of resources.*** Government also expanded the safety net programs to cushion the poor and most vulnerable households. As a result, expenditure pressures have been driven by increased intergovernmental grants and social benefits in response to the triple+ crisis.¹⁵ Moreover, as the pandemic increasingly limited livestock exports, trade taxes and remittances, direct impact on poor households, services and core government functions increased.

17. ***Over the course of the year, additional challenges have emerged beyond COVID-19, flooding and locusts, to include regional instability and a background of insecurity.*** This is why the SEIA calls the triple crisis the triple+ crisis, as other factors have begun to emerge – and threaten – stability and prosperity. In this context, Figure 2 provides an overview of the sequence that integrates the CBRP, SEAI and response plan, with Figure 3 providing an overview of the overall sequence of events.

¹⁵ <https://www.worldbank.org/en/news/press-release/2020/10/28/somalia-scales-up-social-protection-measures-as-covid-19-constrains-economic-growth>

Figure 3 COVID-19 AND OTHER EXOGENOUS SHOCK TIMELINE

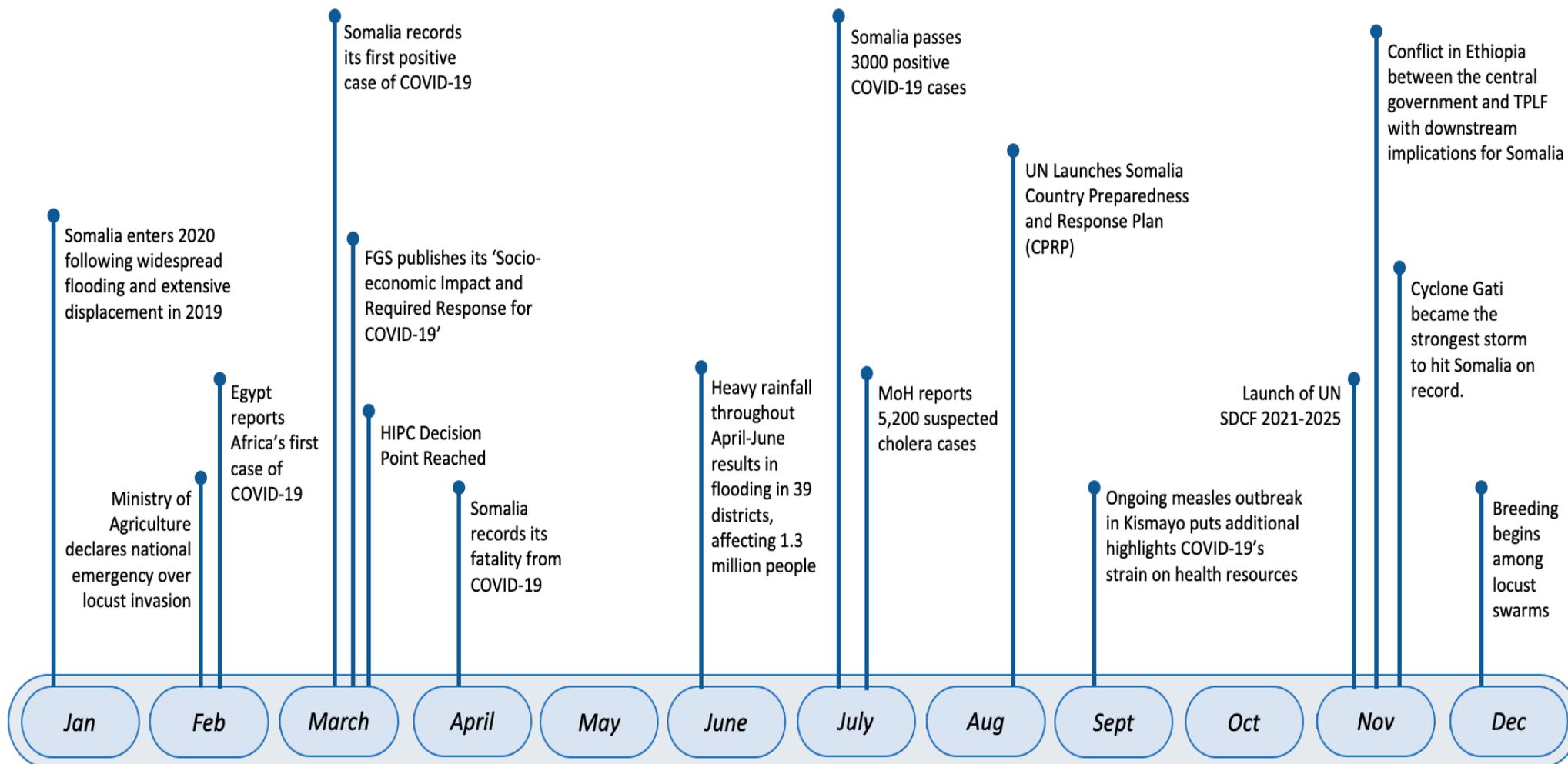
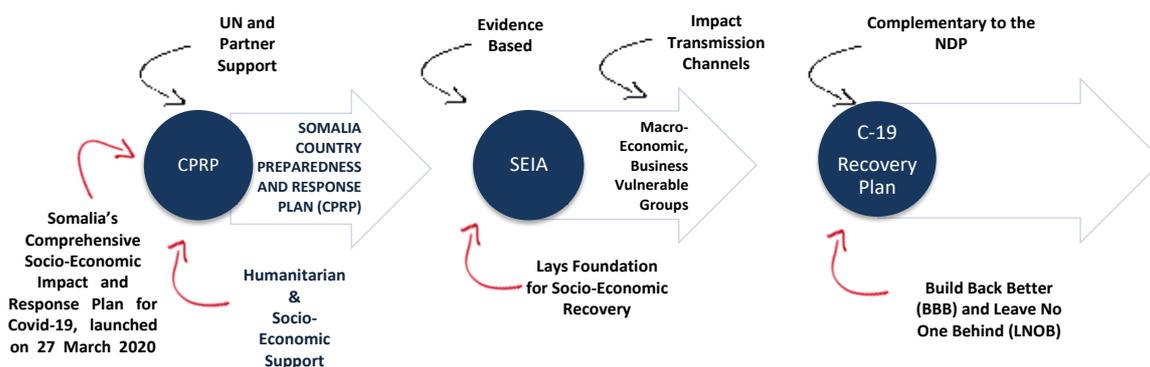


Figure 4 COVID-19 CRBP, SEIA AND RECOVERY PLANNING SEQUENCE



1.5. GOVERNMENT COORDINATION STRUCTURE

18. *In response to COVID-19, the Federal Government of Somalia (FSG) established a National COVID-19 Task Force and various international agencies responded by re-purposing ODA and emergency fiscal support, and by other forms of support including in-kind donations.* The range of coordination structures put in place – including the private sector and international cooperation partners – provides evidence of how integrated the response has been. Moreover, regional meetings with IGAD have also been convened, and in the case of the SEIA, a Board has been established composed of government, UN, International Financial Institutions (IFIs) and donor agencies.

19. *Following the declaration of COVID-19 as a Public Health Emergency of International Concern (PHEIC) by the World Health Organization (WHO) on the 30th of January 2020 the Federal Ministry of Health and Federal Member States established a multi-sectoral Task Force.* Partners were requested to mobilize support as per their mandates and areas of comparative advantage, and Incident Management System was set up in Mogadishu, Garowe and Hargeisa. Moreover, and Early Warning Response Network (EWARN) was also established in over 500 sentinel areas.¹⁶

1.6. NATIONAL DEVELOPMENT PLAN (2020-2024) IMPACT

20. *The onset of the current triple+ crisis emerged following the completion of Somalia's Ninth National Development Plan (NDP-9).* Unanimously endorsed by Cabinet in September 2019, NDP-9 was the result of an extensive consultation process, involving civil society, private sector, FGS and FMS line ministries, parliamentary members, judiciary, and international partners across three rounds of discussions in seven regions. As formally stated in the document, NDP-9 serves as (i) a roadmap for the FGS for interventions and investments over the next five years, (ii) a source of strategy and alignment for FMS plans, and (iii) a guide for development partners in their planning. As such, and given its centrality as the guiding document for Somalia's development ambitions, NDP-9 is of equal importance for framing this impact assessment and subsequent recovery options. Moreover, the NDP-9 is to be costed in 2021, allowing for prioritization of resources and efforts to support recovery, linked to the findings of this assessment.

21. Drawing on the results of the 2017 Somali High Frequency Survey (SHFS), NDP-9 has made addressing the root causes of the poverty experienced by Somali people central to all national investments. Moreover, identifying continued conflict, political fragility, insecurity and lawlessness, and climatic shocks are all part of the global and governments normative agenda. Its response is a strategy that revolves around the following 4 Pillars, all of which have differing degrees of integration with the SEIA:

¹⁶ <https://www.who.int/health-cluster/countries/somalia/Somalia-COVID-19-Response-Plan-March-June-2020.pdf?ua=1>

- **Pillar 1 Inclusive Politics:** Strategies that strengthen the effectiveness of political processes in Somalia, including citizen participation, thereby increasing inclusiveness and reducing violent conflict. Clearly, this pillar fits well with the SEAI LNOB agenda;
- **Pillar 2 Security and Rule of Law:** Strategies that reduce insecurity across Somalia and to strengthen citizens' access to an equitable and affordable systems of justice. Again, this pillar as alignment with the LNOB agenda;
- **Pillar 3 Economic Development:** Strategies that accelerate inclusive growth across the sectors of the economy, with particular emphasis on creating employment opportunities for women and young people. Pillar 3 is directly connected to Pillars I and II of the SEIA; and,
- **Pillar 4 Social Development:** Strategies that improve access by Somali citizens to health, education and other essential services, including social protection systems, particularly in times of extreme need (drivers include information from HDI data on health, living standards and education). Again, NDP-9 Pillar 4 directly connects with SEIA Pillar III on vulnerability.

22. ***It will be vital that the findings of the SEIA are used, not just to shape the following socio-economic recovery plan, but also to better integrate the COVID-19 response with the NDP-9, and also humanitarian spending.*** It could also be considered that COVID-19 provides an opportunity to improve the Humanitarian – Development Nexus, to provide better connectivity between humanitarian and development efforts. Strengthening the humanitarian-development nexus was identified by the majority of stakeholders as a top priority at the World Humanitarian Summit (WHS), including donors, NGOs, crisis-affected States and others, and it received more commitments at the WHS than any other area. The New Way of Working (NWOW) as outlined in the Secretary-General's Report for the WHS and the Agenda for Humanity represents an approach to put this into practice.

23. ***The New Way of Working can be described as working towards achieving collective outcomes that reduce need, risk and vulnerability, over multiple years, based on the comparative advantage of a diverse range of actors.*** This notion of “collective outcomes” has been placed at the centre of the commitment to the New Way of Working, summarized in the Commitment to Action signed by the Secretary-General and nine UN Principals at the WHS, and endorsed by the World Bank and IOM. Clearly, if there was ever a time to demonstrate that the NEXUS can provide value-for-money investments, it's during the period of the COVID-19 pandemic.

1.7. UN SUSTAINABLE DEVELOPMENT COOPERATION FRAMEWORK

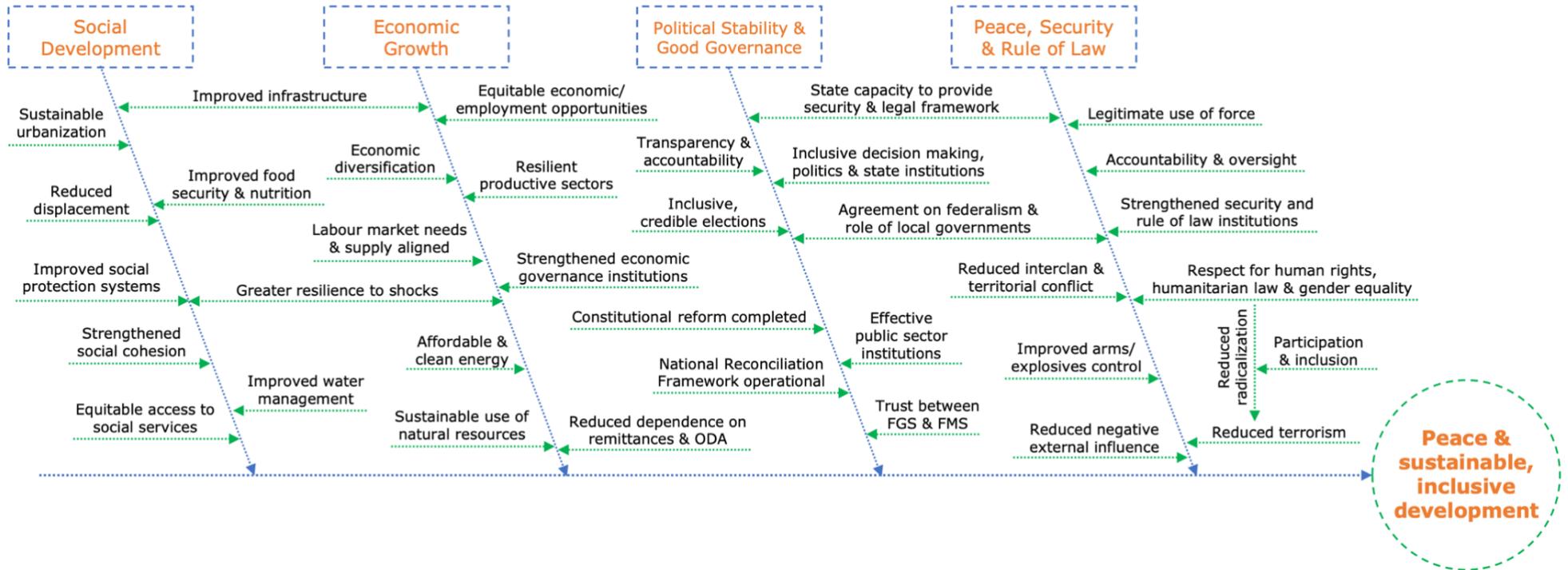
24. ***The United Nations Development Cooperation Framework (UNSDCF) for Somalia for 2021-2025 – launched in November 2020 – provides an important overall investment framework that links directly to the pandemic, and to the SEIA.*** The Cooperation Framework is framed around four overarching strategic priorities which mirror the pillars of NDP9, focused on (i) inclusive politics and reconciliation (ii) Security and rule of Law (iii) economic development, and (iv) social development. These are supported by a set of integrated and mutually reinforcing outcomes designed to advance progress towards the SDGs. All priorities and outcomes of the Cooperation Framework are underpinned by human rights principles and the central objective of leaving no one behind.¹⁷

25. ***Built on the back of the Common Country Analysis, the UNSDCF seeks to guide the UN's collective contribution to the realization of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) in Somalia.*** Unlike NDP-9, the UNSDCF was able to incorporate early analysis of COVID-19 into its response. It therefore sets out key intervention pathways for international partners to support Somalia in its recovery efforts as well as development priorities. Recognising this is similarly crucial for the analysis in the impact assessment, for which international efforts represent the second backbone of the COVID-19 response and impact mitigation.

¹⁷ <https://unsdg.un.org/sites/default/files/2020-11/Somalia-UNSDCF-2021-2025.pdf>

26. *The Theory of Change (ToC) for the UNSDCF provided in Figure 5 below, identified a wide range of fragilities that pre-exist COVID-19, that have amplified its impact.* To this end, given that so far the direct health impacts have been marginal, and underlying vulnerabilities exposed, the UNSDCF provides a particularly important reference for investments that target the underlying causes of vulnerability; in order to promote inclusion and the attainment of Agenda 2030 SDGs.

Figure 5 UNSDCF PATHWAYS TO PEACE AND SUSTAINABLE, INCLUSIVE DEVELOPMENT



Source: UNCT Somalia UNSDCF (2021-2025)

2. METHODOLOGY

27. *While the general method for impact assessments is well established, given the complexity of COVID-19 primary and secondary effects, particularly in the context of Somalia, a hybrid approach has been developed.* The aim of the methodology is to capture the multi-dimensional aspects of the COVID-19 pandemic, using secondary data, covering both quantitative and qualitative analysis, and to identify vulnerable groups but also vulnerable sectors of the economy.

28. *At the core of the method is assessing the impact of external factors on internal factors, and what we call domestic amplifiers.* Domestic amplifiers are pre-existing vulnerabilities that magnify the impact, due to deep seated fragilities such as weak fiscal dispensation, insecurity, drought etc. Given that this impact assessment does not result from a dedicated survey, but instead seeks to collate more than 20-30 other impact related assessments that have been undertaken in recent months, the methodology focuses heavily on establishing baselines and apportioning the impact of COVID-19 on the macro-economy, business and vulnerability.

2.1. GENERAL APPROACH

29. *The general approach to the impact assessment method is outlined below in summary, and reflects the general best practice for impact assessments, but also emerging practices for COVID-19 related SEIAs.* Throughout this process, both in the identification of data on COVID-19 and the establishment of baselines, the support of MoPIED has been crucial. The entire approach is focused on identifying departures from an existing trend or baseline, allowing the impact of the pandemic to be quantified. Where baselines have been compromised due to data scarcity, old or out of date data, the impact and vulnerability have been explored in narrative form. The following general approach has been adopted:

- **Scope of Assessment and Planning:** The scope of the assessment covers the three core pillars outlined in the section 1. The planning for the assessment included the collation of all prior assessments, studies and background documentation, and the identification of critical data, baselines and issues in relation to impacts. Consultations followed with the members of the SEIA Board alongside key informant interviews with government and private sector. However, given the rapid nature of the impact assessment, the results largely reflect data and analysis from existing assessments alongside the analysis of the consultants.
- **Secondary Data:** Secondary data sources have been key to this impact assessment. The table below provides a list of the primary data sources by data, providing a sense of the large number of institutions and actors involved in establishing the current body of knowledge. One of the challenges by compiling multiple surveys rather than embarking on a nationally representative sample survey, is the different dates for surveys, different scopes (i.e., functional and geographic), all which pose problems for appropriation impact trends. Based on the trends observed and impact severity of selected key indicators (see below), high-level preliminary policy recommendations were identified.

Table 1. LIST OF RELEVANT SOURCES RELATING TO COVID-19 IMPACT IN SOMALIA		
Title	Organization	Month (2020)
COVID-19 and Other Health Impacts		
COVID-19 and Sustainable Development in Somalia/Somaliland Phase 2 Report	University of Bristol, GCRF, Transparency Solutions	July

The significant impacts of COVID-19 on the livelihoods and health of Somali communities: Findings from a nationally representative household survey	NEXUS Non-profit Organization And MoH	August
Macro-Economic Impacts		
Socio-economic Impact and Required Response for COVID-19	FGS	March
Somalia COVID-19 Economic Monitoring	-	April
Somalia Economic Update: Impact of COVID-19: Policies to Manage the Crisis and Strengthen Economic Recovery	World Bank	June
Somalia Economic Monitoring: Summary Economic Developments in the COVID-19 Era	-	July
Somalia Economic Monitoring: Summary Economic Developments in the COVID-19 Era	-	September
Impact of the Twin Shock on Remittances in the MENA Region	-	September
IMF Staff Report: First Review Under the Extended Credit Facility-Press Release	IMF	November
Enterprise and Livelihood Impacts		
Assessing Impact of Corona-virus on local Market and Livelihood in Puntland	Humanitarian Affairs and Disaster Management Agency (HADMA)	April
Digital SEIA - Micro, Small and Medium Enterprises Survey	UNDP	May
Recommendations and preventive measures in response to COVID-19: Guidance for the industrial sector	UNIDO	May
COVID-19 Rapid Survey: ICT Sector	IFC	May
COVID-19 Rapid Survey: Energy Sector	IFC	May
Situation analysis of COVID-19 impact on Somali Productive Sectors	UNIDO	June
Business Impact Survey Analysis	Nordic Horn of Africa Opportunities Fund (NHAOF)	June
Socio-Economic Impact Analysis of COVID-19 in Galmudug State	MOPIC	June
The significant impacts of COVID-19 on the livelihoods and health of Somali communities: Findings from a nationally representative household survey	NEXUS and MoH	August
Preliminary Findings from the business Survey in Somalia	MoCI, WB, IFC, UNIDO	September
Coronavirus and the private sector in Somalia: Results from COVID-19 focused Enterprise Survey	MoCI, WB, IFC, UNIDO, Somali Chamber of Commerce	September
Impacts on Vulnerable Population		
Rapid Assessment on the Impacts of COVID-19 on Somali Women Leading Small-scale Businesses	Ministry of Women and Human Rights Development	April
IDP Market Feasibility Study: Mogadishu	USAID, Somalia CWG, REACH	May
Digital SEIA – Household Survey	UNDP	May
Socio-Economic Implications of COVID-19 on Women-owned MSMEs	RAAGSAN	May

COVID-19 and Sustainable Development in Somalia/Somaliland: Lives, livelihoods and inclusion	University of Bristol, GCRF, Transparency Solutions	July
Joint Market and Supply Chain Update	WFP	August

- **Primary Data:** As stated above, no nationally representative sample survey was established specifically for the SEIA covering all three pillars, though key informant interviews were conducted to triangulate findings, based on simplified primary acquisition tools.
- **Analysis:** Diagnostic analysis, identification and summation of impact and trend lines based on the review of secondary data and where necessary – key informant interviews – allowed the impacts reported here to be corroborated. Analysis differentiates between high quality secondary data that has been robustly developed by competent institutions and grey area material that provides useful supporting arguments or anecdotal information.
- **Triangulation** The emerging results were evaluated, and then re-evaluated, by triangulating results between alternate sources where they exist. The results were reviewed by members of the SEIA Board, and following adjustments, results were validated. The assumptions made, limitations and data gaps encountered were documented.
- **Reporting:** The current document covers the main SEIA for Somalia for 2020, but this report, and the baselines will be updated into 2021 as required.

2.2. OTHER CONSIDERATIONS

30. ***The SEIA has been guided by a simple set of principles, that have assisted in limiting the analysis to the intended scope and in developing the assessment as an empirically driven description.*** The outcome of the SEIA leads to a set of policy and investment prescriptions, but these are to be developed following completion of this work. The following general principles therefore apply:

- ***Integrating Lessons from Somalia’s Past:*** Somalia is not a country new to crisis, and while the current environment may present a new constellation of challenges, many impacts of the pandemic take the same form – deepening poverty, food insecurity, service delivery disruption etc. As such, recovery plans following the SEIA must partly look back and learn lessons from previous experiences with crisis, such as the failures of its 2011 famine response, in order to respond differently today;
- ***Adopting an Empirical Approach:*** The SEIA has been established based on the evidence provided and made available, with references and sources attributed throughout the report. The SEIA constitutes a description of the various impacts, recorded through pre-crisis and in-crisis secondary data, and the report is cautious not to present findings when hard evidence is not available to back them up;
- ***Baseline Data and Survey Indicators:*** The granularity and periodicity of the data – while being problematic – allowed the assessors to establish a reference period of December 2019, prior to the arrival of the pandemic. There is no baseline for COVID-19 as the pandemic did not exist prior to 2020, and the macro-economic forecasts for 2020 were well established and robust. Data on vulnerability is also exhaustively available for Somalia;
- ***Gender Disaggregation:*** While possible to simply incorporate gendered impacts of the pandemic into wider vulnerable group analysis, due to the systemic and deeply challenging nature of gender inequality in Somalia, this assessment commits to the principle of disaggregating the analysis by gender where data exists, to allow for differentiation. Best practices outlined in UNDP guidelines for “*Integrating Gender into Socio-Economic Assessments*” as well as a guidance note on “*Rapid Gender Impact Assessments of COVID-19*”

established by UN Women in April 2020. Gender disaggregation is integrated in particular (where data exists) into Pillar 3 on vulnerability, but also mainstreamed in Pillar 2; women-owned businesses; and,

- ***Incorporating Global Best Practices:*** The COVID-19 Pandemic has amounted to a real time public policy experiment for all countries. As such it has never been more vital for Somalia to scan the international horizon for comparative impacts in other countries while similarly reviewing their responses and emerging innovations, which may have relevance for its own response and recovery. This assessment attempts to do just this, incorporating comparative analyses from around the world to strengthen observations in the Somali context.

2.3. KEY DIMENSION INDICATORS

31. ***The SEIA has been established from different surveys, with only the ‘09 2020 - C-19 Impact on Private Sector’ and ‘MoLSA Vulnerability Assessment’ classified as nationally representative.*** All other surveys were either sector, thematic or geographically specific. The purpose of the key indicators outlined here is to (i) assess the direct multi-dimensional aspects of macro-economic, business and vulnerability dynamics during the crisis and (ii) to validate and inform the findings of the initial assessment based on secondary data alone. In this regard, the following key indicators have been reported against for the three domains (pillars) in question:

Key Indicators for Dimension 1: Macro-Economic Pillar:

32. ***For the in-scope economic sectors, a set of indicators including both general and specific aspects of economic activities, were defined, very much drawing from recent government, IMF and World Bank data.*** The indicators have been used to set a baseline for the pre-crisis assessment (Q4 2019) and also to assess likely Q4 outturns, based on available data. As a result, the comparison is between 2019 actuals, 2020 forecasts and 2020 revised macro-economic targets, including the Year-On-Year (YoY) evolution comparison (2018-2019 evolution versus the 2019-2020 evolution).

Key Indicators for Dimension 2: Business-level Pillar:

33. ***Given the known disruption to micro, small, medium and large enterprises, a number of surveys have been conducted which have tracked the impact of the pandemic on various aspects of business.*** With a particular focus on micro, small and medium enterprises, available surveys run from May until September 2020, providing considerable insight into the challenges faced. Key indicators for this dimension include assessing differential impact of the crisis on firms of different sizes and in the informal sector through changes in sales, workforce, inventory, and indebtedness, among others.

Dimension 3: Vulnerable Group Pillar:

34. ***The focus on vulnerability is critical given the many shocks (pre-existing and ongoing related to COVID-19) that continue to affect those who have and are being left behind.*** The absence of an effective social welfare and protection system, and with marginalized communities covering large tracts of Somalia territory, it is to be assumed that a very large number of people have been pushed below the poverty line. There are of course links with the wider macro-economic and business pillars, given the collapse of growth, services (in many cases) and price inflation for certain essential commodities; at a time of falling incomes. Moreover, given the absence of public universal access to services, a large number of services are privatized, run by non-governmental organizations and supported directly by donors. Surveys made available include surveys conducted by the Ministry of Women and Human Rights Development, USAID, Somalia CWG, REACH, UNDP, RAAGSAN, the University of Bristol, GCRF, Transparency Solutions and importantly, WFP. Key impact areas within this dimension, for which indicators are elaborated in the respective chapter, include the impact on poverty and livelihoods, implications for existing public service delivery and differential impacts on specific vulnerable groups.

2.4. COVID-19 IMPACT MODELLING

35. ***A key part of the method is to attempt to differentiate between (i) whether the impact was a pre-existing fragility or vulnerability (ii) the strength of the impact (iii) the duration of the impact***

and (iv) how large a population were affected. While the absence of nationally representative sample surveys undermines such an approach, to varying extents it has been possible to use these impact lenses as a way to ballpark impacts based on these metrics. All of these metrics lead to an assessment of vulnerability, whether its vulnerability to macro-economic or livelihood shocks, as provided for below:

- ***Pre-existing fragility or vulnerability:*** The extent to which the variable under review constitutes a pre-existing vulnerability, such as poverty rate, poor core income resilience, lack of access to social services and social safety nets, or even a general vulnerability for MSMEs; for example;
- ***Impact Strength:*** An assessment of the overall strength of the impact in question across all three pillars, with direct economic or social consequences, as well as secondary effects that will likely impact vulnerability. This is made complex by the triple+ threat, as other factors will make apportioning attribution challenging;
- ***Impact Duration:*** The assessment also assesses the overall time duration that the impact has, allowing differentiation between primary and secondary impacts, and impacts of short duration such as the direct effects of the economic lockdown, as well as effects that are likely to be extended; and,
- ***Population:*** Providing an approximation of what quantum of the population is likely to have been affected by a particular impact. Clearly, impacts that affect the most vulnerable – such as an increase in prices or sale of family assets – will affect a larger percentage of the population, than for example a downturn in business for the hotel industry. Such an approach allows the SEIA to also distinguish between those not affected, and those affected at the low, medium and higher level of intensity.

2.5. OVERVIEW OF DATA SOURCES

36. *As mentioned previously, the range of data sources used to establish the impact assessment is unusually wide and originating from May to August.* While the absence of nationally representative sample survey conducted for example in August 2020 undermines the ability to establish a common approach and framework (sample frame, sample size etc.), to varying extents it has been possible to use the multitude of surveys undertaken to apportion impacts on key indicators outlined above. All of these metrics lead to an assessment of vulnerability, whether it's at the macro, meso or micro level. While this list is extensive, a brief summary of primary sources is provided below:

STATE SPECIFIC ASSESSMENTS

- ***COVID-19 Socio-Economic Impact of Puntland launched in December 2020:*** The assessment specifically focuses on: (i) examining the level of access to basic health services including immunization, antenatal care (ANC), delivery and birth spacing (family planning) services (ii) assessing the effect of COVID-19 on social activities and practices (iii) assessing the effect of COVID-19 on socio-economic activity and coping mechanisms adopted by the affected households (iv) assessing the impact of COVID-19 on GBV and FGM (v) identifying the nature of support received by households during COVID-19 and (vi) assessing the psychological effects of COVID-19 on the population.
- ***Socio-Economic Impact Analysis of COVID-19 in Galmudug State of Somalia:*** In June 2020, the MoPEDIC of undertook a macro-level analysis approach, relying on secondary data analysis that was complimented with interviews and discussions among key stakeholders in Galmudug State of Somalia. The secondary data/information included strategic and operational sources from ministries' administrative data. Interviews and discussions were held with different stakeholders ranging from ministry staff, private sector, small business owners, Internally Displaced Persons (IDPs) representatives and other community members.

- **Assessing Impact of Corona-virus on local Market and Livelihood in Puntland:** In April 2020, The Humanitarian Affairs and Disaster Management Agency (HADMA) undertook an assessment of COVID-19's impact on Puntland with a focus on assessing implications of livelihoods, food security and market dynamics. It therefore focussed on price changes of essential food items and food stock availability. Interviews were conducted with 89 Male and 110 Female local traders in both urban centres and rural villages.

ENTERPRISE SURVEYS

- **NHAOF COVID-19 Business Impact Survey Analysis:** In June 2020, the Nordic Horn of Africa Opportunities Fund (NHAOF) surveyed 17 medium to large firms, representing current recipients of the fund requesting additional funds to mitigate the impact of COVID-19.¹⁸ Participating firms came from Somaliland (1), Puntland (12) and South Central (4) with a total of 613 employees.
- **Coronavirus and the private sector in Somalia: Results from COVID-19 focused Enterprise Survey:** Between June 14th and July 30th, the IFC, World Bank and UNIDO, with support from the Ministry of Commerce and Industry (MoCI) and Somali Chamber of Commerce, fielded rapid enterprise survey. The survey covers 550 formal businesses in five cities, Baidoa, Beledweyne, Bosaso, Kismayo and Mogadishu, to be interviewed over three rounds. This covered all sizes from larger firms with 100+ employees to small firms with 5-19 employees and even 100 micro-enterprises in Mogadishu. Details are provided in Table 2 below.

Table 2. SAMPLING IN THE IFC, WB AND UNIDO LED ENTERPRISE SURVEY							
Size / Sector	Baidoa	Beledweyne	Bosaso	Kismayo	Mogadishu	Mogadishu - Micro	Total
				Size			
Micro (< 5)						100	
Small (5 – 19)	35	24	72	31	136		
Medium (20-99)	24	17	25	23	45		
Large (100+)	1	5	0	4	8		
				Sector			
Manufacturing	9	4	12	8	20	3	
Retail	15	8	39	14	74	62	
Services	36	34	46	37	95	35	
City Total	60	46	97	58	189	100	550

Source: September Enterprise Survey

- **Heritage Institute for Policy Studies (HIPS) Enterprise Survey:** The HIPS undertook an enterprise survey to complement its wider economic analysis. The study surveyed 350 business and enterprise managers using a structured, close-ended questionnaire. Major themes included the nature of the business (location, financial or operational activities); whether it had undergone customer demand disruptions, employee layoffs or supply chain disruptions; what government and international support it had received; and what measures the business suggested to mitigate the impacts of Covid-19 pandemic. Data was collected by professional enumerators conducting computer assisted personal interviews (CAPI).

Table 3. SAMPLING IN THE HIPS ENTERPRISE SURVEY		
Surveyed Cities	Frequency	Percentage
Mogadishu	96	28.7
Dhusamareeb	48	14.3
Beledweyne	50	14.9
Kismayo	51	15.2

¹⁸ We note that this naturally suggests firms within the survey to represent those worse off, limiting the validity of the sample for firms as a whole.

Bosaso	50	14.9
Baidoa	40	11.9
Total	335	100

Source: HIPS Enterprise Survey

- **Socio-Economic Implications of COVID-19 on Micro, Small and Medium Women-owned Enterprises (June 2020):** In June 2020, Raagsan conducted a socioeconomic implications survey of COVID-19 on the women-owned MSMEs in Somalia. The survey reached 160 women-owned businesses, focusing on trades tending to be run by women e.g., milk, khat, hospitality, fruits/vegetables etc. This was complemented by a fourteen key informant interviews held with experts in the field and policy makers.¹⁹

HOUSEHOLD SURVEYS

- **REACH IDP Market Feasibility Survey:** In May 2020, REACH conducted a market feasibility study in Mogadishu, in consultation with the Somalia Cash Working Group (CWG), aiming at understanding IDP household (HH) needs and preferences, as well as vendor capacity in the main markets in Mogadishu. Findings are based on 118 HH surveys with IDPs (Represented by the Head of the Household – predominantly women) and 101 structured key informant interviews with market vendors.
- **UNICEF Assessment of Children Vulnerabilities:** In July 2020, the survey was undertaken in 11 locations in Somaliland and 16 locations across Puntland. 1,090 children, aged 10-18 years, were interviewed by student social workers. The interviews were conducted using a standardized questionnaire, designed to be accessible and child friendly. In addition, a survey of child-oriented social workers was carried out using the Kobo platform to assess how COVID 19 had affected their work and what they felt that they needed to do their duties.

¹⁹ According to the Somaliland Annual Statistical Report 2018, khat ordinarily accounts for 30 per cent of domestic revenues, or USD 36,449,435. Between USD 120,000 and USD 150,000 was collected daily from tax on khat imports in Kalabaydh customs station. Previously, retailers would buy Ethiopian khat at USD 25 per kg and sell to consumers for between USD 35–38 per kg. During the khat ban, traders bought contraband Ethiopian khat at USD 40 per kg and selling at USD 55 per kg in the informal market. In Somaliland, the import tax paid on a 10 kg bag of khat increased from before the ban from USD 16–18 to around USD 40. With the start of the ban, khat fetched USD 55 for 1 kg in the black market and USD 70 for 1 kg in Garowe.

3. TRANSMISSION CHANNELS

37. *This section provides an overview of the various impact channels and their effects on the macro-economy, business and vulnerability.* An impact channel may be understood simply as any vector through which external consequences of the pandemic (external to the actions of the Government of Somalia) impart implications on the macroeconomy, business and vulnerability. Naturally, the more open an economy is, and the more dependent it is on external trade, investment and official development assistance for its own growth, the greater the impact is likely to be.

38. *Transmission channels are the channels through which external (exogenous) shocks affect the macro-economic situation and business communities, impacting vulnerability, having both primary and secondary impacts.* While initially, health constitutes the primary impact channel, a complex array of secondary impact channels soon emerged; impacting trade and fiscal regimes, public spending priorities, business productivity, employment and earned and disposable incomes for all income groups, including the most vulnerable. As noted below, many of these external shocks were made worse by pre-existing domestic amplifiers (factors that accentuate existing vulnerabilities) such as informality, weak state fiscal capacities, environmental conditions (i.e., drought and flooding) and income inequality between urban and rural areas.

39. *While differentiating between primary channels (causes) and secondary channels (effects) is not an easy task – particularly in terms of mapping out vulnerability – it is far easier to map impacts related to macro-economic factors.* This analysis therefore outlines the primary impact channels, and their expected impact on domestic socio-economic factors. For example, a collapse in tax and non-tax revenues caused by declining productivity often leads to a budget deficit, that must be either offset by increased lending or a reduction and re-prioritization of spending.

3.1. HEALTH TRANSMISSION CHANNEL

40. *While in many countries the direct impact on health (infections and mortality) of the pandemic has been considerable, in Somalia the overall impact has been limited; albeit under reported.* Moreover, the health pandemic must be classified as the primary exogenous shock, with direct knock-on implications on the macro-economy, business and vulnerability. In this context, COVID-19 is seen as having the following primary, secondary and spillover effects in Somalia:

- *Primary Impact on Disease Vector Spread:* Contagion spread via international immigration / visitors through the national airport and eventually internally through community spread;
- *Secondary Impacts on Public Health Provision:* Secondary impact channels resulted from social distancing, closure of public spaces, changes to service delivery models in health care, education, immigration and mobility which affected access to services and incomes and the diversion of resources away from other key essential health services; and,
- *Spill Over Effects into the Policy Domain:* The long-term global policy implications of COVID-19 impact national development policy and strategy, around Agenda 2030 and the Sustainable Development Goals (SDGs). COVID-19 has also affected the volume and composition of official development assistance, and also shifted the focus to building forward better, leaving no one behind and investing in future ready government.

3.2. MACRO-ECONOMIC TRANSMISSION CHANNEL

41. *Global economic lockdown has had a profound impact on all aspects of the economy of Somalia, affecting growth outcomes, fiscal resources, budget allocations, remittances, employment and poverty rates.* Given that economic transactions are critical to the functioning of the Somali state, and the government's aspirations to implementing NDP-9, any disruption in macro-economic growth and fiscal outcomes will have a deleterious impact on government's agenda, and of course direct, indirect and induced impacts on growth and employment outcomes.

42. *In terms of impact channels, the primary economic channels fundamentally relate to global and national economic lockdown and the abrogation of global trade.* For example, economic lockdown impacts productivity, affecting production, employment and also taxable revenues. Moreover, with the economic downturn, company profits have been affected, impacting overall productivity and employment. The knock-on impact of this influences direct and indirect employment, induced spending and disposable incomes; directly affecting poverty rates. Similarly, a reduced global supply chain negatively affects enterprises across a wider range of sectors, which in the case of Somalia constitute a dominant percentage of GDP. In this context, the primary economic impact channels are as follows:

- ***Global and Regional Market Lockdown:*** Global economic lockdown, changes to trade regimes (i.e., green corridors) and increasing trade protectionism directly impact Somalia’s ability to trade. Global market lockdown weakened near-term macroeconomic prospects, leading to a negative external demand shock due to the global recession. The collapse in livestock exports to Saudi Arabia also affected the nomadic communities and export earnings;²⁰
- ***Restrictions on Labour Market Mobility:*** The lockdown directly reduced domestic and international mobility, undermining productivity which impacts household incomes and consumption. The extent to which it impacted mobility in the informal economy or pastoralist communities is not clear, though normal patterns of migration are likely to have been affected.
- ***Reduced Fiscal Resources:*** The pandemic created urgent spending needs, in the health sector in particular, and affected government revenues due to contraction of the tax and non-tax base resulting from diminished economic activity. Fiscal deficits are expected to widen, at the federal and FMS levels;
- ***Balance of Payment Concerns:*** Lower exports, remittances and foreign direct investment risks impacted balance of payments;
- ***Private Sector Distress:*** Key sectors such as agriculture livestock, aviation, telecoms and tourism among other sectors were badly disrupted, impacting employment; with implications for growth and revenues;
- ***Reduced Employment and Household Income:*** For the period of the lockdown the impact on household income in the formal and informal sectors is likely to have been substantial, leading to various coping strategies including evidence of household asset sales, with unemployment and poverty rates elevated;
- ***Increased Dependence on Remittances and Social Welfare Spending:*** Remittances are set to decline considerably into 2021 as a result of a fall in wages and employment of migrant workers; impacting household incomes, consumption and spending habits. Increased social protection and welfare spending increases expenditures to GDP; and,
- ***Debt Vulnerabilities:*** Long term debt vulnerabilities could potentially worsen (despite HIPC) as a result of the crisis, not just because of balance of payment challenges but also due to lagging fiscal revenues, increasing social expenditures and slower than expected global and national growth recovery.

