

SOMALIA

- Real GDP growth in Somalia, estimated at 3.7% for 2016, is projected to decelerate to about 2.5% in 2017 because of lower agricultural output but will recover to about 3.5-4.5% in 2018-19.
- Creating jobs for the youth, providing social services such as education and health, and building sustainable livelihoods are the immediate key development challenges in Somalia.
- Somalia's entrepreneurial private sector is one of the country's main assets and an important partner for development actors.

Overview

Somalia's economy remains fragile as it relies heavily on the agriculture and livestock sectors, remittances and telecommunications, with no apparent manufacturing and industrial sector. The small industry that existed before the civil war has completely vanished and the machinery sold as scrap metal. Very little value is added to agricultural and livestock products before they are either exported or consumed. Dependence on primary commodities as a major source of export earnings is a structural bottleneck and reflects the country's narrow economic base and vulnerability to market dynamics, price fluctuations and environmental shocks.

According to the IMF, real 2017 GDP growth is projected to decelerate to about 2.5%, with inflation forecast at 1-2%. The slower growth rate in 2017 will be a consequence of lower agriculture output due to a weaker rainy season. However, construction, telecommunications and service sectors are projected to continue to register decent growth. The external current account deficit is projected to remain large though remittances and grants are likely to cover this deficit. The Somali Shilling (SOS)/USD exchange rate is expected to remain around 22 200 to 23 000, the range within which it has been since January 2015.

The fiscal framework for 2017 targets a zero-cash balanced budget, underpinned by realistic revenue projections, new revenue measures and prudent expenditures.

The World Bank estimates that the poverty levels in Somalia are extremely high, with about half of the population (51.6%) living below the poverty line. Poverty is aggravated by the lack of a functioning government, widespread insecurity, and natural calamities such as floods and droughts. The World Bank estimates Somalia's per capita income at USD 435, making it the fifth poorest country in the world. About 70% of its population of roughly 12 million are under the age of 30. Living in a country with an estimated youth unemployment rate of 67%, one of the highest in the world, young Somalis see few prospects for the future. High levels of unemployment have increased their vulnerability to militant groups and criminal activities.

Implementing the new National Development Plan (NDP) 2017-19 requires an environment more conducive to sustainable development and robust improvements in the political, security and governance situation of the country. The NDP will also involve a continuous public-private dialogue between government, citizens and the private sector.

The country's private sector is a major asset and Somali entrepreneurs have actually flourished in a stateless conflict-ridden economy. Remittances from the diaspora have funded private sector investment in livestock, trade, money transfer services, transport and telecommunications. As outlined in the NDP 2017-19, the Federal Government aims to strengthen the national economy by putting in place the relevant regulatory frameworks that are needed to support entrepreneurship and a vibrant private sector.



Recent developments and prospects

Somalia's economy is largely dominated by the informal sector with the majority of the population living below the subsistence level and engaged in small-scale businesses. The private sector has demonstrated impressive resilience in areas such as telecommunications, financial services, construction, livestock and fisheries. The Somali diaspora is the major investor in the country and provides an estimated 80% of the start-up capital for small and medium enterprises. Returnees establish businesses, individually or as a group by pooling resources, and sometimes manage their business interests from outside the country.

In order to comply with the IMF Staff Monitored Programme (SMP) – approved in May 2016 for one year – the authorities have fully implemented a number of key measures in relation to fiscal policy. They include: i) adoption of an Appropriation Bill that is consistent with a zero cash balance; ii) setting up of an institutional framework for fiscal data reporting; and iii) adoption of an arrears-management strategy, as part of the reform of public financial management (PFM). Further, as envisaged under the SMP, the government has recently submitted to parliament a draft PFM law.

By endorsing both the Millennium Development Goals (MDGs) and the Sustainable Development Goals (SDGs), Somalia has made a commitment to achieve them. However, owing to the country's political instability, security challenges, and lack of adequate financial and human resources, Somalia did not actually achieve any of the MDG goals, and progress on the SDGs will be challenging. Therefore, the creation of jobs for the youth, providing social services such as education and health, and building sustainable livelihoods will continue to be a priority for the Federal Government of Somalia (FGS).

There have been positive strides in the social sector as the government has recently made efforts to revive the education sector, leading to growth in enrolment of more than 87 765 children in formal primary education and approximately 9 000 new students in alternative basic education. Somalia does, however, still have a long way to go. Currently, only 41.8% of school-aged children are enrolled in primary schools, and less than 8% of secondary school-age children attend secondary schools. Girls are more affected due to additional social and cultural barriers. They account for only 36% of students in schools.

