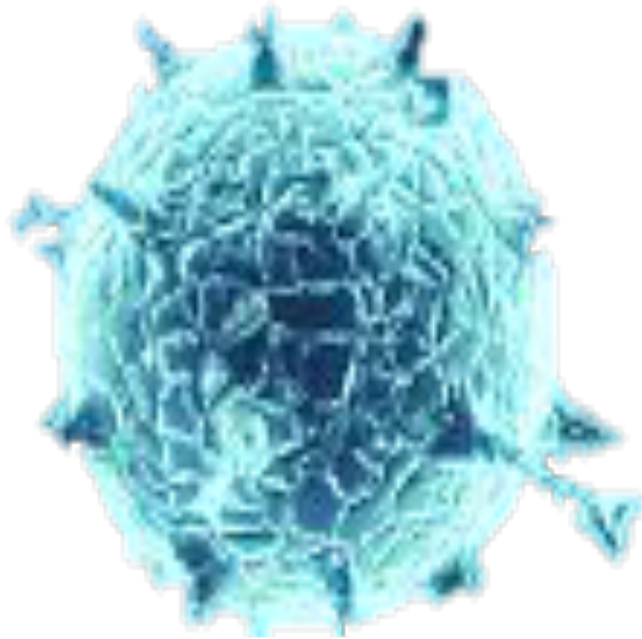




**TALO Center for Governance and
Public Policy Studies**

Promoting better policies through evidence based policy Research



**The impact of COVID-19
on Somalia's
socioeconomic conditions**



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We advocate sound public policies that would make Somalia more developed with more inclusive and efficient public institutions.



Contributing to evidence-based policy

About the Another: Ahmed Mohamoud Mohamed is an Executive Director at TALO Center. He has at least twelve (12) years of experience in the public sector, and teaching experience and Ahmed holds a dual Master's degree, Master of Public Management in Global Governance and Political Economy from Korean Development Institute of Public Policy and Management School, and Master of International Relations and Diplomacy at Kampala University and postgraduate diploma in law at Mogadishu University. Ahmed's research interests include public administration, e-government, public finance management, good governance, democracy, public institutional reform, post-conflict state-building, international relations, foreign policy, and political economy

1. Background

Numerous scholarly articles and intellectuals debated on the subject of Covid-19 pandemic and its impact on the global economy, which is believed to have originated its discovery in the city of Wuhan, China, in December 2019 and quickly spread throughout the world. Most countries around the world imposed lockdowns and restrictions on their citizens as part of measures to combat the new coronavirus pandemic, which critically impacted the global economy. In March 2021, Somalia's Ministry of Health confirmed the first case of a Somali student infected with COVID-19 who had returned from China (Amnesty International, 2021).

In this regard, COVID-19 had a significant impact on Somalia's social economy due to the restriction of the people, and ban on all economic and business activities. Since 1991, Somalia is suffering from civil war, political instability, weak institutions, and a lack of state capacity. Indeed, Somalia's economy is informal and it depends on remittances, agriculture, livestock, and foreign aid. Somalia is a heavily indebted country and one of the less advanced countries. The COVID-19 pandemic disrupted the supply chain and informal business which is largely heavily reliant on and

external capital (Claes et al., 2021). And created high inflation and unemployment and weakened the fragile health system and education in country.

This policy brief is going to shed light on the socioeconomic impact of the pandemic. As well as how the pandemic has shifted the means of life and society's well-being and its economic challenges faced by the informal sector of the country. This brief investigates the impact of COVID-19 on the Somali economy in terms of business, government revenue, employment, export and import, health, and education.

2. Introduction:

On January 30, 2020, the World Health Organization declared that COVID-19 is a global pandemic and countries around the world imposed measures such as lockdowns. Similarly, the Somali government has imposed partial restrictions, lockdowns, and the closure of markets, schools, and universities, resulting in unprecedented economic shock and recession.

Pre-COVID-19, Somalia has marked economic performance including agriculture and livestock sectors, and telecommunication, and the inflation remains stable and economic

growth increased to 4.5 percent in 2019 (Central Bank of Somalia, 2019). The Coronavirus pandemic disrupted the global economy and international supply chain around the world. In Somalia, it has had a huge impact on the micro economy, business, import and export, and public revenue which exacerbated the fragile economy.