3.3. BUSINESS TRANSMISSION CHANNEL

43. *The impact of COVID-19 on business has been considerable, and the costs are still being counted, and understood.* As a direct knock-on consequence of the global and national economic

²⁰ COVID-19 put the hajj on hold for many, but it has also led to border closures with other countries—including Kenya—that also import Somali animals. In turn, Somalia’s livestock exports have plummeted by roughly 50 percent. It isn’t just those who raise the animals who are in trouble. With as many as 20 families involved in the sale of each animal—producers, local traders, transporters, feedlot owners, brokers, and exporters—a breakdown in the supply chain could throw the fragile nation into crisis. Animals are being sold locally at prices so depressed that farmers can barely cover their basic necessities, which are becoming more expensive as trade slowdowns raise the prices of imported staple goods.

lockdown, as well as demand and supply side contractions, businesses have had to adapt and innovate to operate, and many of course have been badly affected by loss of revenues. The following business transmission channels are observed through surveys, with implications for immediate-, medium- and long-term viability:

- A temporary halt in business operations due to the economic lockdown;
- Lower business demand affecting cash flows;
- Cash management challenges including expenditure demands including tax obligations, supplier debts, bank loans and rental obligations;
- Laying off employees, reducing wages, reducing work period, furloughing or technical unemployment;
- Increased costs for health and safety and meeting new regulatory requirements;
- Supply chain / inventory management constraints;
- Closed export markets; and,
- Impacts on future investment decisions.

3.4. HOUSEHOLD TRANSMISSION CHANNELS

44. *It is inevitably true that certain groups in society will be disproportionately impacted by the pandemic, with intersections of different vulnerabilities exposing them to a greater variety of risks.* While it is obvious that economic downturn and inflationary pressures on food prices and other essentials most directly impacts the poor, in cases where entire populations and industries have been affected, the impact across different demographic groups is likely to be large. For example, the collapse in livestock exports has affected livestock producers and traders, just as the collapse in business tourism has impacted the emerging hotels industry.

45. *Of the many vulnerable groups, these certainly include women, children, poorer rural communities, persons with disabilities, the elderly, internally displaced persons and refugees; among other groups.* While the challenges faced by vulnerable groups directly stem from the impact channels for the general population, they are also distinct and have their own risks. For example, in the education sector, the impact of closure was felt greatest by low-income families, who will incur greater than proportional impacts to their long-term educational achievement. Likewise, increased costs of essential foods and imported goods has a disproportionately greater impact on the existing poor; as they traditionally spend the majority of their incomes on food.

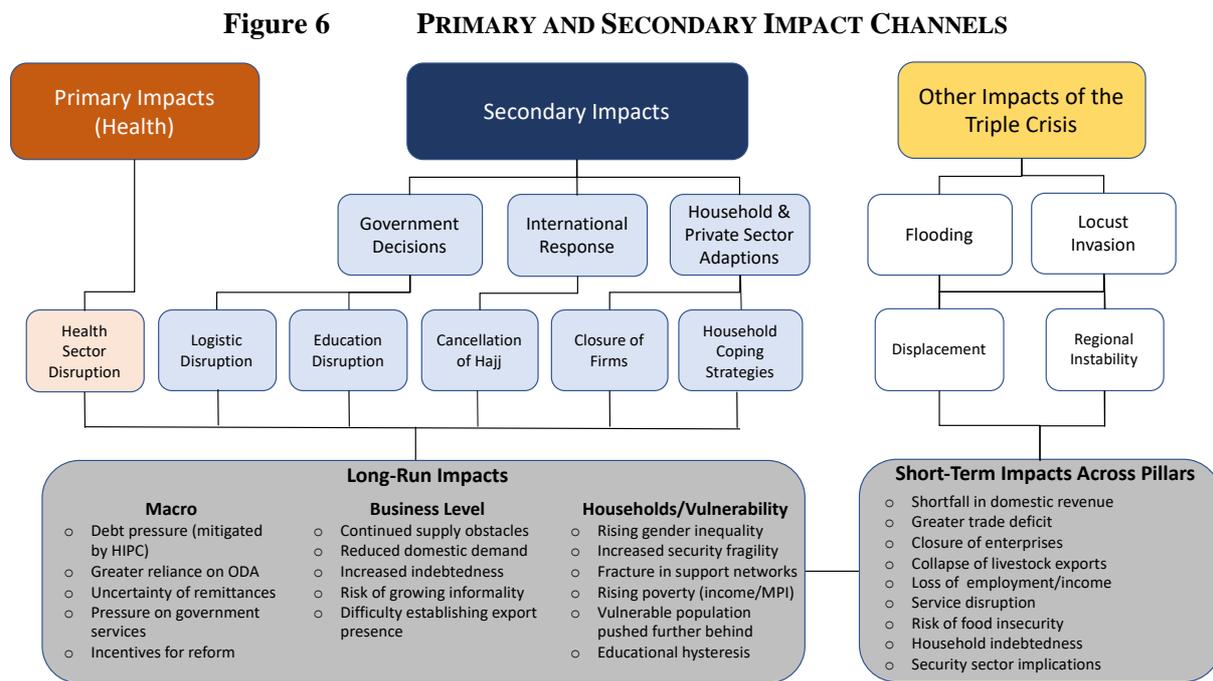
46. *Of course, with widespread vulnerability being a pre-existing situation in Somalia, and with other compounding factors such as drought, flooding and insecurity, the attribution of COVID-19 specific impacts will need to be weighed as outlined in the COVID-19 impact modelling approach outlined in the preceding chapter.* Furthermore, given limited state service delivery capacities, which provide greater access in urban over rural areas, the impact on vulnerability will not be uniform across different groupings.

47. *For example, overcrowding and lack of sufficient amenities and resources make mitigation difficult, particularly in urban areas where transmission rates are higher.* The average household size in Somalia is 6.2 people (6.6 in urban areas, 5.7 in rural households, and 5.3 in nomadic households).²¹ Densely populated urban areas may therefore be the main drivers of COVID-19 cases in Somalia, and many groups have limited access to essential services including healthcare, running water (including soap), sanitation. In terms of vulnerability to lack of health services, Somalia ranked 194th out of 195 countries on the Johns Hopkins Global Health Security Index in 2019, scoring zero on several indicators, including emergency preparedness, emergency response, infection control practices, and healthcare access. The health sector is badly underfunded, with the first and second points of call often being pharmacies, not frontline primary healthcare services. Moreover, facilities are everywhere inadequate and dilapidated, with a low bed capacity and only 2 healthcare workers per 100,000 people (the global standard is 25). The impact of COVID-19 in service delivery disruption, and reducing

²¹ According to the 2020 Somalia Health and Demographic Survey.

access, it a critical impact channel that affects a myriad of different social outcomes, including social cohesion and the social contract between citizen’s and the state.

48. *Though less immediate, both nationally and internationally, the continued economic downturn, strict restrictions on movements and freedom and unequal impacts of these will increasingly create friction.* At a time when regional stability is vital for future economic prosperity, the timing of COVID-19 appears to coincide with an increased risk of regional instability. The crisis in Ethiopia, political divisions between the Gulf States, complex borderland issues between Somalia and Kenya, and varying degrees of federal member state autonomy, risks creating new enmities. **Figure 6 provides an illustrative overview of how the immediate health impacts have precipitated secondary impacts on the macro-economy, on business activity and on vulnerability.** The range of impacts is of course wider than this, and there is cross-connectivity between variables, and forward and backward linkages.



Source: Geopolicity (2020)

4. MACRO-ECONOMIC IMPACT

49. *This section outlines the macro-economic impacts observed in the aftermath of the pandemic, the effect of which are likely to extend to 2021 and beyond.* The impact of the measures taken to minimize the spread of COVID-19 was felt by almost everyone in Somalia, and the impact is best seen in the macro-economy which provides an aggregate view of productivity, public finances and trade. It addresses both macro-economic implications, by estimating impacts on selected indicators such as growth, inflation, balance of payments, fiscal balance, debt, trade balance, etc., as well as micro-economic implications, primarily looking at employment and poverty-related dimensions, with linkages to the business and vulnerability pillars. Further, this section looks at revenue-loss related impacts on public and private sectors.²²

50. *In response to the COVID-19 pandemic, Government and the international community are implementing the Country Preparedness and Response Plan (CPRP); with an updated Version 2 being released in August 2020.* While the CPRP has not been fully financed, the updated version appealed for some US\$ 526,844,297, some US\$255,664,666 of which was for the humanitarian component and US\$ 271,179,632 to support the socio-economic response. As the CPRP aims to mitigate and ameliorate the negative impact of COVID-19 on the macro-economy, business and vulnerability, these resource flows will need to be factored into the overall assessment. Given lack of fiscal space, government and international cooperation partners have been able to provide (i) temporary tax relief on some basic food commodities; (ii) donor-funded expansion of the social safety net; (iii) donor-funded lending-support to small and medium-sized enterprises; and (iv) additional donor-funded transfers to federal member states (FMS). (IMF, Country Report 20-310, November 2020).

4.1. GROSS DOMESTIC PRODUCT

51. *This baseline for GDP growth was established in NDP-9 and corroborated by the IMF and World Bank, prior to the black swan events of the pandemic.* NDP-9 reflects on the volatility of growth and states that ‘GDP growth slumped to 1.4 percent in 2017, but has since rebounded and is projected to register a real growth rate of 2.9 percent in 2019 and 3.2 percent in 2020’. (NDP-9, Pg. 47). Similarly, the Article IV Consultation of August 2019 (IMF Country Report No. 19/256) projected real GDP growth to be 3.2 per cent in 2020, rising to 3.5 per cent in 2021 and 2022 respectively. The IMF First Review under the Extended Credit Facility of November 2020 has revised real GDP growth down to a ‘contraction of 1.5 per cent down or about 4.4 percent in real per-capita-incomes.’

52. *By June 2020, Edition 5 of the World Bank Economic Update projected a sharp contraction.* The ‘economy is to contract by 2.5 percent in 2020. A slowdown in economic activities, declining remittances, falling exports, and the government-mandated closures of airports and businesses to contain the spread of the virus are reducing household income. Household consumption will fall sharply and rapidly with supply disruptions.’ (World Bank, June 2020). By November 2020 the IMF First Review Under the Extended Credit Facility revised growth upwards – in a similar trend to Djibouti – to -1.5 per cent. Key macro-economic indicators are provided in Table 4 below, in line with the current forecast.

	2017	2018	2019	2020e	2021f	2022f	2023f
Real GDP growth, at constant market prices	1.4	2.8	2.9	-1.5	2.9	3.2	3.4
CPI Inflation, annual percentage change	6.1	3.2	3.1	3.0	2.5	2.2	2.2
Current account balance, % of GDP	-9.8	-7.5	-10.5	-12.8	-12.9	-12.0	-13.2

²² Analysis for this Economic Pillar, is based on primary and secondary sources, including analysis of data from the Government of Somalia, the IMF, the World Bank, and the African Development Bank, among others, as well as partially on primary collected through the surveys outlined in the methodology. Importantly, economic impacts have been caused by external shocks, and are therefore closely related to global events and developments. As such there is significant uncertainty on how the present situation will evolve, even in the short-run, and it is important that the forecasts made on the macroeconomic indicators are subject to periodical reviews and updated accordingly.

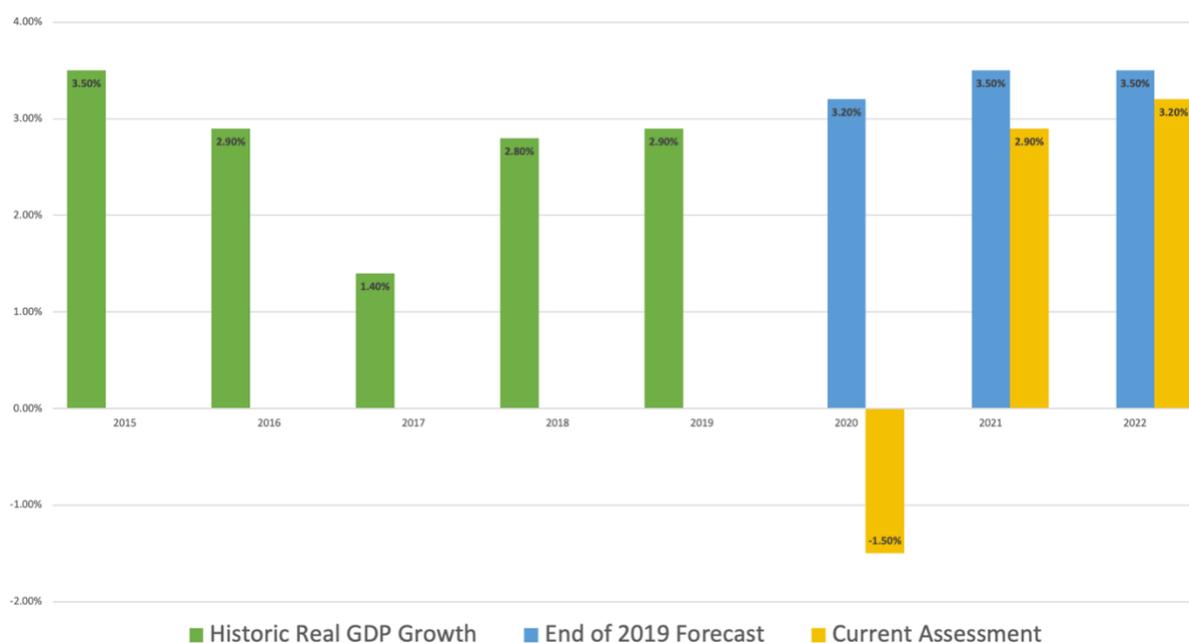
Trade balance, % of GDP	-86.7	-84.8	-83.0	-91.4	-86.8	-88.2	-85.0
Private remittances, % of GDP	31.6	31.4	31.9	31.4	31.0	31.4	30.8
Official grants, % of GDP	46.1	46.6	41.3	47.9	43.7	44.6	41.6
Fiscal balance, % of GDP	0.1	0.1	0.5	0.0	0.7	1.1	0.6
Domestic revenue, % of GDP	3.2	3.9	4.6	4.1	4.6	5.0	5.6
External grants, % of GDP	2.8	1.8	2.2	8.3	6.1	7.4	8.0
Total expenditure, % of GDP	5.9	5.7	6.3	12.4	10.1	11.3	12.9
Compensation of employees, % of GDP	2.8	3.0	3.3	4.7	4.8	5.1	5.5

Source: IMF

53. **Currently, it seems like the COVID-19 pandemic will have a far worse aggregate impact than the devastating 2017 drought.** Previous shocks such as export bans, drought, famine, floods and insecurity affected just a few sectors and/or Federal Member States (FMSs). COVID-19 has however affected all? sectors, bringing many of them to a temporary standstill. Federal and state governments therefore have been hit with large declines in revenues at the very time they must launch a coordinated national response to the crisis and finance Year 1 of NDP-9. Thankfully remittances have so far been more robust than expected leading to a stronger import value than expected; illustrating elasticity in demand. Even though the World Bank expects the economy to pick up moderately over the medium term (2021–23) with growth expected to recover quickly at 2.9 percent 2021 as economic activities resume and its estimated to reach pre-Covid-19 levels of 3.2 percent in 2022; there are no guarantees. Should another devastating drought such as the one in 2017 combine with another bad, year, the consequences would be dire.

54. **The impact of COVID-19 of real GDP growth is illustrated in Chart 1 below.** Should 2021 turn out to be a similarly bad year due to a slow recovery from COVID-19 alongside other factors, growth in Somalia would have almost been flat since 2017. Against a backdrop of considerable external investments and strong government leadership, external factors risk stripping Somalia of its future. The impact of the collapse in GDP effects government, businesses and the most vulnerable, over an extended period, with a particular impact on industries affected by demand and supply side contraction. With private remittances and official grants constituting such a large percentage of GDP, Somalia remains hostage to the fortunes of the global community.

Chart 1. SOMALI REAL GDP GROWTH – HISTORIC, 2019 FORECAST AND CURRENT ASSESSMENT (2015-2022)



Source: IMF Forecasts

55. *The impact across many of the federal members states – such as Puntland - has and continues to be considerable.* A study commissioned by Puntland Ministry of Planning and Ministry of Finance in April this year predicted that Puntland’s GDP will decline by 18 percent during the first half of 2020. While these figures have not been corroborated, such a decline is likely to be mirrored by other federal member states. The Government of Puntland estimates that household consumption expenditures will also decline by 10 percent by April 2020. Puntland import and export levels are expected to decline by 6 percent and 43 percent respectively. Gross fixed capital formation is also expected to decrease by 23.8% in the first half of 2020. Consumer Price Index increased from 85.36 to 86.28 in the month of March 2020. Domestic revenue declined by 55 percent in this fiscal year amounting to \$51,460,110. Revenue loss in the 1st quarter of 2020 was 28.4 percent whereas revenue losses in quarters 2, 3 and 4 is projected at 52 percent, 68 percent and 72 percent respectively (Government of Puntland, MoF, 2020).

56. *Real GDP (i.e., nominal GDP adjusted for inflation) of course merely provides an aggregate measure of productivity for the whole economy, but it does not tell the story of winners and losers.* With some 69 per cent of the population living below the National Poverty Line (US\$1.90 per day) (SDG indicator 1.2.1), it is obvious that not only has progress towards the 2025 target of 55 per cent likely been pushed back, but a percentage of the population will have fallen back below that line. In real terms, the contraction in growth not only constitutes an actual loss, it also constitutes a foregone opportunity of growth denied, as summarized below:

- Forecast nominal GDP for 2019 was US\$ 4.958 billion, and the IMF projected nominal growth for 2020 was US\$ 5.218 billion as of August 2019. With a -1.5 per cent contraction now projected for 2020, nominal GDP is now projected at US\$ 4.918, a loss of some US\$ 300 compared to projected outturns, and a loss of US\$ 68 million in real terms. Though the actual GDP data for 2020 will not be confirmed until 2021, it seems clear that Somalia has been more resilient than forecast; despite losses. While the value of this loss has been made up with a huge increase in international support, the redistribution of external support will not have compensated a large percentage of the population;
- The per capita impact of the above – using the World Bank population figure of 15.4 million²³ is close to US\$ 120 per individual for the US\$ 300 lost growth opportunity, and an actual loss of US\$ 4.5 based on the contraction. Somalia has therefore been losing US\$ 820,000 in lost earnings a day compared to the baseline projection, and an actual loss of US\$ 186, 301 a day based on actual losses;
- Of course, with remittances forecast to be 31.4 per cent of GDP in 2020 (down only marginally from 31.9 per cent in 2019), and with grants increasing from 41.3 to 47.7 per cent of GDP, overall GDP losses have been substantially compensated for.

Impact Severity	Description
Pre-existing fragility/vulnerability	GDP growth has historically been volatile to external shocks, largely climatic and conflict related. Climatic impacts on GDP have been seasonal and security impacts have impacted government capacity and distracted from development.
Impact Strength	The biggest GDP contraction in decades, far greater than the 2017 drought, which lowered real GDP growth to 1.4 per cent. While COVID-19 impacts are broadly in line with other IGAD comparator countries, the actual loss over 2019 real GDP is US\$ 68 million, with the contraction compared to 2019 project growth rates at US\$ 300 million, or US\$ 820,000 daily.

²³ <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=SO>

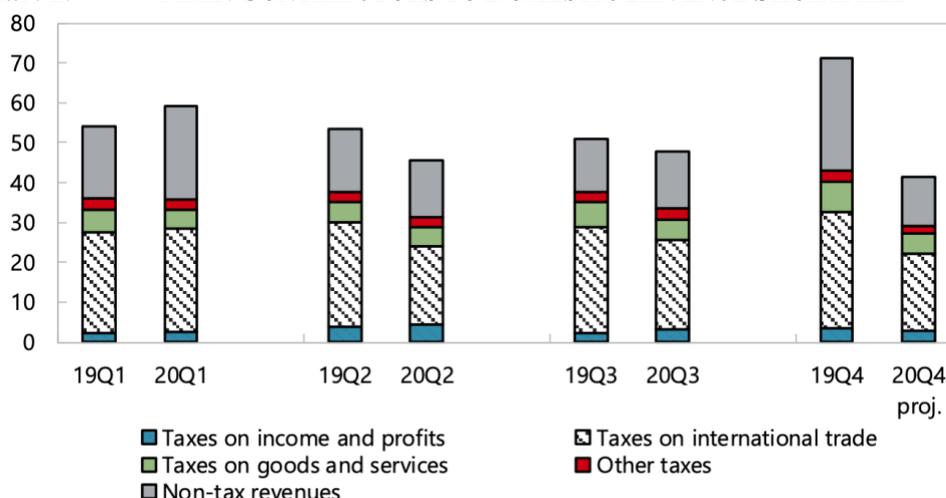
Impact Duration	Peak impact occurred during and immediately following lockdown, but longer-term impacts from global economic downturn, reduced demand (purchasing power) and supply (supply chain) constraints are expected to spill over into 2021.
Population	The health and macro-economic impact affects the entire population, through certain groups such as the nomadic communities have been badly affected as a result of declining remittances, reduced aggregate demand, disrupted supply chains and reductions in labor supply. Industries such as aviation, hotels, education, trade and services have been disproportionately affected.

4.2. FISCAL BALANCE

57. **Government fiscal (tax and non-tax) resources have been affected by the economic lockdown and downturn in business activity and trade, with direct knock-on implications for government spending.** Fiscal revenues have been negatively impacted by COVID-19. Although Q1 domestic revenues were consistent with expectations, disruptions to international trade and commercial activity hit trade and sales taxes in Q2, especially lucrative khat receipts. In addition, non-tax revenues have been hit by the drop in international travel, and delays in implementing the new licensing and regulatory framework for the telecommunications industry. (IMF, November 2020) Sub-national governments, including the FMS and Somaliland, have also seen their revenues fall given the impact of COVID-19.

58. **Based on the supplementary budget of August 3 2020, relative to the original budget, estimated FGS domestic revenues have been reduced by \$67 million, falling to 3.6 percent of GDP in 2020.** Tax loses included tax relief to ease the impact of the crisis on households in particular, including exemptions on staples (a three-month tax holiday effective from April 15, 2020) and a 50 per cent reduction in consumption tax for some commodities (wheat flour and vegetable oils). To offset revenue losses from the measures adopted, the government introduced permanent tax and customs duty increases on tobacco, beauty products, and plastic bags. Chart 2 below tells the story of tax and non-tax losses, showing 2019 and 2020 quarter comparators.

Chart 2. MAIN CONTRIBUTORS TO DOMESTIC REVENUE SHORTFALL



Source: IMF, Data provided by FGS Ministry of Finance

59. **The impact of the crisis on fiscal federalism, particularly at the FMS level, is a reminder of the fragility of the already limited revenue base to external shocks.** All FMS have reported a considerable shortfall in fiscal revenues, at a time when expenditure demands were increasing. While the FGS provided block grants of US1 million to each state, the reality is that government spending on goods, services and works has been affected. Though Somaliland has its own Central Bank and it self-finances its US\$ 250 million annual budget in 2019, and despite external support to bridge the fiscal

gap, public spending has been negatively affected. In Galmudug, the Socio-Economic Impact of COVID-19 had left an over US\$ 8 million gap in public finances, as provided in Table 6 below.

Table 6. ESTIMATED GOVERNMENT REVENUE LOSS BY GALMUDUG STATE OF SOMALIA IN 2020			
Type of Tax	Revenue Lost in Q1	Revenue Lost in Q2	Estimated Revenue Lost for 2020 (US\$)
Customs and Exercise Khat	100 %	100 %	6,000,000
Payroll Tax on Non-Government Employees	70 %	70 %	61,250
Electricity Generation Tax per KWA	95 %	95 %	238,800
Local Air Passenger Fees	90 %	90 %	168,944
State Road User Tax Per Ton	80 %	80 %	1,821,700

Source: Socio-Economic Impact of COVID-19 in Galmudug State of Somalia

60. ***Somalia has the lowest revenue to GDP ratio globally, and so the decline in revenues at a critical time in the development of the state is particularly gauging.*** That said, as fiscal sustainability is a pre-existing challenge, the crisis has perhaps allowed a new focus to emerge in relation to broadening the tax base and improving tax collection and administration. The FGS and World Bank have been promoting revenue mobilization reforms including continued implementation of the Revenue Act and the Customs Reform Roadmap would increase domestic revenues as revenue collection needs to increase significantly and beyond the Benadir region. Efforts to harmonize taxes across the FGS and the FMSs, remove internal trade barriers, and clearly define revenue sharing and functional assignment would go a long way toward increasing the fiscal space of both the federal and state governments. Issuing regulations to support the newly enacted PFM Act would strengthen public financial management (PFM) across sectors and jurisdictions. The table below provides an overview of the severity of the fiscal balance crisis and Chart 3 below provides a view of the impact of fiscal challenges on the original and revised national budget. Chart 4 provides the fiscal performance of the FMS.

Box 1: WB State Level Revenue Analysis (June 2020)

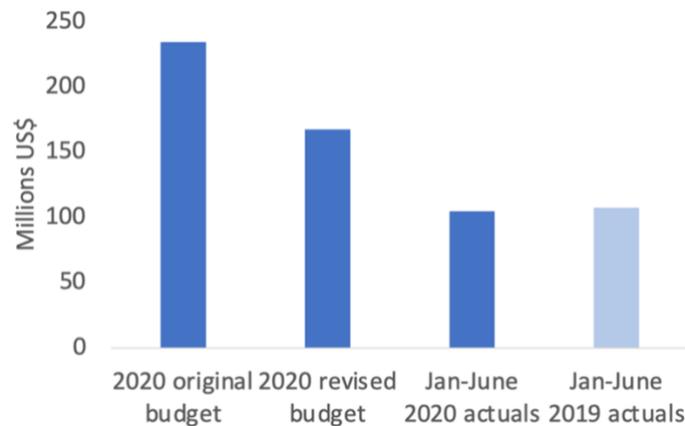
Subnational governments face an array of revenue mobilization challenges, including a narrow tax base, underdeveloped legal frameworks for tax policy and administration, and weak administration capacity. Most rely mainly on one or two revenue sources to finance their operations. Trade taxes account for most domestic revenue in jurisdictions with ports (Somaliland, Puntland, and Jubaland). These revenues have declined because of lockdowns and closures, restrictions, and reduced imports. Taxes on goods and services, which also raise substantial revenue in these states, are also affected by the slowdown in economic activities, reduction in consumption, and travel restrictions/social distancing measures. States with no ports (South West, Galmudug, and Hirshabelle) are overly reliant on grants (from both the FGS and external sources). These states will face heightened budget implementation challenges because of the COVID-19 crisis if donor finances do not increase their support.

Jubaland and Puntland recorded stronger revenue performance in the first quarter of 2020, but revenues are expected to deteriorate as the COVID-19 crisis continues to escalate. In the first quarter of the year, domestic revenue collection performance was 88 percent in Puntland and 76 percent in Jubaland. This revenue performance represented a 22 percent execution rate of their respective approved budgets (Figure 1.6). In South West, Hirshabelle, and Galmudug, grants drove revenue collection. They covered over 70 percent of the overall budget in South West. Revenue collection in Hirshabelle and Galmudug represented just 13 percent and 9 percent, respectively, of their 2020 approved budgets.

The initial impacts of the COVID-19 pandemic were already being felt toward the end of the first quarter, with some tax revenue streams, such those related to importation of goods and the aviation sector, beginning to decline. For example, the declining port operations in Jubaland and Puntland are expected to reduce customs revenue. The restrictions on importing khat will also result in reduced

revenues across the FMS. With fiscal performance expected to deteriorate, subnational jurisdictions are banking on intergovernmental transfers to materialize to provide the much-needed support for the COVID-19 crisis response and offset revenue shortfalls. The fiscal impact varies across the FMSs, with Puntland estimating this at US\$51.46 million, which is over 80 percent of domestic revenues. Somaliland estimates revenue shortfall of US\$36.6 million, but this figure could increase if the crisis does not abate in the short term, as customs revenue accounts for over three-quarters of its total revenue. Reports that Somaliland has revoked its ban on khat and that Puntland has eased restrictions on interregional commerce provide some grounds for optimism that their domestic revenue shortfalls will not be as severe as anticipated.

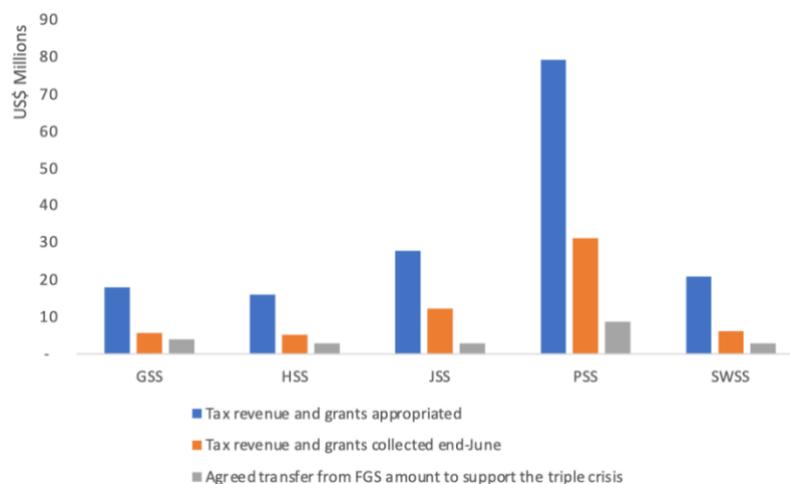
Chart 3. FGS JUNE YTD REVENUE COLLECTION COMPARED WITH REVENUE TARGETS



Source: Central Bank of Somalia

61. *On the positive side, according to a preliminary report by the Ministry of Finance, income tax revenue in the first half of fiscal year grew 32% compared to the US\$4,083,281 collected in the previous year.* Revenues from taxes on payroll and workforce, goods and services and international trade and transactions saw declines of 34%, 3% and 12% respectively compared to 2019. Table 7 provides the main cause behind revenue shortfalls in 2020.

Chart 4. FEDERAL MEMBER STATES' FISCAL PERFORMANCE



Source: Central Bank of Somalia

62. *A comprehensive overview of fiscal operations for the period 2019 to 2020 is provided in Table 7 below, as prepared by the Ministry of Finance.* The overall fiscal balance is negative 2.4 per cent, at the end of December. Expenditures increased due to pressure to support the ailing economy, business sectors and to address vulnerable communities. Revenues increased as a result of grants received.

**Table 7. FISCAL OPERATIONS OF THE FEDERAL GOVERNMENT OF SOMALIA, 2018–20
(PERCENT OF GDP)**

Item	2018	2019e	2020 budgets			2020f	2021f
			Approved	Revised	Difference		
Revenue and grants	5.7	6.8	10.1	12.5	+2.4	12.0	10.4
Revenue	3.9	4.6	5.1	3.6	-1.4	4.0	4.3
Tax revenue	2.9	3.1	3.4	2.3	-1.0	2.5	2.8
Tax on income and profits	0.2	0.2	0.2	0.2	-0.1	0.2	0.2
Taxes on goods and services	0.5	0.5	0.6	0.4	-0.2	0.4	0.4
Taxes on international trade	2.1	2.2	2.3	1.6	-0.7	1.8	2.0
Other taxes	0.2	0.2	0.2	0.1	-0.1	0.2	0.2
Non-tax revenue	0.9	1.5	1.7	1.3	-0.4	1.5	1.5
Grants	1.8	2.2	5.0	8.9	+3.9	8.0	6.1
Bilateral	0.5	0.7	0.6	0.6	+0.0	0.6	0.6
Multilateral	1.3	1.5	4.4	8.2	+3.9	7.4	5.5
Total expenditure	5.7	6.3	10.2	14.7	+4.5	12.4	10.1
Current	5.5	6.1	9.4	13.8	+4.4	11.4	9.5
Compensation of employees	3.0	3.3	4.8	5.0	+0.2	4.9	4.7
Use of goods and services	1.7	1.9	2.9	3.3	+0.4	3.1	2.8
Interest and other charges	0.0	0.0	0.0	0.1	+0.1	0.0	0.0
Intergovernmental grants	0.6	0.9	0.9	3.3	+2.4	1.9	1.2
Social benefits	0.0	0.0	0.5	2.0	+1.5	1.3	0.6
Contingency and other expenses	0.1	0.0	0.3	0.1	-0.2	0.1	0.1
Purchase of non-financial assets	0.2	0.3	0.9	1.0	+0.1	1.0	0.6
Overall fiscal balance	0.1	0.5	-0.2	-2.3	-2.1	-0.4	0.3
Financing sources	-0.1	-0.5	0.2	-0.1	-0.3	0.4	-0.3
Net use of cash balances	-0.1	-0.5	0.2	0.2	+0.0	0.7	0.0
Net change in arrears (- = reduction)	0.0	0.0	-0.1	-0.1	+0.0	0.0	0.0
Net new debt (- = payment)	0.0	0.0	0.0	-0.3	-0.3	-0.3	-0.3
Overall fiscal balance, net	0.0	0.0	0.0	-2.4	-2.4	0.0	0.0

Source: FGS Ministry of Finance

63. Table 8 below outlines the main sources of revenue shortfall, showing contraction in international trade and travel as having the biggest impact. Customs and sales tax declines comes a close second, followed by tax on Khat, which was impacted by the ban.

Table 8. MAIN CONTRIBUTORS TO PROJECTED REVENUE SHORTFALL IN SOMALIA IN 2020		
Revenue instrument	Shortfall (millions of US\$)	Share of total shortfall (percent) (I'm not sure how this adds up – will recheck source – WB)
Sources related to international trade and travel	52.3	78
Customs and sales taxes on imports	36.3	54
of which import tax on <i>khat</i>	9.0	13
Harbor and overflight fees, stamp duty	4.8	7
Sales taxes on airline tickets and hotels	2.3	3
Taxes and fees paid by businesses (excluding international trade)	6.1	9
Corporate profit tax	1.5	2
Stamp duties (excluding customs), road taxes	4.6	7

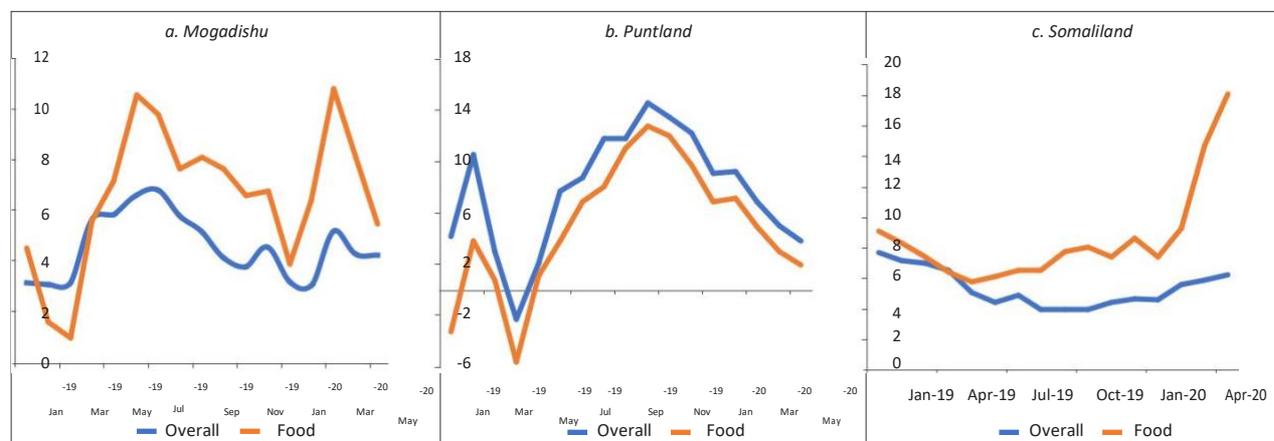
Source: FGS Ministry of Finance

Impact Severity	Description
Pre-existing fragility/vulnerability	With revenue and grants at only 6.8 per cent of GDP in 2019, and with grants constituting 2.2 per cent of GDP, Somalia has a pre-existing fiscal sustainability crisis running back several decades. While Somaliland and Puntland have made significant gains in overcoming fiscal challenges, other states such as Jubaland have struggled. The collapse in livestock exports and related customs duties is a common occurrence, as Saudi Arabia has occasionally established import bans. Lack of fiscal resources also negatively impact expenditures, undermining the discretionary spending powers of government.
Impact Strength	The fiscal balance crisis has been addressed with considerable international support, and so the US\$ 67 million projected shortfall has been offset by at least US\$179 million (See ODA below) in grants provided by external partners. While unfunded contingent expenditures outlined in the supplementary budget will need to be addressed, the immediate impact of the downfall is moderate. Moreover, as of June 2020, the FGS had collected some US\$105m in domestic revenue, constituting 63% of the annual target in the revised 2020 budget and just 2% below Jan-June in 2019. There appears to be a good chance that final revenues collected for 2020 – including arrears – may be close to 90 per cent of 2019. This implies an increasing degree of resilience. Moreover, at the FMS level, as of June 2020, domestic revenue collection for Puntland and Jubaland (the FMS with major ports) are at 36% and 39% respectively. (World Bank, 2020)
Impact Duration	The impact on revenue collection is likely to affect much of 2020, even if the biggest impact was in quarters 2 and 3, and is expected to continue into the first quarters of 2021. The IMF forecasts the on average, domestic revenue mobilization will be some 0.7 percentage points of GDP lower on average over 2020-24, reflecting lower economic activity. In addition, the pulling forward of donor aid to counter the pandemic is likely to lead to small reductions in future official flows (averaging 33.5 percent of GDP through 2029, or lower by about 0.7 percentage points compared to previous assumptions).
Population	The impact of the crisis has affected government operations, but lower tax collections have been a net positive on households and business impacted by the pandemic.

4.3. INFLATION

64. *So far inflation has remained substantially under control, and though medium-term risks exist, the pandemic has not so far had a substantial impact on the prices of goods and services.* The latest data shows that inflation through August 2020 was broadly stable at 4.1 percent year-on-year, remaining in line with the Somalia: Public Sector Sustainability Framework, Baseline Scenario, 2019–2040. Despite the overall trend, and with momentary spikes on markets for certain products in high demand (i.e., food spikes in Mogadishu and Somaliland – See Chart 5 below), the overall inflation outlook remains favorable. Moreover, given that the weight of food in Somalia’s Consumer Price Index (CPI) basket is 46 percent; and with inflation forecast at 4 per cent or below, food prices would appear to be broadly stable; which is good for consumers, particularly the poor. The Puntland COVID-19 impact assessment only mentions inflation as a concern in passing.