The Ministry of Planning and International Co-operation has almost finalised the process of developing the National Development Plan (NDP) 2017-19, which will be the post-2016 planning framework for Somalia. The NDP framework will define Somalia's short to medium term strategic direction, development priorities and proposed implementation mechanisms, including the use of development aid. The NDP provides an analysis of Somalia's current development status, challenges and opportunities. The theme of the NDP is to accelerate socio-economic transformation in order to achieve the stated objectives of poverty alleviation, economic revival and societal transformation in a just and gender equitable manner. The NDP will also serve as an Interim Poverty Reduction Strategy Paper (IPRSP), as it will have a strong focus on tackling poverty and starting to deliver on the SDGs.

Despite Somalia having ratified a number of international/regional environmental regulations and treaties, the environmental regulatory and institutional framework for most of the country has largely been absent over the last three decades. As a result, there has been tremendous destruction of natural resources. The UN Security Council has also determined that the illegal trade of charcoal is a huge factor in funding terrorism and a major cause of deforestation. Drought is also a persistent threat in certain regions of the country, yet long-term efforts to address the situation are being hindered by continued insecurity and a lack of access to many recovered areas due to Al-Shabaab's blockade of major supply routes. The construction of large dams on the Ethiopian section of the Shabelle and Jubba Rivers has also reduced the flow of water downstream in Somalia and affected livelihoods in these regions.



Although entrepreneurship continues to flourish in Somalia, various reforms need to be implemented to ensure this momentum is maintained. Some of these reforms include: promotion of an enabling environment – particularly, security and access to finance, appropriate sector regulation, and better financial intermediation. Efforts in addressing these reforms have already begun with support from the AfDB, IMF, World Bank, UN and bilateral partners, and further immediate steps are outlined in the NDP.

Macroeconomic policy

Fiscal policy

According to the IMF, real GDP growth in 2017 is projected to decelerate to about 2.5%, while inflation is expected to remain subdued at 1-2%. The slower growth rate in 2017 will be a consequence of lower agricultural output due to a weaker rainy season. Meanwhile, construction, telecommunications, and service sectors are projected to continue to register decent growth. The external current account deficit is projected to remain large and it is expected that remittances and grants will cover this deficit. The Somali Shilling/USD exchange rate is expected to remain within the range of about 22 200 and 23 000, where it has been since January 2015. The fiscal framework for 2017 targets a zero-cash balanced budget, underpinned by realistic revenue projections, new revenue measures and prudent expenditures.

For 2016, revenues and grants are estimated to have been 3.7% of Somalia's GDP, relative to 3.1% in 2015. The figures reflect continued economic recovery and new fiscal measures aimed at strengthening tax payment compliance by key businesses (i.e. the outcomes of negotiations between the government and companies on scheduled payments, including arrears, based on existing tax laws).

Expenditure is envisaged to have risen commensurately with revenue and grants. The wage bill provided for the full payment of all civil servants and security forces, and the recruitment of new staff for key ministries and agencies is USD 95 million. At year-end, however, numerous civil servants and personnel in the security forces had not been paid for several months. The fiscal programme, supported by donors, also provides for increases of non-wage recurrent spending and investment to support the efforts of rebuilding institutions and public infrastructure, and for USD 32 million to clear domestic arrears.

Furthermore, the authorities are committed to addressing fiscal vulnerabilities and are aware of the risks posed by potential shortfalls in grants and domestic revenues. To mitigate these risks, the authorities are determined to: i) limit non-priority spending in goods and services in the event of a shortfall in revenue and grants; ii) avoid accumulation of new domestic arrears by strengthening commitment controls, the legal and regulatory framework, and by improving cash management; and iii) where possible, using any revenue windfall (including additional grants for budgetary support) to build up buffers and pay down arrears. The authorities also plan to introduce automated payroll systems for the National Army and Police, strengthening civilian oversight of their budgets.

Regarding fiscal federalism, the authorities plan to start discussions towards harmonising taxes across sub-national governments, establish channels for intergovernmental transfers, and define basic principles for a national fiscal framework. A 2016-20 Public Financial Management Reform Action Plan, prepared in the latter half of 2016, has been finalised.

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Monetary policy

The Central Bank of Somalia (CBS) has continued with its wholesale reorganisation and reform initiatives.

