



National Economic Council

National Economic Policy Forum

Session 4

National Investment Strategy and Financial Services Development

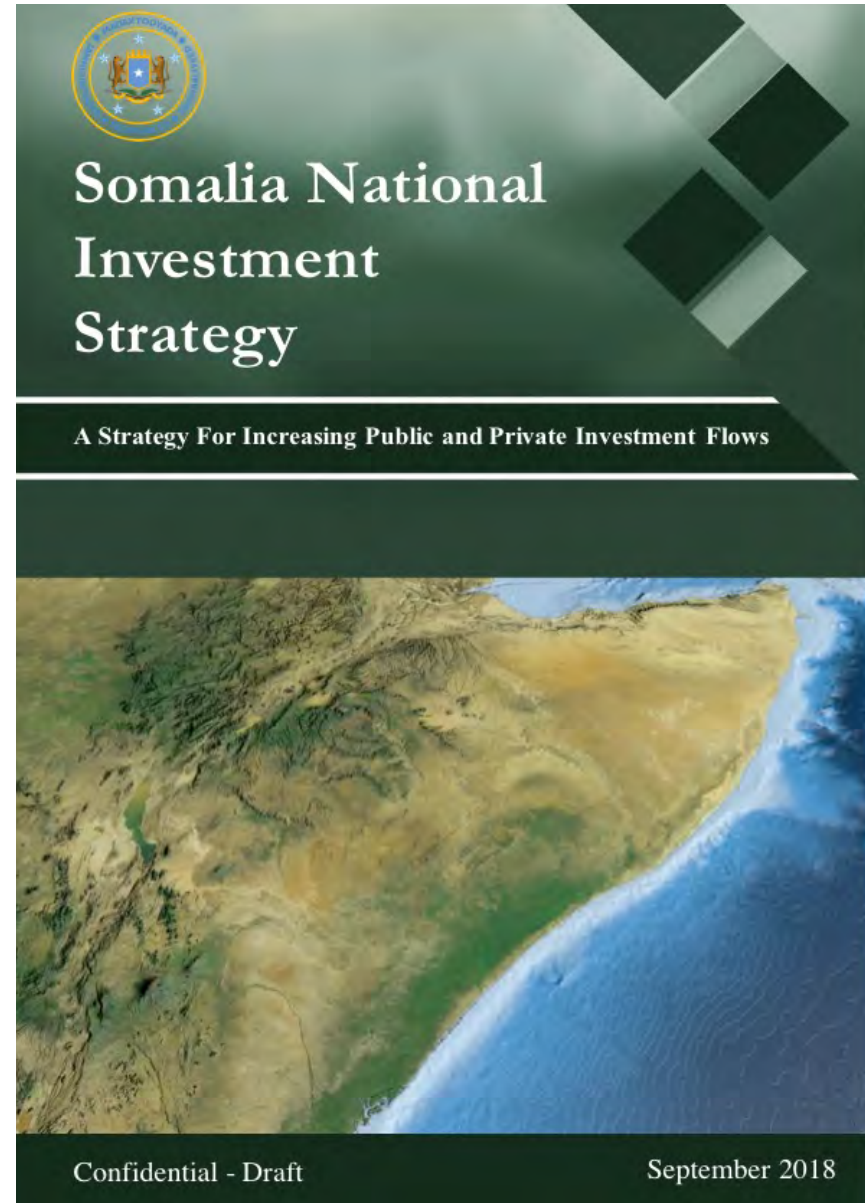
Presenters: Dr. Peter Middlebrook and Dr. Hussein Siad: NEA members

Chairperson: Dr. Nehemiah Ngeno; NEA member

November 13 2018 – MIA Hall

Contents

1. Understanding the Somali Economy
 - Macro Economy
 - Imports
 - Exports
 - Economic Complexity
 - Product Feasibility
 - Doing Business
2. The National Investment Strategy
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SOMALIA IN THE 1970s











1.

Understanding the Somali Economy

MACRO-ECONOMY

Macro-Economic Snapshot

Nominal GDP: US\$ 7.4 billion (Projected 2018)

Real GDP Growth: 3.1% in (Projected for 2018)

Per Capita GDP: US\$ 521 (Projected 2018)

Remittance: 20.4% (Projected 2018)

Public External Debt: 65% of GDP

Grants: 25.6 %

Trade Deficit: US\$ 2148.66 Million in 2017

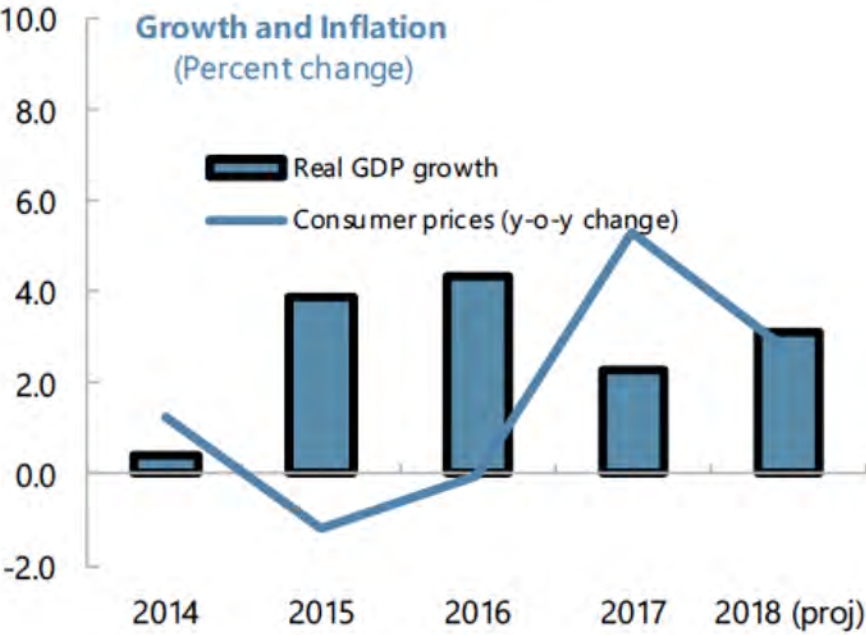
Current Account Balance: - 6.3

IMF Country Report No. 18/212

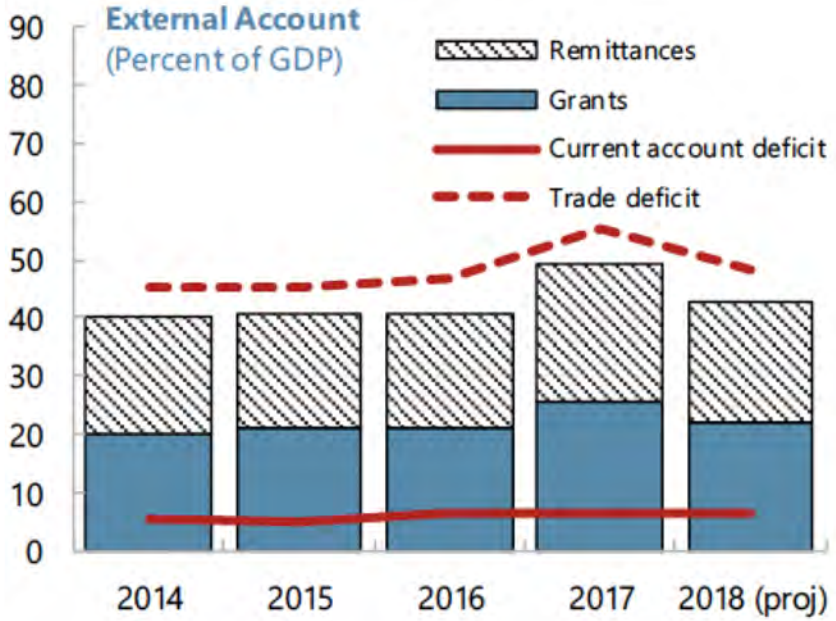
GDP is dominated by private household consumption expenditure followed by imports (62 percent), exports (15 percent), and gross capital formation (9 percent).

Structural Reforms are Necessary to Accelerate Growth, Revenues and Job Creation

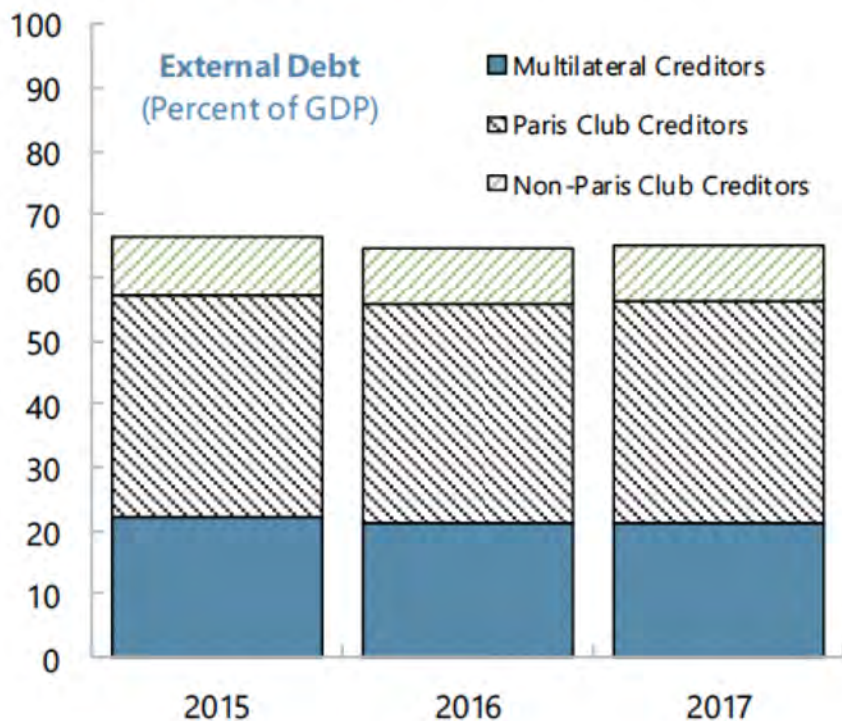
With the drought ending and rain resuming, growth is expected to recover and inflation to ease.