Chart 5. PEAK INFLATION IN MOGADISHU, PUNTLAND AND SOMALILAND (JAN TO APR 2020)



Source: MOPIED, DNS (2020).

Source: Puntland authorities.

Source: Somaliland authorities.

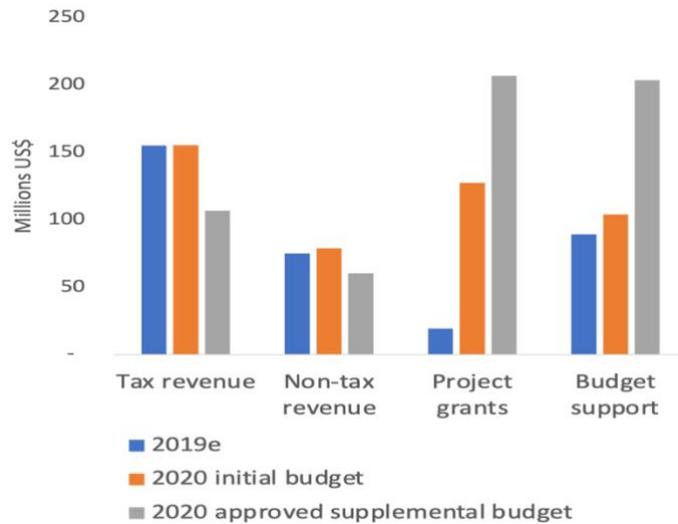
65. *Somalia remains heavily import dependent, and yet efforts to diversify the economy have only seen slow progress, implying a long-term dependency on external markets.* There is a possibility that Somalia could import inflation, particularly on commodities such as rice, flour, pasta, oils, sugar, and pharmaceuticals. Moreover, as domestic production also depends heavily on climatic conditions, which in the case of 2020 has encouraged a large locust infestation, local production losses could lead to a spike in prices in local markets. In this regard, and where the impact assessment remains unsighted, is the variability in commodity process across markets; with prices in Puntland and Somaliland tend to be higher than prices in southern Somalia. Prices of cowpeas for example are almost twice as high prices in Jubaland and Southwest; goat prices are almost 2.5 times higher in Puntland than in Jubaland. Variations in agricultural production and exposure to weather shocks are among the principal factors explaining such differences.

Table 10. INFLATION IMPACT SEVERITY	
Impact Severity	Description
Pre-existing fragility/vulnerability	Inflation has remained low for some years and as reported above, despite modest inflationary pressures, COVID-19 has not had a significant aggregate effect, and seasonal spikes are routinely observed during periods of climate stress of local conflict.
Impact Strength	Limited impact on the economy and vulnerability so far, though supply chain constraints could drive up prices for certain commodities on certain markets in the months ahead.
Impact Duration	Short term local market commodity spikes.
Population	Population impacted varying by prices seen in local markets for specific products.

4.4. BUDGETARY REALLOCATION

66. *Without doubt one of the biggest impacts has been on the allocation of public and ODA resources to support recovery and address emergency needs.* Not only have changes been made to the composition of spending for 2020, but official development assistance has also been fundamentally repurposed, to support the emergency situation and support recovery. As a result, the 2020 Supplemental Budget (approved in August 2020) foresaw a reduction in tax revenues, an increase in ODA, and more spending on social benefits and inter-governmental grants. The Supplemental Budget also saw a 240% increase in spending on intergovernmental grants over 2019. Chart 6 provides an overview of how the decline in tax and non-tax revenues has been offset by project grants and budget support.

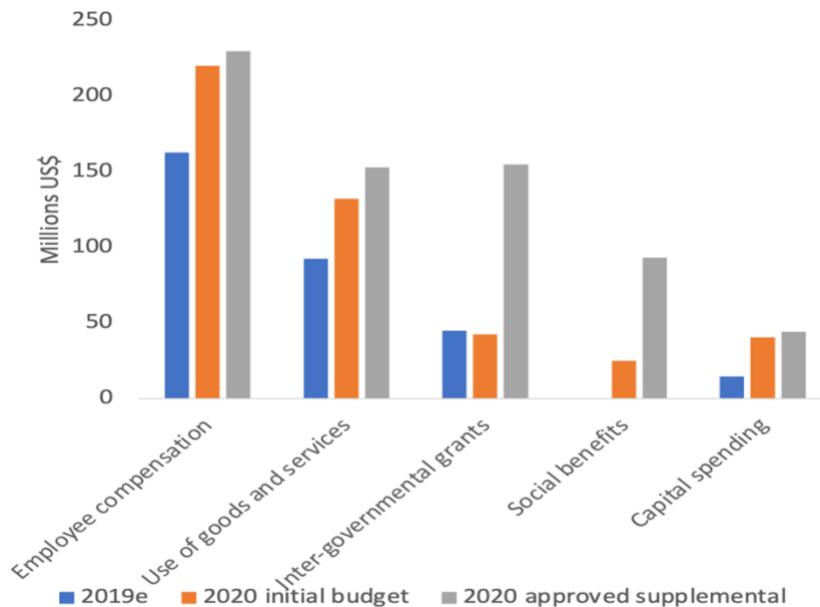
Chart 6. 2019 BUDGET, 2020 INITIAL BUDGET & 2020 SUPPLEMENTAL BUDGET IN CONTRAST



Source: Central Bank of Somalia

67. *Perhaps the biggest long-term impact is on the execution of NDP-9, which was in its first year of execution.* Not only has the pandemic changed the composition of wage and non-wage recurrent costs; it has also changed capital spending priorities, lowered fiscal space and discretionary spending at the FGS and FMS levels. As highlighted in Chart 7 below COVID-19 has fundamentally changed all major spending priorities, with considerable increases in employee compensation, use of goods and services, inter-governmental transfers and social benefits. Ironically, this is the first year that major intergovernmental fiscal transfers have been provided, bolstering the federation and addressing horizontal fiscal imbalances.

Chart 7. THE 2019 BUDGET, 2020 INITIAL BUDGET & 2020 SUPPLEMENTAL BUDGET IN CONTRAST

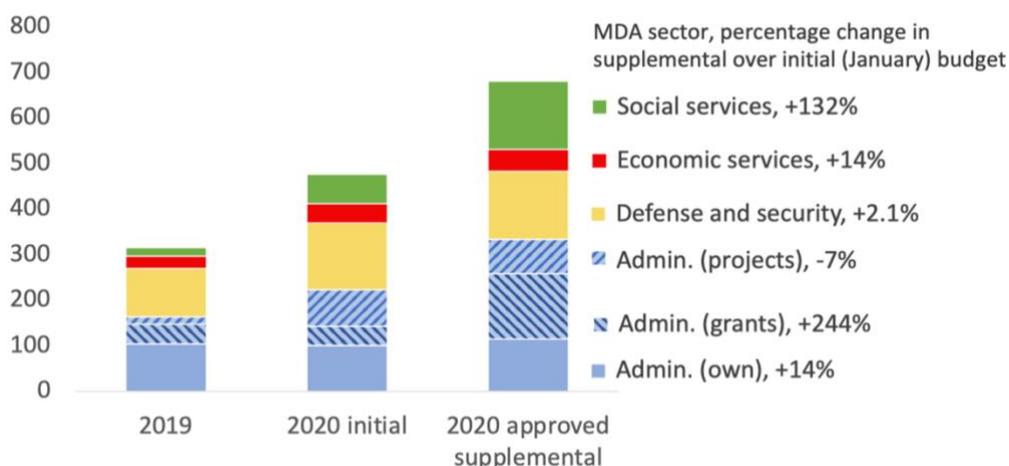


Source: Central Bank of Somalia

68. *NDP-9 had not been costed and the priorities in the first year had also not been mapped to the Medium-Term Expenditure Framework (MTEF).* With costing of NDP-9 now to take place in

early 2021, there is great need to balance general government programs aligned to the NDP-9 and socio-economic recovery financing, linked to humanitarian spending; in order to strengthen the nexus. As noted in Chart 8 below, the 2020 Supplemental Budget more than doubles spending authorized by social sector Ministries, Departments and Agencies, mainly as a result of new crisis-response projects (i.e, Baxnaano). This, for 2020, brings total social sector spending in line with defense and security spending; making this year highly anomalous.

Chart 8. MDA SECTOR INCREASES IN 2020 SUPPLEMENTAL BUDGET (USD MILLIONS)



Source: Central Bank of Somalia

69. *What is remarkable is that despite the pandemic and other factors such as flooding, regional instability and locusts, government has been able to sustain its strong commitment to economic reforms making satisfactory progress in implementing key policies under the Extended Credit Facility (ECF) program.* Moreover, all structural benchmarks and indicative targets for June 2020 were met, and all but one of the quantitative performance criteria (QPC) (please link to footnote 18 below for details). Cumulative domestic revenues through June for the Federal Government of Somalia (FGS) reached US\$ 99 million against program target of US\$ 109 million.²⁴ IMF Press Release No 20/299.

70. *The World Bank states that the ‘composition of FGS spending remains difficult to adjust, apart from externally financed activities, because almost all expenditures are recurrent and nondiscretionary’.* The wage bill and the use of goods and services account for nearly 60 percent of total expenditures; these items are estimated to cost 8.3 percent of GDP in 2020. Somewhat paradoxically, the FGS arguably spends both too much and too little on personnel: The wage bill is exceptionally high as a share of total spending compared with other countries but exceptionally small as a share of GDP or per capita. Capital spending is expected to grow to 1.0 percent of GDP in 2020, up from 0.3 percent in 2019. Donor financed capital spending is projected to increase almost fourfold—from the low base of US\$6.2 million in 2019—and to account for 84 percent of the projected increase.²⁵

Table 11. BUDGETARY REALLOCATION IMPACT SEVERITY	
Impact Severity	Description
Pre-existing fragility/vulnerability	Budgetary reallocations reflect the policy focus of government and the international community to offset the impact of the crisis. Historically, allocations to offset such a crisis have been through humanitarian assistance, and not through the re-purposing of development assistance this way.

²⁴ The government will request a waiver from the IMF Executive Board for the missed QPC based on the measures planned to ensure domestic revenues recover in 2021.

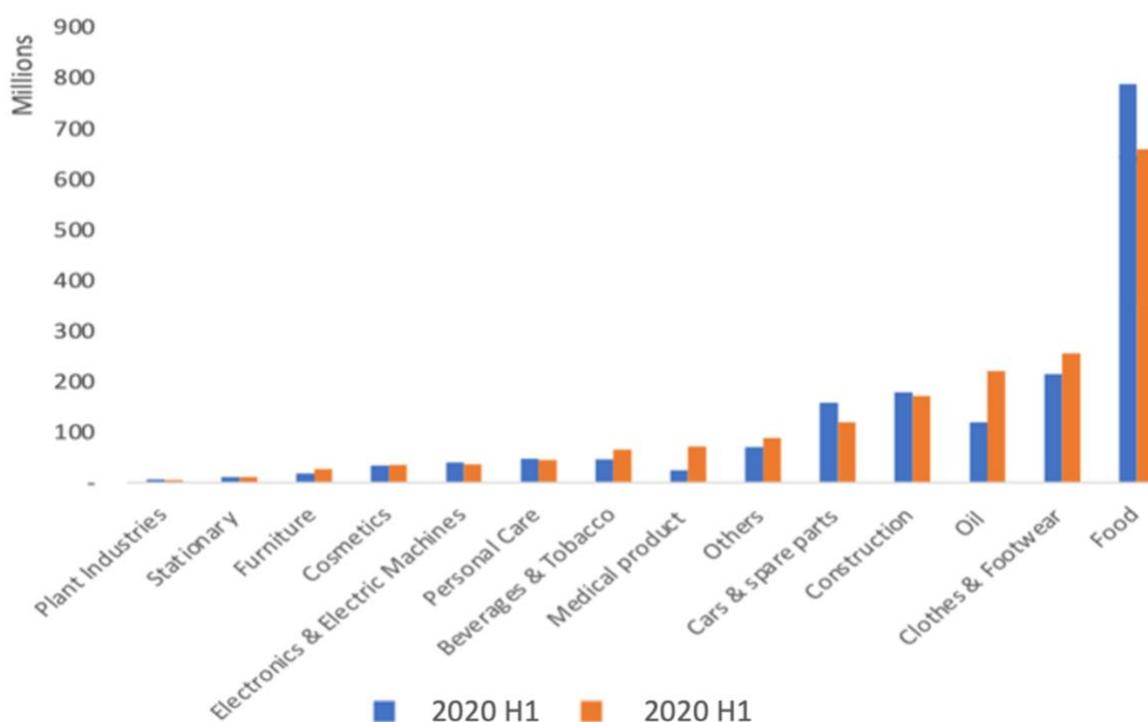
²⁵ World Bank, Somalia Economic Update, June 2020.

Impact Strength	The World Bank projects that total spending will rise to 12.4 percent of GDP in 2020, up from 10.2 percent in the 2020 budget approved in January and 6.3 percent in the 2019 outturn. Based on increased spending through the supplemental budget, large parts of which were supported by donors, the impact of the reallocation has been positive in mitigating impacts on growth, securing services and increasing social protection and welfare to address those most affected by the crisis. Moreover, the budgetary reallocation is combined with an increased flow of external support. While in many countries capital spending on infrastructure investments have been slowed or halted, in Somalia these are financed through projects.
Impact Duration	Given the rebound occurring in many parts of the world in terms of trade and mobility (see trade and the balance of payments section below), this level of reallocation is likely to be largely defined to 2020, assuming that costing of NDP-9 in early 2021 allows the next budget to pass in a more orderly fashion.
Population	This reallocation was largely beneficial to those worse affected by the crisis, through reallocation into social spending, including health, education and other services.

4.5. TRADE AND THE BALANCE OF PAYMENTS

71. *It has been widely reported that exports have been reduced – particularly of livestock exports to the Kingdom of Saudi Arabia – but imports have also been impacted; albeit less than expected.* The trade balance – which stood at -83 per cent in 2019, has worsened to 91.1 per cent based on current projections. Exports of goods and services has fallen from 22.7 per cent of GDP in 2019 to 14.3 per cent of GDP in 2020, while imports have only fallen slightly from 105.7 per cent of GDP to 105.4 per cent of GDP in 2019 and 2020 respectively. Chart 9 below provides an overview of the differences between H1 imports for 2019 and 2020 respectively. Increases in imports for oil, cloths and a decrease in food, as well as a decline in luxury goods declined. Oil imports increased by 85% while food imports declined by 16%.

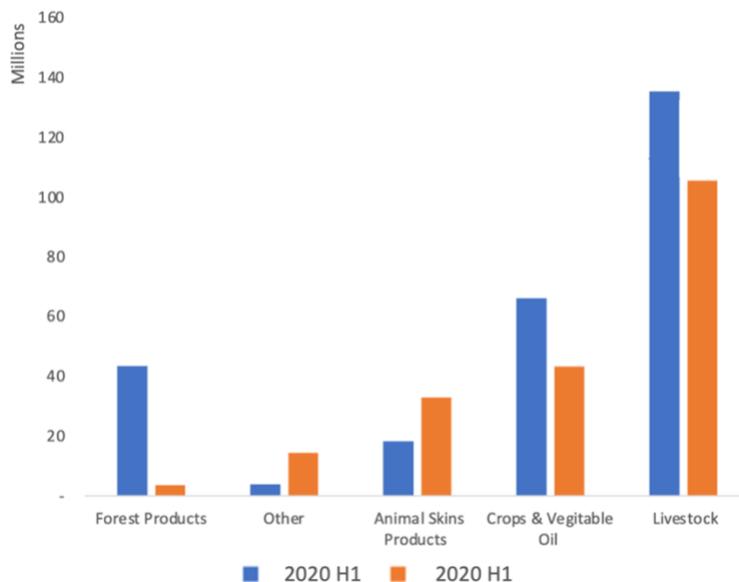
Chart 9. H1 2020 IMPORTS VS. H1 2019 (USD)



Source: Central Bank of Somalia

72. *The current account deficit is forecast at 12.7 percent of GDP in 2020 and projected to steadily narrow over the longer term, depending on success in diversification to potentially include the offtake for oil and gas concessions.* According to the World Bank, the current account deficit is projected to remain elevated, averaging about 12.0 percent between 2020 and 2022, driven by Somalia’s high import needs and reflecting the high level of grants and remittances. The composition of imports gradually transitions from basic to investment goods as recovery picks up. The trade deficit continues to be financed by grants and remittances (estimated at 54 and 49 percent of GDP, respectively, in 2020). In the framework, remittances and grants gradually decline as a percent of GDP over the long term, as FDI and concessional borrowing increase. As a result, the current account deficit begins to decline, reflecting stronger export growth amid better economic activity and an improved business environment. Clearly however, much of this analysis depends on the export trajectory of Somalia, which continues to be heavily supported by external flows, which are necessary to maintain the import orientation. A collapse in remittances due to contraction in the states of origin, alongside a reduction in ODA, could create a balance of payment crisis, as it has in other countries. COVID-19, appears to merely conform the current trend, unless there is a fundamental shift in productivity, and as shown in Chart 10 below, a collapse in exports has merely increased the trade deficit.

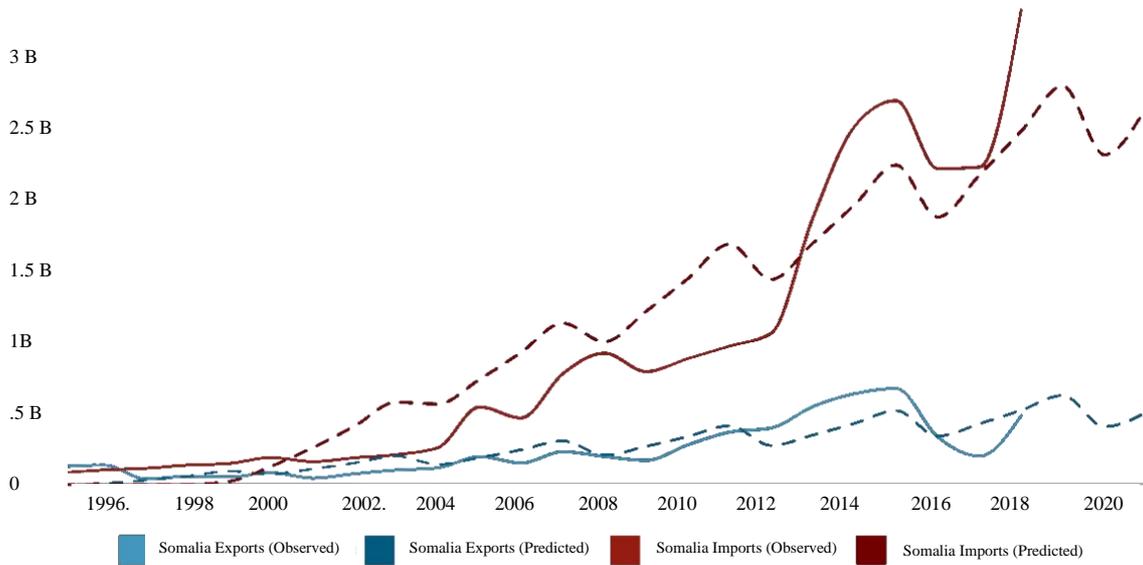
Chart 10. H1 2020 EXPORTS VS. H1 2019 (USD)



Source: Central Bank of Somalia

73. *Perhaps contrary to this view are the projections made by the Observatory of Economic Complexity (OEC) showing that Somalia is currently on track for a growing trade imbalance, similar to Afghanistan.* The Observatory of Economic Complexity provides a trade forecasts based on historical projections. Not only does OEC assess the composition of imports and exports over time and their Revealed Comparative Advantages (RCAs), it also assesses options for product space development, which is vital to understanding product frontiers which are critical to diversification. In this context, the growing trade imbalance reflect the emerging trend, with imports being supported by remittances and grants. The growing trade gap can only be resolved by a fundamental shift in exports or greater import substitution; or a balance of both.

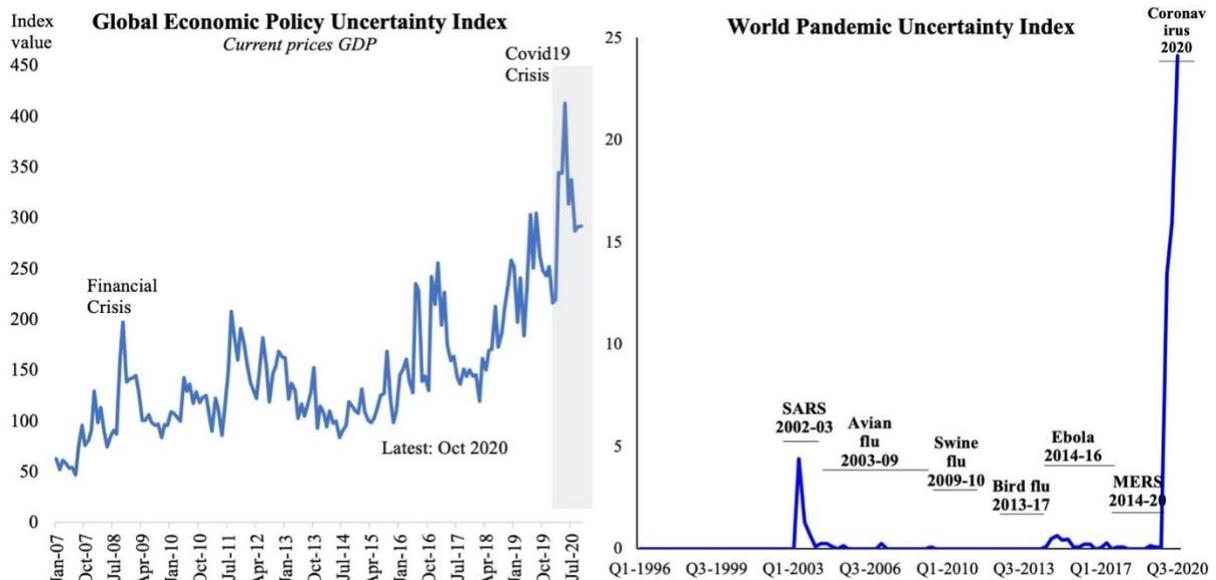
Chart 11. SOMALIA TRADE TREND FORECASTS
Product Trade Forecasts for Somalia



Source: Observatory of Economic Complexity

74. *At the global trade policy level, COVID-19 has been instrumental in creating huge policy uncertainty across all Somalia’s trading partners, and this just adds to the macro-economic and trade uncertainly going forward.* Chart 12 below shows the economic policy uncertainty, which has been rising since 2016, and uncertainty about the pandemic undermines confidence across the board. These are indirect impacts of the pandemic, which affect Somalia directly, including Somalia’s trading partners.

Chart 12. GLOBAL UNCERTAINTY POLICY INDEX



Source: https://www.policyuncertainty.com/global_monthly.html

Source: <https://worlduncertaintyindex.com/data/>

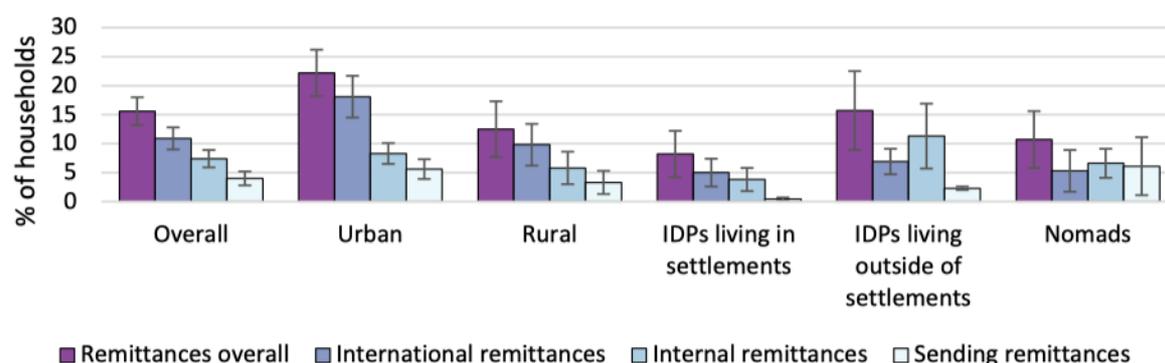
Table 12. TRADE IMPACT SEVERITY	
Impact Severity	Description
Pre-existing fragility/vulnerability	The trend towards greater trade imbalance (deficit) is a pre-existing condition that continues to impact Somalia.
Impact Strength	COVID-19 amplifies the existing trend, which is likely to continue into 2021 unless oil and gas or another major growth sector is to emerge, Somalia will continue to be dependent on external flows to resource trade. Seasonal impact for livestock exporters, and modest impact on elevated prices for imported commodities, based on CPI data.
Impact Duration	Assumed to be for the duration of 2020 and the first quarter of 2021, though a resumption of international trade is now being reported in Q3 in many regional states.
Population	Inflation on particular products and many businesses are facing liquidity problems in their operations because of the challenges in the corresponding accounts and travel restrictions. Import and export firms are finding it hard to settle accounts in Dubai because of flight bans.

4.6. REMITTANCES

75. *Remittances have become a huge source of resilience, estimated at around US\$ 2 billion annually, and yet 2021 is likely to see a downturn in value (as % of GDP) due to economic stress in origin countries.* The projected flow of remittances depends heavily on the economic wellbeing of countries which host the Somali diaspora, as well as the wellbeing of the industries in which they work. A 2017 study, undertaken by the Rift Valley Institute, confirms that the USA and UK represent the overwhelming majority of remittance sources followed by Canada, other European countries and some Gulf states. While remitters are employed in a variety of sectors, they tend to reflect host country employment patterns, with a preponderance in the service sector.

76. *The World Bank Poverty Assessment focuses heavily on remittances as being vital to household incomes, and at the national level, for sustaining national purchasing power.* The assessment notes that Somali households are both remittance receivers and senders, and it is important to distinguish between domestic and international remittances. About 15 percent of Somali households receive remittances, while 4 percent send them. Urban households are more likely to receive international remittances, while IDPs living outside settlements are more likely to receive internal remittances. This level of differentiation is important, and remittances alone perhaps provided the most important source to overcome vulnerability. As shown in Chart 13 below, overall remittances are of particular importance to urban households, whereas internal remittances are vital to those to have been displaced. The family unit – therefore – remains the most important unit for social protection, including in times of COVID.

Chart 13. INCIDENCE OF REMITTANCE RECEIPT AND SENDING



Source: World Bank Poverty and Vulnerability Assessment (data from SHFS 2017-18)

77. According to the Survey, the average amount of international remittances received per household per year is US\$ 743 - above the average per capita income of Somalia of US\$ 535 for 2017. Moreover, the value of remittances households receive varies from US\$505 to US\$876 for international remittances to US\$138 to US\$525 for domestic remittances. IDP households outside settlements receive a relatively high US\$ 430 for domestic remittances and US\$ 876 for international remittances, possibly in response to the drought. Households receiving international remittances are less poor, consume more, have higher child school enrollment rates, and are less likely to rely on agricultural livelihoods. About 58 percent of households receiving international remittances are poor compare to 71 percent of households that do not. The impact of remittances in Somalia is explored in Table 13 below:

	Internal Remittances	International Remittances	Do Not Receive Remittances
Poverty	64%	58%	71%
Consumption Expenditure (2017 PPP US\$ per capita per day)	\$1.35	\$1.41	\$1.25
Consumption Expenditure (2017 PPP US\$ per household per day)	\$7.40	\$7.63	\$6.66
Enrolment (6-17 years)	48%	60%	33%
Labour force participation (7 days)	54%	46%	47%
Female household head	36%	45%	42%

Source: Somalia High Frequency Survey 2017-18

78. Though, more robust than other countries in the Region, the IMF sees a decline in end-of-year remittances having a negative impact, which will impact the current account balance. According to World Bank estimates in October 2020, remittances to sub-Saharan Africa are estimated to have declined by 9% in 2020, with further decline of 6% anticipated for 2021; a greater continuation into 2021 than first projected in by the World Bank in April.²⁶ In line with this, the 2020 shock to remittances in Somalia (though there has been a slight uptick) is expected to persist, slowing private sector development and therefore Somalia's post-HIPC dividend will be smaller and peak around 5.1 percent (instead of 5.4 percent previously). Potential growth in the long run remains around 4.7-4.8 percent. Given that remittances tend to be linked to economic conditions in remitting countries, strong economic headwinds in the latter are likely to curb flows in the second half of the year. It is expected that private transfers will modestly decline 2 percent for the year (compared to a previous forecast of 7 percent growth). (IMF, 2020).

²⁶ World Bank Phase II: COVID-19 Crisis through a Migration Lens Migration and Development Brief 33 October 2020.

Box 2: Heritage Institute – Impact on of COVID-19 on Remittances

Remittances to Somalia have been severely affected by COVID-19. Before the emergence of COVID-19, Somalia received an estimated \$2 billion per year in remittances from Somali expatriates around the world, exceeding official aid. Remittances provide a lifeline for most Somali households, as they mitigate vulnerability and sustain livelihoods among the population through timely cash payments.

However, as many countries initiated containment measures due to COVID-19, the resulting economic slowdowns in the United States and Europe led to a dramatic decline in remittance inflows to Somalia, caused by a drop in senders' wages and rising unemployment. In Dubai, a clearance center for Somalia remittances, reported that physical cash flows to money transfer businesses were disrupted by international movement restrictions, especially flight restrictions from major Somali remittance sources such as the United States and Europe.

Somalia received only \$203 million in remittances in March 2020, less than the total remittances received in February (\$216 million). In April, the country experienced a significant further decline in remittances to \$176 million. But a slow recovery was registered in May and June with \$219 million and \$227 million respectively. Remittances have fallen almost 15% for inflows and 25% for outflows due to lockdown restrictions. From March to May, the registered blocked of remittances funds was US\$56 million, representing 15% of the total inflow to Somalia.

At the household level, many Somali families are reliant on remittances and use this external source of financing to purchase basic goods such as food, pay rent, education and health services. It is estimated that nearly 40% of households in Somalia receive foreign remittances. About 48% of remittance recipients in Somalia reported a significant drop in the amounts they received during the last four months. This decline places immediate pressure on food security and overall livelihoods in Somali communities and poses challenges on hard-won human capital development gains in education and health.

Table 14. REMITTANCE IMPACT SEVERITY

Impact Severity	Description
Pre-existing fragility/vulnerability	Dependency of remittances is now engrained in the reconstruction and development of Somalia. Without remittances, the country collapsed. Remittances are a source of resilience that must be protected, until such a time that internal growth dynamics substitute for external incomes.
Impact Strength	In Somalia, remittances are more stable than foreign direct investment and official aid. Remittance inflows are more than three times the size of foreign direct investment and equal to grants and official aid to Somalia. In addition, remittances are often countercyclical, helping to sustain consumption and investment during economic downturns, contributing to resource stability for poor Somalis. Sustained international support and remittances helped drought-affected Somalia avoid severe humanitarian crisis as well as to finance its trade deficit in 2017. (World Bank Poverty Assessment) Remittances have had a significant positive effect on mitigating trade risks at both the household and national levels.
Impact Duration	A huge increase in remittances at the start of the pandemic, dropped off in April and rebounded towards the end of the year. While remittances are anticipated to increase in 2021 in total value, they will continue to reduce as a percentage of GDP.
Population	Widespread urban, rural and IDP dependency on remittances.

4.7. FOREIGN DIRECT INVESTMENT (FDI)

79. *Foreign direct investment in Somalia (greenfield and brownfield) has been negatively impacted by COVID-19, though remarkably little data is available to assess impact.* While FDI has been impacted in the short term, all analysis suggests an increase over the medium to longer term. Data from mobile transfer bureaus indicate that FDI declined 24 percent in the first quarter of 2020. However, given that a great deal of FDI is strategic investment from the Gulf States and Turkey in

particular, and that future oil and gas concessions could see large external flows, the short-term impact of COVID-19 on FDI is likely to be short-lived. Insufficient data is available to conclude impact, or new trends.

Table 15. FDI IMPACT SEVERITY	
Impact Severity	Description
Pre-existing fragility/vulnerability	Given weak doing business rankings, insecurity, and low levels of economic diversification, FDI has been dominated by strategic investments. While the decline in FDI in the early part of 2020 conforms to the global trend, medium to longer term forecasts assume an increase.
Impact Strength	A modest impact on COVID-19 growth outcomes, though it is hoped that the political transition in 2021 provides encouraging signs for future investment, including in oil and gas, ports, special economic zones, trade and services.
Impact Duration	Primarily centered on the first half of the year, though it is likely to have a longer impact as the global lockdown substantially continues.
Population	Narrowly affects macro-economic outturns and key sectors, with so far limited spillover impacts on the most vulnerable. Long term impact should be anticipated.

4.8. OFFICIAL DEVELOPMENT ASSISTANCE (ODA)

80. *The impact of ODA during the crisis has been positive and considerable.* Not only was ODA re-purposed, new flows from the World Bank, IMF, AfDB and EU were vital in balancing the budget and in allowing social transfers to the most vulnerable, as well as critical support to the FMS. While since the Addis Ababa Action Accord on Sustainable Development Finance there has been a shift away from funding toward financing (in support of the right-financing agenda), grant based support has been rapidly mobilized to respond to the urgent needs of government.

81. *Grants, to a large extent, have substantially filled the budget deficit and allowed both recovery and development to proceed.* In total, grants increased by US\$179 million, including additional World Bank support (\$55 million), front-loading of EU budget support and anticipated African Development Bank (AfDB) support (\$13 million). This has allowed government to increase expenditures (to US\$685 million from US\$476 million), driven by project-specific activities, including a significant increase in donor-financed social spending (to US\$93 million) and provision for increased transfers to sub-national governments (US\$104 million) to mitigate their loss of revenues.

82. *NDP-9 Year two will be a critical year for government, particularly as costing finally gets underway and COVID-19 recovery plans aim to build back better and leave no one behind.* While the focus of ODA has been on addressing both federal and federal member state fragility, it has also directly targeted households and individuals; providing a critical stop gap measure in a year of crisis. Prospects for 2021 are uncertain, and support for NDP-9 year two must focus more closely on securing policy alignment and harmonization with government plans.

Table 16. ODA IMPACT SEVERITY	
Impact Severity	Description
Pre-existing fragility/vulnerability	Dependency on ODA continues, and ODA remains necessary over the medium to longer term to finance expenditures critical to growth and service delivery, but increasingly, to prime the revenue pump of the state. ODA dependency remains structural.
Impact Strength	Considerable positive and mitigating impact, at the FGS and FMS level.
Impact Duration	Considerable support in the first half of 2020, though ODA in 2021 is expected to decline.

Population	Support targeted government fiscal and expenditure operations and direct program funding focused on the most vulnerable groups in society.
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4.9. DEBT SUSTAINABILITY

83. *On the back of the HIPC Decision Point, Somalia’s external public debt remains on a course towards greater fiscal sustainability.* The vast majority of support provided in 2021 by external cooperation partners was grant based, and international partners have been strong advocates of cutting the debt burden. As a result, the debt burden has not increased as a result of COVID-19.

84. *In March 2020 Somalia reached the HIPC Decision Point, with the IMF and World Bank approved its qualification to receive assistance under the HIPC Initiative; in effect reducing bilateral and multilateral debt burden from US\$ 5.2 billion to US\$ 557 million.* This decision followed Somalia’s clearance of arrears to AfDB, IDA and IMF, restoring Somalia’s access to regular concessional financing from these institutions. Reaching the Decision Point places Somalia on a path to receive irrevocable debt relief from its external creditors the government is presently negotiating terms of debt relief with bilateral and multilateral creditors. Meanwhile despite the ongoing crisis Somalia continues to implement the ‘floating Completion Point triggers’ which promote stronger public financial management, improved governance, enhanced delivery of social programs, private sector-led growth and resilience. Final debt relief will provide considerable support to government, to include greater fiscal space and discretion over investment priorities.

85. *Currently however, Somalia is still in debt distress.* Although clearing arrears to IFIs has reduced the present value of external debt to 41 percent of GDP, this remains well above the 30 percent threshold for countries with weak capacity to manage debt. Debt Sustainability Analysis (DSA) finds that debt stock will remain unsustainably high until Somalia reaches the HIPC Completion Point in 2023, after which the remaining debt is projected to fall to around 8 percent of GDP and 35 percent of exports. As noted above, the current crisis merely reaffirms the arguments for debt forgiveness and the need for government to continue to implement the reform program to make this a reality.

Table 17. DEBT IMPACT SEVERITY	
Impact Severity	Description
Pre-existing fragility/vulnerability	Debt is a pre-existing condition that is being relieved by the international community through the HIPC initiative,
Impact Strength	No significant impact on debt of the current crisis.
Impact Duration	No impact in the short run. Strong grant receipts have ameliorated the cashflow situation, and the authorities did not incur any new external debt
Population	Ultimate benefitting the entire population, including financial markets, though as stated above, COVID-19 has not increased Somalia’s debt burden

4.10. EMPLOYMENT

86. *No formal nation-wide survey of the impact on COVID-19 on unemployment has so far been undertaken.* Though, the impact channels affecting employment – and their potential multipliers - are understood to be the following:

- **Global and Regional Market Lockdown:** Global economic lockdown, changes to trade regimes and increasing trade protectionism directly impact Somalia’s ability to trade. Global market lockdown weakened near-term macroeconomic prospects, which is facing a negative external demand shock due to the global recession. Demand side reduction in Saudi Araba affected exports;

- ***Restrictions on Labour Market Mobility:*** The lockdown directly reduced domestic and international mobility undermining productivity which impacts household incomes and consumption;
- ***Reduced Fiscal Resources:*** The pandemic created urgent spending needs, including in the health sector, and affected government revenues due to contraction of the revenue base resulting from diminished economic activity;
- ***Balance of Payment Concerns:*** Lower export of services, remittances and foreign direct investment risk future balance of payments;
- ***Private Sector Distress:*** Key sectors such as construction, aviation, hotels, food and beverages and travel among other sectors were badly disrupted, leading to financial stress with many firms placing employees into technical unemployment. This has implications for future revenues;
- ***Reduced Employment and Household Income:*** For the period of the lockdown many firms in the formal sector placed employees in technical unemployment, and the likely impact on household income in the informal sector may have been substantial, leading to various coping strategies including asset sales. Unemployment and poverty rates are likely to have been elevated;
- ***Increased Dependence on Remittances and Social Welfare Spending:*** Remittances are set to decline considerably as a result of a fall in wages and employment of migrant workers; impacting household incomes, consumption and spending habits. Increased social protection and welfare spending increases expenditures to GDP; and,
- ***Debt Vulnerabilities:*** Long term debt vulnerabilities are likely to worsen as a result of the crisis, particularly at the enterprise level.

87. ***In the absence of up-to-date employment data, it might be tempting to infer results from regional economies such as Djibouti or Ethiopia, if not for the structure of employment and levels of information being very different.*** The employment impact is therefore established on the basis of limited survey results and anecdotal evidence, much of which comes from business related surveys. In the context of Somalia where diaspora incomes are also important, worsening employment futures in those economies will also at some point need to be considered. Moreover, the structure of the Somali economy includes combat (war), shadow (unregulated and illegal) and coping (subsistence) economies, all of which shape markets and determine level of fragility and resilience.