The CBS is in the process of developing and implementing a comprehensive roadmap for the prudent growth of financial intermediation in Somalia, supported by advice from international donors and technical assistance providers. For example, with support from the IMF and US Treasury Department, the CBS has started the process of prudential regulation, supervision and examination of commercial banks. Through enhanced licencing procedures, the formal banking sector is starting to strengthen. So far, 6 banks have been licenced and 13 applications for bank licences are pending.

With support from the World Bank, the CBS has strengthened licencing and registration regulations relating to money transfer businesses (MTBs). Building on these regulations, CBS has again partnered with the World Bank and prepared regulations pertaining to Anti Money Laundering (AML) aspects of MTB operations. Furthermore, a third party Trusted Agent has been appointed to assist the CBS in monitoring the MTB industry.

Capacity is also increasing within the CBS, as several officials have been hired: i) seven in bank licencing and supervision; ii) one in economic research; and iii) two senior accountants for finance and accounting. Important progress has also been made to recruit six directors of key departments at CBS and a deputy director for non-financial institutions supervision. This will all improve the CBS's absorptive capacity for advice by international donors and technical assistance providers.

Since 2012, a number of laws and regulations aimed at formalising the financial sector have been passed. The latest being the Anti-Money Laundering and Combating the Financing of Terrorism (CFT) law, passed by parliament at the beginning of 2016. In addition, various regulations are now in force, including Bank Licensing, MTB Registration and Licensing, and MTB Business Customer Registration Regulations.

Finally, with regards to monetary policy, the CBS faces the daunting challenge of discharging its mandate in a largely dollarised economy, in which it does not have the monetary tools to control the money supply in the country. With the advice and assistance from the IMF, the CBS has developed a two-phase roadmap for a comprehensive national currency reform, which takes into account the underlying situation, security issues, and socio-political factors.

Economic co-operation, regional integration and trade

Somalia has one of the lowest rankings in the 2016 Africa Regional Integration index, designed to measure the extent to which African countries are meeting their commitments under the various Pan-African integration frameworks, such as Agenda 2063 and the Abuja Treaty.

Despite its strategic geographical location in the Horn of Africa, Somalia has had limited participation in regional economic activities. This has resulted from the more than two decades of civil war and subsequent state collapse. Somalia's non-active participation in regional integration (RI) activities is evidenced by the fact that the FGS has no clear vision or even objective with regards to RI. Nonetheless, the FGS hopes that RI can assist the country in achieving its goals of ensuring sustainable, pro-poor economic growth, poverty reduction and stability.

RI can help by increasing Somalia's physical access to markets, enhancing Somalia's trade environment and improving Somalia's business competitiveness. It would enable Somalia to benefit from its significant advantages (e.g. longest coastline in Africa). These advantages,



particularly its strategic geographic location, could enable Somalia to become a logistics hub and a free trade area for exports from and imports to northern Kenya, Ethiopia and South Sudan. Currently, Somalia's main trading partners in the region include Ethiopia and Kenya, which respectively account for about 34% and 9% of its imports. However, the country's exports to the region are very low. The need to develop potential trade corridors (e.g. Mogadishu-Baidoa-Dolow-Nairobi), and improve customs and border management in order to facilitate trade and increase revenues, is becoming urgent.

Debt policy

Somalia's external public debt burden is extremely high and would probably be assessed as unsustainable by the HIPC Initiative (for which the country is eligible). There has not been a HIPCDSA in recent years, but the 2016 estimates of the net present value (NPV) of the debt are: GDP ratio, 79%; exports ratio, 571%; and revenue ratio, 3 915%. Almost all the external debt is in arrears with a large part (between one third and one half) being penalty interest on accumulated principal and interest in arrears. For years, Somalia has not been paying any debt service, and the stock of arrears has been increasing at a rate of about 3% a year. No information is available on arrears to commercial creditors and the search for information on claimants through specialised channels has not yet commenced.

With the assistance of AfDB consultants, the FGS has been reaching out, since early 2014, to creditors to provide loan data, including agreements, arrears position and (penalty) interest applicable on arrears. In the absence of any debt data held by FGS, this data has been used to reconstruct the loan database within the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) – the computerised debt management system that the FGS has adopted. For a country to access the HIPC debt relief Initiative (at the Decision Point), it is required that debt data be fully reconciled, loan by loan, with creditors. As Somalia debt data is being reconstructed from detailed creditor data, this reconciliation process – to be undertaken by IMF and World Bank staff close to the HIPC DP – should then be relatively simple.