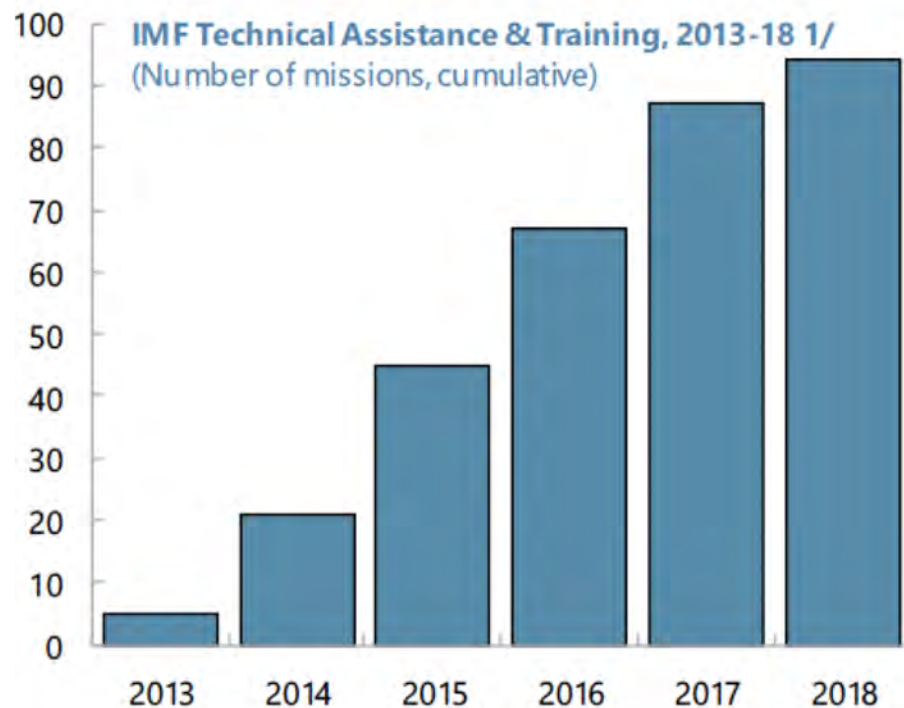
Remittances and grants finance a large trade deficit, which widened in 2017 due to the drought.



Somalia's external public debt burden is high and virtually all in arrears.

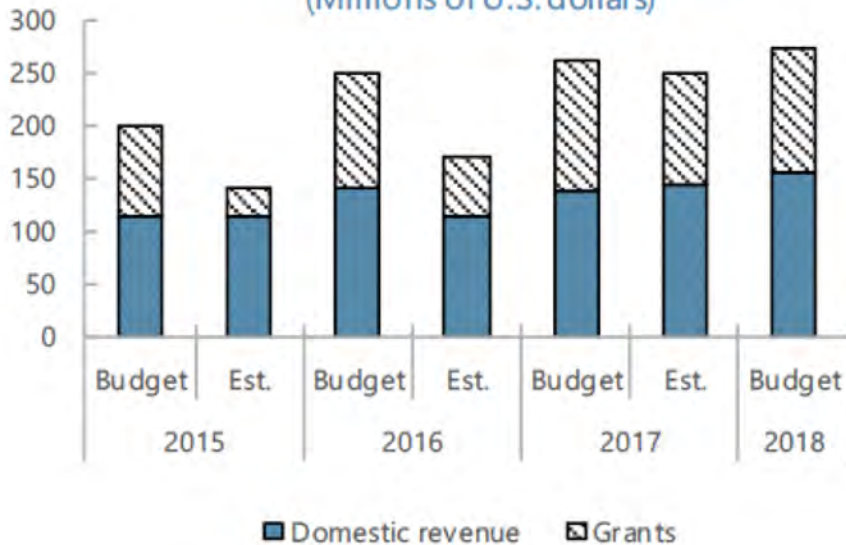


Somalia is among the largest beneficiaries of IMF TA, which underpins the broad reform agenda.



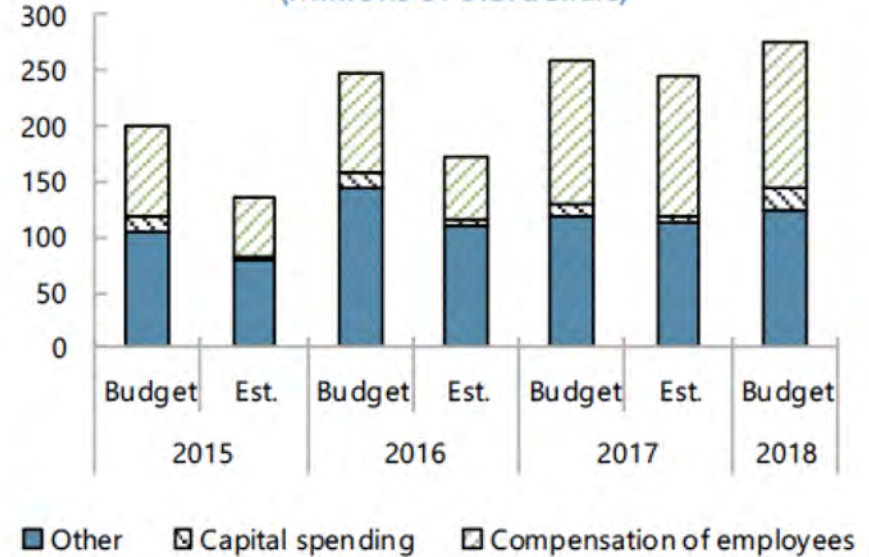
With a small tax base, the government relies heavily on volatile grants...

FGS Domestic Revenue & Grants
(Millions of U.S. dollars)



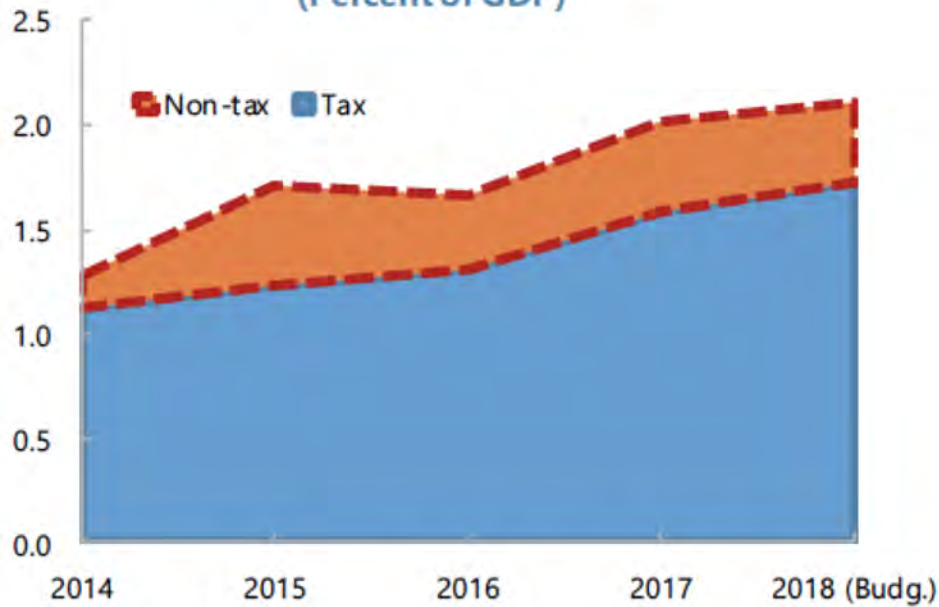
...making budget execution difficult, but improvements are evident more recently.