88. ***The combat economy (i.e., Alshabaab) includes the production, mobilization and allocation of economic resources to amass and concentrate the means of coercion, so as to wage war, and economic strategies of war (i.e., double taxation) aimed at the deliberate disempowerment of specific groups (i.e., federal government).*** The shadow economy is based largely on informal activities that have adapted to the high risk and high opportunity environment and there is likely to be linkages between conflict entrepreneurs and shadow economy entrepreneurs. The coping economy is the majority of the population and can be defined as those who cope (i.e., maintain their asset bases) and those who merely survive (i.e., deplete their asset bases such as refugees).

89. ***The unemployment rate baseline in the UNSDCF is established at 14 per cent in 2019, with 70 per cent of economically active youth unemployed or underemployed, based on the results of the Labor Force Survey undertaken by the Ministry of Labor and Social Affairs.*** Despite an estimated 400,000 persons entering the labor market every year, labor force participation is low, at just 48 per cent. For the youth however, the rate falls even lower to just 33 per cent for youth and just 14 per cent for female youth. This gender inequality may have worsened under the pandemic. While declining over recent years, unemployment remains stubbornly high, particularly for women, and highly vulnerable to

external shocks; given that predominantly informal nature of the economy which provides less secure terms of employment. The CBRP puts vulnerable employment among the limited number of employed women at 88 per cent.

90. ***There have been no employment losses within the public sector as a result of the pandemic. Within the business community however, survey results for a limited number of enterprises indicate losses and layoffs.*** Losses have also been higher in certain sectors, such as construction. The NHAOF COVID-19 Business Impact Survey for example surveyed 17 businesses employing a total of 613 permanent employees of which 108 were women and 430 were youth. Of these 613 employees, some 195 (31.8 per cent) have been laid-off due to supply chain disruptions and decreased demand for business products and services. In addition to layoffs, a number of companies pushed employees into technical unemployment through non-payment of salaries, alongside reduced salaries for remaining employees. Highlights from the above employment survey include:

- **Women:** 30 of the 195 laid off employees were women (15.4%), meaning the 17 surveyed businesses laid off a total of 27.8 percent of its female staff (30 of 108), on average; and,
- **Youth:** 150 of the 195 laid off employees were youth (76.9%), meaning the 17 surveyed businesses laid off a total of 34.9 percent of its youth staff (150 of 430), on average.

91. ***While these surveys are not nationally representative, the results tell us something about the existing structure of employment, and the terms of that employment.*** Informality dominates the Somali economy, essentially meaning that employment contracts (where they exist) generally provided limited protection for employees, and often come with few benefits. Moreover, the MSME space is substantially skewed towards unregistered micro enterprises, and the terms and conditions of employment in micro enterprises remains highly informal and unregulated.

92. ***The Socio-Economic Impact Assessment of Puntland reported a major impact on unemployment.*** The survey found that overall 16 percent of respondents said that at least one member of their household has lost employment (paid job or business). This is, attributed, to the close of small businesses like food stores, groceries and restaurants, building constructions stopped, and public transportations halted in addition the government, banned temporarily the importation of and trade in Khat, to reduce the spread of coronavirus which was a source of income for some of the unskilled workers and vulnerable families, like internally displaced families, and widowed mothers. Among the three towns, the percentage of households, which, reported employment loss of the head during Covid-19 was higher in Galkayo town at 19 percent, compared to Qardho at 17 percent and Garowe towns at 12 percent respectively. (Government of Puntland, Socio-Economic Impact Assessment)

93. ***The national survey-based SEIA for Djibouti estimated that some 10,500 people were placed in technical unemployment during and following the economic lockdown; or 1 per cent of the entire population;*** lower than the 40,000 worst scenario forecasts. For a country with a million people, where outside of the high-end port and free zone economies high levels of informality exist, particularly in subsistence agriculture, a similar level of impact might be accorded to Somalia. While it is not possible to abstract that a similar impact has occurred in Somalia, if it had, that would translate into temporary and permanent employment losses of 100,000 to 150,000; which seems plausible, even if it not supported by data.

Table 18. EMPLOYMENT IMPACT SEVERITY	
Impact Severity	Description
Pre-existing fragility/vulnerability	Somalia has a deep pre-existing unemployment and underemployment crisis and high levels of informality. As a drought prone economy, adjusted to economic shocks and downturn, COVID-19 is perhaps just another shock. The impact on the business community – as a result of supply chain constraints and lowering urban demand, is perhaps new.

Impact Strength	The impact on employment suggests a considerable impact, given the low base of existing employment, though it is not out of line with regional and high-income economies. The impact has likely been moderate to severe.
Impact Duration	Further surveys are required to ascertain the extent to which those made unemployed are likely to return to their jobs, and those who might be permanently laid off.
Population	Risks of unemployment affect the entire population, though certain industries are likely to have been the most affected, such as construction, hotels, aviation and trade.

4.11. MACRO-ECONOMIC COVID-19 SCORECARD

94. *Assessing the impact of COVID-19 on the macro-economy has been made easy by the large number and high quality of analysis provided by the Central Bank of Somalia (CBS), Ministry of Finance and the IMF and World Bank in particular.* Table 19 below provides an overview of the current forecast impacts on GDP, consumer prices, central government fiscal accounts and central government external accounts. The biggest question is not really about the quantum of known impacts, it is the unknown impacts on the social contract, on fiscal federalism, on long term trade balance, and on how long enterprises will remain in effective quarantine, given the continuation in demand and supply side constraints.

95. *Perhaps the biggest impact of the crisis has been a sudden awakening that drought and conflict are not the only exogenous factors that can broadside Somalia.* Even if government established an NDP-9, promotes foreign direct investment, improved the business environment while making transformation changes to the management of public finances, fragility to exogenous factors remains considerable. The trade imbalance and dependence on imports, dependence on external assistance and humanitarian support, high levels of unemployment and informality are all pre-existing conditions, that if anything make Somalia particularly susceptible to the current pandemic.

Table 19. SELECTED MACRO-ECONOMIC INDICATORS – 2019 BASELINES AND 2020/2021 REVISIONS					
	Project				
	Est	ECF	Revision	ECF	Revision
	2019	2020		2021	
National income and prices					
Real GDP, annual percentage change	2.9	3.2	-1.5	3.5	2.9
Consumer prices (e.o.p., percent change)	3.1	3.0	3.0	2.5	2.5
Central Government Finances (Millions of U.S. dollars)					
Revenue and grants	338.3	493.2	617.7	595.3	537.4
Domestic revenue	229.7	234.4	194.0	266.9	260.0
Grants	108.6	258.8	423.7	328.4	277.4
Expenditure (FGS)	314.5	474.6	628.3	520.6	515.4
Overall balance	23.9	18.5	-10.6	74.7	22.0
(Percent of GDP)					
Revenue and grants	6.8	9.5	12.6	10.8	10.0
Domestic revenue	4.6	4.5	3.9	4.8	4.8
Grants	2.2	5.0	8.6	6.0	5.2
Expenditure (FGS)	6.4	9.1	12.8	9.5	9.6
Overall balance	0.5	0.4	-0.2	1.4	0.4

Balance of payments		(Millions of U.S. dollars)			
Exports of goods and services	1,120	1,178	702	1,230	1,170
Imports of goods and services	5,224	5,817	5,184	6,148	5,830
Remittances	1,578	1,690	1,543	1,801	1,662
Grants	2,043	2,345	2,344	2,471	2,343
		(Percent of GDP)			
Exports of goods and services	22.7	22.6	14.3	22.3	21.8
Imports of goods and services	105.7	111.5	105.4	111.6	108.7
Remittances	31.9	32.4	31.4	32.7	31.0
Grants	41.3	44.9	47.7	44.9	43.7

Source: IMF Review, November 2020

5. BUSINESS IMPACT

96. *This section looks at the impact of the pandemic on the nascent and emerging business community in Somalia, given that Somalia is one of the few governments around the world unable to provide rapid financial support to businesses (with the exception of tax breaks), due to its weak fiscal dispensation.* With diversifying the economy, business formalization, improving the business regulatory environment and human capital development central to NDP-9 and National Investment Promotion Strategy (NIPS), the impact of the crisis is likely to have set businesses back, by some considerable margin.

97. *The best way to understand the context for businesses in Somalia is to understand recent history, and the weak but improving enabling environment.* Years of conflict and fragility have left Somalia's economy with a range of challenges, including population growth outstripping economic growth, acute poverty and vulnerability, recurrent external trade and climate shocks, and insecurity. Weak fiscal space and continues to undermine institutions and an incomplete political settlement have also affected the country's economic strength, and ability to negotiate within the wider regional economy. Moreover, in relation to financial markets and banking, no new currency has been introduced by the Central Bank allowing massive counterfeiting in the country, and undermining government's ability to establish and regulate monetary policy.

98. *In addition, the backbone of the Somali economy (i.e., agriculture sector, mainly livestock) remains exposed to climate change related shocks.* The challenge of mitigating the impacts of climate change must be recognised as an enduring problem for the wellbeing of society. At the forefront of this is protracted drought and flooding, which are likely to increase in both frequency and severity and directly challenge both the fragile political settlement and the viability of the productive sector, particularly agriculture and livestock. Despite this, climate change adaptation remains severely under-financed and no financial products or incentives have been developed to encourage private sector solutions. Blended financing would go some way to de-risk private action in this space, given that combating climate change also involved internalizing externalities.

99. *Within this context a number of surveys are referenced, providing evidence of the varying impacts felt by a wide variety of firms, in different industries and markets and across different markets.* These include the COVID-19 Formal Enterprise Survey (September 2020), the NHAOF COVID-19 Business Impact Survey and the more recent report on the Impact on of COVID-19 on the Economy by the Heritage Institute. The results of these impact surveys are summarized here, and supported by the results of SEIA conducted for Galmudug and Puntland.

5.1. STRUCTURE OF THE ECONOMY

100. *It is useful to review in brief the structure of the Somalia economy, in order to get a better sense of how the global and national economic lockdown affected different components of it.* Moreover, to the extent that data exists, it is useful to try and get a handle on the structure of the economy, which covers agriculture, construction, fishing, healthcare, manufacturing, energy, services including finance and transportation (i.e., aviation), not least because certain sectors are more impacted by the economic lockdown (i.e., aviation) and others are more resilient (i.e., banking).

101. *While Agriculture has historically been the backbone of the Somali economy, and livestock exports critical to securing the trade balance, new economies such as oil and gas, financial services, trade, construction and energy are likely to make agriculture a declining function of growth.* Currently however, around 60 per cent of the Somali economy is composed of agriculture, though the livestock economy dominates production value and exports.²⁷ The economy of Puntland remains dependent on livestock exports, contributing approximately 80% of foreign exchange earnings, 40% of

²⁷ The first is nomadic pastoralism, which is practiced outside the cultivation areas. This sector, focused on raising goats, sheep, camels, and cattle, has become increasingly market-oriented. The second sector is the traditional, chiefly subsistence, agriculture practiced by small farmers.

the GDP and 60% of employment opportunities. Banking, money transfer, telecommunications, airlines, tourism, media, tannery, power, water utilities and consumer services dominate the remainder of the economy and Somalia also leads Africa in mobile money, mainly transacted in US dollars, with billions exchanged annually.

102. *The true value of domestic investment is not clearly documented, though as GDP is dominated by the private sector, the value of domestic investment is worth billions of dollars annually.* Of the larger corporate operators, Hormuud Telecom currently employs more than 5,000, Somtel operates out of Hargeisa, and is largely owned by Dahabshiil, which itself is a multinational corporation. Money Transfer Businesses (MTB) (hawala) dominate financial markets and support incoming remittances of over US\$ 1.4 billion in 2017, and include companies such as Amal Express, Dahabshiil, Kaah Express and Somali Money Express.

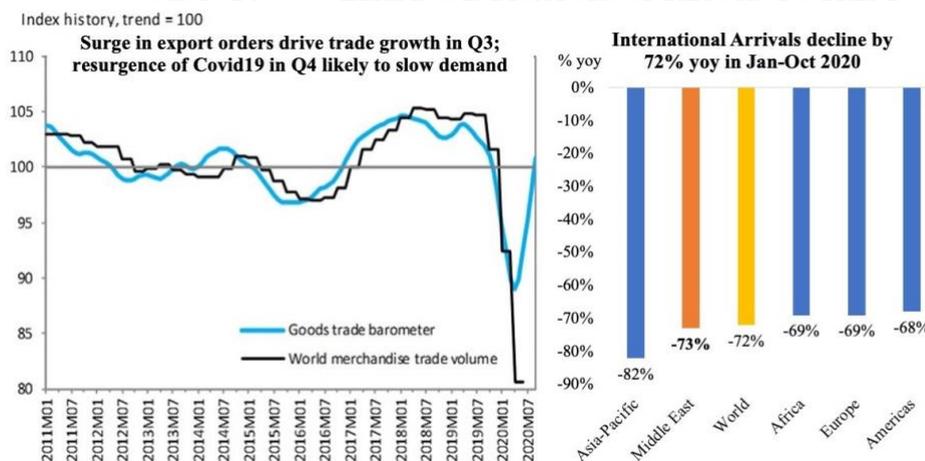
103. *The number of MSMEs is also not clearly documented, but where they do exist, they promote entrepreneurship and innovation.* Evidence suggests that women may be the main breadwinner in 70 % of households, though their role may often not be captured in surveys that engage the male household head. In telecommunications and digital finance, agri-businesses (agriculture and livestock), and trade and transportation business are concentrated in the hands of a small number of large-scale operators. In terms of customs, infrastructure, international shipments, logistical competence, tracking and tracing and timeliness, Somalia lags behind its neighbors, with its current capacity being at the same level that Ethiopia was in 2007. In terms of international shipments, Somalia ranks at the same level of Kenya. (FGS, NIPS, 2019) Somalia is also ranked 190 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings; with the rank being unchanged since 2018.

104. *The composition of MSMEs is heavily skewed towards micro-enterprises and intermediary financial services (the missing middle in financial markets) are largely absent for micro, small and medium enterprises.* Market lending is heavily concentrated around short-term trade finance and other growth sectors are systematically excluded. Informality dominates the private sector, making market-based financial intermediation challenging. As a result, removing the capital constraints of micro and small enterprises must also support the transition to the formal economy; deploying incentives. Moreover, women and marginalized groups are denied equal access by the market as well as the cultural establishment, including state administration.

5.2. LOCKDOWN

105. *By the time the government placed a lockdown on markets, and despite prior warning as neighbors were following suit, businesses were wholly unprepared.* The March 2020 lockdown caused a shock to the business community, but what made business planning more complex, was the uncertainty about how long the official lock down would last, but more importantly, how long other economies would be on lockdown, as this has huge implications for Somali business, and business outlook planning. While leading indicators emerging from WTO, the World Tourism Organization (UNWTO) and IATA suggests a positive bounce back to trend in the third quarter, lower demand and supply side constraints continue to impede a return to trend in Somalia.

Chart 14. LEADING INDICATORS OF RETURN TO TREND

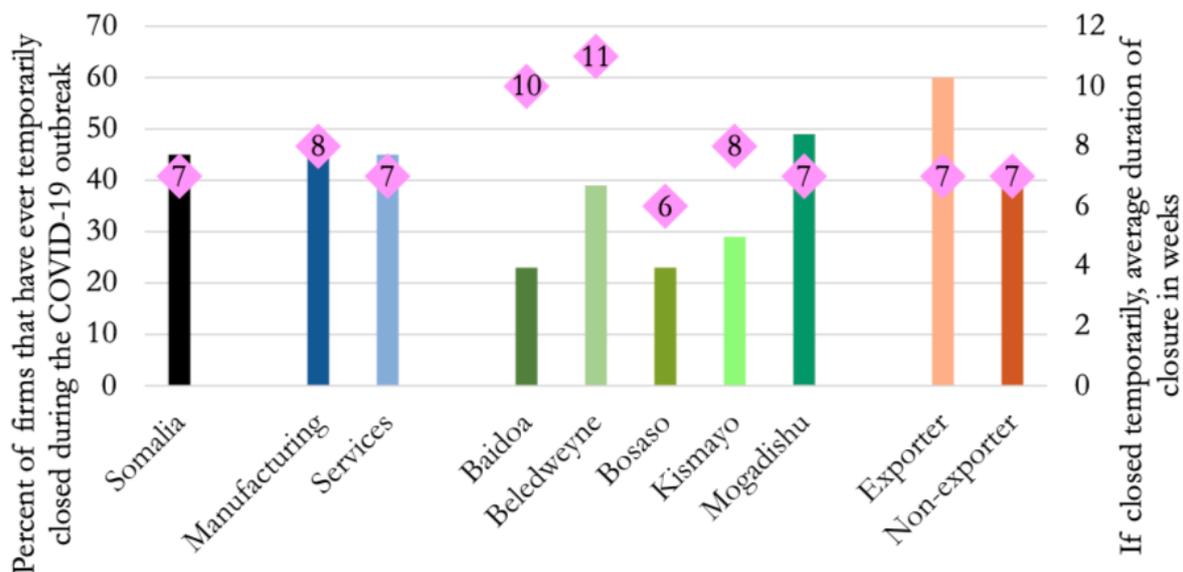




106. **The economic lockdown combined with healthcare rules and regulations (aimed at slowing down the spread of the virus) resulted in disruptions to production, to supply chains to a lowering of effect demand, leading to business stress.** Results from the first wave of the COVID-19 Formal Enterprise Survey (MSMEs in Mogadishu) provides important insights into the impact of the lockdown and of innovations and adaptations employed, to respond to rapidly changing market conditions. Moreover, the Business Impact Survey Analysis by the Nordic Horn of Africa Opportunities Fund (NHAOF) (June 2020), a Report on Women Enterprises in Mogadishu by Raagsan (June 2020), Rapid Assessment on the Impact on Women-Led Businesses by Ministry of Women (May 2020) as well as Specific IFC Sector Assessments of Energy and ICT also in May 2020.

107. **As reflected in Chart 15 below, an immediate manifestation of this effect is business closures, as social distancing measures and other restrictions require some businesses to close.** According to the survey, about 45% of the formal businesses in Somalia had to suspend operations temporarily due to the COVID-19 outbreak, on average for about a period of seven weeks. Firms in the capital Mogadishu, and trade-based firms with an export focus were the hardest hit, with 50 – 60 per cent of businesses in the respective categories temporarily suspending operations between mid-March and July 2020.

Chart 15. CLOSURES AND DURATION, BETWEEN MID-MARCH AND JULY 2020



Source: September results from COVID-19 Formal Enterprise Survey

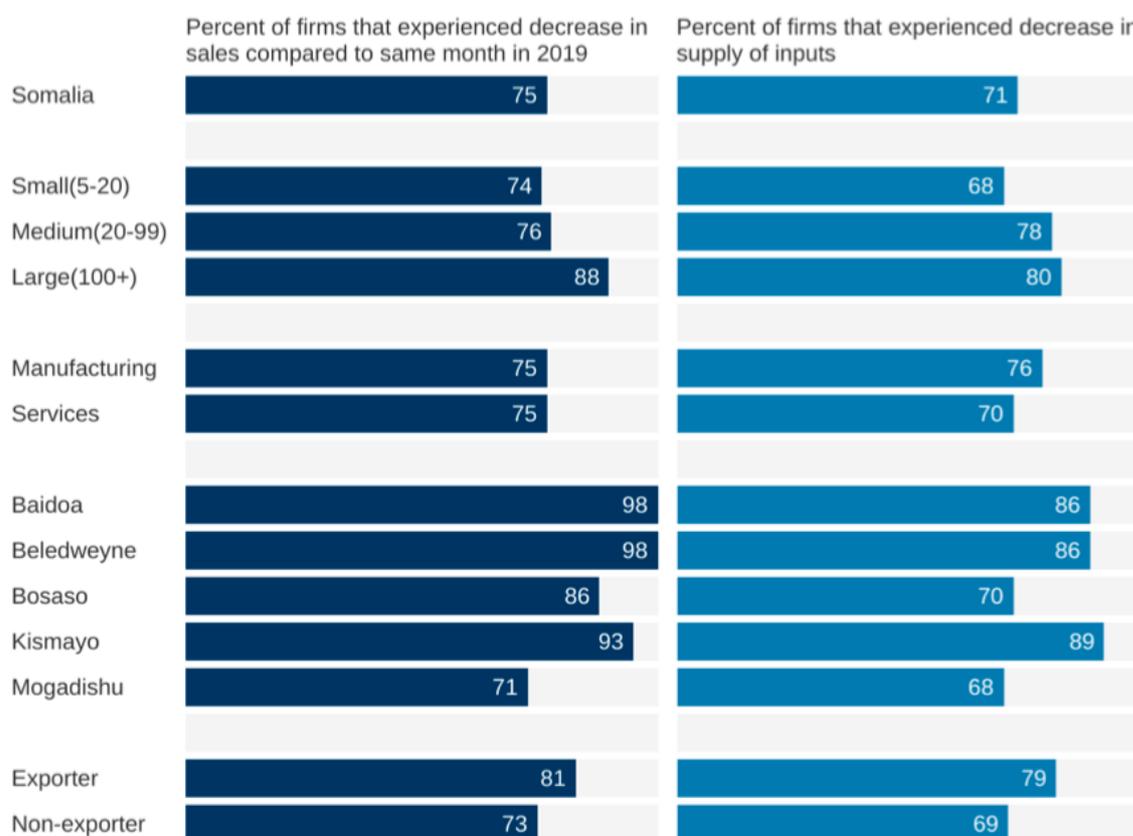
108. **Results from the formal enterprise survey undertaken in September reveals that the impact on formal firms at all sizes, including small (5-19 employees), medium (20-100 employees) and large (100+ employees), has been considerable.** According to the survey results, 75 per cent of firms experienced decline in sales in the period May to June 2020 compared to the same baseline period in

2019; similar to impacts seen in regional and global economies. Sales in the period May to June 2020 contracted by 32 per cent compared to the same period in 2019 and some 90 per cent of firms reported liquidity and cash flow shortages, leading to delayed payments.

109. *Adapting to the collapse in business has not been easy, not least because the crisis has moved from being a health crisis to one that effects global economic and trading relations.* The easiest first adaptation was to reduce the size of the work force to lower the wage bill. Close to 70 per cent reduced working hours while 59 per cent of firms interviewed reduced wages. Some 58 per cent of the firms reduced the number of temporary workers compared to the level in February. On average firms in Somalia shed 31% of their full-time permanent employees compared to the level in February. The employee reduction doesn't appear to disproportionately affect female employees. The survey states that businesses adjusted service and products delivery (16 per cent) while also adopting technological solutions (51 per cent increased online sales) to minimize the impact; including increasing online sales.

110. *Chart 16 below provides the results for small, medium and large enterprises by industry declaring a decline in sales, compared to the 2019 (year-on-year) baseline.* Some 70 per cent of firms faced supply and input disruptions, including both raw materials or finished goods; purchased for resale. The survey also reported considerable regional disparities, with firms in Baidoa, Beledweyne and Kismayo being the hardest-hit, for the period in question. Large firms employing 100 and more people, and exporters were also disproportionately affected by the decline in demand and supply shocks, and in all likelihood the situation reported at the time of the survey is most likely to still prevail.

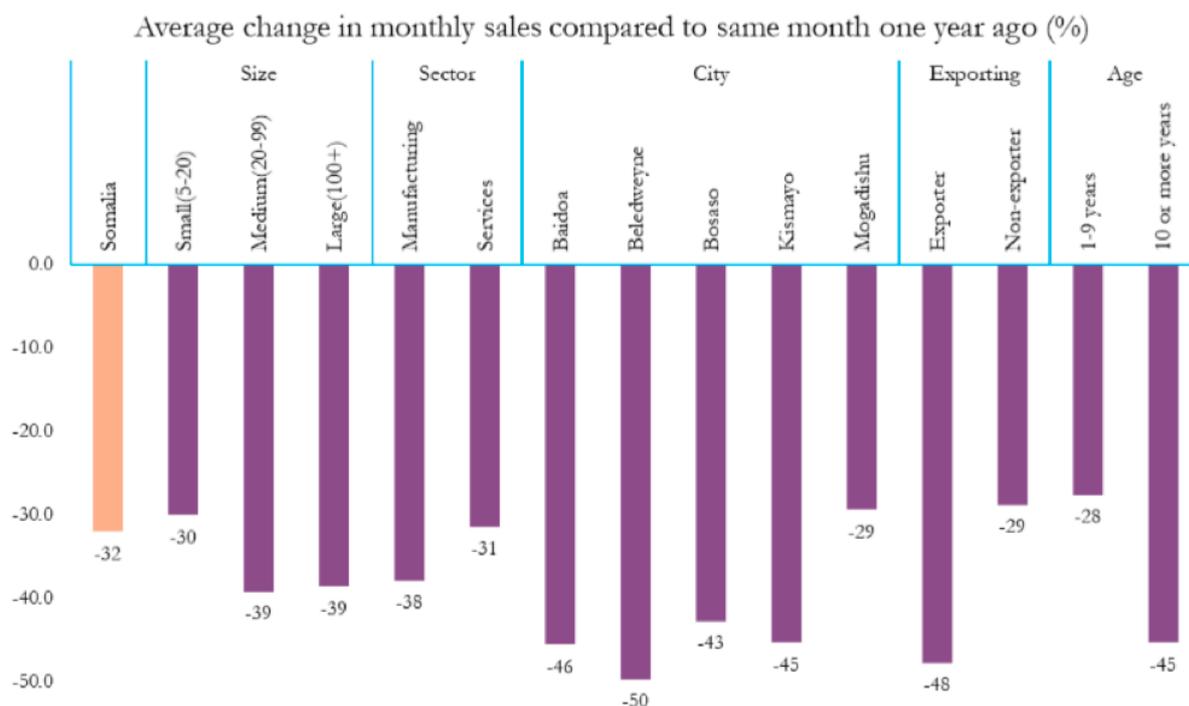
Chart 16. DECLINE IN SALES AND SUPPLY AND INPUT DISRUPTIONS FOR MERCHANDISES FOR RESALE



Source: September results from COVID-19 Formal Enterprise Survey

111. *When one compares the impact results by market, across the board Somali business suffered a 32 per cent reduction in sales during May and June 2020, with Beledweyne showing the deepest collapse.* As these results reflect the formal sector, some of these firms facing liquidity constraints were able to access financing to tide the business over. In the informal sector where access to finances is heavily restricted, such a luxury was not afforded. The survey reports that established (i.e., ten years or more) were more impacted by newly established enterprises, perhaps reflecting their greater integration into market structures with more established clients, dependencies and contingent liabilities. Clearly, established companies in the export industry operating out of Beledweyne were among the most impacted by the crisis.

Chart 17. AVERAGE CHANGE IN SALES FOR MAY/JUNE COMPARATOR YEARS (2019/2020)



Source: September results from COVID-19 Formal Enterprise Survey

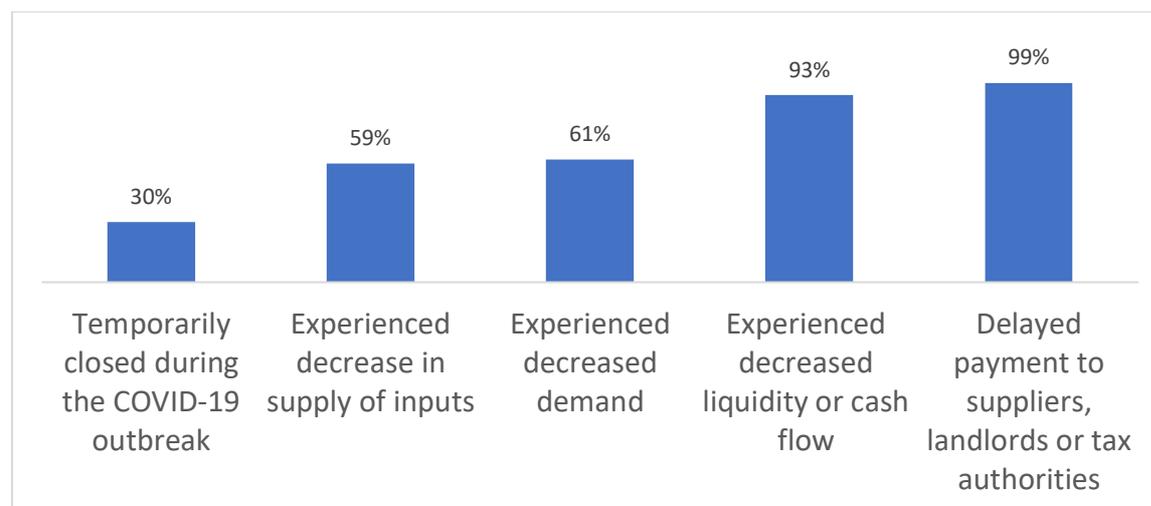
Table 20. LOCKDOWN IMPACT SEVERITY

Impact Severity	Description
Pre-existing fragility/vulnerability	The last time such a lockdown existed in Somalia was probably in areas affected by conflict in the war in 1991. This is perhaps the most severe single disruption to business in recent memory.
Impact Strength	For certain sectors the impact has been severe (i.e., government, aviation, livestock, hotels etc.) and for other industries the impact is reported as being moderate.
Impact Duration	For most businesses the duration of the lockdown was the period legislated by government, however, society remained in partial lockdown for months, making many firms almost redundant, and to other firms where both supply and demand side shocks continue, the duration of crisis is ongoing as of December 2020.
Population	Whole of society.

5.3. ENTERPRISE ADAPTATION AND RESPONSE

112. *In terms of adaptability, firms reporting adaptation to secure commercial viability had a number of survival strategies, as outlined in Chart 18 below.* A key question here, is how commercially viable or leveraged were these firms prior to the lockdown, and how many were bordering on bankruptcy anyhow! Obviously for firms that have survived many years, droughts and import bans from Saudi for livestock, are more likely to adapt and to survive than a poorly capitalized start-up company. Moreover, as noted below, for trade-based companies dependent on the import of supply, and given that supply chains are only just beginning to return to normal at the end of 2020, many of these companies are likely to face long term viability challenges.

Chart 18. FORMAL SME SURVIVAL AND ADAPTATION STRATEGIES



Source: September Formal Enterprise Survey on Small to Large Firms undertaken by MoCI, WB, IFC, UNIDO

Table 21. ADAPTATION IMPACT SEVERITY

Impact Severity	Description
Pre-existing fragility/vulnerability	The crisis has hastened the move to online services for many businesses. As a result, micro-enterprises and firms unable to operate digitally were poorly placed to adapt.
Impact Strength	Positive impact of adaptation for firms able to adapt, and those able to benefit from the crisis and those agile enough to recast their business model to cut costs and expand to new markets.
Impact Duration	The longer the crisis continues the greater the level of adaptation for more agile forms. More traditional firms (i.e., livestock, agriculture, street tea sellers etc.) continue to be affected.
Population	Adaptation is already hard wired into Somali society, with coping mechanisms among enterprises well established to deal with shocks such as war and drought. At the same time, certain sectors (hospitality, khat etc.) have faced unprecedented challenges.

5.4. LIQUIDITY AND INVENTORY SUSTAINMENT

113. *The knock-on impact of reduced market demand and supply constraints is cash flow shortages and delaying expenditures and payment of liabilities.* This creates a chain reaction – including forwards and backward linkages – because when one firm does not pay another, then firm will then likely be unable (or willing) to pay their own sub traders or suppliers. Under such conditions, providing liquidity and trade financing for nascent SMEs during the pandemic is vital to their very

survival. With so many firms delaying payments – similar to what occurred following the 2007 and 2008 Great Financial Crisis, bouncing back took many companies many years, even when demand returned due to supply side (i.e., product inventory) constraints.

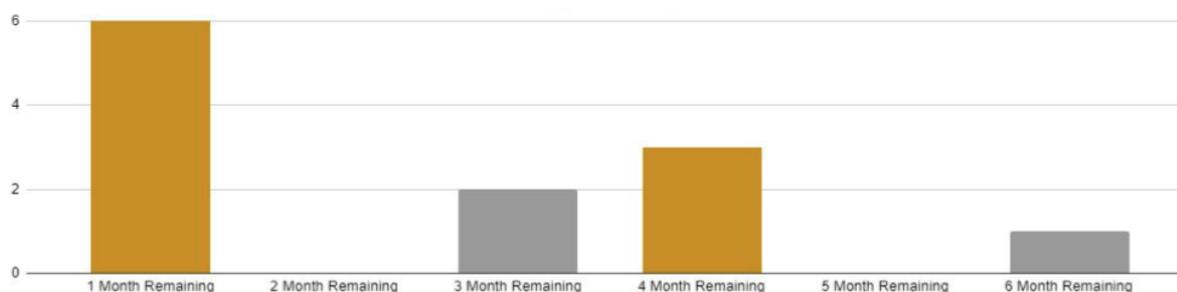
Chart 19. CASHFLOW SHORTAGES AND DELAYING PAYMENTS



Source: September results from COVID-19 Formal Enterprise Survey

114. **IFC conducted two rapid surveys in April 2020 of energy and ICT firms, to get a greater understanding of the impact of the economic downturn on both of these emerging industries.** Firms involved in electricity generation and distribution reported reduced consumption of electricity due to failing demand, disruption in revenue collection, suspension of network expansion operations, a slowdown in daily operations and staff productivity and an overall disruption in operations. ICT firms reported reduced demand and network reliability, challenges in customer service, potential challenges in staff retention, potential delay expected across the telecom value chain, a risk of revenue decline due to low economic activity, decline in remittances and reduced sales and cash flow problems and disruption in other business development operations. (IFC, Energy and ICT Sector Surveys). Chart 20 below provides the NHAOF Enterprise Survey Results illustrating the severity of the inventory stockpile faced by most firms, with many firms having less than 1-months stock at the time of the survey.

Chart 20. REMAINING INVENTORY IN MONTHS FOR FIRMS WITH INTERNATIONAL VENDORS



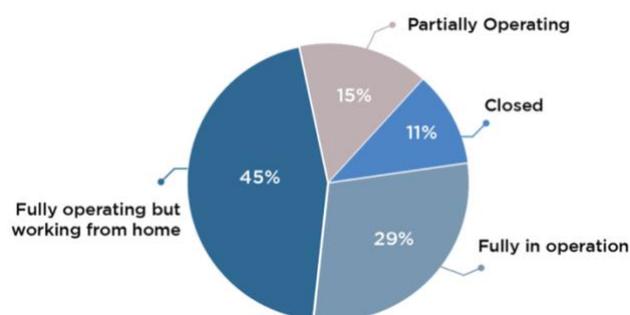
Source: NHAOF Enterprise Survey

115. **The Heritage Institute Impact on of COVID-19 on the Economy survey conducted at the end of July 2020, provides a useful corroborative evidence.** The survey reports that 45% of business activities were fully operating but had employees working from home, 29% were fully operating, 15% were partially operating and 11% were closed. (See Chart 21 below). According to the Heritage Survey, 97 per cent of surveyed businesses indicated that the COVID-19 pandemic had impacted on their revenues. Nearly two-thirds of surveyed businesses reported a decline in revenue of over 20%, while

nearly one-third reported a mild decline of 20% or less and only 3% reported no impact at all on their businesses. For many businesses, the decline was the result of only being able to conduct partial operations during lockdown. Customers’ fears of pandemic-related health consequences also reduced visits to businesses. Importantly, the survey found that 50 per cent of the surveyed businesses had to dismiss workers due to the pandemic; corroborating other survey findings.

116. *The survey also looked at trade-based firms involved in exports, indicating that 76 per cent of export and import businesses have been affected to some extent by COVID-19.* Some 44 per cent of respondents indicated that COVID-19 has had a severe impact on exports and imports, followed by 30% who felt it has had a medium impact and 25% who perceived a low impact on exports and imports. (Heritage Institute, Impact on of COVID-19, July 2020)

Chart 21. STATE OF BUSINESSES ON OPERATION (JULY 30TH)



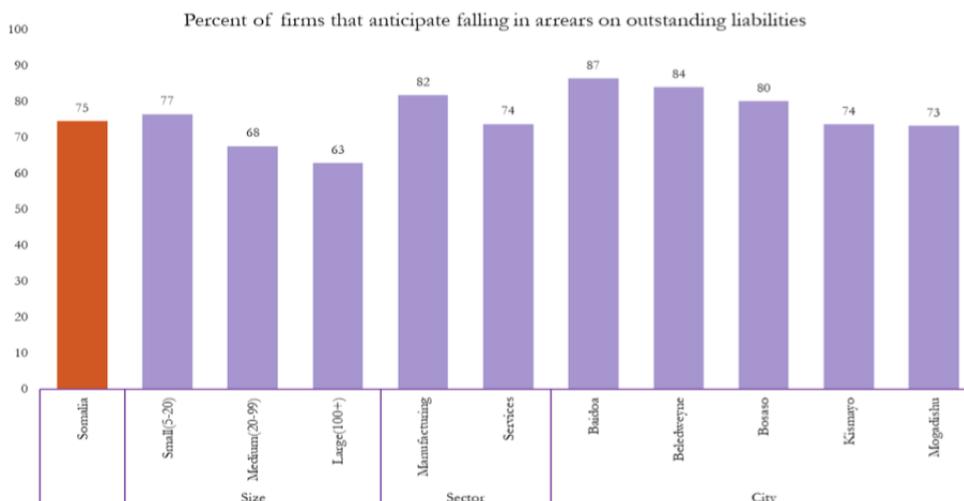
Source: HIPS survey

Impact Severity	Description
Pre-existing fragility/vulnerability	For most micro and small enterprises, lack of access to formal credit was a pre-existing condition that new facilities such as Gargaara have been seek to address. Both access and costs remain constraining factors.
Impact Strength	Severe, for many firms, unable to borrow and now in arrears.
Impact Duration	This is a structural constraint regardless of COVID-19, exacerbated by COVID-19 as the pandemic was unforeseen, not allowing good business decisions to be made early on. Many firms delayed reducing costs, unsighted on the nature of the crisis and how long the lockdown would last.
Population	Widespread, severe and moderate liquidity crunch for businesses across diverse sectors.

5.5. EXPECTATION OF FALLING INTO ARREARS

117. *Falling into arrears happens to most start-up companies and in times of business cycle stress, these impacts can be industry wide.* It is quite normal for any value chain to have be deeply connected that stress at any one level (input supplier, producer, packer, transporter, wholesale or retail operator) has direct impacts on all other value chain clients. Chart 22 shows an extremely high level of expectation falling into arrears, at almost 70 per cent or more across the board – by industry and market. Falling into arrears then takes considerable time before markets normalize, and a firm can repay, before reinvesting in the next business cycle.