All 170 loan instruments from Multilateral Debt data have been inserted into the CS-DRMS. The total debt owed to multilateral creditors is about USD 1.5 billion, of which USD 1.3 billion is in arrears. Nine out of 10 Paris Club (PC) creditors have also responded positively with requests to provide data, and this information is being inserted into the CS-DRMS. The outstanding debt to PC creditors is about USD 2.3 billion, all of which is in arrears. For non-Paris Club creditors, only three out of the ten identified creditors have responded with data. So far, no commercial claims have been established.

AfDB has recently approved support for four newly recruited staff in the MoF, Debt Management Unit (DMU). With AfDB support, the FGS has initiated the process of acquiring a permanent CS-DRMS software licence, and purchasing computers and other hardware for the DMU. Finally, an initial structure of the new DMU has been agreed with the Head of the Unit and is awaiting approval by the authorities.

Economic and political governance

Private sector

Somalia's economy is largely dominated by the informal sector. The majority of the population lives below the subsistence level and is engaged in small-scale businesses. The private sector has demonstrated impressive resilience in areas such as telecommunications, financial services, construction, livestock and fisheries. The Somali diaspora is the major investor in the country and provides an estimated 80% of the start-up capital for small and medium enterprises. Returnees



establish businesses individually or as a group by pooling resources and sometimes manage their business interests from outside the country.

The Ministry of Commerce and Industry is responsible for the formulation, implementation and monitoring of Somalia's internal and external trade. The ministry is also charged with regulating and promoting the country's private sector, including investment and industrial promotion. The ministry's strategic plan for 2013-17 sets out a clear blueprint to: i) build the capacity of the ministry; ii) review and revamp business laws and policies that promote competition and reduce the cost of doing business; iii) improve access of local producers to international markets; iv) encourage investment in manufacturing; and v) rehabilitate industries and factories.

To date, only limited progress has been made in executing this plan. However, work through the World Bank Somalia Core Economic Institutions and Opportunities Programme (SCORE) project to improve the enabling environment and access to finance has now begun. Its objectives are to: i) improve the enabling environment for private and financial sector development and ii) catalyse private investment and job creation.

Going forward, the Ministry of Industry and Commerce has the responsibility to try and regulate the private sector more effectively. This will be a difficult exercise, however, given that almost all activity currently operates informally, where business people have got used to the lack of government oversight and "interference".

However, setting up an adequate and transparent licencing regime and database of registered businesses will greatly assist the government in its efforts to generate increased tax revenues.

Financial sector

The formal financial sector is emerging and consists of the CBS, 6 banks with provisional licences, and 12 licenced Money Transfer Operators (MTOs). An additional 13 applications for commercial bank licences are pending. The sector is, thus, small and nascent, with formal commercial banking activity concentrated in Mogadishu. There is, reportedly, a large informal financial sector.

Industry capitalisation is about 40%, which meets the requirement that 40% of the weighted average assets owned by Somalia banks is financed by equity. All but one bank meets the minimum capital requirement of USD 5 million.

Formal commercial banking activity is concentrated in Mogadishu, with each institution having only a few branches in other parts of the country. MTOs continue to dominate the formal and informal financial sector, and facilitate the transfer of remittances from the Somali diaspora, donor resources and foreign investments. It is estimated that these MTOs handle almost USD 1.5 billion in annual remittances to Somalia.

Access to financial services in Somalia is largely based on innovative mobile telephony schemes, as formal access to finance through well-established banks, finance houses and/or foreign exchanges is limited. Thus, the mobile telephone acts as a means to make financial transactions for many Somalis. Due to a lack of data, it is impossible to measure the percentage of Somalis that have access to these services. However, given the size of the remittance market, a large share of Somalis must have access to these informal (slowly formalising) and basic services.

The CBS controls neither the exchange rate nor the supply of the Somali shilling (SOS). It has not issued any bank notes since 1991 and the bulk of payments are settled in USD, mobile phone platforms, and counterfeit SOS notes. Moreover, official international reserves are very low. In the meantime, the CBS has been building its capacity and putting systems in place, so that it can, increasingly, play its conventional role in the economy.



In order to maintain the flow of remittances from abroad and assuage the concerns of international financial institutions, an AML/CFT Law was passed by Parliament in February 2016, which empowers the CBS to put in place legal measures to govern/monitor the MTOs within Somalia. The Federal Government is now developing an initial Action Plan to build AML systems and capacity for better financial/remittance supervision. The Action Plan targets the CBS, international financial institutions, local financial institutions, and MTOs.