Recently, there has been growing interest in the study of the COVID-19 impact on the economy including the economic recovery of COVID-19 in Somalia, how the fragile economic institutions adapt to the unprecedented challenges of the Coronavirus pandemic, how the Somalia government dealt with the result economic loses of COVID-19. The Coronavirus pandemic had negatively devastated the social economy. Many Somalis depend on the informal economy as well as remittances money from their families abroad who were affected by the global pandemic. According to the World Bank estimation in 2015, Somalis living abroad also known as the Somali diaspora sent money to their families and friends about 1.4 billion dollars per year which support 23 percent of the Gross Domestic Production (GDP) (The World Bank, 2016). In 2020, during the pandemic, Somalia's remittances decreased sharply by 23 percent due to the unprecedented crises caused

by the COVID-19 pandemic (Amnesty International, 2021).

The epidemic severely affected the Internally Displaced People (IDPs) resulting in restrictions and lockdowns because the lives of IDPs depend on daily work. The epidemic negatively impacted informal workers' socioeconomic well-being reason being that most of Somalia's economy is informal as well as affected the public supply chains, public revenue, health, and education.

The paper briefly adapted the recording reports and annual fiscal reports of Somalia's financial institutions and other governmental institutions. The objective of the brief policy is to examine the impact of COVID-19 on the social economy in Somalia including business, employment, supply chain, public revenue, health and education, and how the Somalia Federal Parliament increases its oversight against the government to limit the live loss and economic devastation induced by the pandemic.

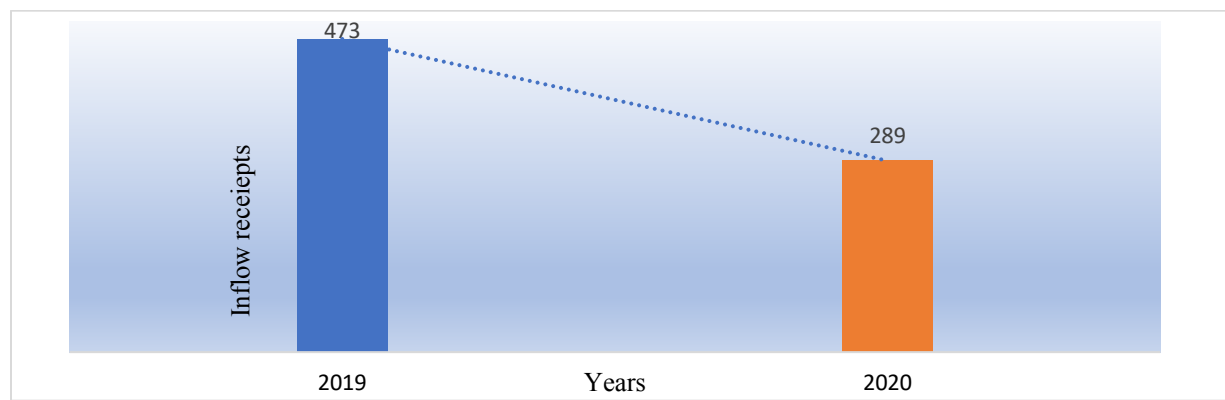
3. Socioeconomic impact of COVID19

It is generally believed that COVID-19 has had significant impact on Somalia's domestic economy and reduced the circular flow of the domestic economy, and impacted business, employment, government revenue collection,

health, and education. Nevertheless, Somalia's economy mainly depends on the informal sector and service-based economy.

3.1 Impact of the pandemic on inflow remittance

At Onset of the pandemic, remittances were sent to Somalia decreased by 61 percent (International Organization Migration, 2020) .



Source: Data from IMO

The remittance inflow in the first quarter of 2020 is lower by 61 percent than the inflows remittance in the final quarter of 2019, this indicates that the global pandemic affected the money transfer from abroad due to the restriction and lockdown.

3.2 Pandemic impact on local business

The business sector of Somalia is informal, although, Somalia achieved a remarkable point in the private sector in terms of telecommunications, financial banks,

The 48 of Somalia's household depends on money transfer from abroad, and the sum of money that the recipients of remittance decreased due to COVID-19. (Heritage Institute for Policy Studie \$ City University of Mogadishu, 2020)

Figure 1. Remittance receipts (inflow) in Million \$USD

agriculture, livestock, and economic service, oven thought, COV ID-19 disrupted all business due to the lockdown and restriction on the business movement and the people, ban on domestic and international flights, and closing of economic service such restaurants and hotels. The inflation rate has increased in terms of essential food during the pandemic.