FGS Expenditure
(Millions of U.S. dollars)



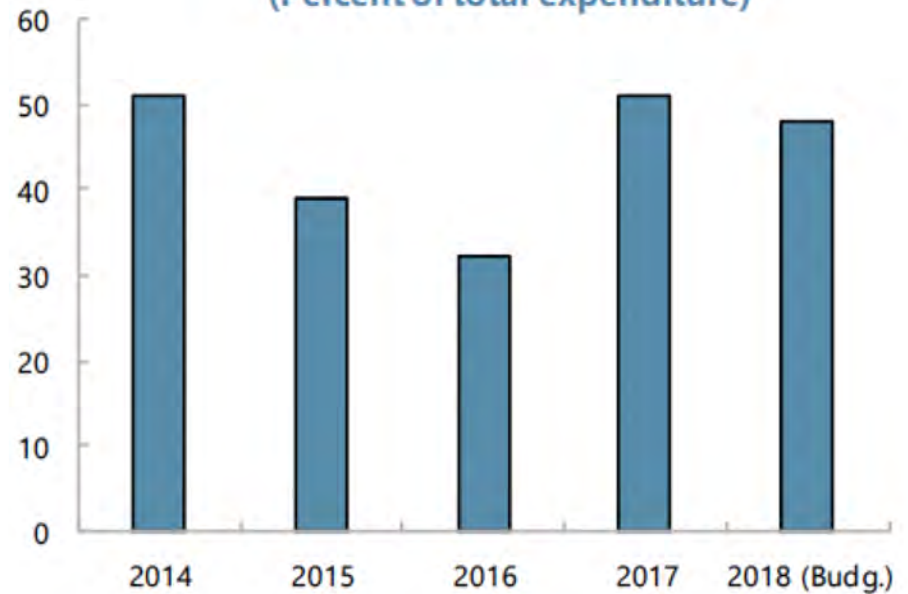
Domestic revenue remains very low but progress is being made.

**Domestic revenue, 2014–18 1/
(Percent of GDP)**



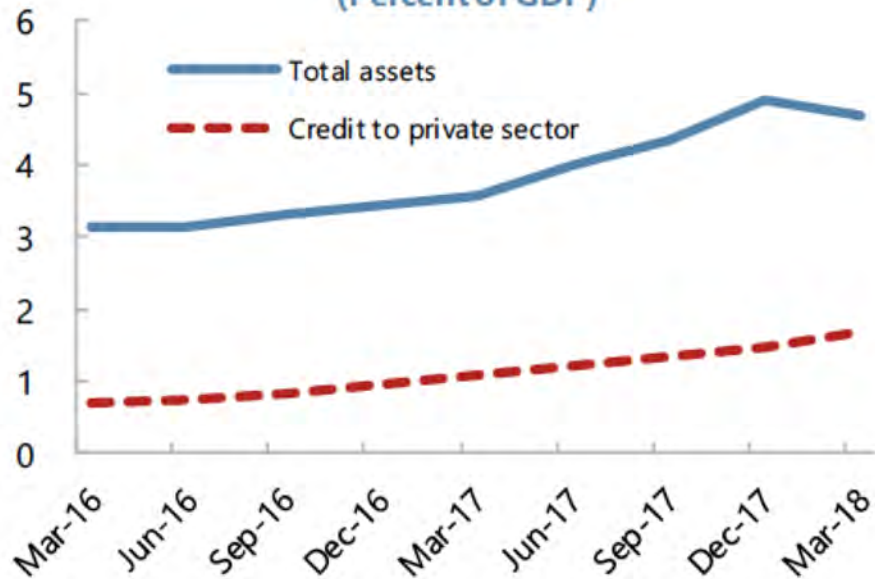
A significant share of total expenditure is absorbed by compensation of employees.

**Compensation of employees, 2014–18
(Percent of total expenditure)**



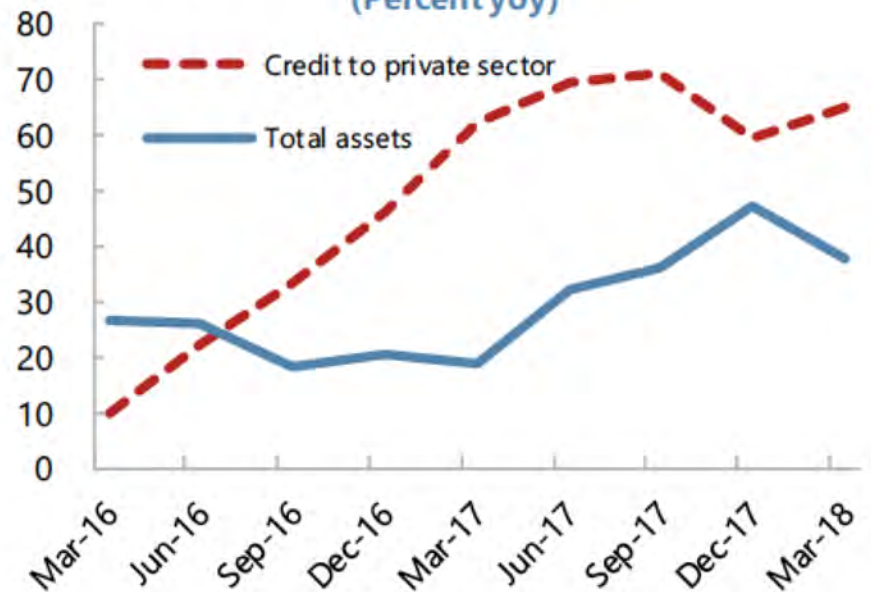
The banking sector is relatively small...

Commercial banks: total assets & credit to the private sector (Percent of GDP)



...but activity is increasing rapidly, especially credit to the private sector...

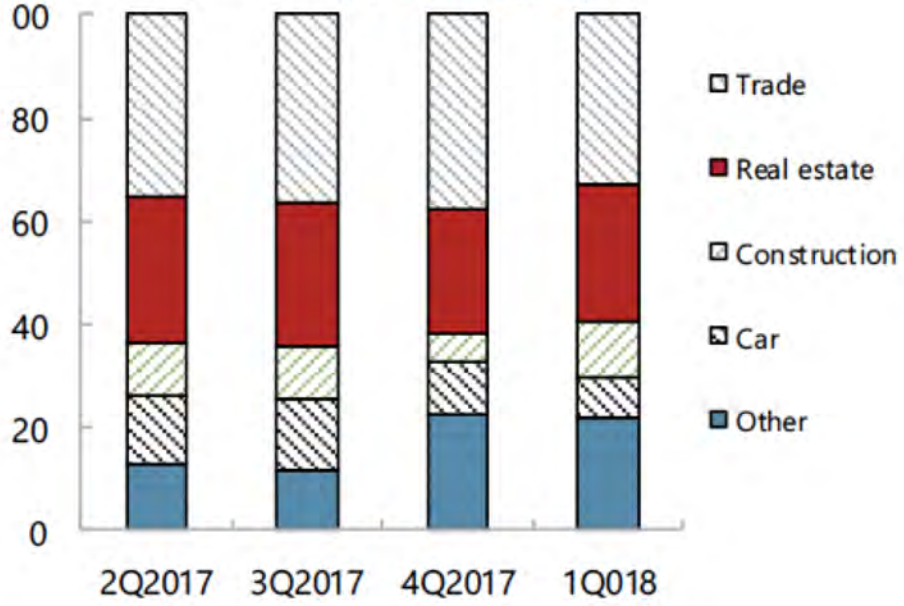
Commercial banks: total assets & credit to the private sector (Percent yoy)



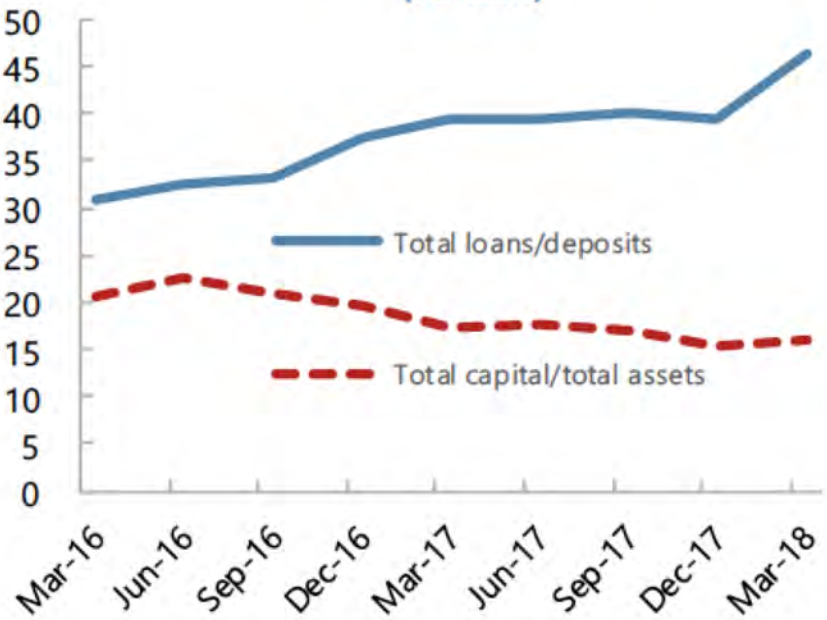
...which is focused in key economic areas - trade and real estate, followed by car loans and construction.

The sector is highly liquid and it is adequately capitalized.