Other notable initiatives at the CBS include the implementation of Core Banking and Payment/Settlement Systems, and starting the process to adopt international standards and best practices. The CBS Board has also adopted guiding principles for currency reform. In the first stage (likely during the current IMF Staff Monitored Programme period), the CBS will issue a single denomination – the new SOS 1 000 banknote, which aims to eliminate counterfeiting and maintain a free-floating exchange rate. The second phase will involve the issuance of additional new banknote denominations.

Public sector management, institutions and reforms

The Office of the Prime Minister (OPM) continues to provide leadership to develop a framework for public sector capacity building, but public service reform requires a broader cross-government structure (e.g. cabinet sub-committee or equivalent) that has not yet been established. And the Capacity Development Directorate in OPM still requires significant strengthening. Newly formed states and Interim Administrations are not currently involved in dialogue on civil service policies.

Through the National Development Plan 2017-19, the FGS is committed to setting up a legal and regulatory personal management system, which sets the standards in the public sector on how to enter and exit the sector, and with one of the core elements being pension arrangements. This work is expected to start in 2017.

Natural resource management and environment

Somalia is currently a signatory to all three Rio Conventions: the UN Convention to Combat Desertification; the UN Framework Convention on Climate Change; and the UN Convention on Biological Diversity. However, despite this, the environmental regulatory and institutional framework for most of the country has been largely absent over the last two decades. As a result, there has been tremendous destruction of natural resources. Somalia is faced with major environmental challenges including: soil erosion, uncontrolled exploitation of marine resources, deforestation, water pollution, non-existent waste management, and very limited disaster preparedness and management. Other key environmental challenges in Somalia relate to increasing aridity and overgrazing, water scarcity and climate change vulnerability. As a result, the country is currently ranked last according to the Environmental Performance Index (EPI).

The Somali Government has demonstrated its desire to protect its natural resources through a number of projects financed by the international community while also demonstrating its commitment to improved environmental outcomes through new and transformative policies and plans, such as the Six Pillar Policy and the New Deal Compact, which, among others, call for mainstreaming environmental considerations into socio-economic development and education programmes.

Through the new National Development Plan (2017-19), the government plans to develop a National Environmental Protection Policy, National Desertification Policy and a charcoal management system. In addition, an environmental awareness campaign will be included in the newly developed school curriculum. It is expected that this work will commence in 2017.

There is concern, however, that the fragility of Somalia, and related human and institutional capacity deficiencies, may hinder the implementation of any environmental policies and regulations. Furthermore, the UN Security Council has determined that the illegal trade of



charcoal is a huge factor in funding terrorism and is a major cause of deforestation. Charcoal continues to be the main source of energy at household level, and certain species of trees may soon be completely wiped out. There are programmes, ongoing and in the pipeline, supported by development partners, to transition households onto more modern fuels (e.g. LPG) and, thus, limit the energy consumption impact on the environment.

Political context

Although gains have been made in promoting political stability, Somalia's political landscape remains extremely fragile. This fragility is attributed to: i) insecurity, exacerbated not only by the Al-Shabaab insurgents but also by the high level of weapons held or accessible by the civilian population and lack of effective law enforcement mechanisms; ii) weak state institutions and capacity; iii) poverty; and iv) unemployment, especially amongst the youth. Clannism, which is at the heart of deep political divisions over federalism and a major contributor to low levels of trust, continues to play a central role in the political instability within Somalia. Clans fight primarily over the current and future distribution of resources and power.

After numerous delays, the Presidential election was held on 8 February 2017. The delays in the election were a result of delays in the finalisation of the elections for members of the Lower and Upper Houses of Parliament. More than 14 000 delegates representing Somalia's clans have cast their votes for members of the Lower House, while the new states have selected the members of the Upper House.

In line with the provisions outlined in the Security Council Resolutions 1325 and 1820, the National Leaders Forum, which brings together top leaders from both Federal and State Governments, endorsed the quota of 30% for women's representation in both the Upper and Lower Houses of Parliament and urged those involved in the electoral process to ensure the decision is implemented. The incumbent President, Hassan Sheikh Mohamoud, was among dozens of candidates vying for the post of President. However, he lost the election to the former Prime Minister, Mohamed Abdullahi Farmaajo.