Chart 22. EXPECTATIONS OF FALLING IN ARREARS

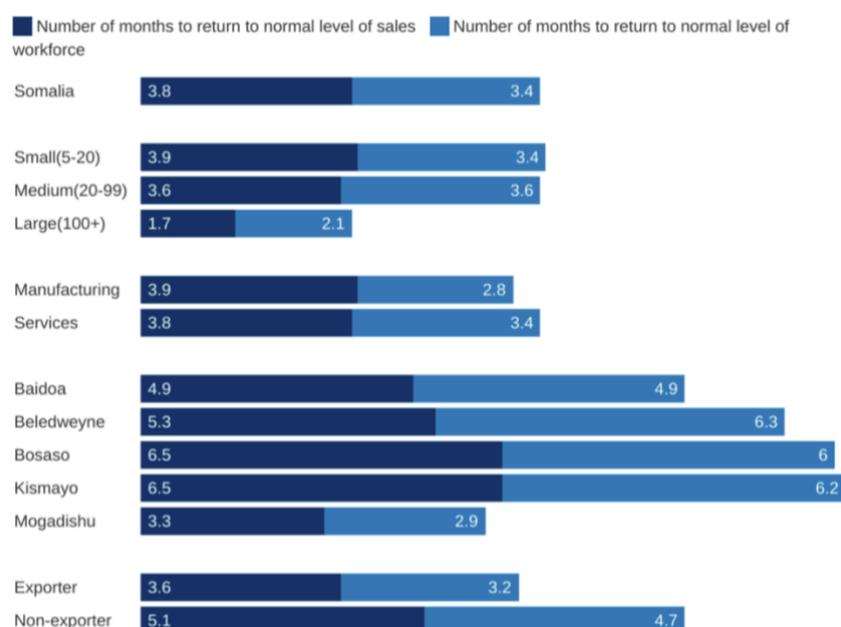


Source: September results from COVID-19 Formal Enterprise Survey

5.6. EXPECTATIONS ON RETURN TO BUSINESS AS NORMAL

118. *Though some optimism for a return to normal is beginning to emerge in maritime trade and air passengers (see analysis above), it will likely take the best part of 2021 to have the majority of the world vaccinated to achieve herd immunity.* As there are no metrics of what 2021 holds for Somalia, expectations are a vital way of understanding how firms are adapting, hedging and re-investing; for those that have survived. Chart 23 shows that expectation of a return to normal level of sales was between 3 to 6 months in most cases, though large firms predicted a more rapid return than smaller enterprises. Moreover, in most of the FMS towns, perceptions saw a return to normal sales in around 6 months, and no return to prior levels of staffing for a year.

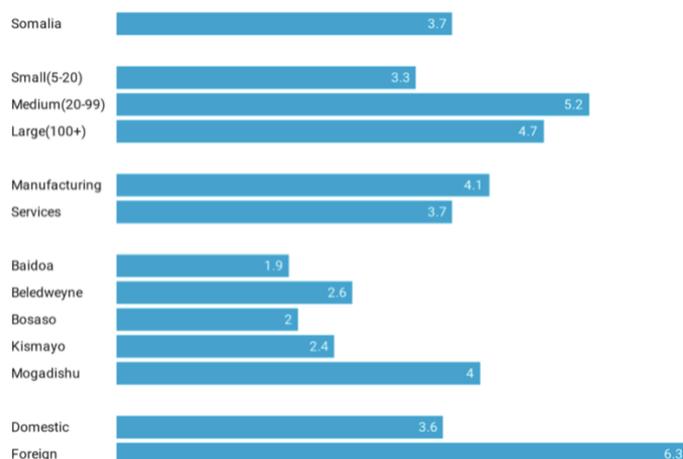
Chart 23. EXPECTATION ON RETURNING TO NORMAL LEVELS OF SALES AND WORKFORCE



Source: September results from COVID-19 Formal Enterprise Survey

119. *Perhaps as important as perception of a return to normal sales, is the duration of possible establishment survival of sales stopped.* Chart 24 below provides an average of 3.7 months for Somalia, with medium firms having greater liquidity (ability to weather the storm) than small and large firms, and foreign firms had almost double the ability to survive should the entire industry they are deployed in stopped. Unfortunately, as presidential elections are planned for early 2021, it could be that other factors such as security also play a role in this outcome.

Chart 24. DURATION OF ESTABLISHMENT SURVIVAL IF SALES STOPPED (IN MONTHS)



Source: September results from COVID-19 Formal Enterprise Survey

Table 23. FORWARD EXPECTATIONS IMPACT SEVERITY	
Impact Severity	Description
Pre-existing fragility/vulnerability	COVID-19 is not perhaps a ‘new normal’ for Somalia, as business communities often face continuous disruptions, caused by trade bans (Saudi Livestock), conflict (Al-Shabaab), drought etc.
Impact Strength	Expectations of an 3-6 month return to normal reflect the uncertainty created by the crisis, and policy uncertainty that will see a return to normal liquidity and mobility. The impact of the uncertainty is considerable, when you compare the inventory that many firms have.
Impact Duration	There is growing awareness that the crisis will bleed into 2021.
Population	Widespread population-wide uncertainty as the 2021, partially as a result of the triple+ shocks, and the political transition in 2021 also.

5.7. IMPACT ON EMPLOYMENT

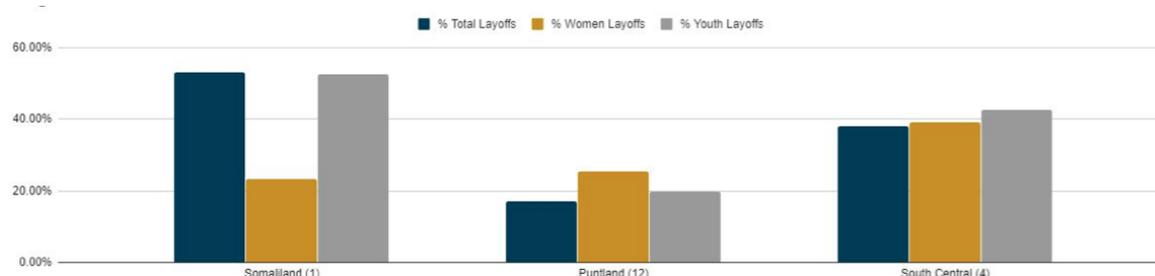
120. *As stated in the section on macro-economic impacts, no formal survey has been undertaken to look at national employment impacts of COVID-19.* There are of course many dimensions to this, particularly given the high level of informality and seasonality in employment, and in particular the high rate of youth unemployment (70 per cent nationally) among women. Instead of a dedicated employment survey, the impact of the crisis on employment must be inferred from enterprise surveys. Table 24 below, taken from the September formal enterprise survey, highlights the widespread use of different workforce adjustment strategies, not limited to lay-offs, but including reduced wages and reduction in working hours.

Table 24. WORKFORCE ADJUSTMENT STRATEGIES UNDERTAKEN BY FORMAL ENTERPRISES													
Workforce Adjustments	Size				Sector		City					Exporting Status	
	National	Small	Med	Large	Manuf acturing	Services	Baidoa	Beled- weyne	Bosaso	Kismay o	Moga- dishu	Export	Non- Export
% of firms that decreased total hours worked per week	68.3	65.2	78.5	85.2	76.1	67.5	85.1	88.6	66.6	81.0	66.4	79.0	66.2
% of firms that reduced wages	58.9	61.3	46.8	74.7	54.2	59.5	66.5	52.3	31.9	43.1	61.5	63.1	31.3
% of firms that decreased the total number of temporary workers	64.2	65.4	59.0	67.8	73.3	63.3	52.5	47.7	62.5	43.8	66.5	69.1	63.3
% of firms that decreased the total number of permanent workers	56.6	57.6	48.6	84.6	52.1	57.1	63.7	61.4	46.4	46.7	57.5	53.1	57.4
% change of permanent full-time workers since February 2020	-30.9	-31.6	-27.3	-34.4	-22.7	-31.7	-42.3	-39.4	-29.9	-29.2	-30.2	-30.2	-31.0

Source: September Enterprise Survey

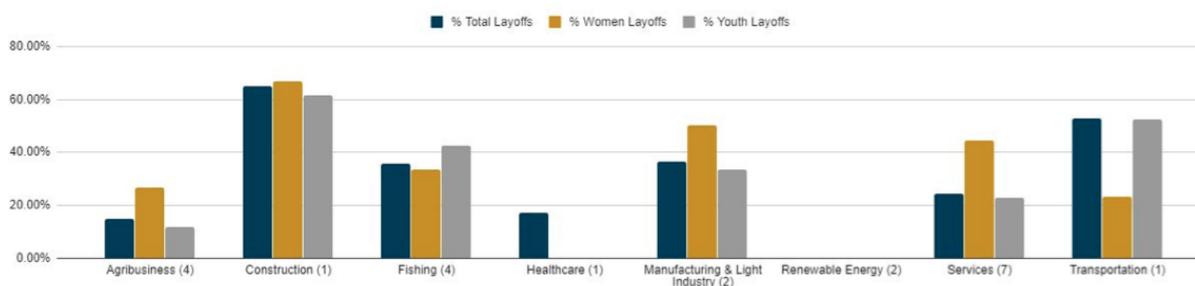
121. This is corroborated through the results of a survey undertaken among recipients of the Nordic Horn of Africa Opportunities Fund (NHAOF), which was conducted among just 17 firms in the second quarter of 2020.²⁸ The survey roles support the general findings of September enterprise survey, with 195 of the total 613 employees (approximately 32%) reportedly laid off due to supply chain disruptions and decreased demand for business products and services. This was most significant in Somaliland, in which firms laid off as much as 50% per cent of their staff. Layoffs in Puntland were half that of Somaliland, with South Central coming in at just below 40 per cent. Enterprise survey job losses by sector is provided in Chart 25, showing a high rate for construction – though given the low sample size, this is only representative of 1 construction firm. As shown in Chart 26 firms in the transportation and services sectors report to be the worst hit. The survey was conducted by Shuraako staff.

Chart 25. NHAOF ENTERPRISE SURVEY JOB LOSSES BY REGION



Source: NHAOF Enterprise Survey

Chart 26. NHAOF ENTERPRISE SURVEY JOB LOSSES BY SECTOR²⁹

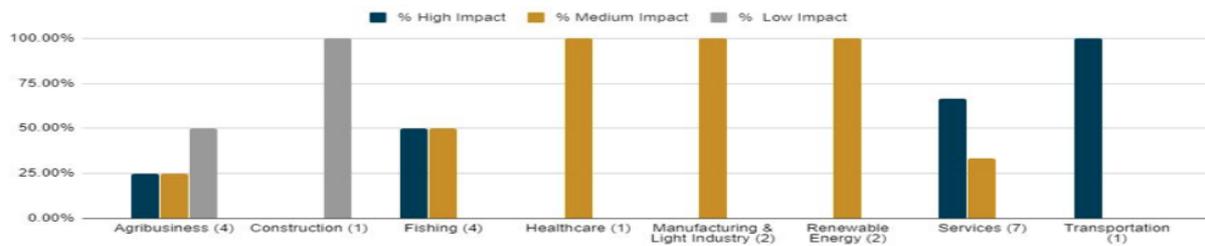


Source: NHAOF Enterprise Survey

²⁸ In accounting for differences between the 2 surveys it is worth noting that the NHAOF survey was undertaken among firms requesting additional funds due to the COVID-19 pandemic and is therefore likely skewed towards heavily impacted firms.

²⁹ Categories in the x axis represent sectors in which firms are engaged. Note that some enterprises are engaged in multiple sectors, accounting for a number greater than 17.

Chart 27. CATEGORIZATION OF COVID-19'S BUSINESS IMPACT BY RESPONDENTS BY SECTOR



Source: NHAOF Enterprise Survey

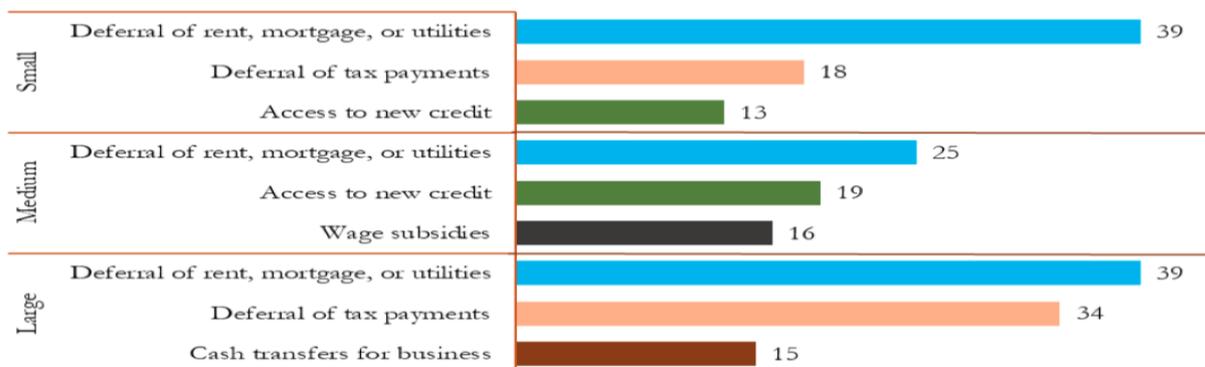
Impact Severity	Description
Pre-existing fragility/vulnerability	Widespread pre-existing unemployment and underemployment are everywhere a problem, which is getting worse given population growth rates and slow rates of inclusive growth.
Impact Strength	For the period of lockdown and extended beyond that, from the limited survey results referenced, the impact on unemployment appears to be moderate to severe.
Impact Duration	It must be assumed that those who have lost their jobs are unlikely to be employed again until markets begin to function, which implies mid to late 2021 for many people.
Population	Widespread.

5.8. TYPE OF ASSISTANCE REQUIRED

122. *Importantly, many of the surveys requested key informants to indicate what kind of assistance was most essential; providing a useful insight on gaps and stresses.* Desired government support varied by firm size, with 39 per cent of small enterprises requiring a deferral in rent, 18 per cent seeking a deferral on tax payments and 13 per cent seeking access to credit (i.e., as being supported through Gargaara). Medium sized firms requested the same support but also wage subsidies, and large enterprises also requested cash transfers. Of course, Somalia does not have the fiscal capacity to provide industry wide bailouts, and so many of these requests went unanswered, with the exception of temporary tax and rental deferrals; which will of course still need to be settled.³⁰

Chart 28. DESIRED GOVERNMENT SUPPORT BY FIRM SIZE

As percent of firms in each size category



Source: September results from COVID-19 Formal Enterprise Survey

³⁰ A new World Bank-funded social safety-net program (“Baxnaano”) and a subsequent emergency locust response are also supporting demand through cash transfers to poor and vulnerable households

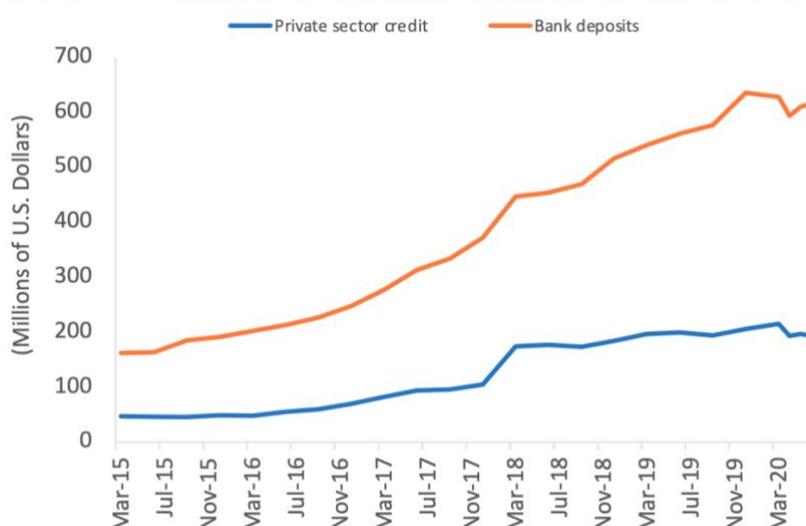
5.9. FINANCIAL SECTOR

123. *The stability of the financial sector has globally been largely OK, particularly since the requirement to increase capital adequacy following the 2007 and 2008 financial crisis.* Providing liquidity and trade financing for SMEs during the pandemic has been important for many firms, and households. Chart 29 shows the relative stability of the financial sector as of March 2020, though of course the main period of stress on financial markets was during the period April through June 2020. The IMF – in its November 2020 First Review Under the Extended Credit Facility, suggests that as of September 2020 the pressures on the financial sector have eased since the Spring.

124. *According to the report, remittance inflows to Money Transfer Businesses (MTBs) initially dropped significantly, but inflows increased 2.3 percent in Q2 compared to Q1 and preliminary data for Q3 suggest this trend has been sustained.* Businesses' payments abroad to purchase imports have also held up, suggesting continued activity in the informal trading sector during the lockdown. Bank deposits experienced outflows in March and April, but have since rebounded and are only slightly down from Dec-2019 levels, reducing immediate liquidity pressures. However, formal credit to the private sector has slowed, driven mainly by a slowdown in trade financing and construction loans.³¹

125. *According to the IMF growth of deposits in the banking sector and credit to the private sector remained robust at about 30 and 12 percent year-on-year, respectively between 2018 and 2019.* In parallel, banks' capitalization increased to over 15 percent in June 2019, and CBS supervision capacity continues to deepen. The total banking industry assets were at US\$351 million as of September 2018. As a consequence, not only do capital constraints exist at the market level, lack of access to competitive and tailored financing bypasses most of the MSME space. Financial exclusion reflects: (i) the lack of financial intermediaries; (ii) an urban – rural bias; (iii) bias towards trade financing at the exclusion of other growth sectors; (iv) absence of financial products catering to MSMEs; (iv) absence of business development services and other forms of non-financial support; and (v) social, gender and cultural access constraints.

Chart 29. RELATIVE STABILITY OF THE FINANCIAL SECTOR



Source: Central Bank of Somalia

³¹ file:///Users/petermiddlebrook/Downloads/ISOMEA2020005-1.pdf

Impact Severity	Description
Pre-existing fragility/vulnerability	Government service provision has always been heavily constrained, though government supported FMS block grants and ODA partners provided targeted assistance.
Impact Strength	For those in receipt of assistance requested the impact was largely positive, though large segments of society and firms in many sectors received little to no support.
Impact Duration	Assistance was short lived, was linked to the peak period of business stress.
Population	Most businesses did not receive formal support, though indirect support such as delays in paying for tax was widely reported.

126. *The CBS law does not regulate Islamic banking and banks currently charge no interest rate (Riba).* As a result, clients enter business and profit-sharing schemes instead. Key informants report that capital constraints at every level of the MSME financing system. There are very few financial intermediaries and no dedicated financial products for MSMEs emerging from the Islamic financing sector. The adoption of international financing modalities will likely create conflict between usury and non-usury systems. However, as Somalia now looks to integrate itself with regional economies, new financing models are inevitably going to appear, many of which may be better at meeting the needs of under-capitalized rural enterprises.

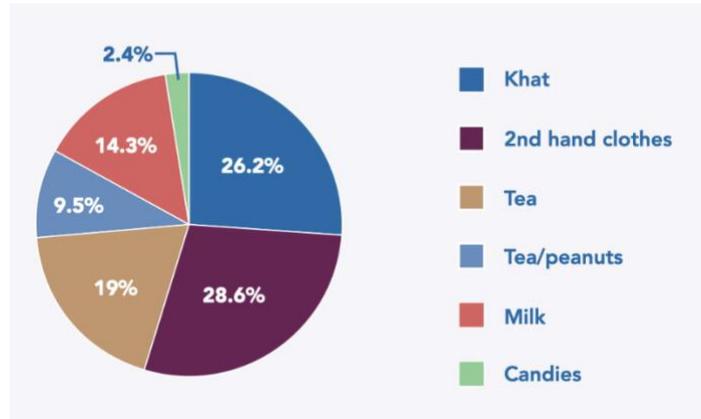
5.10. WOMEN LED SMES

127. *The impact of COVID-19 on women led enterprises has received a great deal of coverage, with multiple surveys launched to assess impact.* Gender bias in both service delivery and financial markets has been one of the many inequities that have undermines the success of women in business. Given women’s pivotal role in the family vis a vis children’s welfare and food security, such attention is warranted.

128. *Anecdotal evidence suggests that banks require a husband to act as a guarantor for loans, even when the woman has collateral.* Inheritance practices limit women’s inheritance rights and access to land. While women operate as the dominant actors in sectors such as milk and meat production, evidence indicates that women are often forced out of sectors which witness growth and their participation should therefore not be an indication of broader economic empowerment. In this context, removing both formal and informal obstacles for women’s participation in the economy, represents a huge opportunity for government’s desire to promote inclusion. The Government Rapid Assessment on Somali Women-Led Businesses – which was not a national sample survey – indicated that all of the 42 women interviewed were self-employed. The products that they deal with include: Khat (26.2%), imported second-hand clothes (Hudheey) (28.6%), tea (19%), tea/peanuts (9.5%), milk kiosks (14.3%) and peddling candies (2.4%). Chart 30 shows the composition of businesses in this survey.

129. *Informality dominates the private sector and the lion’s share of enterprises are both micro in nature and are unincorporated; many of which are women owned and led.* The six commercial banks in operation are urban based, depriving rural based borrowers of access to finance, stunting the wealth trajectory of lower income groups. Federal government states that current levels of lending by banks is estimated to meet only seven percent of demand. This is partly because Somalia’s financial sector is limited in size, simple in structure and faces barriers when accessing the global financial system, but it is also because of the missing-middle (i.e., absent intermediary market). Circa 85 per cent of the current loan portfolio is short-term trade finance, leaving an unmet market demand in the real economy. Many of the activities outlined below, demonstrate financing exclusion.

Chart 30. NATURE OF WOMEN-LED BUSINESSES

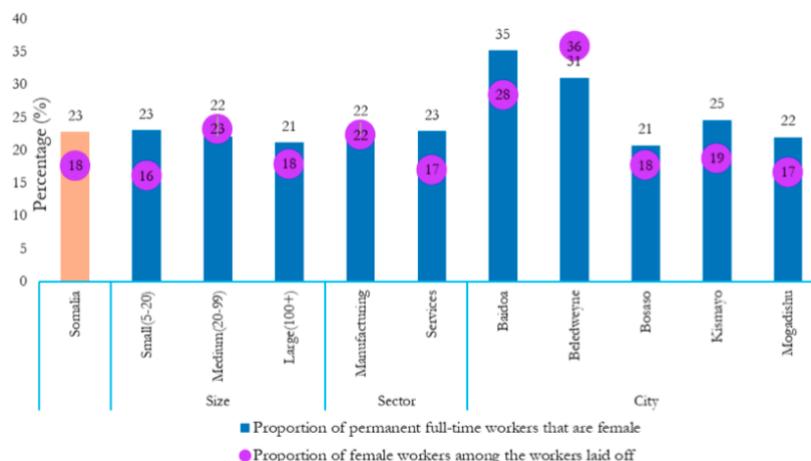


Source: Government Rapid Assessment on Somali Women-Led Businesses

130. *The Government Rapid Assessment on Somali Women-Led Businesses stated that COVID-19 pandemic has drastically affected women in small-scale business.* Key informants revealed that the curfew in the city has significantly reduced the time they have to sell their tea and milk; for example, when formally selling tea at night was their peak sales period. Reduced human mobility in Mogadishu has also seriously shrunk trade volume. In another twist, tea sellers pointed out that people now fear drinking tea on the street as many of them believe they may contract the coronavirus and have resorted to drinking tea in their homes for the sake of their safety; street tea sales have plummeted.

131. *Those retailing Khat and candies, who largely depend on the airport and seaport for their supplies, revealed that the halt on flights (both international and regional) has dealt a blow to their businesses because all imports have thereby been curtailed.* Most of the women also reported that the businessmen who normally lend them goods and money for trade have suspended their businesses for the period of the coronavirus lockdown. When asked to quantify the financial implications of COVID-19 for their businesses, the 42 women pointed out that before the outbreak of the pandemic and introduction of restrictions, most of them earned between 25 to 105 dollars per week; all key informants now reported no income. Chart 31 provides the results of gender dimensions of employment in firms, showing that the proportion of full-time female workers in various firms by industry and location, also showing that women were less likely to be laid off than their male counterparts.

Chart 31. GENDER DIMENSION OF WORKFORCE ADJUSTMENTS



Source: September results from COVID-19 Formal Enterprise Survey

132. *The Raagsan Socio-Economic Implications of COVID-19 on Micro, Small and Medium Women-owned Enterprises in Mogadishu also assessed the implications of COVID-19 on women in business, providing a greater understanding of impact.* Over 98 per cent of businesses registered decreased revenue and sales whereas operational costs (expenses) increased for 58.1 per cent of the businesses interviewed. Businesses struggle most with cash flow and cost of sales; rent and repaying loans and in addition 45.6 per cent of businesses said they did not have enough cash flow to last them a month, similar to other survey findings. Chart 32 shows that the collapse in revenue and orders and sales, with many reporting an increase in expenses to deal with the pandemic. As this was not a panel survey, follow up is not possible in order to see the current status as markets return to normal.

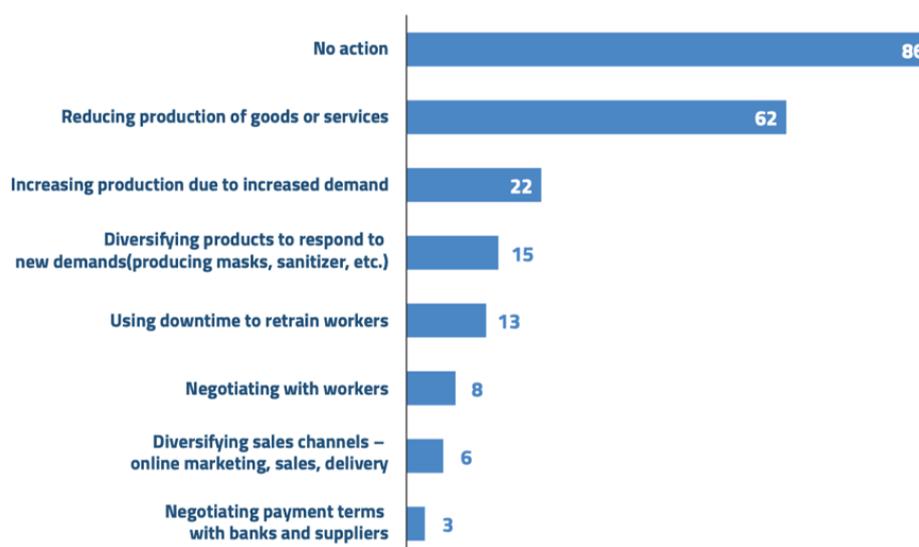
Chart 32. WHAT HAS BEEN THE IMPLICATIONS OF COVID-19 ON YOUR BUSINESS UNTIL NOW?



Source: *Raagsan Socio-Economic Implications of COVID-19 on Micro, Small and Medium Women-owned Enterprises in Mogadishu*

133. *The Raagsan survey also provided interesting insight into how women business leaders were responding to the crisis (See Chart 33 below).* For the vast majority of key informants, at the time of the survey, 86 per cent of women had taken no action, with 62 per cent reducing production of goods and services. Only 22 per cent of business were ramping up to meet new demand.

Chart 33. ACTIONS BEING TAKEN IN RESPONSE TO THE CRISIS



Source: *Raagsan Socio-Economic Implications of COVID-19 on Micro, Small and Medium Women-owned Enterprises in Mogadishu*

134. *The survey produced a number of other interesting insights, which link to recovery measures and building forward better.* While nearly all respondents who participated in the survey had access to a mobile phone but only 32.5 per cent of these respondents had access to internet. Only 35 per cent used their mobile phones for business purposes to advertise their business, gauge market and few to sell products. Despite significant barrier to online/internet—88.9 per cent of businesses wished to move online. This poses significant barrier to assisting businesses respond to pandemics like C-19 and migrate to online/internet enabled businesses –88.9 per cent of businesses wished to move online. (Raagsan, 2020)

135. *The survey also found that 90.6 per cent of respondents did not take loans from the banks despite experiencing cashflow challenges; though as noted above, female access to credit is already heavily limited.* Of these group, an overwhelming 86.9% said that they did not have access to loans from the bank. Additionally, 60% of those who took loans reported that the banks did not extend their loan period in the wake of the pandemic although they were facing reduced revenue and sales. Clearly, the need to promote financial inclusion to include women business owners has never been more pressing.

Impact Severity	Description
Pre-existing fragility/vulnerability	Structural inequalities pre-exist COVID-19, leaving a large number of women led business with not access to finance for consumption smoothing or other purposes.
Impact Strength	Moderate to severe for many women led enterprises, including street sellers.
Impact Duration	Since the lockdown and largely ongoing, will likely continue to impact women led businesses into 2021.
Population	Widespread reported negative impact on women in business.

6. VULNERABLE (HOUSEHOLD) GROUP IMPACT

136. *Alongside the economic repercussions discussed in the sections above, the true tragedy of the COVID-19 and the wider Triple + crisis is its transmission to the people of Somalia, particularly those with existing and enduring vulnerabilities.* This approach is well established within the wider literature on disaster recovery, which recognizes the disproportional nature of crisis on poor and vulnerable communities despite a relatively low share of total economic losses. As such, this assessment takes note of lessons highlighted in Post-Disaster Needs Assessment (PDNA) guidelines and embraces the need for impact assessments and PDNAs to be equally disproportionate in their attention to vulnerable groups.³²

137. *Crucially, this has never been truer than when gauging the impact of COVID-19, which unlike the rapid onset disasters for which PDNA guidelines were developed, will remain with Somalia for years to come, in some shape or form.* This requires some effort to identify, and in part re-define, what it means to be vulnerable in the face of COVID-19. While vulnerability can be broadly understood as groups with disproportional exposure to risk, during a long-run and continually evolving crisis these risks will change. For example, a group not considered to be vulnerable to immediate impacts of the pandemic may still become vulnerable to secondary impact and channels and depending on the policy response.

138. *As such, while examining pre-existing vulnerabilities matters, these cannot be seen as fixed and translated to the current context as immutable indicators of current vulnerabilities.* Equally complicated, in the context of Somalia, is the widespread nature of vulnerability, recognising that as much as 90% of Somali population could be considered deprived in at least one MPI dimension, i.e. monetary, electricity, education, or water and sanitation.³³ In light of this, the approach taken by this assessment to identify specific vulnerabilities vis-à-vis COVID-19, will include:

- An assessment of key public service delivery mechanisms which, while impacting the population as a whole, are likely to have disproportional impacts on vulnerable groups. These include the impacts of COVID-19 on other essential health services, education, water and sanitation and social protection. Each will evaluate the quality of pre-pandemic service delivery, evaluate how the quality of this has changed due to COVID-19 (ranging from the temporary halting of education to the de facto expansion of social protection) and consider what this means for vulnerable groups dependent on such services;
- A targeted approach that considers the direct impact of the pandemic on specific demographic segments. Identification of these groups stems from both pre-existing poverty and vulnerability assessments, including the Poverty Analysis presented in NDP-9, as well as general international guidelines on populations most at risk to the socio-economic implications of COVID-19. In particular, attention will be paid to the unique vulnerabilities and differential impacts of the pandemic on men and women, IDPs and returnees, youth (representing the full spectrum of age under this category), people with disabilities and the rural and nomadic population.

Box 1. NDP-9

The Ninth National Development Plan examines the broad dimensions of vulnerability in Somalia in a dedicated section on Poverty Analysis.

It identifies the following groups as the most vulnerable: rural Somalis (including both agro-pastoralists and nomads); women; youth; other excluded groups, including persons with disabilities; and IDPs.

The assessment also notes that while 69% of the population live below the international poverty line, it takes minimal disruption to push the 'nearly poor' into category of 'very poor' and further to the point where they do not have the means to survive.

³² Jointly Published Guidelines for Assessing the Human Impact of Disasters, 2019.

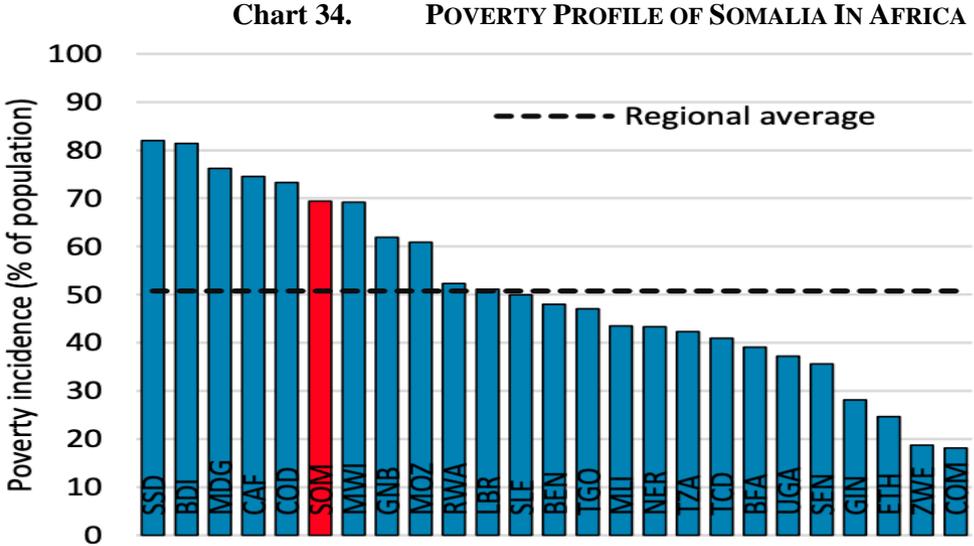
³³ UN CCA

139. *In doing so, this pillar will be largely oriented around a people-centered, human-development approach to crisis recovery, with specific attention paid to Agenda 2030 as the analytical framework around which the impact of the pandemic can be understood.* With the UN CCA companion providing an up-to-date assessment of SDG progress prior to COVID-19, extending this analytical framework offers the best chance to quantify the social impacts of the crisis. This will also support the conclusion of the report, which will present a forward-looking analysis of the main risks Somalia is facing, due to the pandemic, vis-à-vis the realization of NDP-9’s objectives and the SDGs.

6.1. POVERTY

140. *The opening point of analysis vis-à-vis vulnerable populations and COVID-19 focusses its attention on the status of poverty, those based on both monetary and multi-dimensional indicators, in Somalia.* This is crucial for the following sections on public service delivery and specific vulnerable groups, allowing for the contextualisation of individual impacts within a wider discussion of poverty deprivations.

141. *In these terms, despite improvements over the last decade, Somalia has remained one of the poorest countries in Africa and indeed globally.* According to the 2017 Somalia High-Frequency Survey, the population under the poverty line is about 69%, indicating that approximately 7 in 10 Somalis live in poverty. This national average is the 6th highest rate in Sub-Saharan Africa, only after the Democratic Republic of Congo, Central African Republic, Madagascar, Burundi, and South Sudan. Chart 34 illustrates this poverty incidence is 19 percentage points higher than the average of low-income Sub-Saharan African countries (which stands at 51%).



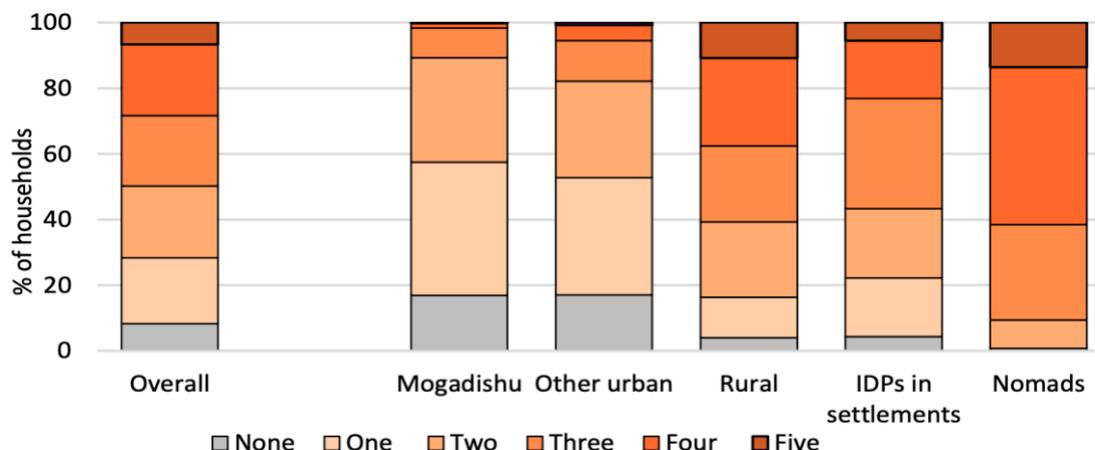
Source: World Bank 2019 Poverty Assessment

142. *While this shows the prevalence of poverty is widespread, it is important to note that poverty is not uniformly distributed across Somalia.* Results from the 2019 Somali Poverty and Vulnerability Assessment indicate that poverty rates for certain groups, particularly rural, nomadic, and IDPs/returnees, are significantly worse. Poverty averages 64 percent across urban areas (including Mogadishu) compared to 69 percent nationally, 72 percent in rural areas, and 76 percent among IDPs.

143. *Group disparity is further expanded through multi-dimensional indicators, including access to electricity, water, sanitation, education, healthcare etc., for which monetary and geo-spatial indicators are highly relevant.* Chart 35, below, shows the number of multi-dimensional deprivations faced by different households, highlighting clear disparities between urban residents and the rest. It suggests that while nearly 20% of households in Mogadishu and other urban centers report no MPI

deprivations, this is less than 5% for other categories and absent among the nomadic population. 60% of nomadic households face deprivation in at least 4 indicators.

Chart 35. NUMBER OF MULTI-DIMENSIONAL DEPRIVATIONS FACED BY URBAN, IDPS, RURAL, AND NOMADIC HOUSEHOLDS.



Source: World Bank 2019 Poverty Assessment

144. *In line with the Chart above, results from the recent the Horn Population Research & Development (HPRD) vulnerability assessment, involving a mobile survey of 1697 households, suggests that 90% of households report deprivation in at least 1 MPI dimension, with 70% reporting deprivation in 2 or more.* Distance is a common obstacle here, with markets, schools, health clinics and water sources more than 30 minutes walking distance for as much as 40 percent of Somali households and most nomads. Only 5 of 10 households have access to improved sanitation, and 8 of 10 to improved water sources and 5 of 10 to electricity, with greater deprivation noted for rural and nomadic households.³⁴ The same should be similarly noted for households in lower income quintiles including those in urban areas.

145. *While the last few years have seen the economy on an upward trajectory, the pace of growth has generally been too insufficient to produce jobs and alleviate acute poverty.* At the same time, social protection systems are limited, or often non-existent, due to limited fiscal space, weak capacity and reliance on interventions from international partners.³⁵ The importance of this is to highlight the high poverty threshold seen in Somalia prior to COVID-19, in order to better gauge the impact of the pandemic. While clearly quantifying the impact of COVID-19 on poverty levels presents certain difficulties due to data limitations,³⁶ certain assessments can still be made into the general poverty trend and key demographics most at risk.

146. *The key transmission channels through which the Pandemic has implicated poverty levels are various.* These include unemployment due to lay-offs and business closure, the disruption of supply chains resulting in inflated prices for foodstuffs and other essential products, the halting or diversion of funding to key public services such as education (albeit from an already low base), long-run reductions in remittances inflows, and disruption of exports, particularly the cancellation of Hajj livestock exports. For example, evidence from a Socio-economic Impact Assessment undertaken in Galmudug state, noting that data is only representative for the first quarter of COVID-19, highlights a sharp decline in the daily wage rate for both skilled and unskilled labour.

³⁴ This would be even higher if deprivation were to include indicators such as financial inclusion, decent work and satisfaction with life.

³⁵ At the same time, it is important to note recent progress with the establishment of a Social Protection Policy by Ministry of Labour and Social Affairs in late 2019.

³⁶ An observation made in the June World Bank Economic Update.