3.3 The Impact of COVID-19 on Employment

The unemployment rate is very high and approximately 70 percent in Somalia (Ministry

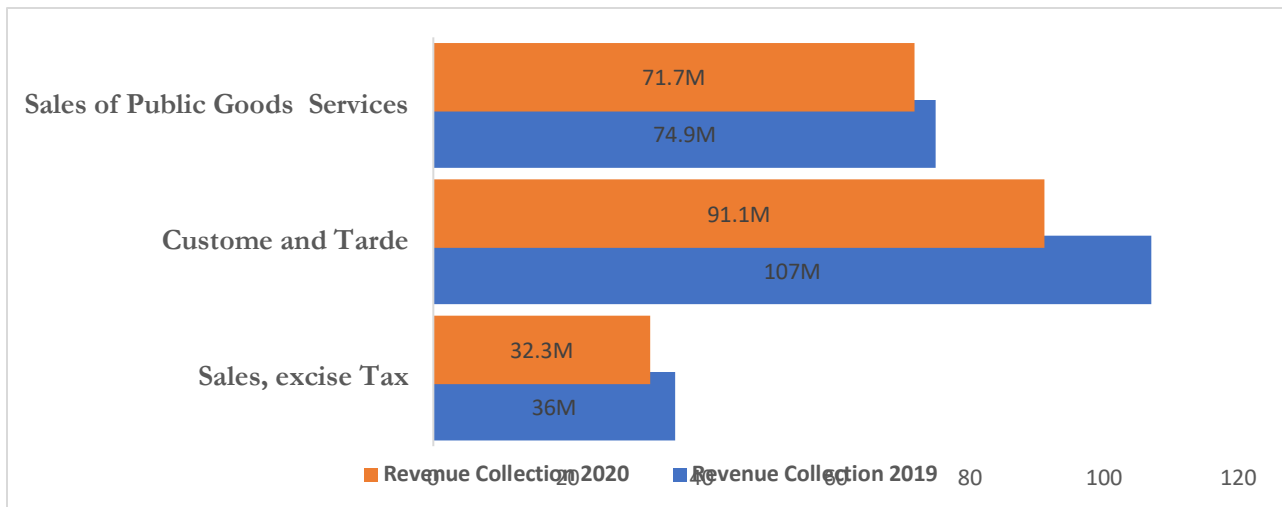
of Planning, 2020). And the pandemic disrupted the little employment in Somalia resulting in the restriction on the people and, the closing of businesses, schools, universities, and local and international flights. Additionally, the lockdown affected directly and indirectly vulnerable people who had worked in the nighttime. Besides, there are numerous street vendors and nightly workers in hotels, supermarkets, restaurants, and coffee shops who become jobless. Likely, autorickshaw drivers did not work at night for the reason of the lockdown because autorickshaws pick

people up from and to hotels and cafeterias in Lido beach where people are enjoying in.

3.4 Government revenue

COVID-19 has negatively impacted revenue collection due to the closing of the borders, the ban on local and international flights and the suspension of the mirror (Khat) import has mainly affected the government revenue. The tax from the export of bananas and livestock decreased by 14 percent compared to the 2019 fiscal year

Figure 2. Government revenues, Fiscal year 2019-2020



Source: Fiscal Report of Ministry of Finance 2019 and 2020

This chart shows the revenue collection of 2019 is lower than the tax collection of 2020 because the pandemic severely impacted on tax collection.