The federal state formation process, over the last three years, has been relatively successful, with a number of new states being formed. These new states include Hirshabelle, Jubbaland, South-West and Galmudug. Puntland was the first of the self-defined Somali Federal States to be formed in 1998. However, the status of Benadir (Mogadishu area) still needs to be decided. In addition, Somaliland continues to consider itself as an independent state and to seek international recognition of its sovereignty. Puntland maintains its claim to parts of the Sool and Sanaag regions, a claim Somaliland completely rejects. Consequently, armed groups (some supporting Puntland's claims and others trying to have a separate state of their own) are active along the borders between the two states.

Social context and human development

Building human resources

The overall health situation in Somalia remains poor with some of the worst health indicators in the world. For example, one out of seven Somali children dies before the age of five. The leading causes of infant and child mortality include malnutrition, pneumonia, diarrhoea and measles. Reported maternal mortality in 2015 was 850/100 000 live births, which was mainly attributed to a low number of institutional deliveries.

Lack of access to clean and safe water has exacerbated the incidences of water-borne diseases, especially cholera which is endemic in Somalia, and contributed to a high under-five child mortality rate of 133/1 000 live births. Populations with improved sanitation are estimated at only 23%, which is one of the lowest in the world. Currently, about 83% of the rural population



practice open defecation (a large share of the urban population do likewise), which also has serious health implications. Although the proportion of urban dwellers that use improved water supply increased (35% in 2000 to 66% in 2011) over the last few years, the proportion of rural dwellers decreased within the same period (from 15% in 2000 to 7% in 2011).

Some progress is being made in strengthening the health sector. For example, the federal government has scaled up an Essential Package of Health Services, which has resulted in the families of more than 80 000 pregnant women and 406 000 children under five gaining access to high quality health, emergency obstetric and neonatal care. Significant progress has been achieved in reducing measles caseloads at the national level. There was a 41% decrease in the number of measles cases reported between January and July 2016.

HIV/AIDS prevalence in Somalia was estimated at 0.5% in 2015 (UNAIDS, 2015). This is considered to be low compared with the incidence in surrounding countries. Stigma and resistance are high and HIV victims are normally abandoned by their families. To prevent new HIV infections, CISP (International Committee for the Development of People) Somalia has offered free screening services to the youth who are considered the most vulnerable groups. Hospitals have also been equipped to administer Anti-Retroviral Therapy (ART).

Tuberculosis is a serious problem in Somalia. Drug resistance, as a result of improper use of anti-TB medicines, is an emerging problem. In order to address this, a multi-drug resistance-TB treatment was introduced by the TB programme for Somaliland, which is financed by the Global Fund and implemented by World Vision, with technical support from WHO. To date, there are 68 TB centres operating across the country and Somalia still maintains a TB treatment success rate above the WHO recommended level of 85%.

Malaria has decreased significantly in Somalia due to prompt treatment, indoor household spraying campaigns and distribution of bed nets. According to UNICEF (2016), malaria prevalence in Somalia has dropped dramatically since 2009 when more than a quarter of Somalis were infected, to fewer than 2% of the population in 2015.

Currently, only 42% of school-aged children are enrolled in primary school, and less than 8% of secondary school-age children attend secondary school. Girls account for 36% of those attending primary education. Teachers work hard to provide education although many are unqualified, lack a proper syllabus, and are generally challenged by very large class sizes.

Despite these drawbacks, there are notable achievements including: completion of the national curriculum framework, finalisation and submission of the Higher Education Act to Parliament, provision of standard national primary and secondary education examinations in all regions, the launch of the Education Management Information System (EMIS) in regional states, and the strengthening of the staff of Federal and State Education Ministries through recruitment and training.

The need to expand equitable access to quality education and training, increase public spending on education progressively over the National Development Plan (2017-19) timeframe, and develop a National Education Act, cannot be understated.

Poverty reduction, social protection and labour

The reach of and access to social protection across Somalia remains extremely low. Government-implemented social protection programmes, such as support for war orphans, exist, but are small in scale and limited in budget. These programmes currently provide inconsistent and unpredictable support, which undermines their impact and ability to help households overcome vulnerability. NGOs and donors often implement social protection programmes during adverse periods, e.g. drought and famine. In 2016, about 259 000 people were targeted with bilateral food assistance in Somaliland by the Organization of Islamic Co-operation. Additionally, 91 000 people



were assisted with livelihood assets, such as conditional cash transfers, and cash/food for work and training.