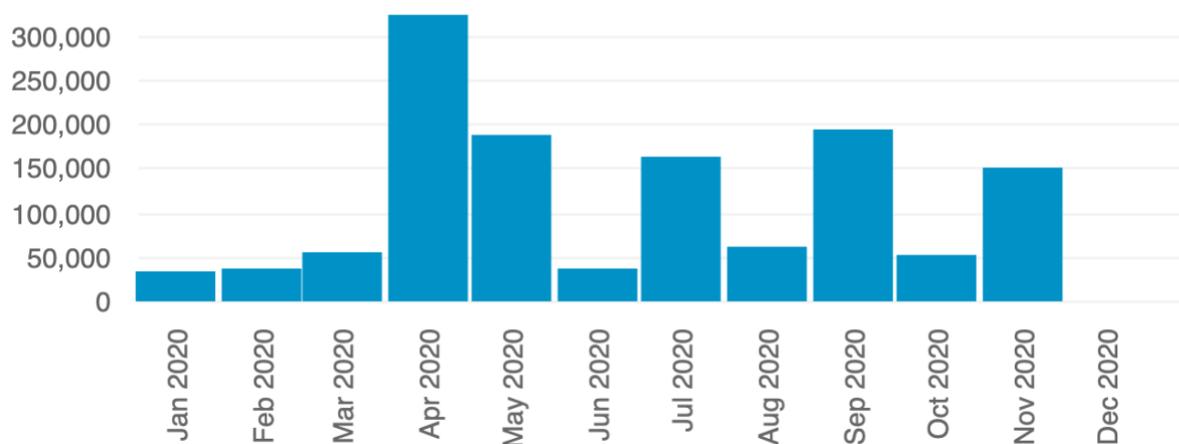
Type of Labor	Daily Wage Before Pandemic US/day	1 st Quarter of COVID-19 US/day
Electrician	15	10
Plumber	10	5
Masonry	16	8
Mechanic	25	15
Unskilled Labor	7	3

Source: Socio-Economic Impact Analysis of COVID-19 in Galmudug State

147. ***This confluence of factors, among others, have significantly reduced household income, often effecting vulnerable groups disproportionately.*** This is further elaborated in the macro-economic section, however a brief example can be made of the cancelation of Hajj livestock export to Saudi Arabia and other Gulf countries, which accounts for 26% of the GDP, and has significantly impacted the livelihoods of Somali nomads and other rural households that depended annual Hajj exports as income for the full year.

148. ***Across the board, this impact has been accentuated by other elements of the Triple + crisis.*** Widespread flooding due to heavy rainfall and Cyclone Gati have led to high levels of displacement, removing people from existing livelihoods and forcing them into states of fragility. Conflict continues to drive displacement³⁷, while at the same time, the ongoing locust invasion has decimated crop harvest for many with significant repercussions for rural incomes and food security across the country. The UNHCR operational portal suggesting as many as 1,297,000 new displacements in 2020 alone, as elaborated in Chart 36 below, and representing nearly 10% of the total population.

Chart 36. 2020 DISPLACEMENT BY MONTH



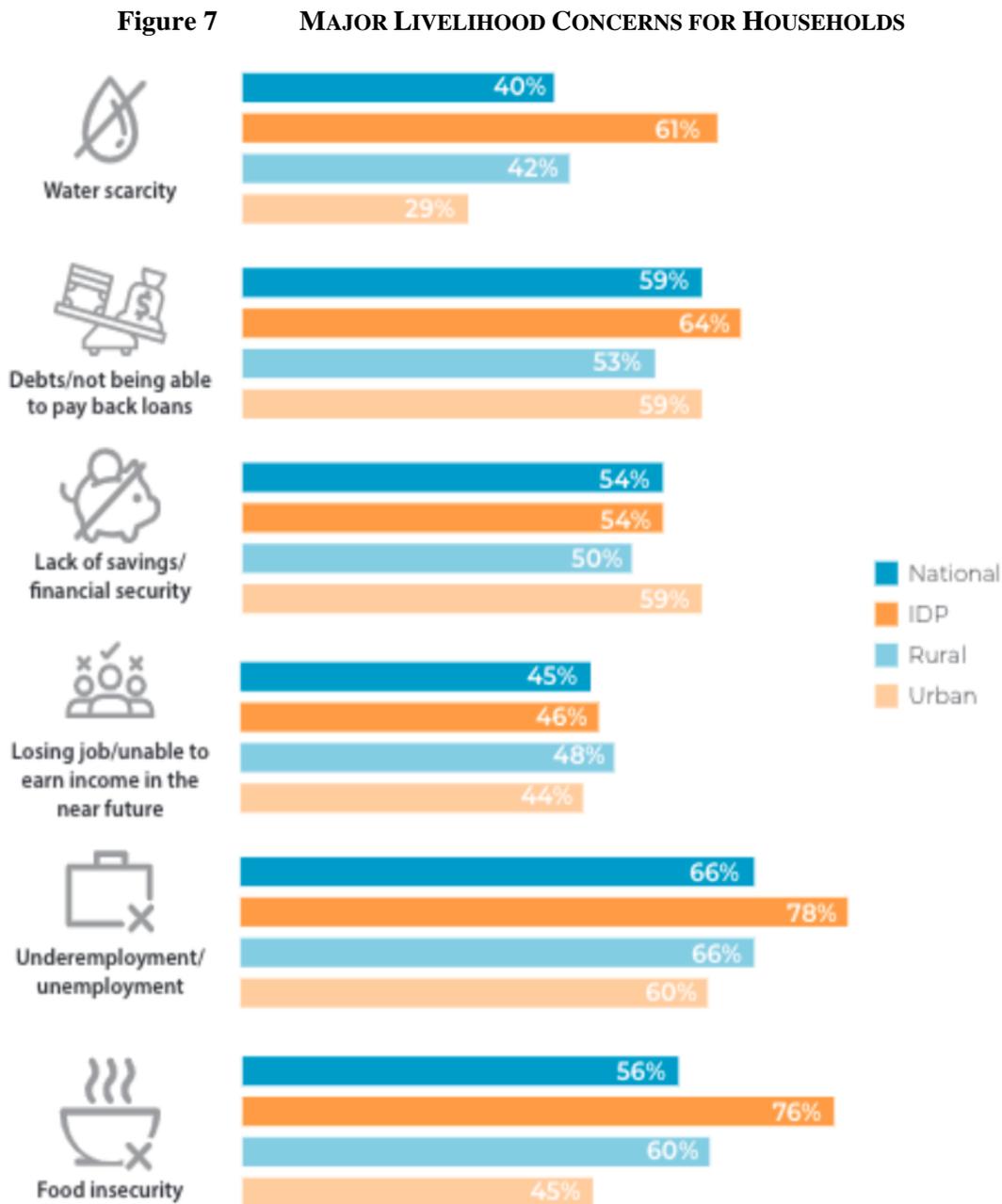
Source: UNHCR Operational Portal

149. ***While considerable efforts were taken to ameliorate the impact of the Triple + crisis by the different levels of governments and international partners, the impact of 2020 on Somalia's poverty reduction trend will be significant.*** Importantly, groups identified as already poor as well as the non-poor are at risk of slipping further behind. Taking the latter, the reduction of remittance inflows, freezing of private sector activities, and cancelation of Hajj livestock exports have significantly contributed to income reduction of previously non-poor groups.

150. ***Again however, it is worth emphasizing that fragile and marginalized communities will bear the brunt of the pandemic further entrenching them in the cycle of poverty.*** In one survey, undertaken

³⁷ Here the national lockdown has risked strengthening al-Shabab's hold over certain territories and providing an avenue for propaganda.

by the non-profit organization Nexus and surveying 4,735 adults from across urban, rural and IDP settings between June and July, 61% of respondents reported that they had earned substantially less money since the beginning of the pandemic period and 41% said that the pandemic had a substantial negative effect on their overall household financial situation. Figure 7 below highlights the major livelihood concerns for households reported in the survey.



Source: NEXUS HH Survey

151. *As noted in a World Bank assessment conducted in June, households subject to shocks report lower access to coping mechanisms and a greater likelihood of resorting to negative coping strategies.* Combined with the results of the survey, this suggest that households may be forced to make tradeoffs due to limited resources, particularly with regard to the purchase of basic foodstuffs and water, key sanitary products and expenditure related to healthcare & education costs.

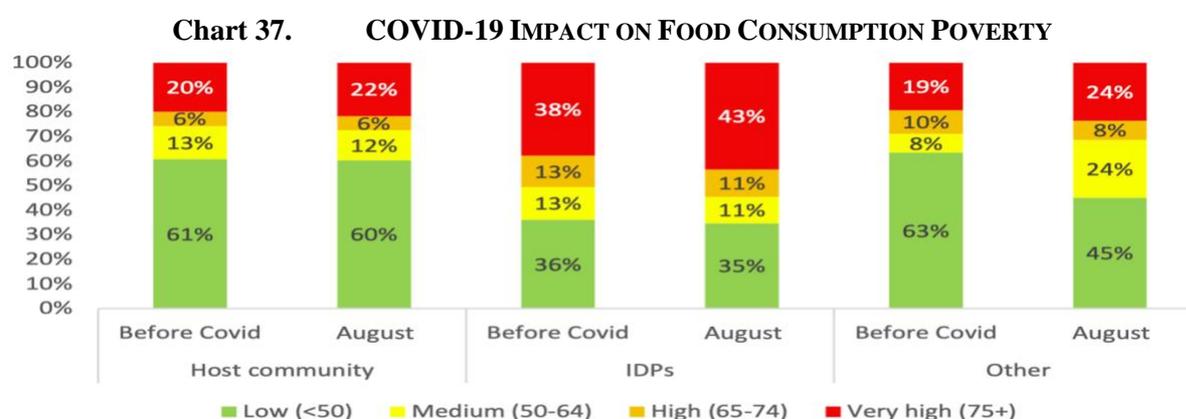
Impact Severity	Description
Pre-existing fragility/vulnerability	69% of Somalis were reported under the international poverty line, while the 2012 MPI rate of 0.47 suggests that 82% of Somalis do not have access to either education, health or acceptable living standards.
Impact Strength	Severe impact for both monetary and multi-dimensional poverty rates in Somalia. Temporary shutdown of private sector activity resulting in layoffs, continued displacement, cancellation of Hajj and decreasing wage rates has pushed many Somali households further into poverty.
Impact Duration	Unlike other indicators, the duration of COVID-19's poverty impact does not peak following the lockdown. Continued high displacement and unemployment rates (leading to hysteresis for many) will see the increase in poverty last for many vulnerable groups over the medium-to-long run, while the decline in remittances is expected to be more pronounced over the following years.
Population	Majority of the Somali population is affected in some shape or form, given that already 7 in 10 Somali's are under the poverty line. The impact on poverty from the temporary ban on Khat sales and decreased livestock exports affects a significant number alone.

6.2. FOOD SECURITY AND NUTRITION

152. *Here it is important to take stock of the state of food insecurity and malnutrition, as a common accompaniment to monetary impoverishment.* Food insecurity has long persisted in Somalia for decades due to conflict and rapid onset disasters, particularly drought and flooding. Data from the Integrated Food Security Phase Classification (IPC) suggests that between 2012 and 2019, an average of 3 million Somalis faced moderate food insecurity with 1.6 million people facing severe food insecurity.

153. *The confluence of crises in 2020 may still see the greatest risk of food insecurity since the 2011 famine.* Isolating the contribution of COVID-19 to the threat of food insecurity is difficult. Unlike other determinants, such as education, both the widespread flooding and locust invasion have direct and significant impacts on Somalia's food system; the latter, for example, is expected to affect an estimated 190,000 hectares across the country in 2020. Nonetheless, the specific impact of COVID-19 on food security and nutrition can be seen through several impact channels.

154. *First and foremost, as highlighted earlier, the rising prevalence of monetary poverty is of significant concern.* As households are pushed further into poverty, the proportion of income spent on food stuffs competes with other essential expenditures. Increased expenditure requirements in other areas: Water and sanitary products saw increased usage in response to health guidelines, while for parts of the year, travel restrictions made costs associated with transport more expensive. Chart 37 below highlights the incidence of food consumption poverty, with categories based on total consumption of each household relative to the average expenditure on food items.



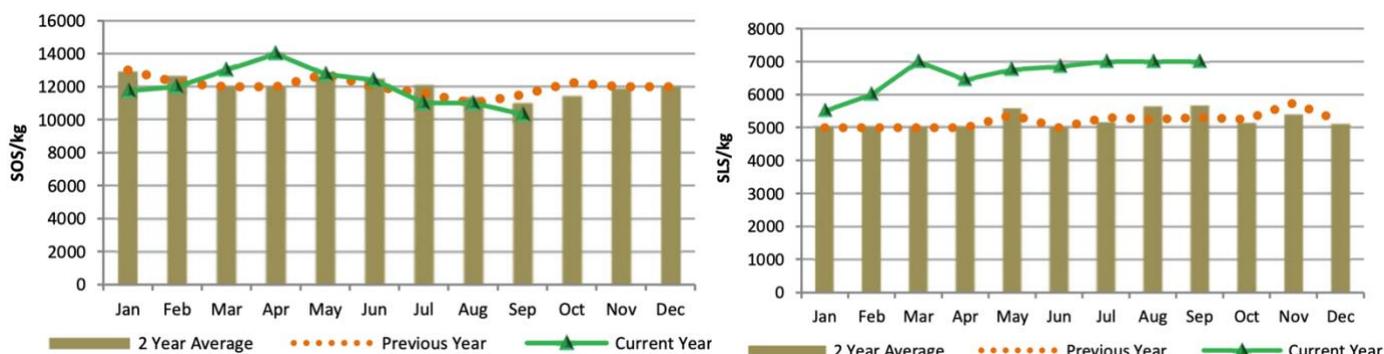
Source: Horn Population Research & Development (HPRD) Vulnerability Assessment

155. *Other factors, such as school closures, placing a greater food burden on parents, can also be attributed to COVID-19.* Reliance on free or discounted school meals for children in Somalia is widespread, with MoLSA targeting as many as 70,000 vulnerable marginalized children for school feeding using food support/aid distribution, cash transfer and grants. This was inevitably terminated with the closure of schools, compromising a significant form of livelihood support the poorest households.

156. *In response, the international community has been supporting the effort to reach these children out of school, noting malnutrition among children across the county.* The Somali Red Crescent reports that 2020 saw a rise in admissions into their supplementary feeding programmes. In 2020, 17,000 malnourished children under five and pregnant and breastfeeding women were assisted in the first six months of 2020, compared to 11,900 in the whole of 2019.³⁸ At the same time, various INGOs, such as Action Against Hunger, report disruptions in the supply pipeline due to the international lockdown, creating risks of stockouts.

157. *In addition, price fluctuation, often accompanied by food shortages, can to some extent be attributed to COVID-19.* Domestically, the impact of COVID-19 on food production has marginal, in contrast to other elements of the Triple + crisis. However, since Somalia imports the majority of its food, the disruption of global supply chains, and the general slowdown of the global economic system have contributed to high food prices and food insecurity. Existing year-on-year consumer goods price taken before and after the pandemic indicates a wide range of these goods such as rice, flour, pasta, sugar, oils, have increased. Food prices have been more erratic in 2020 than previous years, with discernible differences across the country. For example, Chart’s 38 Below show significant differences in the year-on-year increase in price for imported rice between Mogadishu and Hargeisa.

Chart 38. IMPORTED RICE, NOMINAL RETAIL PRICES IN MOGADISHU (LEFT) AND HARGEISA (RIGHT)



Source: FEWS NET, East Africa Price Bulletin, October 2020.

158. *The result is that the level of acute food insecurity has increased significantly over 2020.* The number of acute food insecure people was about 1.1 million at the start of 2020, and this has continued to rise over the course of the year, albeit fortunately not as high as initially anticipated by the CPRP.³⁹ This has increased to 1.3 million by mid-year and between October and December, is expected to surge to as much as 2.1 million people in IPC Phase 3 or worse (roughly 13.6% of the total population). On top of this, an additional 3 million are expected to have been stressed (in IPC Phase 2), bringing the total number of people facing acute food insecurity to 5.1 million (as high as one third of the total population).

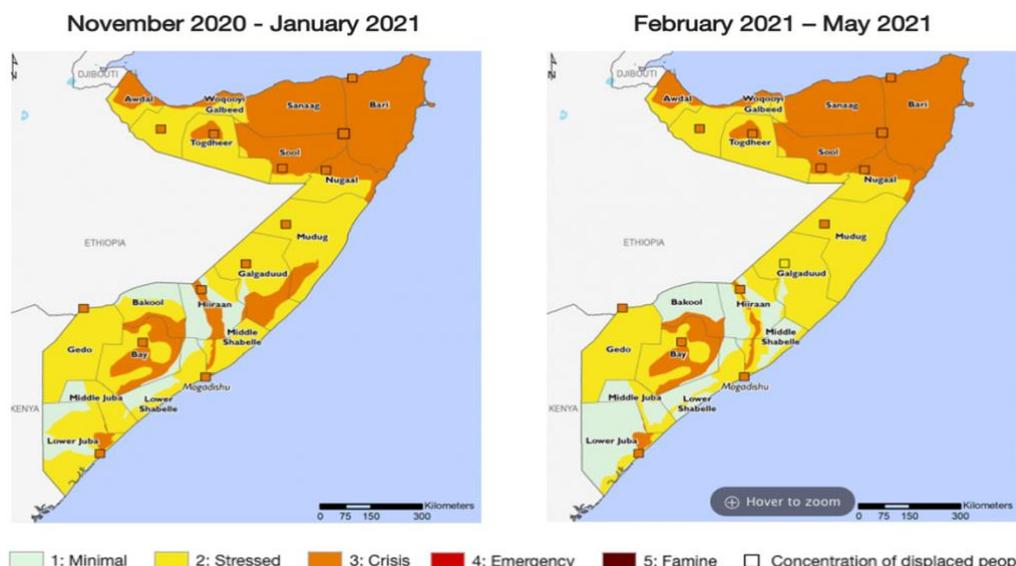
159. *This all says little on nutrition, with the recent Fill the Nutrient Gap and Cost of the Diet Study, suggesting that a nutritious diet in Somalia costs US\$ 6.90, approximately four times more*

³⁸ <https://www.icrc.org/en/document/world-food-day-rising-food-prices-job-losses-and-unabated-conflict-spark-fears-rising>

³⁹ CPRP

than the energy-only diet of US\$ 1.90.⁴⁰ Rising prices coupled with income loss will see even non-poor Somalis forced to cut the quality of their diets in response. Data also suggests that price increases were particularly severe in Mogadishu, Puntland, and Somaliland in different parts of the year. These regions tend to host a large number of IDPs who are already at greater risk of food insecurity.

Chart 39. PROJECTED FOOD SECURITY OUTCOMES OCTOBER 2020 – MAY 2021



Source: Famine Early Warning Systems Network and Food Security and Nutrition Analysis Unit 3

Table 30. FOOD SECURITY IMPACT SEVERITY AND DIMENSIONS	
Impact Severity	Description
Pre-existing fragility/vulnerability	Food insecurity has been a longstanding challenge in Somalia. At the start of 2020, the number of acute food insecure people was about 1.1 million.
Impact Strength	<p>The impact of COVID-19 on health outcomes is severe. 2020 has already seen the number of people in IPC Phase 3 and 4 increase from 1.1 million to 2.1 million.</p> <p>This continues to be mitigated by humanitarian assistance, with the updated HRP for 2020 noting increased funding to the food security cluster in April and May 2020 (meeting 70 per cent of the target) to mitigate impact of the triple threat shocks to acute food insecurity.</p>
Impact Duration	While food insecurity will likely continue in Somalia for years to come, the duration of the 2020 increase will depend on rainfall in 2021 and mitigation of the locust invasion. With the fortune of moderate rainfall in 2021, the events of the 2011 famine can be avoided.
Population	While, the number of acute food insecure people is 2.1 million, given the cost of a nutritious diet (US\$ 6.90) a large majority of the Somali population will be implicated in some way.

6.3. ACCESS TO ESSENTIAL HEALTH SERVICES

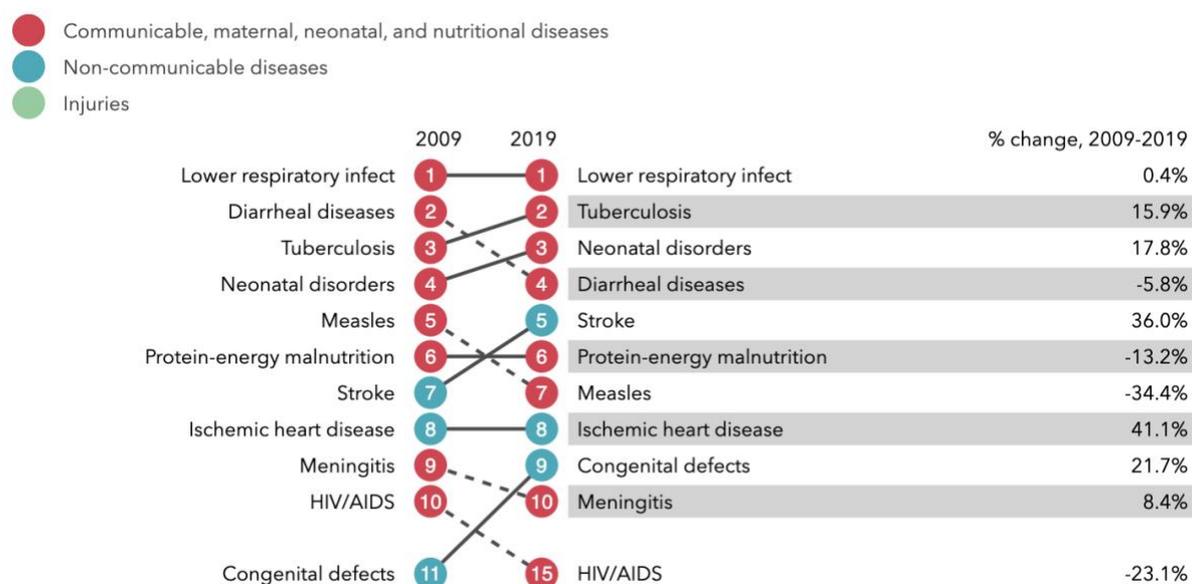
160. *While the pandemic is fundamentally a health crisis, the immediate and direct risks of sickness and mortality due to the COVID-19 virus are by no means the sole impacts in the sphere of health.* As for much of the developing world, the primary transmission channel through which COVID-19 has implicated the health of the Somali people is through the disruption of other essential health services, including malaria prevention, immunization campaigns, reproductive and post-natal health services, among others. Data to date, suggests such costs already far outweigh the official mortality rate of COVID-19 at just 124 deaths.

⁴⁰ Fill the Nutrient Gap and Cost of the Diet study conducted by the Scaling Up Nutrition Movement, the Federal Government of Somalia and WFP.

161. *In this regard, Somalia was among the most at-risk countries in the world, given the heightened pre-existing fragility of its health care infrastructure, in regard to both quality and access.* This stems from decades of conflict and instability, weak capacity at both the federal and state level, poor governance, under-funding and an absence of data to inform planning. In 2015, the WHO estimated that annual per capita public spending on health was between US\$10 and US\$12, going towards approximately 106 hospitals/referral health centres, 391 MCH/Health centres and 620 health posts with available human resources of about 6,000 people.⁴¹ These constraints are multiplied among the rural and nomadic population and result in some of the worst health outcomes worldwide.

162. *This is coupled with inadequate water, sanitation, and hygiene practices, high rates of food insecurity, contributing to the health challenges in the population at large.* In 2019, the crude death rate was estimated to be 11 deaths per 1,000 people, with 56.2 per cent of all deaths in the reproductive, maternal, neonatal and child health and communicable disease group. Somalia reports dangerously high morbidity and mortality trends for certain diseases, including diarrhoea, acute respiratory infections (ARI), malaria, malnutrition, polio, measles and other vaccine-preventable diseases. Maternal mortality, while decreasing to 692 per 100,000 livebirths, with a lifetime risk of maternal death as high as 1 in 20, remaining amongst the worst globally.

Figure 8 TOP 10 CAUSES OF DEATH AMONG COMMUNICABLE AND NON-COMMUNICABLE DISEASES



Source: Lancet Journal Report on the Global Burden of Disease, 2019.

163. *It is worth noting that poor health outcomes were already disproportionately affecting certain vulnerable populations.* For example, spatial variations in access to health care are significant, noting the results of the 2017 health service mapping exercise completed by the Health Cluster, revealing significant regional inequities in service delivery availability and particularly noting the scarcity of qualified health professionals and facilities in rural locations, due to water, electricity and sanitation scarcity.⁴² Women also face distinct unique health complications due to childbirth while under-5 mortality is 122 child deaths per 100,000 live births, ranking Somalia 192 out of 195.

⁴¹ Somalia Ninth National Development Plan.

⁴² Somalia 2018 Health Cluster Strategy.

164. ***Despite this, it is important to note progress and commitment from the Somali Government prior to the COVID-19 Pandemic, including the launch of several national strategies for specific illnesses and diseases.*** Strategies such as the Reproductive, Maternal, Neonatal, Child and Adolescent Health Strategy for 2019–2023 and the Road Map towards Universal Health Coverage for the period 2019–2023 represent important milestones, though as yet are not costed or integrated into federal spending in the NDS.

165. ***Within this context, the direct health impacts of COVID-19, currently standing at 124 fatalities, are in reality negligible.*** Instead, the impact of COVID-19 on the health of Somali people can be seen through its increase in pressure on an already fragile health infrastructure, recognising that prior to the onset of the Pandemic and lockdown, the Health Cluster observed as many as 3.15 million people in need of health assistance.⁴³

166. ***The COVID-19 pandemic significantly hindered movement and mobility of both health campaigns and the population at large.*** It disrupted both the demand and supply factors determining the provision of existing essential health services. Here, strong parallels can be made to the disruptions encountered in other countries, as noted in the International WHO Survey on the Impact of COVID-19 on Health Care Systems. Supply side disruptions have been a cause for concern in Somalia.

167. ***Demand factors include reports of reduced outpatient care attendance due to fear, curfews, transport disruptions and financial difficulties, potentially forcing households to re-prioritise healthcare.*** For example, clinics run by Somali Red Crescent reported a drop in visits of Children under 5 and pregnant women by as much as 50%; from approximately 181,000 medical consultations in the first seven months of 2019 to nearly 83,000 in the same period.⁴⁴ This is a worrying trend that has continued into the end of the year.

168. ***Supply side factors have largely owed to the redeployment of staff, supply-chain disruptions and logistical difficulties encountered in health campaigns.*** The latter in particular, is noted as of significant importance with government aiming to administer routine immunization to 620 000 children aged under one year at the start of 2020. Instead, the FGS quickly found itself needing to postpone scheduled campaigns to administer measles and polio vaccines, as well as vitamin A supplements and deworming tablets, due to the COVID-19 outbreak.⁴⁵ Vaccination coverage for children against diphtheria, hepatitis B, tetanus and whooping cough

Box 2. NATIONAL HEALTHCARE PRIORITIES

In recognition of the extensive progress required to improve Somalia's health indicators, the 2020 Somalia Health and Demographic Survey (SHDS) reports Ministry of Health healthcare priorities are to:

- Service delivery: Scaling up of essential and basic health and nutrition services (EPHS)
- Human resources for health: Overcoming the crisis of human resources for health
- Leadership and governance: Improving governance and leadership of the health
- Medicines, medical supplies and technologies: Enhancing access to essential medicines and technologies
- Health information system: Providing a functioning health information system
- Health financing: Health financing for progress towards Universal Health Coverage
- Health infrastructure: Improving health sector physical infrastructure
- Emergency preparedness and response: Enhancing health emergency preparedness and response
- Social determinants of health: Promoting action on social determinants of health and health in all policies

⁴³ Health Cluster Bulletin, January 2020.

⁴⁴ <https://www.icrc.org/en/document/somalia-sharp-decline-primary-health-care-visits-and-childhood-vaccinations-during-covid-19>

⁴⁵ USAID Somalia Complex Emergency Fact Sheet, August 7th 2020.

also declined from 77 per cent in 2019 to 56 per cent in June 2020, according to the World Health Organization.⁴⁶

169. *This trend is supported by evidence in recent and ongoing household surveys, in which reported access to healthcare shows a significant decline since the onset of the pandemic.* In the recent results from the HPRD vulnerability assessment, 41.6% of surveyed households reported a significant reduction on access to health services after the onset of COVID-19. Of this 41.6%, the largest explanation stemmed from a lack of financial difficulties restricting access (78.6%), with a further 10.7% reporting the closure of health facilities. Only 3.6% of respondents reported this as due to fear of COVID-19.

170. *The result is that Somalia finds itself on the backfoot risking outbreaks against several preventable communicable diseases against which it was previously making progress.* All of which comes in a year when widespread flooding and Cyclone Gati have led to widespread displacement and created the conditions for water-borne diseases. In June, the Somali Red Crescent reported seven times more suspected cases of Acute Watery Diarrhoea than COVID-19, particularly in children under 5. As of September 27th, total reported cholera cases for 2020 was year is 5,821, while a measles outbreak continues to be reported in Kismayo, likely due to limited coverage of the 2020 vaccination campaign.

171. *In total, the health consequences of COVID-19 in Somalia are manifold and go beyond direct implications of the COVID-19 pathogen.* Primarily however, health set-backs in 2020 have come from flooding and food insecurity, with the COVID-19 acting as an accelerating contributor to the outbreak of communicable diseases. The Somalia Health Cluster has already revised the number of people in need to 3.9 million in 2021, a 23% increase from the 3.15 million identified at the start of this year.⁴⁷

Table 31. HEALTHCARE IMPACT SEVERITY AND DIMENSIONS	
Impact Severity	Description
Pre-existing fragility/vulnerability	Prior to the COVID-19 pandemic, Somalia had among the worst health infrastructure and indicators in the world, with approximately US\$10- US\$12 spending on healthcare per capita.
Impact Strength	The impact of COVID-19 on health outcomes is moderate. While the direct impact (i.e. COVID-19 fatalities) is minimal, disruption to other essential health services will lead to a far greater death toll.
Impact Duration	Duration of health impacts are relatively short term, and depend on the ability of the FGS, FMSs and International Partners to continue crucial health interventions.
Population	With distance and financial limitations as the two largest inhibiting factors, health impacts are noted as particularly significant for certain vulnerable groups. These include the very poor, the rural and nomadic population, IDPs and children.

6.4. EDUCATION

172. *As 2020 comes to a close, it is clearly apparent that both within Somalia and globally, education has been one of the great casualties of COVID-19.* In total, globally more than 1.5 billion children have been impacted by school closures since March 2020, with the majority being in low- and lower-middle-income countries. In some sense then, Somalia meets the current crisis of Education much like its neighbours and the wider region. At the same time, the specific challenges faced by students, and indeed governments to respond, have varied greatly.

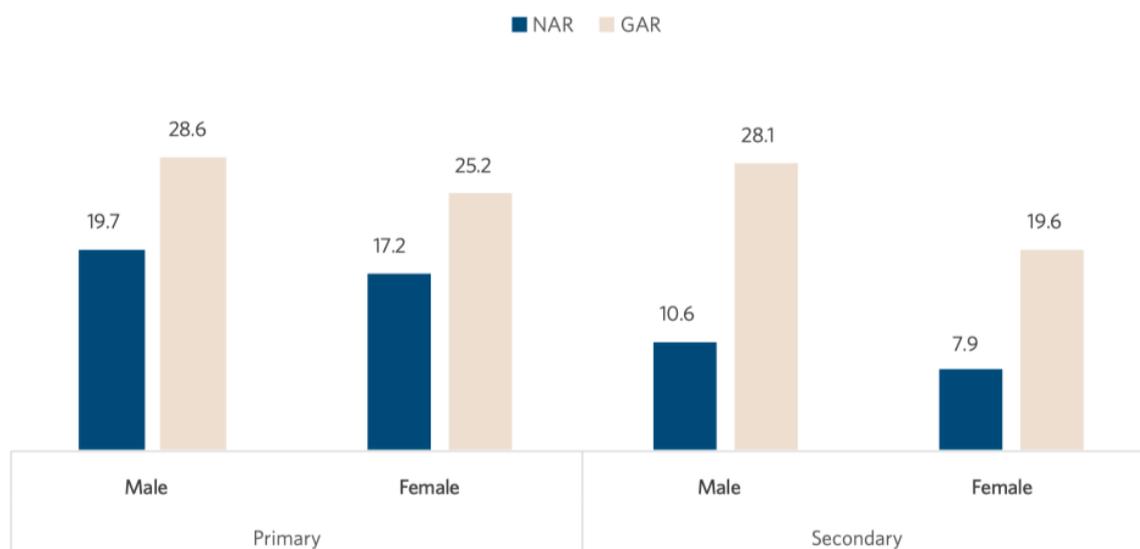
⁴⁶ Results below come from a series of interviews and focus group discussions undertaken by the University of Bristol and Transparency Solutions in Mogadishu and Hargeisa during July 2020 corroborate reports of both demand and supply disruptions.

In Mogadishu, 25% of participants still reported that they were nearly always unable to access even minor health care while in Hargeisa major health care is reported as not accessible on a daily basis in. In total, 45% of participants from Hargeisa and 75% of participants from Mogadishu reported that they had low confidence in the quality of the health care.

⁴⁷ Humanitarian Program Cycle (HPC) 2021 Update.

173. *Here, it is important to take note of Somalia’s existing challenges within the education sector, in order to understand the now unique confluence of obstacles preventing the attainment of SDG 4; many of which result simply from two decades of protracted conflict.* The current Gross Attendance Ratio for primary education stands at just 25.2% of girls and 28.6% of boys⁴⁸, suggesting that even prior to the Pandemic, about three quarters of school aged children were unable to access education, despite ongoing efforts to strengthen relevant government institutions.⁴⁹ The next update of the SEIA might take into consideration the multidimensional aspects of poverty.

Chart 40. NET ATTENDANCE RATIOS (NAR) AND GROSS ATTENDANCE RATIOS (GAR)



Source: SHDS 2020

174. *The table below provides a detailed overview of School data in Somalia, not including Puntland and Somaliland.* It should be noted here that there is great regional variation in access to education, with Somaliland and Puntland generally providing greater educational services than states in South-Central Somalia.

⁴⁸ Somalia Health and Demographic Survey 2020.

⁴⁹ Somalia Education Cluster Response Strategy Note 2020.

TABLE 32. SCHOOL DATA FOR SOUTH CENTRAL FMSS

States	Regions	Schools			Primary students			Secondary students			IDP students			Total students	Teachers			
		Primary	Secondary	IDP	M	F	T	M	F	T	M	F	Total	T	M	F	IDP	T
Banadir	Banadir	532	410	372	75,247	60,805	136,052	52,947	37,897	90,844	20,446	16,729	37,175	264,071	7,445	693	744	8,882
Hirshabelle	Hiiraan	220	25	60	22,571	14,442	37,013	3,240	2,160	5,400	3,282	2,685	5,967	48,380	1,104	276	119	1,499
	M.Shabelle	63	35	25	7,695	5,578	13,273	840	584	1,424	1,383	1,131	2,514	17,211	697	123	50	870
Southwest	Baay	92	15	190	20,730	13,626	34,356	4,686	2,624	7,310	10,427	8,531	18,958	60,624	899	218	379	1,496
	Bakool	27	2	29	3,693	3,279	6,972	67	52	119	1,571	1,285	2,856	9,947	173	43	57	273
	L.Shabelle	76	37	90	19,347	12,502	31,849	3,551	2,434	5,985	4,939	4,041	8,979	46,813	1,104	202	180	1,306
Jubaland	Gedo	115	12	137	11,655	9,589	21,244	759	462	1,221	7,548	6,176	13,724	36,189	694	123	274	1,091
	M.Jubba	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	L. Jubba	82	17	115	22,124	17,355	39,479	2,585	1,418	4,003	6,325	5,175	11,501	54,983	914	139	230	1,283
Galmudug	Galgadud	89	22	100	13,282	11,108	24,390	2,679	1,776	4,455	5,520	4,517	10,037	38,882	783	98	201	1,082
	Mudug-South	54	12	12	4,482	4,438	8,920	1,345	1,014	2,359	649	531	1,180	12,459	313	54	24	391
	Total	1,350	587	1,129			353,548			123,120			112,891	589,559				18,173

Source: Somalia Education Sector COVID-19 Response Plan

175. ***In addition to limited access, the quality of education is generally noted as poor, due to a range of factors that include poor teacher training, multiple curricula and poor education infrastructure.*** The Somalia Education Sector Strategic Plan (ESSP) for 2018-2020 highlights the following statistics as particularly concerning and contributing to weak educational outcomes:

- In 2016 as little as 1% of the federal budget was spent on the education sector (far below the average of 16% that African governments spend on education);⁵⁰
- Only three percent of schools were rated as good condition;
- Teacher-to-student ratios range between 1:35 and 1:40;
- Only 52 percent of schools are classified as permanent structures;
- Schools are at least 30 minutes walking distance for 1 of 3 Somali households;
- Only 12% of enrolled children in primary school are from rural areas, while the rural population is 59% of the national total; and,
- Survival rates to Grade 5 are only 64%, indicating a high drop-out rate.

176. ***Despite some improvements in educational outcomes over the last decade,*** (noting for example that 63% of Somalis aged 15–19 have some formal education compared to 26% of those aged 50–54), the weak state of the education sector prior to the Pandemic laid the foundation for limited resilience and weak institutional capacity for adaptive learning following widespread school closure. This occurred on March 9th, initially for a 15-day period, but was quickly extended to mitigate the perceived risk of COVID-19 transmission.

177. ***In total, school closure continued until August for Somaliland and South-Central States, translating to roughly 13 learning weeks or 65 learning days (taking into account regular school recess starting in June).*** In Puntland school closure continued until September, translating to 17 learning weeks or 85 learning days. The pandemic also affected examinations, with only grades 8 and 12 sitting for final examinations in Puntland and South-Central States; and only grade 12 in Somaliland. While some determinants were less affected (annual teacher training figures for example being about equal), the result of the Pandemic on learning outcomes for all students at all ages was significant.

178. ***In response, the FGS published the Somalia Education Sector COVID-19 Response Plan in April, led by the Ministry of Education, Culture and Higher Education (MoECHE) and divided between three technical working groups (TWGs).***⁵¹ These included, TWG 1: Communication, Information Sharing & Coordination, TWG 2: Distance Learning & Examination and TWG 3: WASH, Health, School feeding & PSS/Child Protection. TWG 2 was of particular importance for education outcomes, envisioning to establish an online platform targeting grades 1-12, develop radio lessons for grade 1-12, and distribute printed materials and/or pre-recorded lessons to children with no access to neither.

179. ***These efforts have seen differing reports of success.*** One Preliminary Survey Report by UNICEF suggested that 16% of children surveyed were undertaking online learning following school closure.⁵² Another survey, detailed in Figure 9

⁵⁰ Brookings, Figures of the week: Public spending on education in Africa, February 2020.

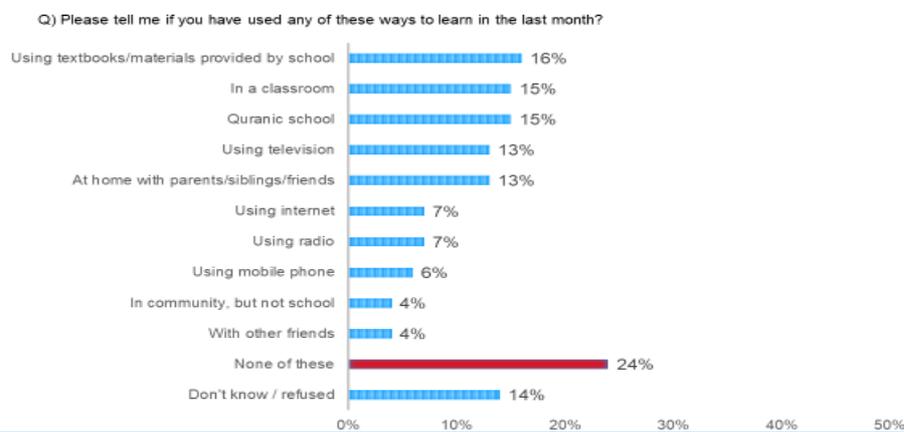
⁵¹ The Ministry of Education and Science in Somaliland has also developed a Somaliland specific COVID-19 Preparedness and Response Plan.