**Commerical banks' credit to the private sector
(Percent of total)**



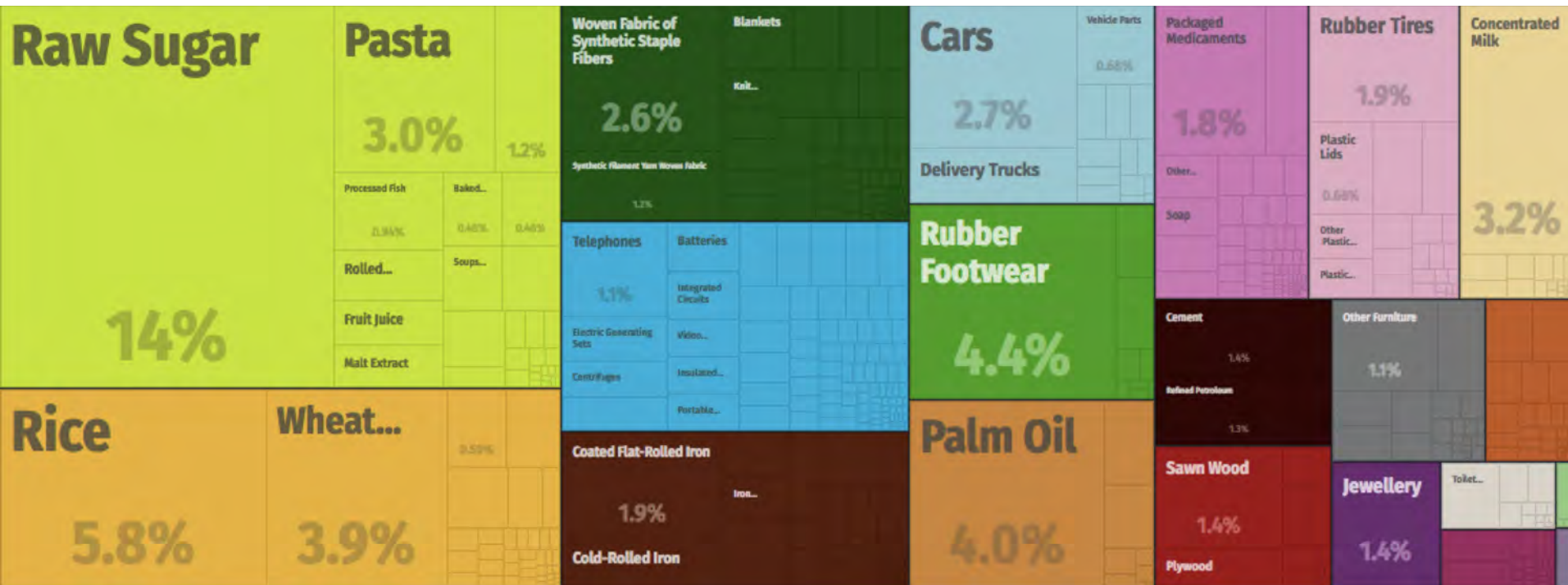
**Financial Soundness Indicators
(Percent)**



IMPORTS

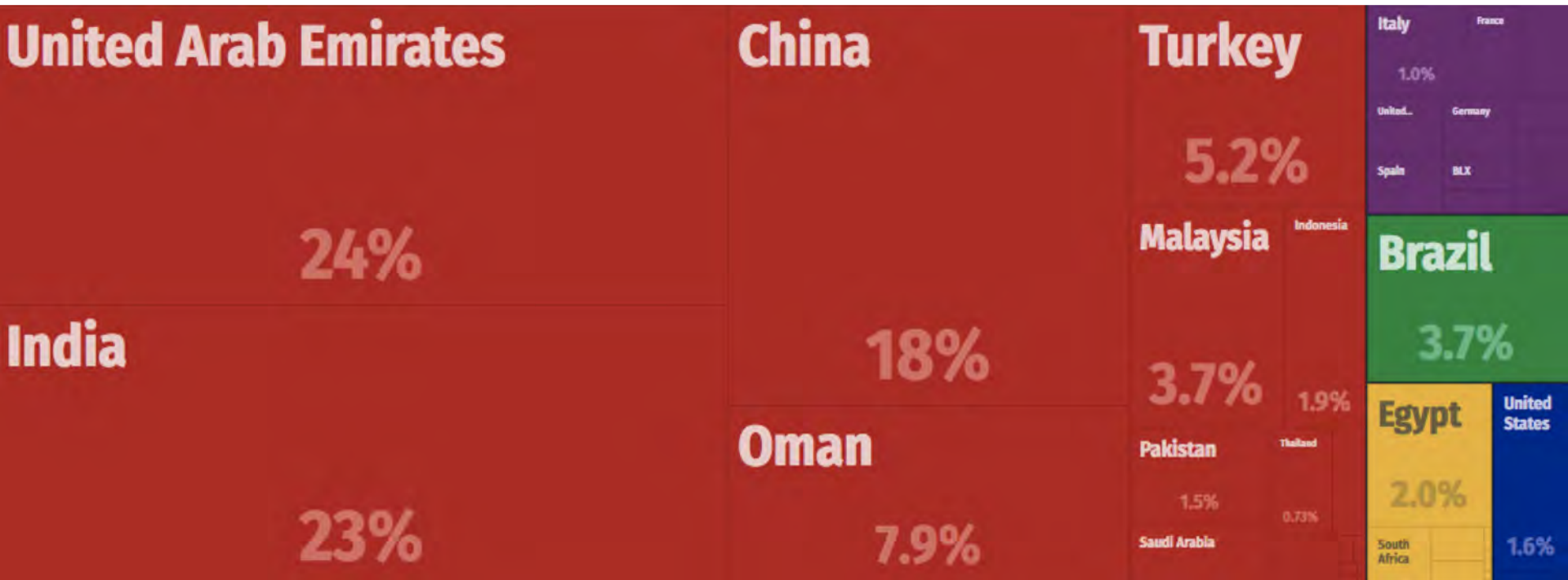
US\$ 2.2 billion in 2016

IMPORT COMPOSITION



In 2016 Somalia imported \$2.22B, making it the 154th largest importer in the world. During the last five years the imports of Somalia have increased at an annualized rate of 18%, from \$971M in 2011 to \$2.22B in 2016. The most recent imports are led by Raw Sugar which represent 14% of the total imports of Somalia, followed by Rice, which account for 5.78%.