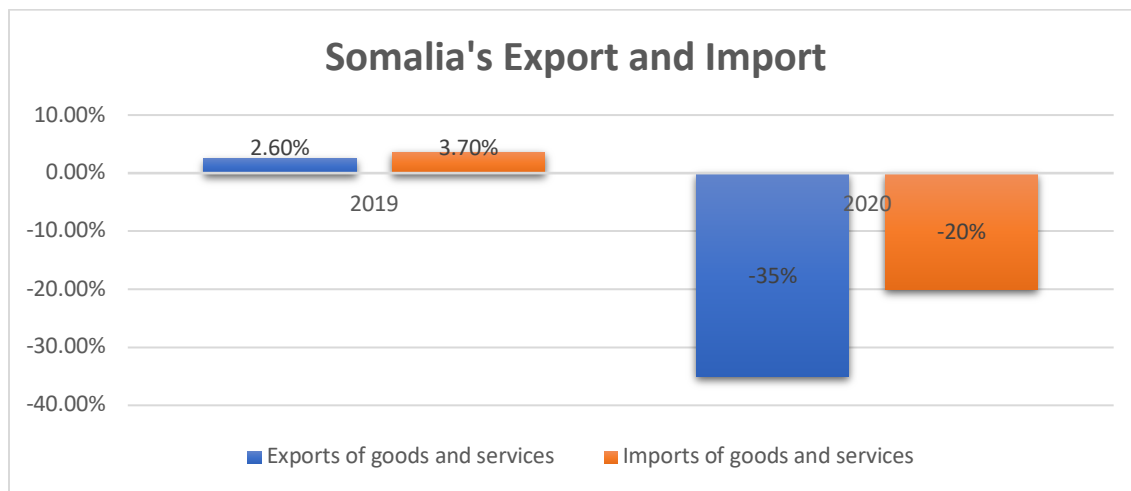
3.5 The Impact of COVID-19 on Export and Import

COVID-19 has had a huge impact on the world economy and international trade, restrictions and the ban on public gatherings resulting from the pandemic have devastated the manufactured countries and the global supply chain.

The lack of state capacity, bad public administration, absence of public service, lack

of economic infrastructure, and poor investment in Somalia has led to the country's reliance on imported food, clothes, and construction materials. During the pandemic, Somalia has faced severe food insecurity and high inflation. On the other hand, Somalia's import and export of goods and services has declined in 2020 compared to 2019.

Figure 3. Somalia's export and import annual percentage change during the pandemic.



Source: National Economic Council

As the figure show the COVID-19 Pandemic had a huge impact both on imports and export. In 2019, the growth in export and import were 2.6% and 3.70%, respectively. However, it was observed a sharp decline in both export and import in 2022 by 35 % and 20%.

3.6 Education

Somalia government has taken measures including suspension of public gatherings and closure of educational institutions to prevent widespread of coronavirus. Furthermore, the closure of schools and universities announced by the Somali government to contain the spread of the Covid-19 pandemic directly affected many teachers and universities lecturers in Somalia who were working part-time. Online education was introduced in the world, including Somalia, but the poor family's students could not access the devices and internet costs. The pandemic has not only impacted the fragile economy and health system but has also exacerbated inequality and poverty.

3.7 Health

At the onset of the pandemic, Somalia has no laboratory to diagnose and screen COVID-19 cases and has started with temperature checks at the only airports. Additionally, Somalia has had a shortage of medical professionals, a lack of ventilators, an absence of oxygen supplies, untrained health workers, and an insufficient healthcare system is the main challenge for the many lives of Somali citizens. Somali had set up only the Martina Hospital in Mogadishu, as only this hospital has treated and screened the coronavirus cases in the country. Access to a health facility is very difficult and expensive,

because of the lack of public hospitals as well as the majority of hospitals are private and become a lucrative project for many business people. The Somalia ministry of health confirmed 1,362 death of coronavirus out of the 26,439 cases. Indeed, Somalia became one of the lowest coronavirus death rates in the world due to inadequate testing and the lack of official death reporting.

4. Policy Recommendation

Based on the annual fiscal report and another institutional reports, the study recommends:

- ✓ The Somalia Federal Parliament should pressure the government to increase the budget allocated to the health sector and produced professional health doctors;
- ✓ The government has to set up public hospitals around the country to avoid another pandemic in the future;
- ✓ Pandemic impacted government revenue, the government has to concentrate on budget mobilization and increase the source of tax;
- ✓ Despite the implication of COVID-19, the Parliament has placed pressure on the government to implement a tax exemption for essential foods;
- ✓ Severe impact of the pandemic on business and employment, the

- government has to subsidize the small business and create jobs for the people;
- ✓ Most of the education sectors are private, they enforced the students' families to pay school fees but did pay back teachers which makes it difficult for them, so the government holds them accountable for like these predatory people and;
 - ✓ Future pandemics are inevitable, to avoid the dependence taxes on international trade and transaction via customs and import duty and to reduce the economic impact and prepare for future pandemic, the government must come up concentrate policy initiatives to diversify the economic and mobilize the government's revenue.

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