⁵² UNICEF, Preliminary Survey Report, Child Protection in the Context of COVID-19.

180. below suggests that of the range of distance learning instruments, none saw adoption beyond 13% (television), with the majority of learning during the pandemic occurring through non-digital such as the distribution of textbooks and Qur'anic schools.

Figure 9 ALTERNATIVE LEARNING APPROACHES (UNICEF AUGUST 30, 2020)

Learning During COVID19 (II)



Source: UNICEF

Box 3. THE RWANDAN EDUCATION BUILDING FORWARD BETTER EXAMPLE

Actions undertaken by the government of Rwanda highlight important policy decisions around Education that can both improve immediate access to distance learning among poor households. The Rwanda Education Board (REB) was quick to begin broadcasting education radio programs, particularly around basic literacy and numeracy, on both the national parliament radio as well as on its district-level radio stations. It has also launched a new YouTube channel called REB e-learning with on-demand content for students.¹ REB has also partnered with local telecommunication companies like MTN Rwanda and Airtel to waive internet fees for students to ease their access to these e-learning portals, a practice called zero-rating.

While the lockdown has since ended, distance learning has been re-positioned as a complementary component to school-based education. REB has also considered the development of long-term education infrastructure resilience and inclusion, through actions such as a shift in the curriculum to incorporate a greater emphasis on digital skills development as well as teacher training.

181. *UNICEF reports that since March, 141,800 children have been reached with alternative learning through radio, TV and online learning platform (suggesting a figure significantly lower than 16% if taken as a total of school-aged children).* One key challenge encountered, owing to the federalized structure of Government, lies in Somalia's fractured education system, which limited the effectiveness of a national distance learning program. While efforts to decentralize education are conceivably well intentioned during a business-as-usual environment, the most effective distance learning programs have relied on top-down leadership.

182. *What is clear however, is that while the successes of distance learning initiatives have been marginal, and certainly not a substitute for classroom learning, this has mixed implications for Somalia.* Certainly, for children in education prior to the Pandemic, the impact has been significant with few viable learning alternatives. At the same time, when considering the already low enrolment rate in Somalia as a whole, for the approximately 75% of school aged children outside of education, implications of the Pandemic have been minimal.

183. *In the long-run, the importance of COVID-19 on Somalia’s education sector will depend on the progress of re-enrolment and impact of education hysteresis.*⁵³ This might also include the ability of educational institutions to learn from and improve on the basis of the distance learning experiment. The latter is ambitious, and while distance learning may be touted as a mechanism for greater educational inclusion, particularly where geo-spatial inequalities are involved, the limited success of distance learning in 2020 show much progress is required.

184. *In regards to re-enrolment, since the reopening of UNICEF supported schools in August, a reported 5% of children have not come back.* This tied into UNICEF reports of a 16.3% increase in child labour over the same period.⁵⁴ The drop-out rate likely stems from financial difficulties encountered within households, although the cultural attitude towards formal education likely does not assist. As a result, we anticipate the drop-out rate to disproportionately impact vulnerable children. Particular impacts on vulnerable children including girls, children of the lowest income quintile, IDPs, and children with disabilities. The risk of a more pronounced long-term education divide between income groups is significant and warrants attention in future education strategies.

Impact Severity	Description
Pre-existing fragility/vulnerability	The pre-COVID-19 baseline for education was very low. Less than 1% of the federal budget spent on education (not factoring in FMS budgets) and Gross Attendance Ratio for primary education stood at just 25.2% of girls and 28.6% of boys
Impact Strength	The impact of COVID-19 on the Education Sector is low-moderate. While the pandemic saw the closure of schools for a minimum of 13 weeks, and an insufficient distance learning response, 3 in 4 school aged children were not receiving an education to begin with.
Impact Duration	While the period of school closure is technically already over, following the restart of schooling, the risks of long-term educational hysteresis for children who return to school, as well as a possible high drop-out rate are worth noting.
Population	Impact on all children attending school grades 1-12 and tertiary, a bit more than 1 million children.

6.5. WATER, SANITATION AND HYGIENE

185. *The establishment of effective water and sanitation infrastructure has long remained a key focus of Somalia’s development goals.* Current access to safe water in Somalia is limited, currently including just 65.2% of Somali households with a further 2.7 million people in need of WASH support.^{55,56} As such, the expansion of access to safe drinking water and basic sanitation facilities is central to both the UNSDCF and NDP-9, which highlights plans for the creation of a Master Water Plan.⁵⁷

186. *Access to water, sanitation and hygiene remains a crucial determinant of overall health in the population, particularly among children, while access to water in general is crucial for the agriculture and livestock sectors.* Unsurprisingly then, this warrants consideration when evaluating the impact of COVID-19 on Somalia. Yet here, the relationship between COVID-19 and WASH services is mixed; on the one hand requiring that WASH be a more central policy consideration in response to COVID-19, while on the other impeding the effectiveness of interventions.

⁵³ Hysteresis, as used in economics, refers to the cumulative and long-run impact of school closure on student learning.

⁵⁴ UNICEF Situation Report No. 10, 23 September 2020 – 24 October 2020.

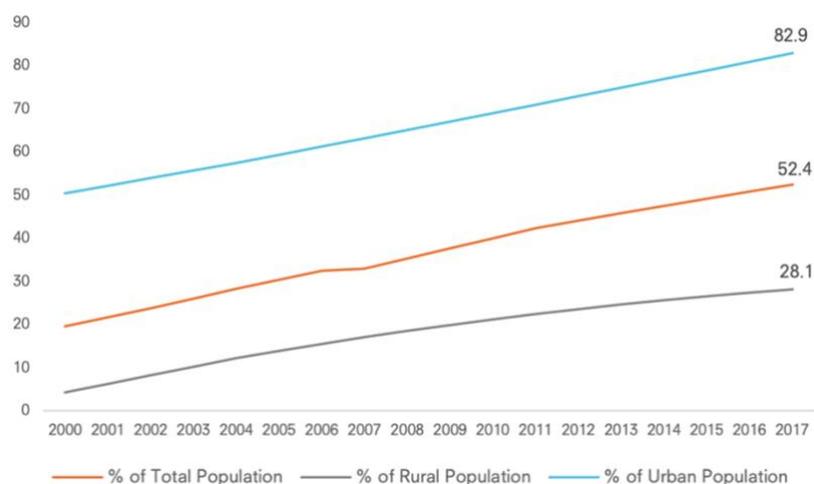
⁵⁵ United Nations Common Country Analysis.

⁵⁶ Somalia WASH Cluster, 2019.

⁵⁷ Somalia National Development Plan 2020-2024.

187. **Regarding the first, the COVID-19 pandemic has underscored the importance of effective WASH infrastructure for the wellbeing of society at large.** From the outset, WHO has insisted that basic WASH services are an essential part of preventing and protecting people’s health during infectious disease outbreaks such as COVID-19. Yet while health and safety regulations point to simple hygienic behaviors, such as regular hand washing, as the most cost-effective form of combatting the spread of the virus, for many in Somalia these are far from achievable. Access to safe water is highly prone to inequalities (wealth and geo-spatial). This includes approximately 2.6 million IDPs and the significant rural population, among others, as shown in the Chart below, only 28.1 per cent of rural households have access to basic water services.

Chart 41. RURAL/URBAN DIVIDE TO ACCESSING BASIC DRINKING WATER



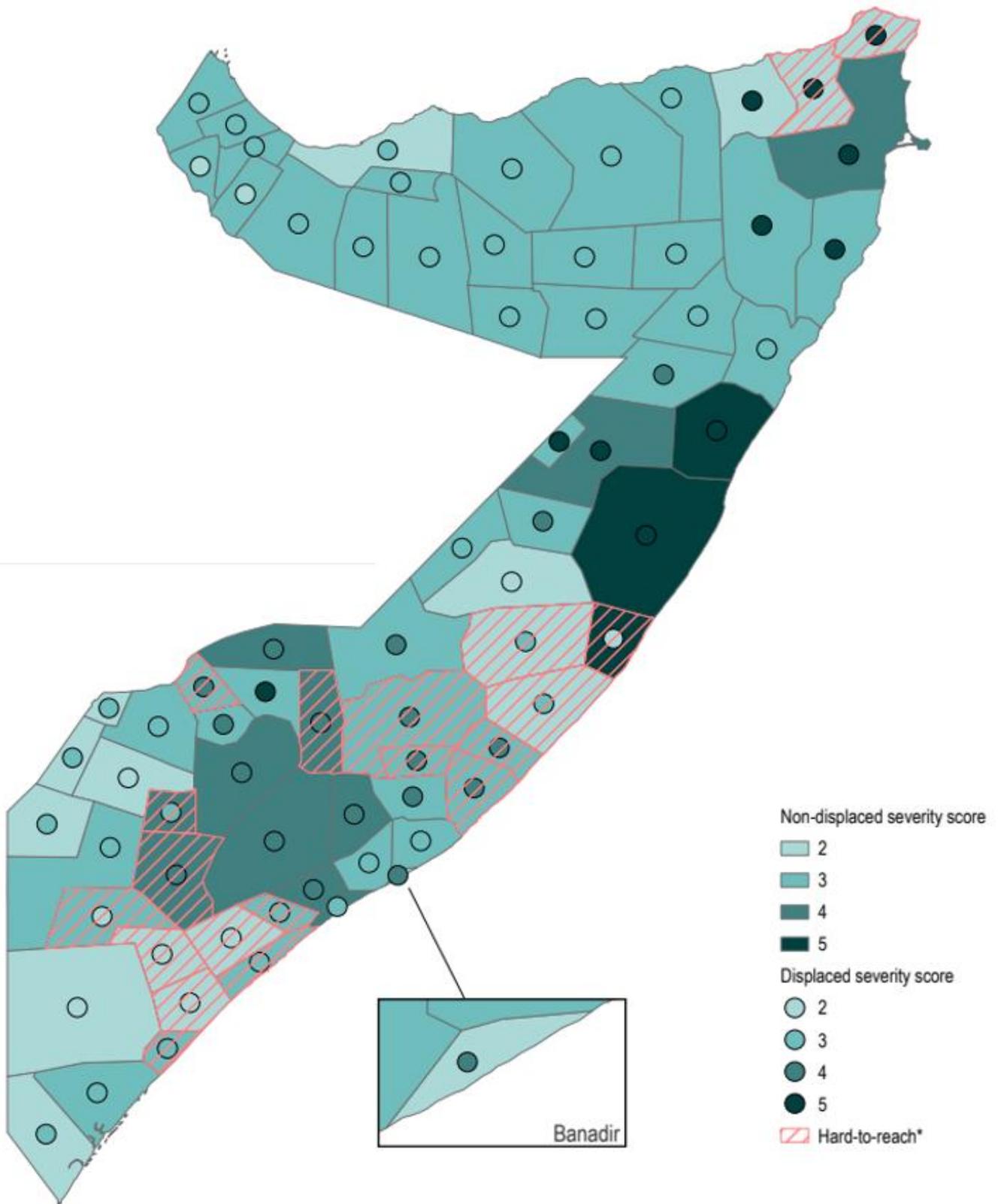
Source: United Nations Common Country Analysis

188. **At the same time, as highlighted in the UN CPRP, COVID-19 has disrupted the effective delivery of WASH services to households.** This is due to both national restrictions on movement and supplies, as well as the diversion of funds to other areas, forcing implementing partners to delay the implementation of resilience-focused activities as well as the construction of new water infrastructure projects. Health and safety commitments have also required increased training for water operators to ensure safe water handling and management. Given the two-way relationship between effective WASH infrastructure and COVID-19, there are risk that the crisis establishes a vicious cycle in which worsening WASH services contribute the spread of the virus and so on.⁵⁸

189. **Crucially however, while the impact of COVID-19 in disrupting WASH interventions is not negligible, it plays a secondary role in the current Triple + crisis.** Instead, in the short-term, the widespread flooding experienced in 2020 is by far the most serious challenge facing the provision of clean water to Somali households. Flooding has displaced nearly 1.3 million people in 2020 so far, separating households from previously dependable water sources, damaging waste disposal infrastructure and creating the stagnant conditions for water-borne diseases. While for much of the year COVID-19 has accentuate these impacts, by restricting the international response, it must be viewed as a secondary factor. The figure presented in the following table provides an overview of WASH overall severity by district, as of October 20th.

⁵⁸ COVID-19 and WASH: Mitigating the socio-economic impacts on the Water, Sanitation and Hygiene (WASH) Sector.

Figure 10 WASH OVERALL SEVERITY SCORING – 20 OCTOBER 2020



Source: WASH Cluster

190. *The impact of the Triple + crisis as a whole has been significant and again the WASH Cluster reports operating partners have been unable to achieve their population targets.* As of August 2020, despite the HRP target of reaching 2.7 M people with emergency hygiene supplies has fallen short by 55%, reaching just 1.2 million. This is, however, an improvement from the mid-year success rate, reaching only 10% of the target population with emergency sanitation services at the end of May. Specific achievements by indicator are as follows:

- Sustainable access to water 34%;
- Access to temporary safe water 26%;
- Access to sanitation 16%;
- Access to hygiene promotion 43%.

Box 4. GLOBAL WASH CLUSTER (GWC) REPORT ON COVID-19

The Global WASH Cluster (GWC) Report on COVID-19 is worth examining, highlighting the primary impacts of the pandemic on WASH services. These closely resemble patterns reported in Somalia, and include the following:

- Decline in the quantity and quality of WASH commodities;
- Decline in access to and increase in prices for WASH commodities and services due to disruption of global supply chains;
- Inability to promote handwashing and cleaning in water-stressed contexts;
- Decline in quality of WASH services due to restricted or no movement, limiting due diligence and quality assurance of essential staff;
- Diversion of donor funding from on-going WASH humanitarian responses to support COVID-19 response; and,
- Increase in fraud and corruption in relation to large WASH-related infrastructure projects.

TABLE 34. WASH IMPACT SEVERITY AND DIMENSIONS

Impact Severity	Description
Pre-existing fragility/vulnerability	Low accessible and quality WASH coverage. While 65.2% of Somali households reporting access to safe water, coverage of proper sanitation facilities is much lower.
Impact Strength	The impact of COVID-19 on the WASH sector has been low. Its primary role has been as an accentuating factor limiting the response to widespread flooding.
Impact Duration	No long-term impacts from COVID-19 anticipated.
Population	Majority of the Somali population face some form of accessibility constraint for either water, sanitation or hygiene.

6.6. SOCIAL PROTECTION

191. *Across the world, national responses to COVID-19 have leaned heavily on Social Protection systems, scaling these in response to the crisis through an expansion in both coverage and financial assistance provided.* Social protection has become an indispensable mechanism for delivering support to individuals, reducing the economic and social vulnerability of poor, vulnerable and marginalised groups and in turn increasing consumption and aggregate demand, accelerating economic recovery.

192. *For many states, including Somalia, this has presented another set of challenges, with an absence of existing social protection infrastructure fit for the purpose.* Indeed, in Somalia social protection has largely been completely absent since 2012, relying on international humanitarian assistance to fulfil this need. Most Somalis have little to no access to formal safety nets, instead relying on self-insurance, i.e. informal individual, family, community and clan support strategies (often including negative coping strategies). Although a limited number of households may have access to formal or market mechanisms to mitigate risk, the majority of Somalis do not. The state of marginalized

communities in particular historically suggests a lack of a social contract to fall back on, deepening vulnerabilities.

193. *Nonetheless, progress was made in recent years, including the launch of the Somalia's first Social Protection Policy.* Namely, progress was made through the introduction of the Shock Responsive Safety Net for Human Capital Project (SNHCP), also known as Baxnaano, which launched in September 2017 and by historic social protection standards in Somalia, is significant. This was built on in 2020 in response to the Triple + crisis and started delivering unconditional cash transfers to poor and vulnerable households in April 2020. It provides wide coverage (21 districts across Somalia) and has prioritized rural households drawing on mobile payments systems to reduce administrative complexity. In time, Baxnaano aims to target 200,000 poor and vulnerable households (approximately 1.2 million individuals) (nearly 10% of the population) with nutrition-linked cash transfers. However, as of Q2, Baxnaano has fallen short of this target and reports 48,235 actual transfers across 4 states.

TABLE 35. BAXNAANO TRANSFERS AS OF 15 SEPTEMBER			
State/Districts	Case Loads	Q1 Transfers (15 April – 15 June)	Q1 Transfers (15 July – 15 Sept)
Jubaland State			
Afmadow/Xaga	17445	5075	8,794
Badhaadhe	3985	2307	2,800
Luuq	3183	248	405
Jubaland Total	24,613	7,630	11,999
Southwest			
KM 50 (Marka)	5059	1158	2,169
Xudur	10388	1826	7,355
Waajid	10609	808	2,837
SouthWest Total	26,056	3,792	12,361
Galmudug State			
Cabudwaaq	11368	1826	1,456
Hobyo	6494	855	3,602
Dhusamarreeb	10237	0	0
Galmudug Total	28,099	2,681	5,058
Hirshabelle State			
Boluburto / Maxaas	10347	0	767
Balad/Warsheikh	17070	0	3,947
Beletweyne / Matabaan	16814	0	0
Hirshabelle Total	44,231	0	4,714
Puntland State			
Puntland Total	44,714	0	0
Baxnaano Total	167,230	14,103	34,132

Source: Baxnaano Website

194. *Importantly, alongside transfers, the other two components in Baxnaano aim to build on recent progress and further establish the necessary foundations of a more comprehensive social protection delivery system.* They focus on i) strengthening the institutional capacity of relevant ministries in the FGS and the FMSs, with the hope that in time they can take over full management of implementation, and ii) strengthen knowledge management, coordination capacity between entities, monitoring & evaluation and learning activities.

195. *It should be noted that Baxnaano is not responding to the impact of COVID-19 alone, but rather the effects of the Tripe crisis as a whole as well as pre-existing poverty levels.* In addition, the introduction of a Shock Responsive Safety Net for Locust Response Project (SNLRP), as part of the

second phase of the World Bank’s regional response to the Desert Locust crisis, is also complementing the contributions made by Baxnaano. In sum, one might observe that, unlike other areas of public service delivery, the Triple+ crisis is likely to see the improvement of social protection standards, as opposed to their deterioration.

TABLE 36. EDUCATION IMPACT SEVERITY AND DIMENSIONS

Impact Severity	Description
Pre-existing fragility/vulnerability	Weak social protection infrastructure with minimal coverage.
Impact Strength	Limited. Conversely, COVID-19 has spurred commitments to expand and improve social protection systems. The impact of the crisis might therefore be net positive.
Impact Duration	If improvements are made and Baxnaano prove to be successful, the duration will be long-term.
Population	Social protection currently covering those in immediate crisis, with eligibility focused on populations living in territory at threat of the locust invasion. To date there have been 34,132 actual transfers across 4 states.

6.7. IMPACT ON WOMEN

196. *Women and young people in Somalia are typically excluded from full participation in the economy.* Women’s participation in the economy, says the IFC Somalia Country Program 2019-22, ‘represents a huge opportunity, including for SME development, but high barriers to entry remain.’ While women may be the main breadwinner in 70 per cent of households, their role may not be captured as household head in surveys. While women’s ability to cross traditional clan divides may provide an opportunity to facilitate inter-clan trade, social norms constrain their participation: anecdotal evidence suggests that banks require a husband to act as a guarantor for a loan, even when the woman has collateral; and inheritance practices limit women’s inheritance rights and access to land. Moreover, women tend to have less access to fewer channels through which opportunities are advertised, such as notice boards, websites and print media (IFC 2018 Somalia Country Program 2019-22, p. 16).

197. *The Somali Women’s Charter (2019) calls for women’s economic empowerment through, claiming that ‘full participation and socio-economic rights are cornerstones for equality and sustainable development’.* It is essential, says the Charter, to ‘empower women as innovators and entrepreneurs and advance gender equality using innovative approaches which draw on new technologies and collective learning’ (p. 13). However, previous PSD programming in Somalia has identified cases where women are forced out of sectors where there is growth in profitability. This strongly patriarchal society tolerates women in business in traditional livelihood and small markets, but not in any ‘serious’ sectors exhibiting the potential for growth and increasing profits. Thus, high levels of women’s participation in any sector is not an indication of opportunities for women’s economic empowerment.

198. *The state of Gender Equality in Somalia has seen some improvements over the last decade, including the development of provisional constitution with attention to women and a National Gender Policy.* 2019 made further steps with the launch of both the Somali Women’s Convention and commitment to establish the Somali Women’s Charter.⁵⁹ The latter, making comprehensive and inclusive document which will highlight key bottlenecks to gender equality and identify actions to resolve these. Despite this, Somalia remains an extraordinarily unequal society and economy for Women with much to be achieved. In recognizing COVID-19 as an accelerator of existing inequalities, a brief examination of existing inequalities and the state of women’s empowerment at the start of 2020 is warranted before considering the role of COVID-19 in accentuating these.

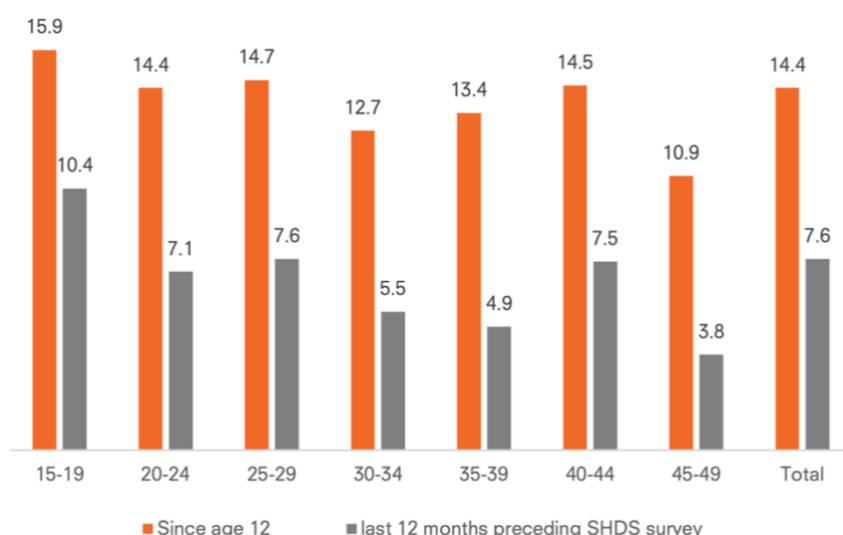
199. *Women and girls in Somalia face a multitude of challenges to empowerment, ranging from lack of decision making to direct violence.* In general, data suggests that women score lower than men

⁵⁹ Recent UN advocacy efforts have also made progress towards the drafting of a preliminary bill on Sexual Intercourse and Related Crimes.

on most development indicators, though this is not universal. Important to note however, is that disaggregated data is often missing and only 15.3% of indicators for which SDG progress can be understood from gender perspective are available in Somalia.⁶⁰ The most recent data on several metrics stems from a 2020 survey of 10,300 undertaken by the Ministry of Women and human rights development (MoWHRD)⁶¹ as well as the 2020 Somalia Health and Demographic Survey.

200. *Of notable concern is the prevalence of Gender Based Violence in Somalia in various forms including physical violence, sexual violence and emotional violence.* Common forms in Somalia include widespread intimate partner violence (IPV), sexual violence, female genital mutilation (FGM) as well as forced and underage marriage. Among these, FGM is the most prevalent with more than 99% of women having undergone circumcision and 64% having undergone pharaonic circumcision.⁶² Chart 42 below illustrates the prevalence of physical violence against women across different age groups, with the 15-19 age group reporting the highest rates. As much as 27.7 % of respondents in the MoWHRD survey reported feel unsafe while walking or using toilets.

Chart 42. PERCENTAGE OF WOMEN AGED 15–49 WHO HAVE EXPERIENCED PHYSICAL VIOLENCE



Source: Somalia Health and Demographic Survey 2020

201. *Violence against women is reported to have increased significantly since the onset of the COVID-19 Pandemic.* According to the Camp Coordination and Camp Management (CCCM) Cluster, in a survey on GBV and FGM in IDP populations, conducted during the pandemic, community members reported an increase in GBV incidents (38% of respondents) and in FGM incidents (31% of respondents) compared to the pre-COVID-19 period.⁶³ It is anticipated that this trend is matched by a wider increase in the population as a whole.

202. *Violence also occurs in the form of curtailing decision making and women’s access to meeting their basic needs.* In the 2020 MoWHRD survey, 68.1% of respondents reported working or marrying during the age bracket for school attendance while 52% of respondents were illiterate. The same is true of health and sanitation, with the same survey finding 15.9% of women to not have access to toilets and 32.3% reporting no access to health facilities. This has significant implications for maternal health with only 32% of births delivered with the assistance of a health professional and 21%

⁶⁰ UN Women Data.

⁶¹ The survey covered the region of Benadir and South West, Jubbaland, Hirshabelle and Galmudug States, with Somaliland and Puntland being notable absences.

⁶² Somalia Health and Demographic Survey 2020

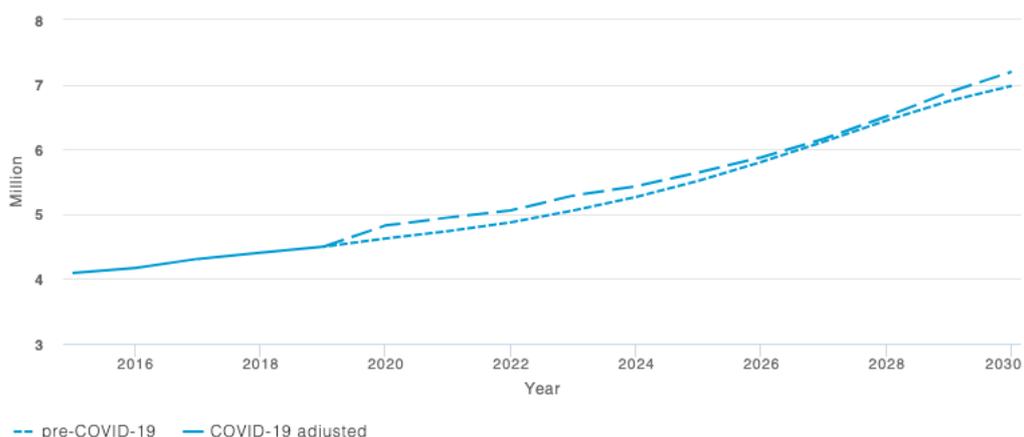
⁶³ <https://ccmcluster.org/operations/somalia>

of births delivered at a health facility.⁶⁴ In total, an estimated 1 out of 22 women is likely to die due to pregnancy or childbirth-related causes over the course of their lifetime.⁶⁵

203. ***Given this, particularly the various intersecting dimensions through which women face discrimination, the accentuating role of COVID-19 for gender equality is complex.*** What is clear however, is that the impact of COVID-19 is undeniably gendered. For example, the shutdown of routine health services for the population as a whole has particular consequences, notable due to a reduction in antenatal and postnatal healthcare. A recent survey undertaken by Save the Children suggests signs a significant reduction in maternal health care due to reasons associated with general healthcare resumption. The same survey suggest physical violence against women also shows signs of acceleration due to the lockdown.

204. ***Economically, it is important to note that the Pandemic has hit women harder than most other vulnerable groups, due to their preponderance in the service sectors.*** Alongside this, fewer than 10% of women report working in the formal sector, with the implication being that women risk being disproportionately pushed into poverty. Chart 43 below highlights the anticipated increase in Women living under the IPL due to COVID-19 over the coming decade. Crucially, this has significance beyond the impact on women, given that up to three quarters of women serve as main or sole breadwinners for their households.

Chart 43. PROJECTION OF TOTAL POPULATION OF WOMEN LIVING BELOW THE INTERNATIONAL POVERTY LINE (ALL AGES)



Source: From *Insight to Action, Gender Equality in the Wake of COVID-19*

205. ***Finally, COVID-19 has brought significant risks that social progress made over the last decade towards women’s empowerment in the household and society will be lost.*** While school closures have affected boys and girls, it has particularly resulted in increased expectations of girls to undertake domestic housework. While data is not yet available, global trends suggest that the return to schools will see girls disproportionately drop-out due to underage marriage, domestic work engagement and financial constraints requiring parents to limit some children from returning.

206. ***The implications of the analysis here highlight the importance paying attention to gendered dimensions of the COVID-19, which must be at the forefront of the FGS and International response and subsequent recovery efforts.*** The commitments established in the Somali Women’s Charter must be brought to the fore and progress against all forms of violence, discrimination and social attitudes to women accelerated.

⁶⁴ Somalia Health and Demographic Survey 2020

⁶⁵ Horn Population Research & Development COVID-19 Vulnerability Assessment

BOX 6: COUNTRY COMPARATOR: GENDERED IMPACTS OF THE PANDEMIC IN AFGHANISTAN

Concerns around the disproportional impact of COVID-19 on Women has been at the centre of the international response. As with other dimensions, these concerns are most notable in societies where Gender inequality was prevalent prior to the pandemic, recognising the role of COVID-19 as an augmenting factor. This will be true of Somalia, which is understood to be among the most unequal societies based on the Gender Inequality Index. As such, to understand the implication of COVID-19 for Women in Somalia, Afghanistan has been selected as an international country comparator, scoring 0.655 in the 2019 Gender Inequality Index to be ranked 157th.

In Afghanistan, much like Somalia, the story of Gender during the COVID-19 pandemic is one that highlights existing and fragilities already faced by Women and amplifies these risks significantly. In many ways, and although understandable, by focussing on immediate health concerns the national response to COVID-19 has side-lined gender, by restricting mobility and placing significantly larger household responsibilities onto women. These were examined in detail through a 4-month survey led by UN Women between April and August.

Key findings of this, deemed likely to be seen in Somalia, include:

- Significant risks of increased stress and negative effects to their physical and mental health. The survey gauged that this was due to women being disproportionately burdened with additional caregiving duties such as home-schooling and caring for the elderly and sick.
- Women's physical health wellbeing was at greater risk than the general population, particularly regarding sexual and reproductive health, due to i) a lack of female health practitioners; ii) fewer transport options deemed safe, and 3) various cultural barriers restricting women's travel.
- School closures have placed significant additional responsibilities on Women, adding to their already busy workloads. Many respondents were concerned that their children would not be able to return to school once opened. Men are helping out more, but discriminatory social norms still leave women and girls charged with most domestic chores and unpaid care work.
- COVID-19 has disrupted other public services, particularly water availability, and the price is similarly being disproportionately felt by Women with additional time and travel requirements transferred solely to them.

6.8. IMPACT ON CHILDREN & YOUTH

207. *Children and youth represent the largest segment of the Somali population, roughly two thirds, as well as a range of age groups of both genders, intersecting across all other vulnerable dimensions (income, spatial, displacement etc.).* As such, they are an incredible heterogenous vulnerable group for which the crisis has had unique implications for. Nonetheless many observations are common across the category, and on the whole they are defined by heightened dependency and lack of decision making. While school closures are often noted as of primary concern, there are several other impact channels through which the physical wellbeing and intellectual development of children and youth is being impeded by the crisis, in Somalia and globally.

208. *Firstly, it is important to note that while children face many common challenges, they are not a homogenous group and prior to the pandemic this manifested through distinct challenges.* In order to understand how COVID-19 poses greater threats to children and youth, a brief, albeit non-exclusive, list of key existing vulnerabilities is provided below.

- Children categorized as socially excluded, encompassing of the poorest wealth quintiles, rural and nomadic are often most at risk, reporting higher rates of child labor and the lowest gross attendance ratios.
- Children and youth also account for more than half of Somalia’s IDPs. Access to important public services, schooling, water, healthcare etc., is particularly impaired for IDP children, particularly those located in camps.
- Among children as a category, girls face heightened restrictions and challenges due to gender biases and sociocultural norms. Not only are girls most vulnerable and exploited for domestic chores; they face direct threats of physical and sexual violence girls are often sidelined in wider access to public services.
- At older age groups, youth continue to face disadvantages, particularly around earning; approximately 70% of Somali youth (particularly women) are unemployed or underemployed. The number of youth is expected to reach 4 million by 2030, raising existing levels significantly.
- Children are significantly vulnerable conflict and conflict related risks. For example, in 2019, children accounted for up to 83% of casualties resulting from explosive hazard accidents.⁶⁶ In addition, the UN Country Task Force on Monitoring and Reporting reported the recruitment and use of 6,143 children (149 girls, 5,994 boys) by armed groups in Somalia.⁶⁷
- Children are the most at risk group to food insecurity and improper nutrition, stemming from a variety of reasons. Firstly, children have greater specific nutritional requirements, particularly at younger years. In Somalia, data from the SHDS suggests that only 9% of children aged 6-24 months receive a minimum acceptable diet. Importantly, improper nutrition for children results in devastating long-term consequences. Stunting during childhood will result in weakened immune system, impaired cognitive ability, and various other lifelong afflictions.

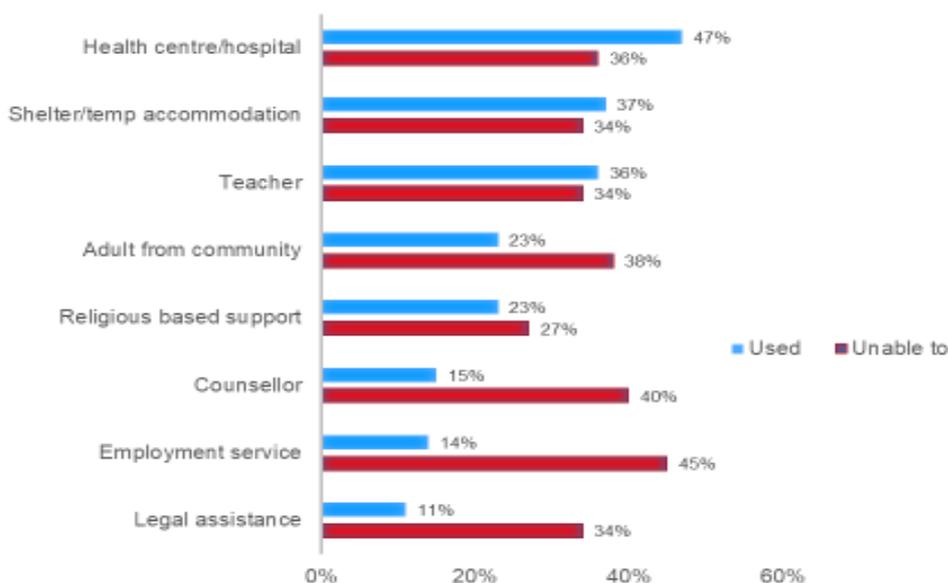
209. ***In light of this, the role of COVID-19 presents a multitude of added risks for children.*** The assessment of these presented here draws primarily from two UNICEF surveys. The first, conducted in early April, focused particularly on child protection provided a questionnaire across 23 National NGO, 10 International NGO and 2 government agencies. The second, conducted in July, a survey of child vulnerabilities in Somaliland and Puntland includes a questionnaire conducted across 1,090 children as well as another among social workers.

210. ***Results from UNICEF’s survey on general vulnerabilities highlights that COVID-19 has undeniably exacerbated the mental, and physical wellbeing of Somali children and youth.*** In Somaliland and Puntland 52% of children claimed COVID-19 had negatively impacted their lives, and when asked how the following were the primary categories: 32% reported a decrease in income and spending, 31% on the lack of school, 14% suggested increases in anxiety, isolation & depression while 11% commented it was generally bad. A further third to half of children reported restricted access to services over the month of June, detailed in Chart 44 below.

⁶⁶ UN CCA.

⁶⁷ UN CCA.

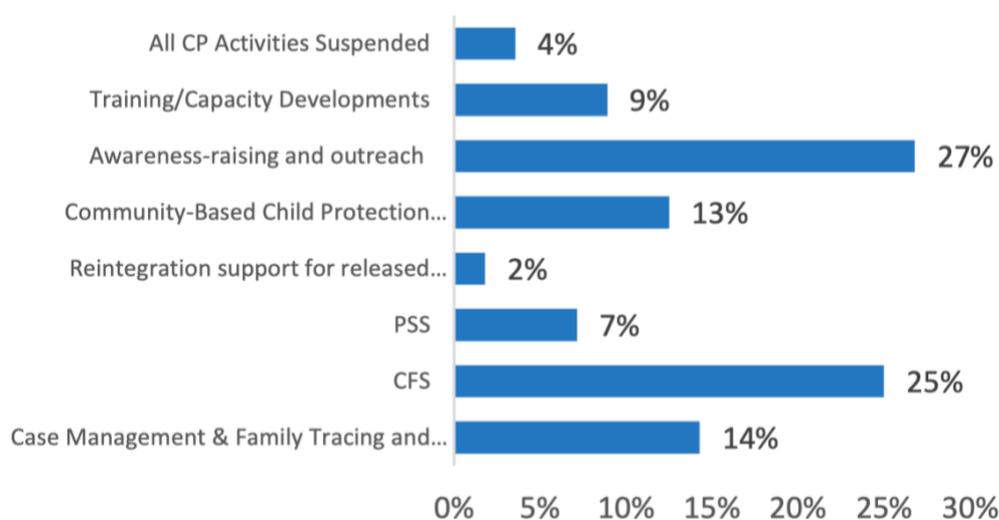
Chart 44. CHILDREN’S ACCESS TO SERVICES IN THE MONTH OF JUNE



Source: UNICEF Survey on the Vulnerabilities of Children during the COVID 19 Pandemic in Somaliland and Puntland

211. *This must be further coupled with worrying results from the preliminary survey report on child protection.* Here, among NGO and INGO respondents, 36% reported an increase in sexual and gender-based violence, including rape while as many as 57% reported an increase in wider physical violence on children. Psychological distress was also acknowledged as a growing impact with 71% of responding agencies noting an increase in this among children. Crucially, the report also acknowledged the diminished role of child protection agencies due to restrictions, suggesting that only 5% of case management and 7% of Psychosocial Support services have been adapted to provide remote support. While the results from this come from April and will have improved over time as agencies continued to adapt, this will be from a very low base. Chart 45 below highlights the primary activities stopped.