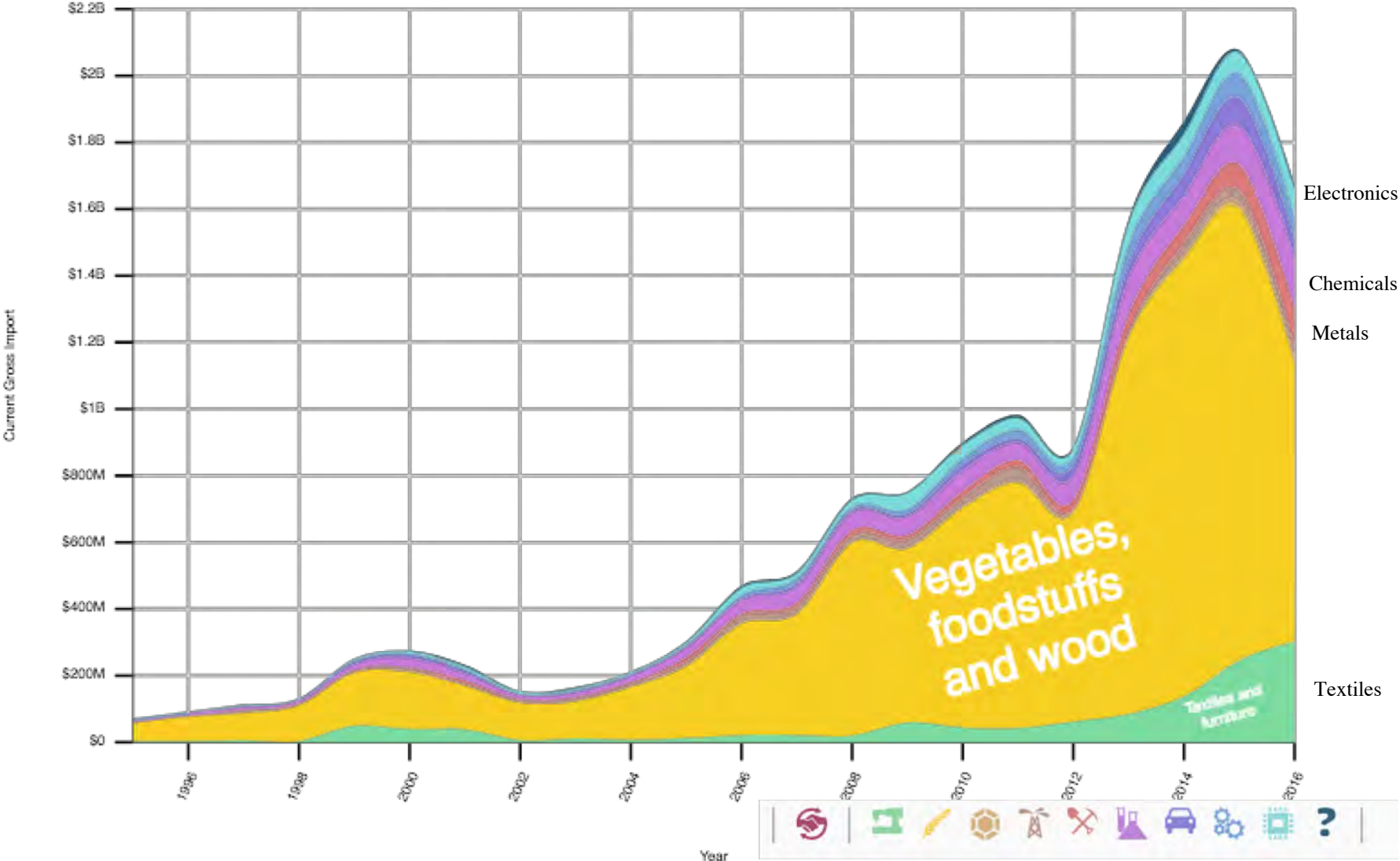
IMPORT ORIGINS



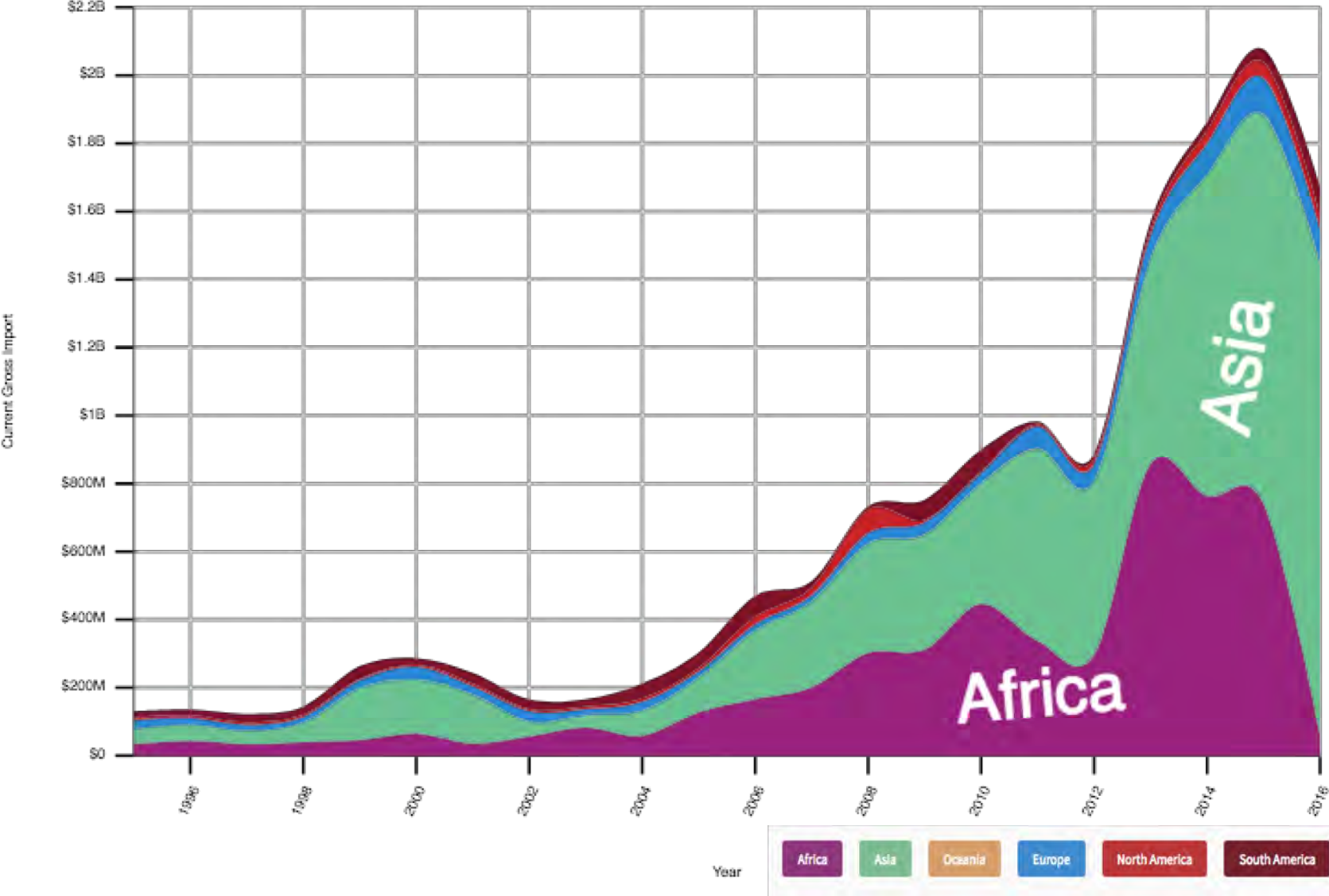
IMPORT ORIGINS FROM AFRICA



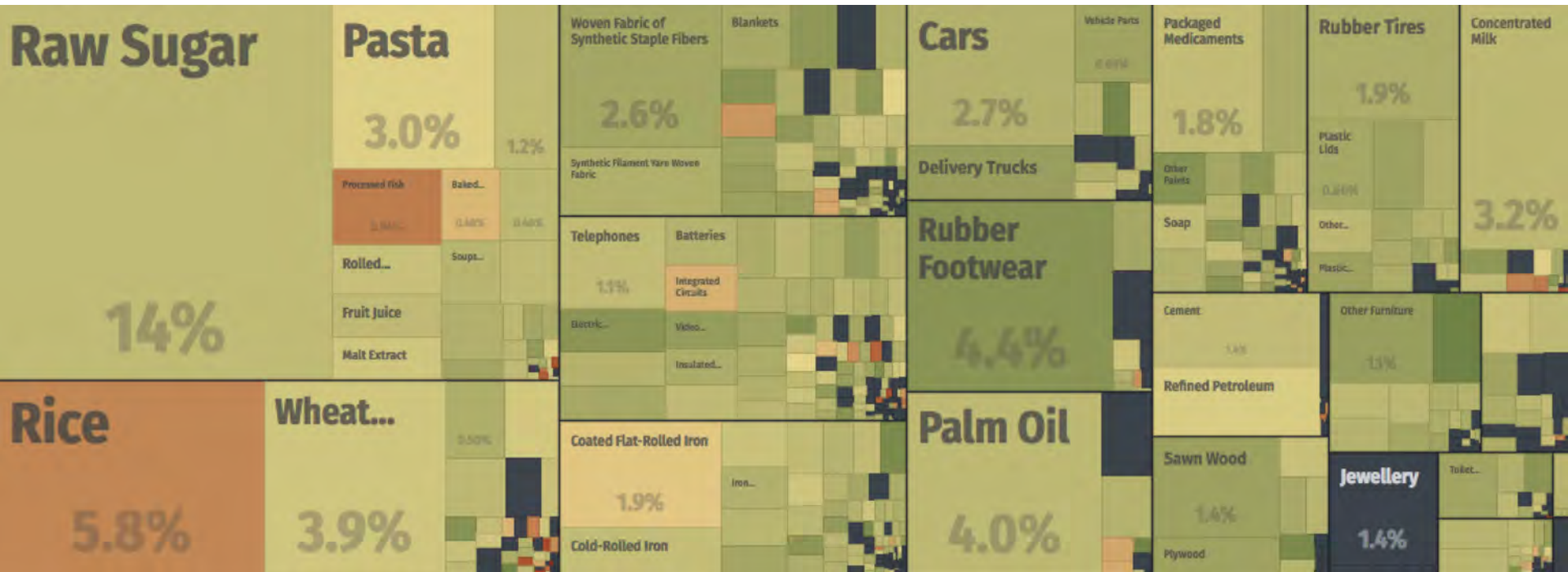
COMPOSITION OF IMPORTS FROM 1995 to 2016