Already, it is expected that a large humanitarian response will be required in 2017 due to the ongoing drought in Somalia, which follows the fourth poor rainy season in a row. The drought and famine situation is particularly dire in the regions of Bay and Bakool, as poor households have had little or nothing to harvest, own few livestock and rely on wage labour which declines quickly during severe droughts. In Somaliland, the poor rains and extreme climate conditions have significantly affected thousands of families and caused the death of a large percentage of livestock, which is considered a lifeline for nomadic communities. As a result, the Somaliland Presidential elections that were supposed to take place in March 2017 have been postponed for six months as government focuses on providing humanitarian assistance to drought victims.

With assistance from the UN World Food Programme, the federal government is currently designing a longer-term social protection policy that will delineate vulnerable groups and facilitate the development of the necessary regulatory/institutional frameworks for optimal delivery. However, since it will take time to develop a comprehensive social protection system that addresses a full set of vulnerabilities, the federal government's current priority is to lay the foundation for programmes to: i) mitigate the impacts of natural, man-made and life-cycle shocks, particularly for the most economically and socially vulnerable households; and ii) assist marginalised populations to access core social services and economic development opportunities.

Somalia recently ratified three fundamental ILO Conventions, bringing the total number of ratified Conventions to 19; of which 17 are in force and two have been denounced. The country has still not ratified 69 Conventions, including important ones such as the Minimum Age Convention of 1973 and the Occupational Safety and Health Convention of 1979. Furthermore, following the ratification of the Worst Forms of Child Labour Convention of 1999 (convention 182) in 2014, no real progress has been visible in implementing this convention. The unemployment rate for the country (as a percentage of the economically active population) is estimated at 47.4%. Even more glaring is the estimated youth unemployment rate of 67%, one of the highest in the world.

The ILO, in collaboration with the federal government and constituent partners, is developing a new Decent Work Country Programme for Somalia with the objective of achieving the desired goal of decent work in the country within the context of the national development frameworks. This programme will also aim to assist the FGS in significantly reducing the number of unemployed people in Somalia.

Gender equality

Deeply rooted gender inequality still prevails in Somalia. According to the 2015 UNDP Human Development Report, Somalia's Gender Inequality Index is 0.776, placing it in the fourth highest position globally. Somali women bear various hardships occasioned by religious and cultural beliefs, further exacerbated by conflict and poverty. Girls, who are more affected due to additional social and cultural barriers, account for only 36% of students in schools. Access to health care for women is also a challenge. Reported maternal mortality in 2015 was 850/100 000 live births, which is compounded by high fertility rates (6.4%). The number of pregnant women who receive antenatal care coverage is 26% (for one visit); only 33% of women have a skilled attendant at birth; and only 9% have institutional deliveries.

Women also experience higher unemployment than men and their participation in government representation remains low. For example, in Somaliland there is only one female minister out of 28, and only two members of Parliament out of 86. However, the formal role of Somali women in politics is expected to increase, given that, following the recent elections, the representation of women in the Lower and Upper Houses is now 24% and 23% respectively.



Economically, Somali women have made some gains by expanding into employment and livelihood sectors traditionally held by men, particularly as more women assume the responsibility for household income generation as a result of the conflict. Nevertheless, women generally have a weak position in the labour market and represent a large proportion of people in vulnerable employment. Few women are active in economic areas where high profits are earned (e.g. in exports and imports of livestock). They are more likely to be in menial positions, often making only enough money to sustain themselves and their families.

Women, especially those from minority clans and those who are internally displaced, continue to face serious human rights violations in the form of gender based violence (GBV) and discrimination. Militias, AMISOM troops and government forces have perpetrated the most reported form of GBV, rape. Other GBV cases include forced and early marriages, female genital mutilation, denial of resources and psychological abuse. The implementation of various reforms and rules has been very slow. For example, despite the government's endorsement of an action plan to address alarming levels of sexual violence in 2014, implementation has been minimal and protection of the most vulnerable communities is not in full effect.

Nevertheless, the government has continued to demonstrate its commitment to protecting human rights by signing the Independent Human Rights Commission Bill, which complies with international laws and aims to meet human rights standards and norms. This move is considered an important step towards protecting and promoting the human rights of all Somalis. In addition, the Ministry of Women and Human Rights recently formulated a new National Gender Policy; and a Gender Based Violence Working Group Strategy (2014-16) was also developed to strengthen preventive measures and improve access to justice for GBV victims.

Thematic analysis: Entrepreneurship and industrialisation in Somalia

In the 1970s and 1980s, the public sector provided most of the output of the small industrial sector that existed. It was only during the conflict that private sector economic activity grew. Somalia's entrepreneurial private sector is now one of the country's main assets and an important partner for development actors. The private sector has helped to some extent mitigate the devastating consequences of war and drought. Somali entrepreneurs have adapted well and even flourished in a stateless, conflict-ridden economy.