Chart 45. ACTIVITIES AMONG CHILD PROTECTION AGENCIES STOPPED BY COVID-19



Source: UNICEF Survey

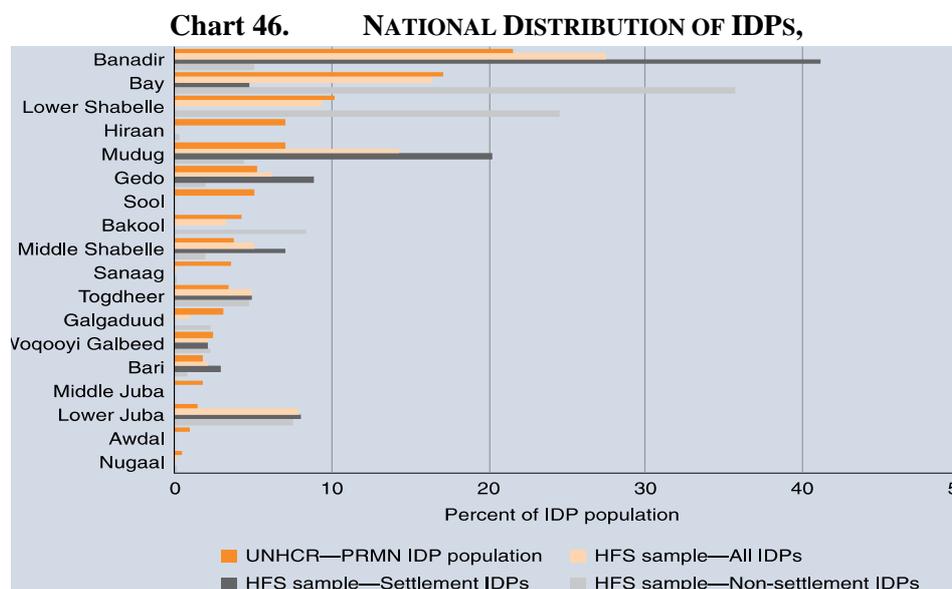
212. *This must be further coupled with worrying results from the preliminary survey report on child protection.* Here, among NGO and INGO respondents, 36% reported an increase in sexual and gender-based violence, including rape while as many as 57% reported an increase in wider physical

violence on children. Psychological distress was also acknowledged as a growing impact with 71% of responding agencies noting an increase in this among children. Crucially, the report also acknowledged the diminished role of child protection agencies due to restrictions, suggesting that only 5% of case management and 7% of Psychosocial Support services have been adapted to provide remote support. While the results from this come from April and will have improved over time as agencies continued to adapt, this will be from a very low base.

213. *These impacts, as reported by UNICEF, are further corroborated through a recent survey undertaken by Save the Children.* Among other findings, it reports that 20% of families have started sending their children to work to mitigate the adverse effects of COVID-19 on household income; 70% of these cases regarded sending boys to work and 30% sending girls. However, increases in domestic work has been significantly higher among girls, levelling this out. The report also highlights that restrictions to accessing healthcare, water, sanitation and food disproportionately effect children.

6.9. IMPACT ON IDPS, REFUGEES AND RETURNEES

214. *Due to recurring droughts, environmental shocks, conflicts, violence, and internal displacement has intensified in recent years.* The number of IDPs is estimated at around 2.6 million, of which over half are under the age of 15 years; meaning that average dependency ratios are larger than 1 for IDP households.⁶⁸ In addition, and while not as significant as the rapidly increasing IDP population, Somalia is also home to an estimated 11,478 Refugees, 13,247 Asylum-seekers and 92,150 Returnees.⁶⁹ The most recent Somali Household Survey suggests this diverse population is clustered in as many as 2,000 locations across Somalia, particularly around Banadir, Bay, Lower Shabelle, and Hiiraan regions. Mogadishu continues to have the largest IDP population, with around one-third of the total.⁷⁰ Chart 46 shows the national distribution of the IDPs across Somalia while Chart 47, below it, presents the most recent data on new displacements for 2020 (excluding December).



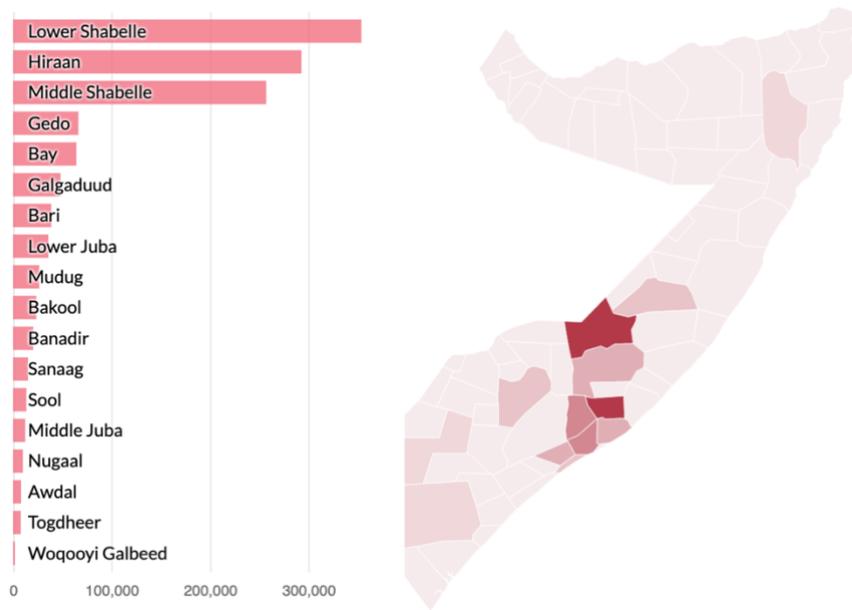
Source: World Bank Poverty Assessment 2019

⁶⁸ World Bank Poverty Assessment 2019

⁶⁹ UNHCR Somalia Population Dashboard January 2021

⁷⁰ A recent survey suggests that livelihood opportunities, healthcare services, food security, and education are among the top pull factors for relocation to Mogadishu and other urban centers.

Chart 47. DISPLACEMENT BY REGION IN 2020



Source: Displacements Monitored by UNHCR Protection and Return Monitoring Network (PRMN)

215. ***The direct health impact of COVID-19 continues to represent greater threats among the IDP, refugee and returnee population than other segments.*** Here it is worth noting that there is little existing data on the impact of the pandemic on refugees and returnees, particularly in contrast to the sizable IDP population. While this thereby necessitates greater research in further work, evidence available highlights that both groups face similar structural constraints to IDPs, as highlighted in the Somalia post return monitoring snapshot produced in August 2020. This stems from larger than average household sizes and significant overcrowding of camps along with other systematic challenges. These include a lack of access to essential services, such as healthcare, running water, and sanitation, all of which increase the contraction rate, as well as the limited to no lower levels of literacy, impeding preventive communication. However, the health impact is still marginal in comparison to wider socio-economic pressures.

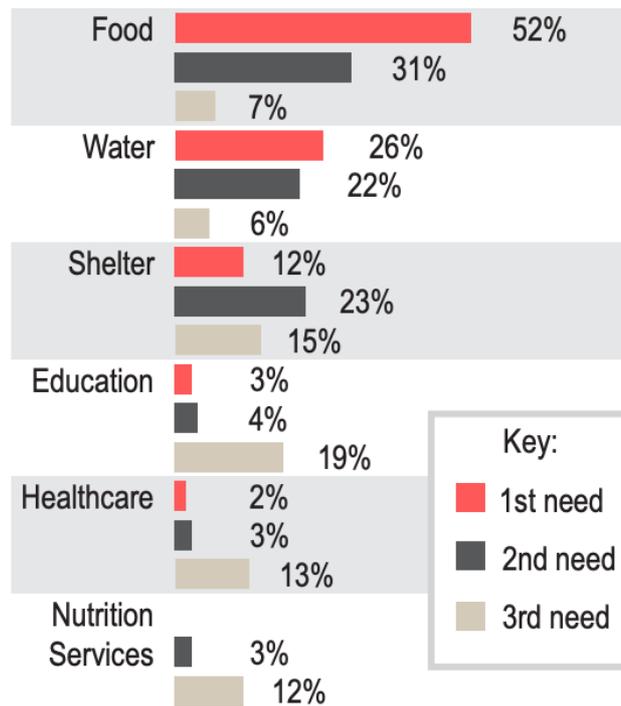
216. ***Understanding the needs and preferences of IDP communities can be gauged from 2 IDP and market feasibility studies conducted by REACH in Mogadishu and Galkacyo.***⁷¹ It draws on a survey conducted with 118 IDP households and 101 structured key informant interviews with carefully selected market vendors.⁷² The study suggests that IDP households have been deeply impacted by COVID-19 through the collapse in incomes and are struggling to meet even basic necessities. Chart 48 below highlights the basic needs which that IDP households reported difficulty accessing between March and May. The vast majority reported food or water as either their first, second, or third place, 90% and 54% respectively. This is consistent with the recent HRPD vulnerability assessment in which 65% of IDP households reported hunger, compared to 25% of other urban households.⁷³

⁷¹ While the findings of this study are restricted to Mogadishu, given its disproportionate representation of IDPs, this is reasonably indicative of the wider refugee population in urban centers.

⁷² Somalia – Market Feasibility Study: Mogadishu & Galkacyo.

⁷³ HRPD Vulnerability Assessment.

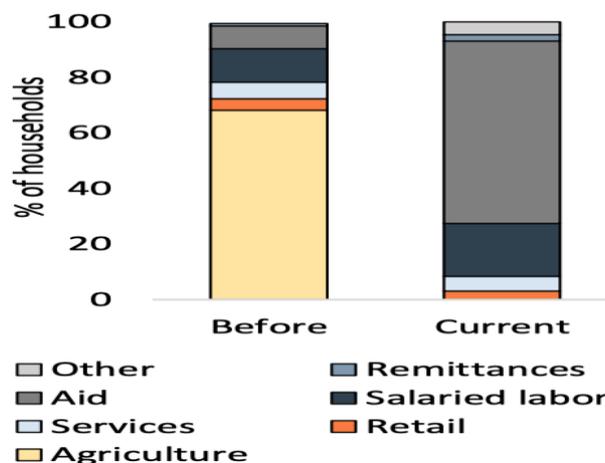
Chart 48. TOP THREE UNMET NEEDS REPORTED BY IDP HHS



REACH IDP Market Feasibility Study

217. *Such concerns stem from the limited diversity of employment opportunities faced by IDPs compared to other segments of the population.* Chart 49 below, shows livelihood distribution among IDPs before and after displacement, highlighting that displacement occurs among rural agriculture reliant households and results in nearly inexistent alternatives and a large reliance on aid. This is further concerning given the low proportion of remittances received by IDPs, contributing to their income vulnerability. Approximately 7 percent of the IDPs households receive remittance, which is half of the average of the urban households.

Chart 49. IDPs LOSE AGRICULTURAL LIVELIHOODS AND HAVE FEW OTHER SOURCES



Source: World Bank Poverty Assessment 2019

218. *While access to public services are ranked lower in Chart 48, this does not suggest provision but rather the prioritization of more basic needs.* IDP located in camps particularly have limited access to public services education, healthcare, and WASH and if available, tend to be severely overcrowded. In terms of education attainment gap, school-age IDPs (6 to 17 years old) are far behind non-IDP urban counterparts, as well as in literacy measurements.⁷⁴ Addressing severe overcrowding in camps, and expanding access to basic services, including health and education, is essential to prevent IDP human capital depletion.

219. *COVID-19's impact on IDPs is likely to be seen long-term as households report significant increases in indebtedness, both among relatives and with market vendors.* In the REACH IDP survey of Mogadishu, 83% of the HHs report debts higher than \$5 and 51% between \$30-\$100, since the onset of COVID-19. The main needs reported for assuming these debts are food (64%), water (33%), healthcare (19%), nutrition (19%), and shelter (17%). It is concerning to note also that 70% do not believe they will be able to repay these debts.

220. *It is of course important to note that not all IDPs are the same, and some are worse off than the others depending on location, background and duration.* Those displaced by conflict, located in urban centres and in protracted displacement tend to receive better essential amenities. This suggests that IDPs due to flooding and the threat of locusts are likely to be among the worst off in 2020. This is significant for understanding the underlying specific causes or challenges of the displacement to provide durable solutions for the different IDP categories.

Box 5. DISPLACED COUNTRY COMPARATORS

Comparisons can be made to the impact of COVID-19 on displaced populations near the borderlands between Myanmar and China.

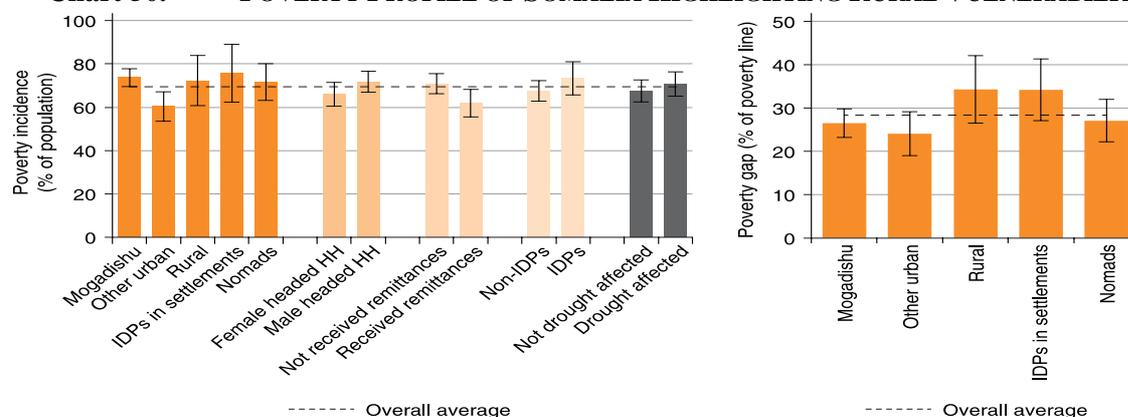
In Kachin State, Myanmar, thousands of displaced people at the border with China depend on unchecked borders and fluid migration for their livelihoods – recruited for manual labour; a situation akin to Somali-Kenyan border.

Following COVID-19 however, both governments were forced to place greater restrictions in line with international lockdown requirements. The result has been the decimation of the sole livelihood for many displaced and already facing extreme vulnerabilities.

6.10. IMPACT ON RURAL AND NOMADIC COMMUNITIES

221. *Somalia's rural areas and communities have the most profound poverty among vulnerable groups, and account for more than half (54.45%) of the population.* Chart 50 shows the incidence of poverty was both widespread and deep in rural communities prior to the COVID-19 pandemic. The Somali High-Frequency Survey indicated three-fourths of the population in rural areas face extreme poverty.

Chart 50. POVERTY PROFILE OF SOMALIA HIGHLIGHTING RURAL VULNERABILITIES



Source: Source: World Bank Poverty Assessment 2019

⁷⁴ World Bank Poverty Assessment

222. **Rural communities already face extremely limited access to essential services, such as education, water, and health, largely due to geo-spatial differences in service provision.** For rural communities, including nomadic groups and rural IDPs, access to essential services stands at just 50% for sanitation, 80% for safe water, and 50% for electricity. Importantly, COVID-19 comes off the back of several years of drought and flooding, for which rural communities and nomads were extremely exposed to. Droughts in 2016 and 2017 displaced almost 1 million people, resulted in a substantial loss of livestock, and reduced the herds by 75 percent. Furthermore, the drought aggravated accessibility of freshwater, hygiene, and sanitation significantly among rural communities.

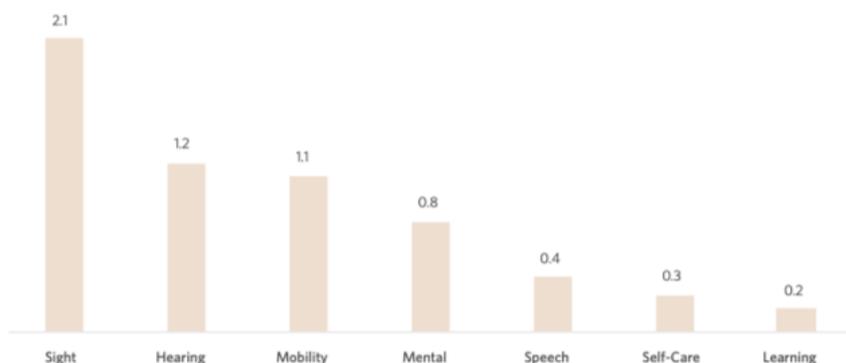
223. **The Impact of COVID-19 on rural communities must therefore be situated within this wider set of risks, which has continued in 2020 due to further flooding and the onset of a locust invasion.** Nonetheless, COVID-19 can still be seen to have direct implications itself. Of note, rural and nomadic communities were extraordinarily impacted by the collapse in livestock exports to Gulf countries for Hajj. These exports, which contribute 40 percent of the GDP and 60 percent employment are the foundation for rural wellbeing, particularly when considering that poor rural households are less likely to receive remittances from the diaspora to support them during crises.

224. **While the response of the FGS, particularly through Baxnaano, has acknowledged the need to support rural communities in particular, this may not be enough to plug the gap resulting from their income loss.** Alongside the continued threat of locust invasion and flooding, in which the reduction of agricultural output adds to the collapse of livestock exports, the COVID-19 pandemic is expected to exacerbate the effect of poverty and hunger for vulnerable rural and nomadic communities significantly over a long-term timeframe.

6.11. IMPACT ON PEOPLE WITH DISABILITIES

225. **People with Disabilities are among the most vulnerable population in Somalia, and are equally likely to intersect with other vulnerabilities, e.g. a large prevalence among unemployed and IDPs.** In Somalia this is a significant proportion of the population, when understood to include people with both physical and mental disabilities. According to the SHDS, around 5 percent of the population suffers from disabilities with the prevalence in women and men approximately the same. The elderly, particularly those above 70 are disproportionately likely to live with disabilities (roughly 14% of this age group). Ageing and congenital related disabilities are understood to be the main cause with Chart 51 providing an overview of the most common forms of disability.

Chart 51. PERCENTAGE OF PEOPLE SUFFERING FROM SPECIFIC TYPES OF DISABILITIES



Source: Somalia Health and Demographic Survey 2020

226. **Somalis suffering with disabilities are likely to face many additional challenges to their day-to-day welfare.** They are far more likely to be unemployed and reliant on remittances and aid, and as is the case among women and girls with disabilities, they are face an increased risk of sexual violence.

COVID-19 is anticipated to amplify these vulnerabilities, though limited data exists already. It is however worth noting that in other national contexts the livelihoods of PwD were significantly impacted by i) increased likelihood of employment dismissal and ii) reduced financial support from relatives.

227. ***People with disabilities also continue to be under supported, highlighted in the recognition that 42% reportedly not receiving any care or support for their condition.*** Among those who do receive support, this is disproportionately medical related with just 1% and 3% of support in the form of welfare or financial support. On this front, there is a clear concern among the NGO sector, as reported in several surveys, that already limited services have been further reduced due to the pandemic.

228. ***Finally, it is also crucial that mental health is not dismissed.*** According to estimates from WHO, as many as one third of the Somali population is affected by a challenge related to their mental health, while, there are only 3 psychiatrists and 25 trained nurses dealing with mental health in the country as a whole. WHO has reported that the burden of coping with diseases such as COVID-19 will only exacerbate the situation and result in many more Somalis dealing with unaddressed anxiety, stress and fear; likely true across the continuum of mental health from mild to severe disorders. At the same time, the level of attention provided to such distress has diminished as other health concerns have been prioritized. In the HRPD Vulnerability Assessment, a reported 6.1% of households sought medical assistance for mental health prior to the crisis, and this reduced to 4.7% during; a reduction of 23% from before.

7. STRATEGIC RECOMMENDATIONS

229. *Unlike other SEIAs conducted in April to May 2020, most of which outlined a suggested policy response, Somalia moved directly to the COVID-19 Country Preparedness and Response Plan in April 2020 following an initial impact diagnostic.* As a result, FGS believes that a detailed COVID-19 response plan is no longer needed and instead this impact assessment should merely present the conclusions of the assessment undertaken, with observation for the NDP.

230. *The impact of the pandemic on the state of ‘development’ in Somalia, may still come to be a significant victim.* Development has long been held hostage by large humanitarian needs, made worse by a weak relief and development nexus. On a course to implement the first year of the NDP, and on the back of HIPC and other positive institutional changes, the arrival of COVID-19 has certainly put back the Somali government and many businesses for many years. Given that the health impacts of COVID-19 on Somalia have been very limited, government is keen to move forward with the second year of the NDP, and to build in recovery elements as required.

7.1 COVID-19 HAS EXACERBATED PRE-EXISTING FRAGILITIES

231. *The impact of COVID-19 has been exacerbated by pre-existing conditions, and recovery efforts must not lose sight of these issues as the health impact of COVID-19 is many times lower than background mortality rates in Somalia, or even annual deaths resulting from the conflict with Al-Shabaab.* For example, the 127 confirmed death cases from COVID-19 in 2020 pails into insignificance compared to the infant and maternal mortality rates, which were 7.4 per cent and 7.3 per cent in 2019 and 2018 respectively. Furthermore, the United Nations Assistance Mission in Somalia (UNSOM) reported 1,228 civilian casualties between January and September 2017 alone, about half by Al-Shabaab. Given that COVID-19 has further weakened state capacity, and that official development assistance may be reduced in 2021, the indirect and induced impacts of the pandemic appear prima facie to be greater than the virus itself. A summary of impact and their policy implications are provided below:

7.2 INVESTMENT IMPLICATIONS FOR THE NDP

232. *Crucially, and alongside incredible individual loss, one of the greatest victims of the pandemic crisis is development itself.* Development has long been held hostage to humanitarian crisis, made worse by a weak relief and development nexus. On a course to implement the first year of the NDP, and on the back of HIPC and other positive institutional changes, the arrival of COVID-19 has certainly put back the Somali government and many businesses for many years. Given that the health impacts of COVID-19 on Somalia have been very limited, government is keen to move forward with the second year of the NDP, and to build in recovery elements as required.

233. *The ongoing costing of NDP-9 activities must make fiscal space and alignment and harmonization central to the resource allocation effort, and it is suggested that a number of new actions are integrated into the NDP.* Recovery would focus on building forward better and leaving no one behind, and include a particular focus on digitized service delivery models and investments, in an effort to remove existing fragilities.

234. *Taking the crisis as an opportunity, despite ongoing threats, the ongoing COVID-19 response must lay the foundation for the NDP and make adjustments to Vision 2035.* These adjustments reflect changes in the composition of investment and their sequencing, but not their overall attainment. High growth futures are still planned and expected, and rates of foreign direct and sovereign investment are expected to continue at pace; despite setbacks. Within this context, the following major areas of investment are suggested as a way to consolidate gains made in recent years, while investment to Build Back Better and Leave No One Behind.

Health Policy Implications

- ***Health Service Delivery Upgrading:*** While healthcare delivery in Somalia is dominated by the private sector and NGOs, greater investment in essential health infrastructure is required. This would include developing a digital infrastructure backbone (a Digital-By-Default policy) in order to massively upgrade the level of real time health related data. Currently, legacy systems undermine the potential for both rapid response and predictive analytics;
- ***Health Related Solar Power:*** Without cold storage systems, vaccination is compromised. Moreover, a wide range of essential primary and secondary healthcare activities require power for basic day-to-day care, and yet in many clinics power is lacking. Given the absence of a national grid, power remains a generation and distributional problem, as a result investment in off grid power appears vital, linked to healthcare provision.
- ***Prioritise the Decongestion of IDP Settlements:*** Until vaccine distribution is sufficient to develop herd immunity, Somalia must rely on Non-pharmaceutical interventions (NPIs) to contain the spread of the virus. In particular, the endeavour to decongest densely populated IDP settlements may yield significant results, with added benefits to the community of reduced hazard risk and crime reductions. Activities to this end have already been established by UN Habitat and the Somalia Shelter Cluster, but must be further strengthened.

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Economic Policy Response

- ***Emergency Fiscal Support:*** 2021 is expected to be another challenging fiscal year for government, and emergency support from the IFIs seems likely, even assuming the elections lead to a peaceful outcome. Remittances are likely to contract, as is ODA, and the costing of the NDP will therefore need to focus on the macro-economic and fiscal framework, to assess the resource envelope prior to determining the budget, and how it should be balanced.
- ***Financial Inclusion:*** While inclusive economic growth has emerged a dominant theme in recent years, COVID-19 has demonstrated how exposed micro and small businesses are to economic shock, and how little credit they have access to. While Gargaara and MFIs have played a key role in supporting credit, the reality is that the entire micro-credit market – and indeed banking sector – needs further development and support; with a particular focus on meeting the needs of those who remain currently unbackable.
- ***Universal Access to Digital ID System:*** In terms of digital IDs, and access to digital services, huge investments are required to bring service delivery in line with regional comparators. Moreover, digitization of services – to support improved access and to drive down costs – must be central to building forward better. Fully developed services delivery systems aid pandemic management and support agility, which has shown itself to be important. Such an investment – drawing lessons from countries such as Afghanistan – will become increasingly essential.
- ***Disaster Management through Employment Generation:*** Somalia continues to have a limited disaster preparedness, mitigation and management capability. Moreover, during times of stress when labour intensive works and other programs might support employment generation, there is no formal system in place to generate employment for those most in need. Ethiopia provides a useful model in this regard, through its employment generation scheme. Such an approach would lower the risk for informal sector workers and through shelf projects – encourage linking relief to development.
- ***Sustainable Development Finance and Integrated National Financing Framework:*** Somalia remains heavily dependent on remittances and official development assistance, to balance trade, current and capital accounts and to finance the national budget. The fundamental shift taking

place globally around the Addis Ababa Action Agenda is not only leading to a reduction in traditional grant-based giving; it is also working to crowd in private capital and to integrated domestic public and private, with international public and private flows. Clearly, Somalia needs to embrace the new Funding to Financing approach, to the benefit of both government and the business community.

Social Policy Investment

- ***The Role of Women in Post COVID-19 Society:*** The role that women play in political, public and business life deserves far greater attention. Results show that women and children remain highly vulnerable to such exogenous shocks, and as noted through a number of surveys, they remain substantially under supported at the level of the public sector and the market. What is required goes beyond social protection and welfare, requiring a thorough review of access to services by women, and the role that digital services can play in enhancing access, and voice. Women’s demand for 30 per cent of seats in the parliament is necessary to allow public resource to be committed in an equitable way, and to overcome both vertical and horizontal imbalances in access to services.
- ***Education Delivery:*** A large number of children do not have access to education, and the period of the pandemic has certainly undermined access, attendance and the viability of the largely commercial and NGO delivery system. While previous efforts to increase online delivery and access through mobile devices has had some impact, the pandemic reminds us that the 3 to 5 million out-of-school population, will need to be better served through a new and improved service delivery model.
- ***The Circular and Green Economy:*** The concomitant impacts of drought and flooding reminds the government and international community of the need to increase investment to support the circular and green economies. Both drought and flooding – made worse by environmental degradation – go back decades and despite efforts, environmental fragilities remain. Mitigating the risks of a cocktail of exogenous factors as occurred in 2020; will require new investment through vertical funds and the market place.
- ***Sustainable Future for Diaspora and Remittances:*** Without remittances in 2020, households and the entire economy would have come close to collapse. The importance of remittances is vital to securing consumption, but such flows can also be directed towards investing in more productive assets, through for example, diaspora bonds and other investment tools. Once the full effects of HIPC are in place, the NDP would do well to consider new measures to better deploy the financial and human capital available to the diaspora to improve the sources of resilience.

235. ***The areas suggested above are highlighted to overcome some of the structural constraints made obvious by the pandemic, while also laying the foundation for a future ready government.*** These measures will need to be considered, costed and fully integrated into the NDP, and they must also support the consistent updating of the SDG Dashboard; so that baselines are updated and progress can be more easily tracked.

7.3 IMPLICATIONS FOR THE AGENDA 2030

236. ***The impact of COVID-19 on the SDGs cannot be ascertained from the SEIA, as no national sample survey was conducted related exclusively to a particular SDG or target.*** However, it is inevitable that certain SDGs have suffered as a result of the disruption to government, economic lockdown and continued economic downturn. Somalia has a 2020 Index Score of 46.2 and a regional average score of 53.1. The SDG dashboard update and performance indicators for 2020 are provided in Annex 1 and Annex 2 below, though the following trends have been observed through this impact

assessment, and these will need to be reflected in the 2021 baselines. There is no single investment in 2020 that would have improved SDG performance, though some risks were very certainly mitigated:

- SDG 1 (Poverty) is likely to have increased across the board, though particularly for the most vulnerable. Given that SDP growth in recent has been largely levelled by the pandemic, it is clear that rising-tide policies have been insufficient to lift most people out of poverty. Given the increasing role of the FMS in setting sub-national policy and resource allocation, a greater focus on inclusive policies appears to be urgent. Moreover, establishing a viable national disaster management system is clearly now necessary, to overcome the rather limited response when fragilities increase.
- SDG 2 (Zero Hunger) will have been negatively impacted over the short term and early warning systems will need to be on standby should a large-scale drought impact Somalia in 2021;
- SDG 3 (Good Health and wellbeing) will have been affected, not just because of the pandemic, but also due to the collapse in purchasing power (made worse by the domination of private delivery) and lack of universal access to public health services. While there is no quick solution to this problem, what is clear is that to the extent possible the measures outlined above are going to be essential to improving the governance of the health sector, to allow performance metrics to be known annually, not just when a national survey is financed;
- SDG 4 (Quality Education) will have been affected, not just because of the disruption in education service delivery, but because most education establishments are private, and they rely on payment of fees to sustain the business;
- SDG 5 (Gender Equality) there are indications that pre-existing gender inequality concerns (Somalia was placed 4th lowest with a score of 0.776) were amplified during the pandemic;
- SDG 6 (Clean Water and Sanitation) is unlikely to have been directly affected given pre-existing lack of access, though with government expenditures challenges by the fiscal crisis and with ODA and remittances likely to reduce, much needed investment may have been put on hold;
- SDG 7 (Affordable and Clean Energy) provision – largely private – have been badly affected based on IFC reports, with private capital put under pressure due to non-payment of bills and lower usage, undermining the next round of expansive capital investment;
- SDG 8 (Decent Work and Employment) has seen across the board losses, and while no data national survey has been conducted, based on a simple application of multipliers, it seems highly likely that more than between 100,000 to 150,000 people have lost their jobs, and under-employment in particular for the youth, and female youth will have worsened
- SDG 9 (Industry, Information and Infrastructure) have all been affected by a downturn in business, supply and demand side constraint, declining FDI and remittances;
- SDG 10 (Reduced Inequalities) may have been affected, though pre-existing background levels are already very high;
- SDG 11 (Sustainable Cities and Communities) are likely to have taken a step back due to the increased level of unplanned urbanization, the spike in refugees and IDPs, and collapse in municipal revenues;
- SDG 12 (Responsible Consumption and Production) is unlikely to have been huge affected, given the extremely low levels of existing consumption for Somali society as a whole;

- SDG 13 (Climate Action) impacts have likely been positive due to reduced industrial activity, lower climate pollution (i.e., from airways) etc.;
- SDG 14 (Life Below Water) is unlikely to have been significantly affected by the crisis;
- SDG 15 (Life on Land) will likely have been affected by increasing pressure on the environment;
- SDG 16 (Peace, Justice and Institutions) will have been negatively affected by the fiscal crisis, despite coming from a low base, and there have been net positives for fiscal federalism and potentially with the social contract;
- SDG 17 (Partnerships for the Goals) has undoubtedly improved, not just because of the positive impact of ODA in securing 2020, but because the pandemic has focused efforts on building strong partnerships between the government, private sector and non-governmental actors, in what has been a highly collaborative exercise.

237. ***The SEIA is intended to be descriptive and derived from evidence, to the extent that evidence has been collected.*** In this regard, the primary recommendations emerging from this work really highlight the need to reduce fragility and vulnerability to external shocks by investment in sources of resilience, and by focusing heavily on increasing the value proposition of investment to meet fewer goals, in order to secure the state building agenda and to accelerate inclusive growth. In this regard, the forthcoming NDP costing exercise will not only need to strengthen prioritization within the overall resource envelope, it would also need to identify action that better promote recovery to build back better and promote a more future ready government.

ANNEX 1: SOMALIA SDG DASHBOARD (2020)



Notes: The full title of Goal 2 "Zero Hunger" is "End hunger, achieve food security and improved nutrition and promote sustainable agriculture".
 The full title of each SDG is available here: <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

ANNEX 2: SDG INDICATOR PERFORMANCE (2020)

SOMALIA

Performance by Indicator

Indicator	Value	Year	Rating	Trend
SDG1 – No Poverty				
Poverty headcount ratio at \$1.90/day (%)	50.5	2020	●	→
Poverty headcount ratio at \$3.20/day (%)	78.0	2020	●	→
SDG2 – Zero Hunger				
Prevalence of undernourishment (%)	NA	NA	●	●
Prevalence of stunting in children under 5 years of age (%)	25.3	2009	●	→
Prevalence of wasting in children under 5 years of age (%)	15.0	2009	●	→
Prevalence of obesity, BMI ≥ 30 (% of adult population)	8.3	2016	●	↑
Human Trophic Level (best 2–3 worst)	NA	NA	●	●
Cereal yield (tonnes per hectare of harvested land)	0.5	2017	●	↓
Sustainable Nitrogen Management Index (best 0–1.41 worst)	1.1	2015	●	→
SDG3 – Good Health and Well-Being				
Maternal mortality rate (per 100,000 live births)	829	2017	●	→
Neonatal mortality rate (per 1,000 live births)	37.5	2018	●	→
Mortality rate, under-5 (per 1,000 live births)	121.5	2018	●	→
Incidence of tuberculosis (per 100,000 population)	262.0	2018	●	→
New HIV infections (per 1,000 uninfected population)	0.0	2018	●	↑
Age-standardized death rate due to cardiovascular disease, cancer, diabetes, or chronic respiratory disease in adults aged 30–70 years (%)	21.8	2016	●	↓
Age-standardized death rate attributable to household air pollution and ambient air pollution (per 100,000 population)	213	2016	●	●
Traffic deaths (per 100,000 population)	27.1	2016	●	↓
Life expectancy at birth (years)	55.4	2016	●	→
Adolescent fertility rate (births per 1,000 adolescent females aged 15 to 19)	100.1	2017	●	→
Births attended by skilled health personnel (%)	9.4	2006	●	●
Percentage of surviving infants who received 2 WHO-recommended vaccines (%)	42	2018	●	→
Universal health coverage (UHC) index of service coverage (worst 0–100 best)	25.0	2017	●	→
Subjective well-being (average ladder score, worst 0–10 best)	4.7	2016	●	●
SDG4 – Quality Education				
Net primary enrollment rate (%)	NA	NA	●	●
Lower secondary completion rate (%)	NA	NA	●	●
Literacy rate (% of population aged 15 to 24)	NA	NA	●	●
SDG5 – Gender Equality				
Demand for family planning satisfied by modern methods (% of females aged 15 to 49 who are married or in unions)	48.3	2017	●	→
Ratio of female-to-male mean years of education received (%)	NA	NA	●	●
Ratio of female-to-male labor force participation rate (%)	25.8	2019	●	→
Seats held by women in national parliament (%)	24.4	2020	●	↑
SDG6 – Clean Water and Sanitation				
Population using at least basic drinking water services (%)	52.4	2017	●	→
Population using at least basic sanitation services (%)	38.3	2017	●	→
Freshwater withdrawal (% of available freshwater resources)	24.5	2005	●	●
Anthropogenic wastewater that receives treatment (%)	0.0	2018	●	●
Scarce water consumption embodied in imports (m ³ /capita)	0.0	2013	●	↑
SDG7 – Affordable and Clean Energy				
Population with access to electricity (%)	32.9	2017	●	→
Population with access to clean fuels and technology for cooking (%)	2.3	2016	●	→
CO ₂ emissions from fuel combustion for electricity and heating per total electricity output (MtCO ₂ /TWh)	NA	NA	●	●
SDG8 – Decent Work and Economic Growth				
Adjusted GDP growth (%)	NA	NA	●	●
Victims of modern slavery (per 1,000 population)	15.5	2018	●	●
Adults with an account at a bank or other financial institution or with a mobile-money-service provider (% of population aged 15 or over)	38.7	2014	●	●
Unemployment rate (% of total labor force)	11.4	2019	●	→
Fatal work-related accidents embodied in imports (per 100,000 population)	0.0	2010	●	↑
SDG9 – Industry, Innovation and Infrastructure				
Population using the internet (%)	2.0	2017	●	→
Mobile broadband subscriptions (per 100 population)	2.5	2017	●	→
Logistics Performance Index: Quality of trade and transport-related infrastructure (worst 1–5 best)	1.8	2018	●	→
The Times Higher Education Universities Ranking: Average score of top 3 universities (worst 0–100 best)	0.0	2020	●	●
Scientific and technical journal articles (per 1,000 population)	0.0	2018	●	→
Expenditure on research and development (% of GDP)	*	0.0	2017	●
SDG10 – Reduced Inequalities				
Gini coefficient adjusted for top income	NA	NA	●	●
SDG11 – Sustainable Cities and Communities				
Annual mean concentration of particulate matter of less than 2.5 microns in diameter (PM _{2.5}) (µg/m ³)	32.0	2017	●	↓
Access to improved water source, piped (% of urban population)	75.4	2017	●	↑
Satisfaction with public transport (%)	62.0	2016	●	●
SDG12 – Responsible Consumption and Production				
Municipal solid waste (kg/capita/day)	0.9	2016	●	●
Electronic waste (kg/capita)	NA	NA	●	●
Production-based SO ₂ emissions (kg/capita)	10.2	2012	●	●
SO ₂ emissions embodied in imports (kg/capita)	0.0	2012	●	●
Production-based nitrogen emissions (kg/capita)	30.8	2010	●	●
Nitrogen emissions embodied in imports (kg/capita)	0.0	2010	●	●
SDG13 – Climate Action				
Energy-related CO ₂ emissions (tCO ₂ /capita)	0.0	2017	●	↑
CO ₂ emissions embodied in imports (tCO ₂ /capita)	0.0	2015	●	↑
CO ₂ emissions embodied in fossil fuel exports (kg/capita)	*	0.0	2018	●
SDG14 – Life Below Water				
Mean area that is protected in marine sites important to biodiversity (%)	0.0	2018	●	→
Ocean Health Index: Clean Waters score (worst 0–100 best)	61.0	2019	●	→
Fish caught from overexploited or collapsed stocks (% of total catch)	15.4	2014	●	↑
Fish caught by trawling (%)	10.4	2014	●	→
Marine biodiversity threats embodied in imports (per million population)	0.0	2018	●	●
SDG15 – Life on Land				
Mean area that is protected in terrestrial sites important to biodiversity (%)	0.0	2018	●	→
Mean area that is protected in freshwater sites important to biodiversity (%)	0.0	2018	●	→
Red List Index of species survival (worst 0–1 best)	0.9	2019	●	↓
Permanent deforestation (% of forest area, 5-year average)	0.0	2018	●	●
Terrestrial and freshwater biodiversity threats embodied in imports (per million population)	0.0	2018	●	●
SDG16 – Peace, Justice and Strong Institutions				
Homicides (per 100,000 population)	*	4.3	2015	●
Unsented detainees (% of prison population)	NA	NA	●	●
Percentage of population who feel safe walking alone at night in the city or area where they live (%)	85.4	2016	●	●
Property Rights (worst 1–7 best)	NA	NA	●	●
Birth registrations with civil authority (% of children under age 5)	3.0	2018	●	●
Corruption Perception Index (worst 0–100 best)	9	2019	●	→
Children involved in child labor (% of population aged 5 to 14)	49.0	2016	●	●
Exports of major conventional weapons (TIV constant million USD per 100,000 population)	*	0.0	2019	●
Press Freedom Index (best 0–100 worst)	57.2	2019	●	→
SDG17 – Partnerships for the Goals				
Government spending on health and education (% of GDP)	NA	NA	●	●
For high-income and all OECD DAC countries: International concessional public finance, including official development assistance (% of GNI)	NA	NA	●	●
Other countries: Government revenue excluding grants (% of GDP)	0.0	2018	●	●
Corporate Tax Haven Score (best 0–100 worst)	*	0.0	2019	●

* Imputed data point