ORIGIN OF IMPORTS FROM 1995 to 2016



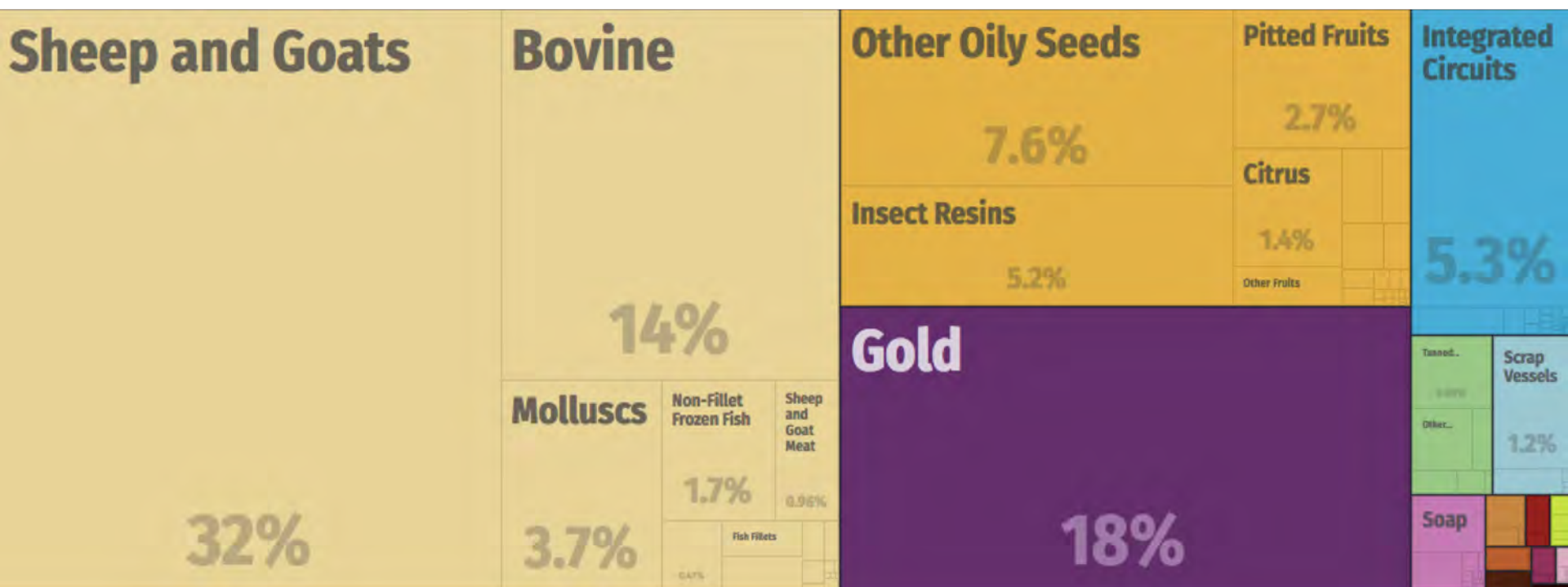
IMPORT CHANGE OVER 5 YEARS



EXPORTS

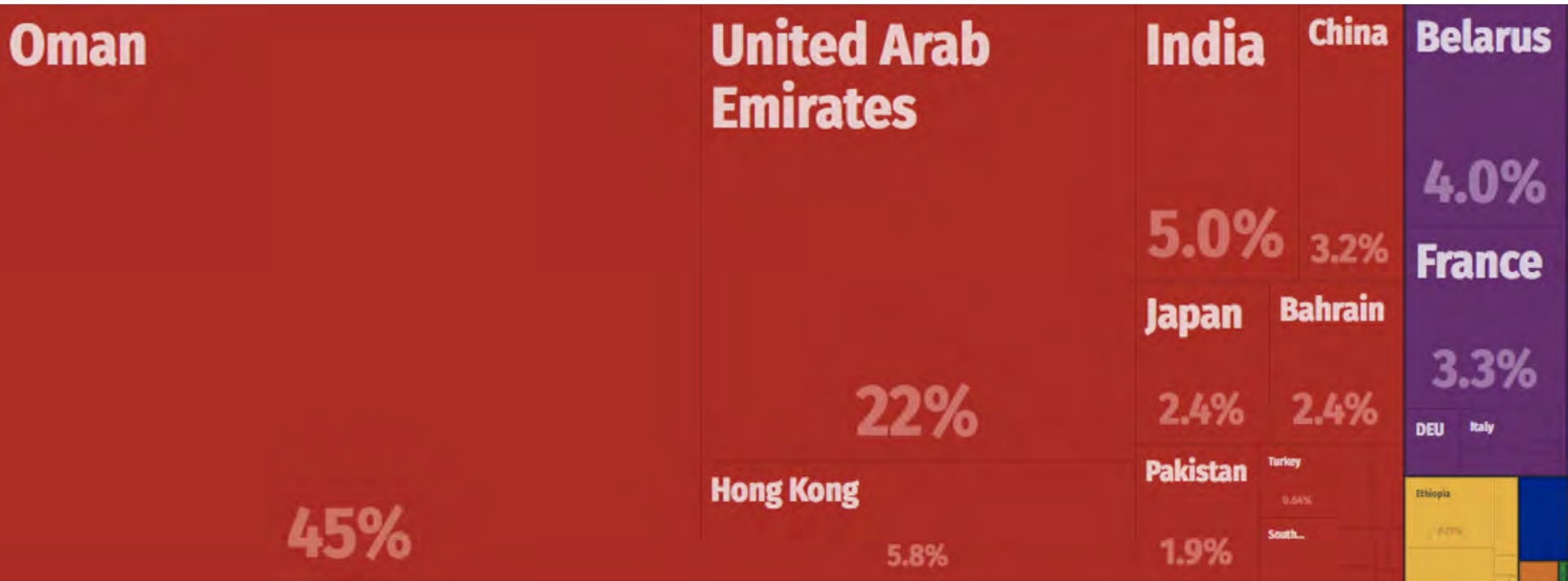
US\$ 330 million in 2016

EXPORT COMPOSITION



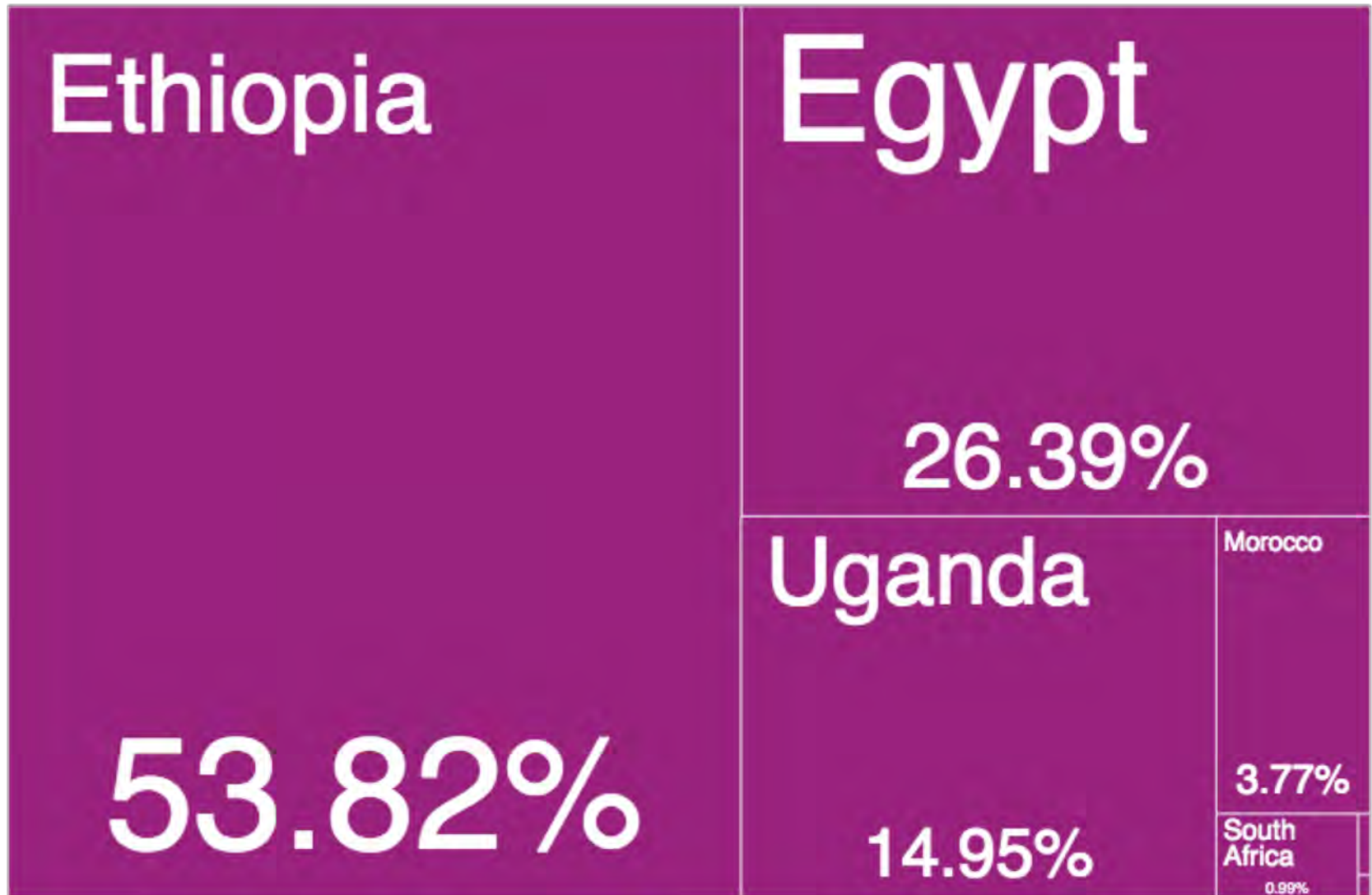
The top exports of Somalia are Sheep and Goats (\$106M), Gold (\$58.6M), Bovine (\$45.5M), Other Oily Seeds (\$25.5M) and Integrated Circuits (\$17.7M), using the 1992 revision of the HS (Harmonized System) classification. Its top imports are Raw Sugar (\$310M), Rice (\$128M), Rubber Footwear (\$97.6M), Palm Oil (\$89.5M) and Wheat Flours (\$87.4M)