Over the last two decades, there has been significant private sector investment in livestock, trade, money transfer services, transport and telecommunications services, which has largely been funded by remittances from the diaspora. Livestock trade remains the backbone of the economy and 60% of the population derives a livelihood from pastoralism-based livestock production. It has been estimated that Somali women make up over 60% of business owners, but are by no means a homogenous group, consisting of microenterprises as well as medium to large enterprises and businesses connected to the diaspora. The Somali diaspora is the major investor in the country and is estimated to provide 80% of the start-up capital for small and medium-sized enterprises. Though parts of the private sector have flourished, there is still no secondary or manufacturing industry in Somalia.

Worth noting is the ICT sector, where companies have been generating substantial profit and employ around 25 000 Somalis. This sector has flourished under a self-regulated regime and makes an important contribution to the economy. According to the Groupe Speciale Mobile Association (GSMA), Somalia is a market with 11 operators and 4 million mobile connections. Telephone and Internet services are available across most of Somalia, which has one of the lowest international call rates in Africa. Still, the growth in ICT has been geared mainly towards voice/SMS services. This is because Internet services remain very expensive, primarily because they rely mostly on satellite connectivity. In terms of ICT applications, electronic money transfer services are flourishing. The practice has grown due to the very limited formal banking sector.



The growing availability and use of ICT is also helping enhance women's activity in the economic and public sphere.

In Somalia, the private sector also plays an important role in the provision of water and sanitation services as they have filled the void created by the lack of public provision of such services. Entrepreneurs throughout the country have built berkads and drilled private boreholes, and provide services throughout the main cities.

Although the private sector has grown and displayed resilience, it may soon reach the limits of its potential if further reforms to the enabling environment, particularly security and access to finance, are not pursued. It has also been noted that, in the absence of appropriate sector regulation, the emergence of monopolistic or anticompetitive behaviour may be discouraging new businesses from entering the market, and small and medium-sized businesses from growing. The lack of financial intermediation has also constrained business growth, as businesses must rely on their own funds or borrow from friends/family members to expand – a constraint that certainly favours the rich and incumbents in a sector.

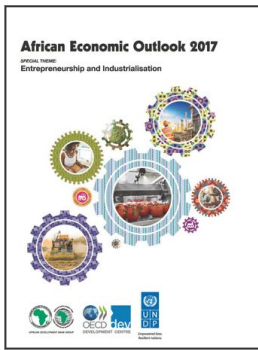
In order to address these concerns, a Public Private Dialogue was initiated in 2016, as part of the process to prepare the National Development Plan 2017-19, with a focus on growing the private sector and creating a more conducive environment for private sector activities. It is envisioned that this work will continue in 2017.

The private sector is also constrained by infrastructure that has been destroyed during the civil war or is currently dilapidated. A good example is the provision of electricity, which is currently provided by private sector operators, and is thus expensive and unreliable. The rehabilitation and development of infrastructure across Somalia will be essential in supporting entrepreneurship and ultimately industrialisation. Better infrastructure will help attract much-needed investment into the country, which will be critical for socio-economic development, and will contribute significantly to improved security and stabilisation.

At the end of 2016, the AfDB established a multi-partner Somalia Infrastructure Fund (SIF). The SIF is part of the Somali Development and Reconstruction Facility (SDRF), an architecture under the Somalia New Deal Compact for mobilising and channelling development support to Somalia, which already houses and co-ordinates two additional multi-partner trust funds managed by the World Bank and the UN. Through the SIF, the AfDB aims to mobilise and channel resources to priority projects, including capacity development, in the energy, transport, water and sanitation, and ICT sectors. Following the preparation of Infrastructure Needs Assessments (INAs) in these sectors from 2015 to 2016, and subsequently a consolidated and endorsed SIF Project Pipeline, AfDB has already identified a pipeline of infrastructure projects for funding through the SIF.

It is evident that these four infrastructure sectors hold the key to the resumption of growth and development in Somalia and especially to the expansion of private sector productive activities. According to the NDP, the federal government's vision is to build a strong and growing national economy, driven by a competitive and vibrant private sector, based on a sound public regulatory framework, which delivers jobs and prosperity for all, enhances revenues for government and affordable services for citizens. Therefore, it will be vital that all relevant stakeholders are brought on board to bring this vision to reality.





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