EXPORT DESTINATIONS

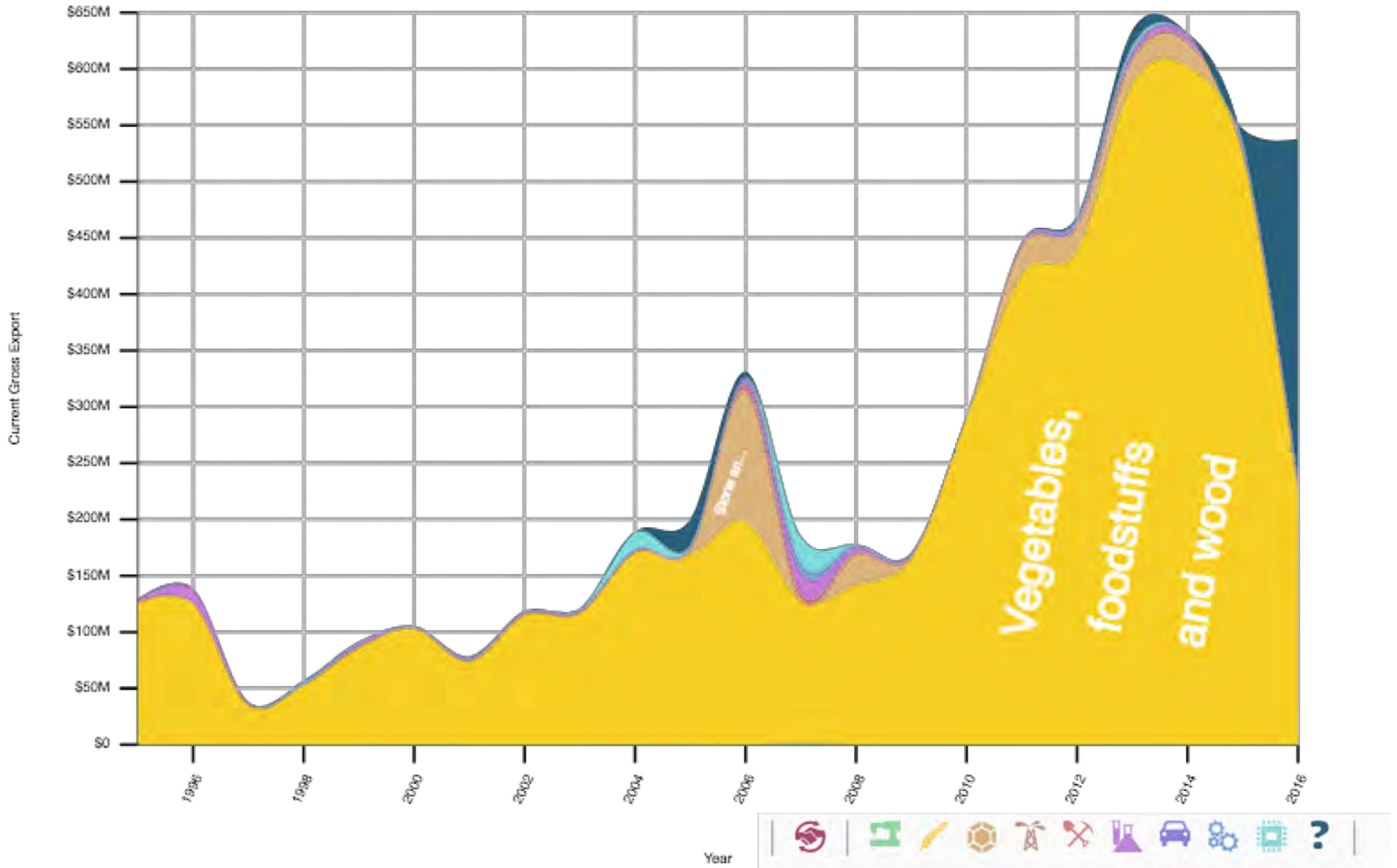


EXPORT DESTINATIONS IN AFRICA

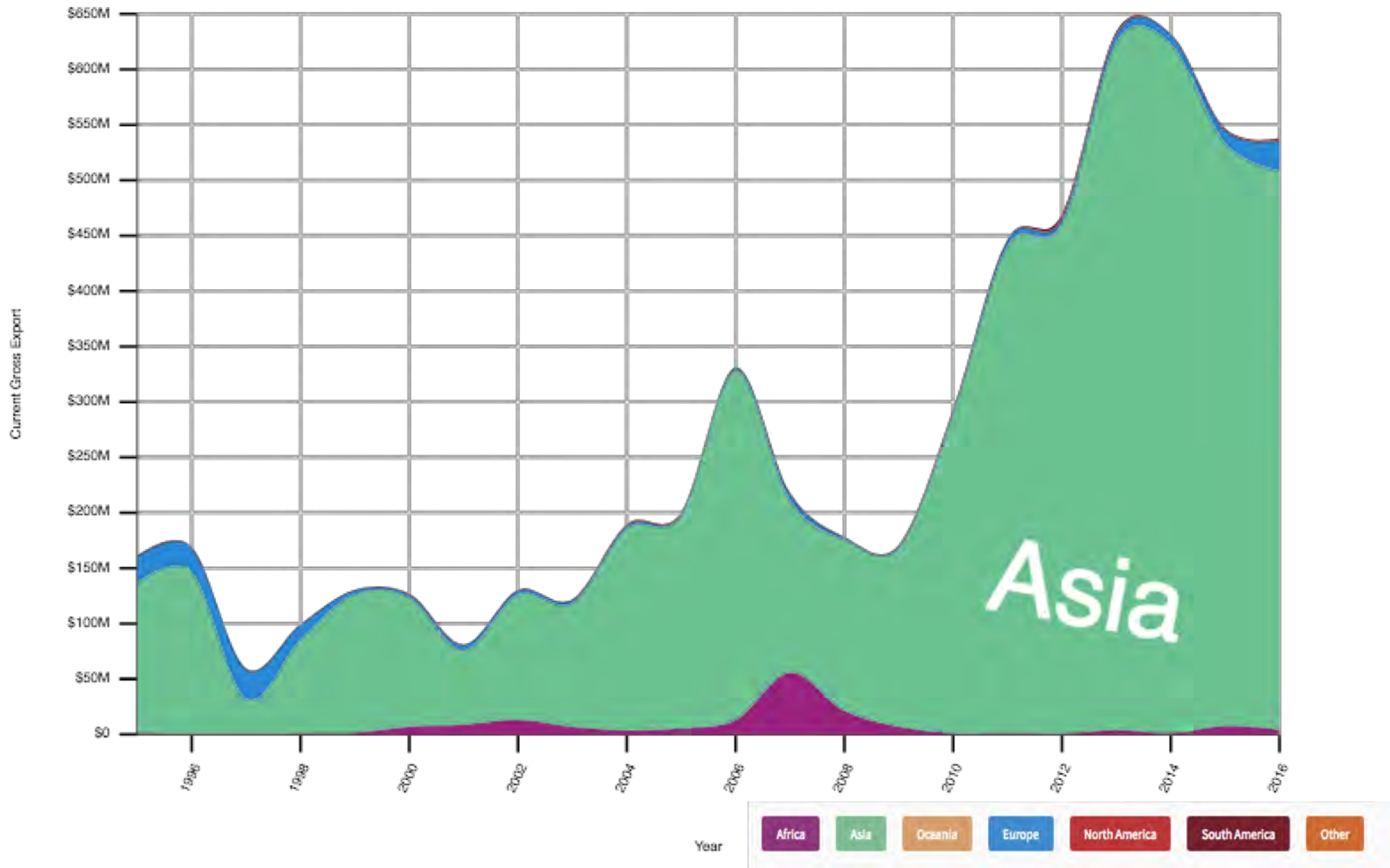
\$4.49M



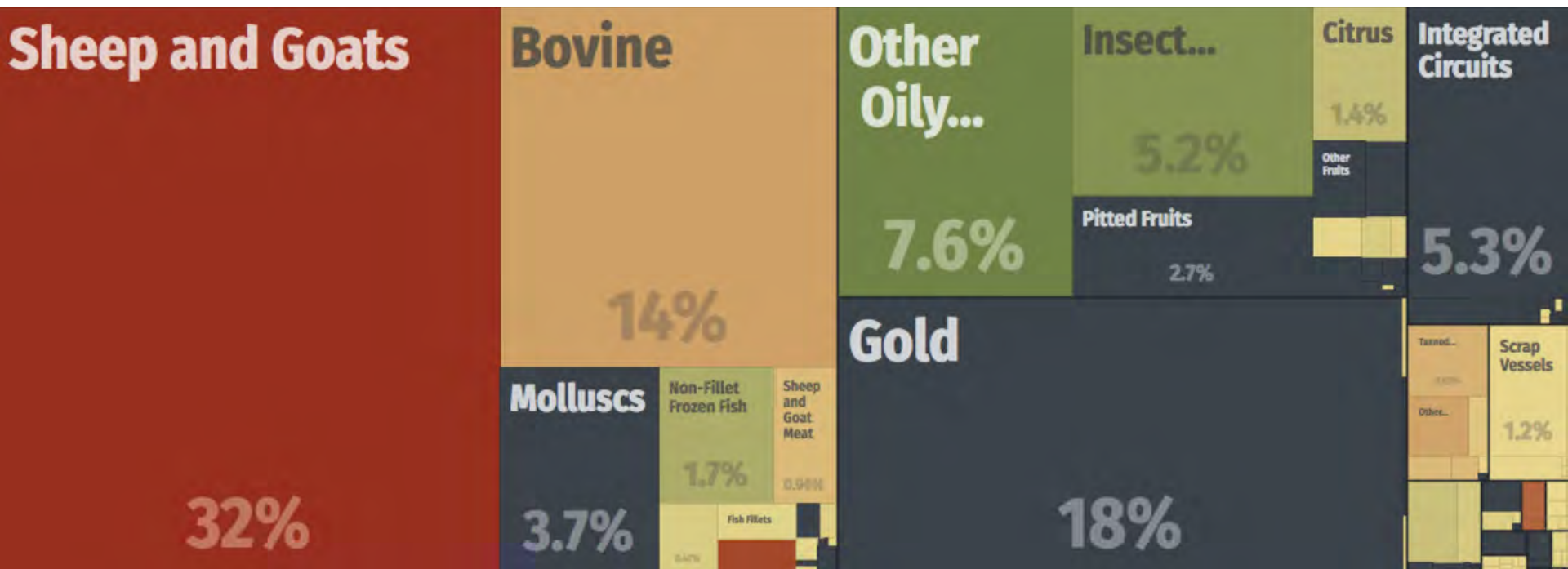
COMPOSITION OF EXPORTS FROM 1995 to 2016



WHERE DID SOMALIA EXPORT TO FROM 1995 to 2016



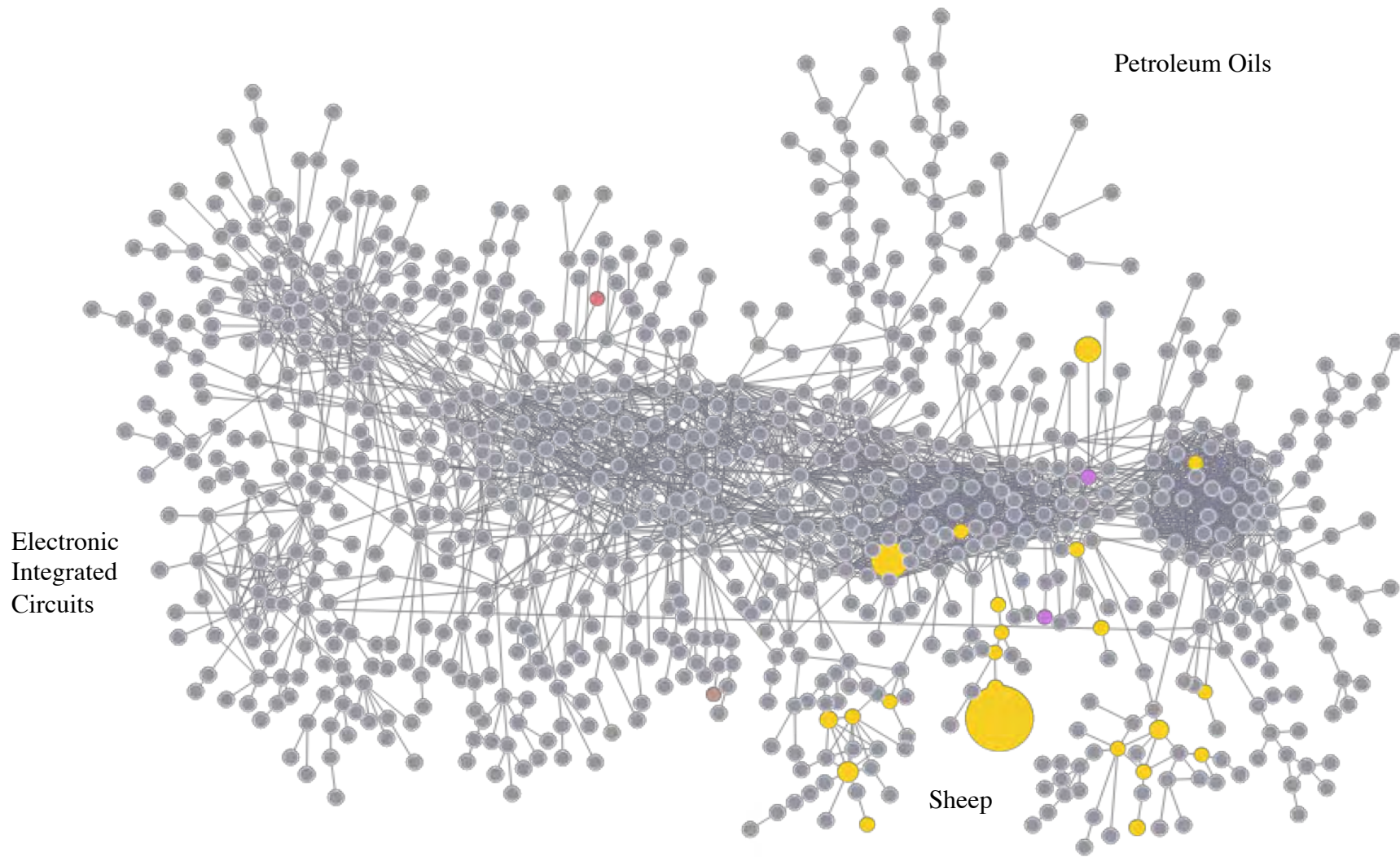
PERCENTAGE CHANGE OVER 5 YEARS



ECONOMIC COMPLEXITY

EXPORTS PRODUCT COMPLEXITY

\$538M



Electronic
Integrated
Circuits

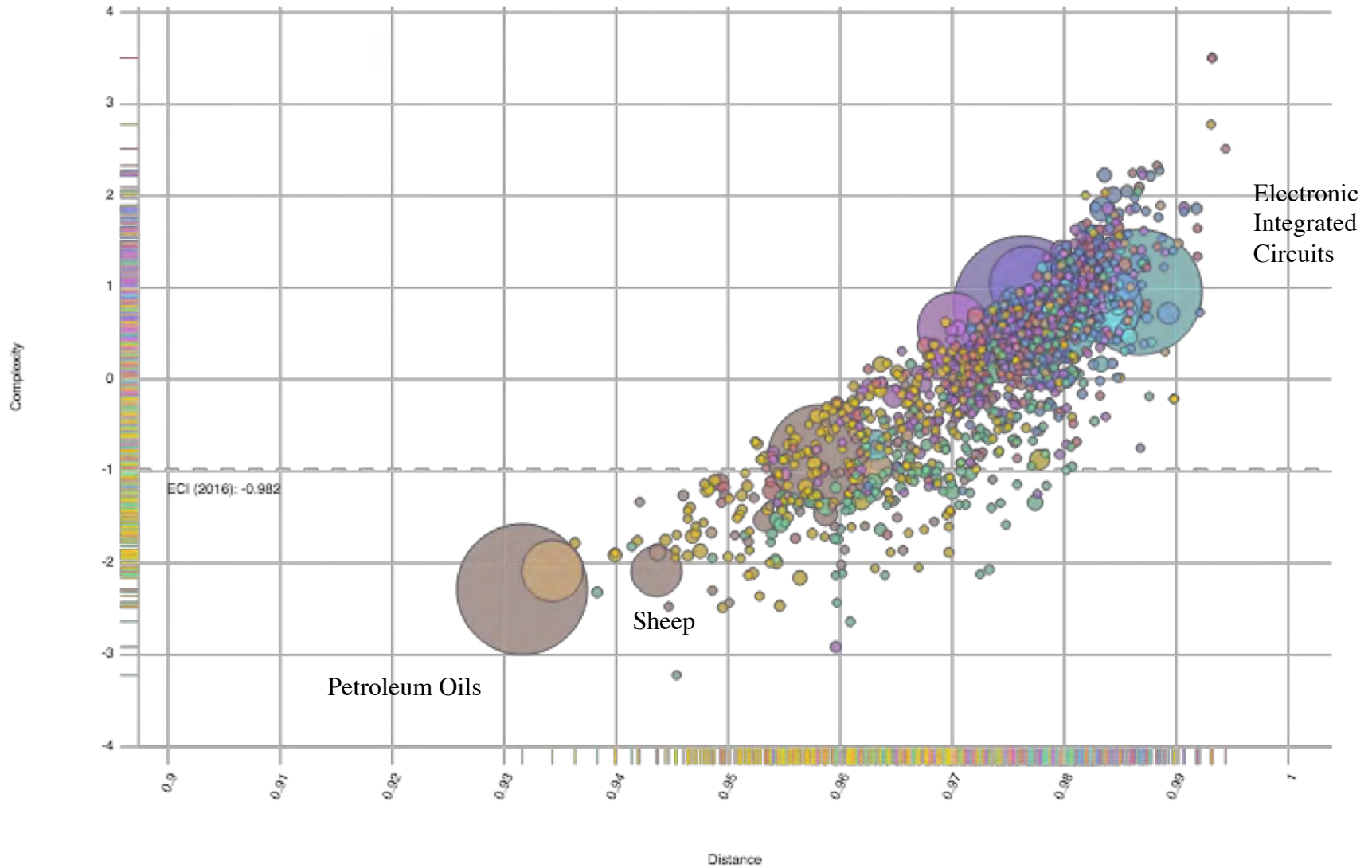
Petroleum Oils

Sheep

PRODUCT FEASIBILITY

EXPORTS FEASIBILITY BASED ON RCAs

\$15.4T



Integration

Strategic Trade, Transit and Services Infrastructure





2.

National Investment Strategy

Draft Structure

1.

Introduction

2.

Vision and Branding

3.

Macro-Economic Framework

4.

The Scope for Investment

5.

Principles and Priorities

6.

Sectors (Markets, Industries, Services)

7.

Strategy

8.

National Priority Programs

9.

Implementation Arrangements

10.

Monitoring and Evaluation

PP DIVIDERS
5 TAB A4
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3.

Process Questions

Process Questions:

1. How to keep the strategy simple, practical and implementable?
2. How will outreach occur,
3. What are the primary drivers of growth, revenues and jobs?
4. Which are the most important priorities for national investment?
5. What is the role of Federal and Regional Governments?
6. What is the role of the private sector?
7. How can international cooperation partners best support the process?
8. How will actions be implemented in a timely manner?