1. Introduction

There has been growing momentum within the international development policy landscape towards a greater focus on fragile states. The recent reports of the United Nations Secretary-General (UNSG) for the World Humanitarian Summit (WHS) and of the UN High Level Panel on Humanitarian Financing call for a greater proportion of aid to be targeted towards situations of fragility.

This builds upon the commitment outlined in the ‘New Deal for Engagement in Fragile States’ which was agreed at the Fourth High-Level Forum on Aid Effectiveness in Busan in 2011. The New Deal recognises the need to take a different approach to aid in fragile states given that peace and security is a prerequisite for sustainable development. The inclusion of Global Goal 16 in the 2030 Agenda, on promoting peaceful and inclusive societies and reducing violence, marks the continued focus on peace and security as a central aspect of, and precondition for, effective development cooperation. While Global Goal 16 is particularly relevant in situations of fragility, the delivery of all Global Goals is important and critically relevant to addressing root causes of conflict.

To effectively measure the delivery of these commitments and ensure that assistance in fragile states meets the needs of the most vulnerable people, there is a pressing need for data. Data on poor and vulnerable people is critical for ensuring that available resources are targeted effectively. Data on the domestic capacity to address poverty and vulnerability, the different international resource flows, together with evidence on the different funding mechanisms used, is important for identifying where the funding gaps are and how to strengthen the effectiveness of the response.

Yet, the collection of such data is particularly challenging in fragile and conflict-affected countries where domestic capacities are low and access to affected areas is constrained as a result of conflict and insecurity. This makes it difficult for donors and governments to make coordinated and needs-based decisions on how to effectively allocate finite resources.
This report seeks to scope the availability of such data in one fragile state in order to: draw lessons for future application in other fragile contexts, highlight challenges, identify areas where further research could be undertaken, and make recommendations for strengthening the availability and quality of data.

Somalia has been selected for this scoping exercise given the key role that it has played in the delivery of the ‘New Deal’ as a key g7+ member, enabling broader lessons to be drawn regarding assistance to fragile states within the framework of the New Deal and 2030 Agenda. In addition, the availability of data on people and resource flows to and within Somalia is better than in a number of other fragile states, particularly given international support on building government capacity and structures, through for example strengthening statistical capacity and public financial management.

The report is structured around the following five key sections: a background to the context in Somalia (Section 2); an overview of the availability of data at national and subnational levels on both poverty and vulnerability (Section 3); an overview of the availability of data at subnational and national levels on domestic and international resource flows (aid and beyond) (Section 4); analysis of the various funding mechanisms in operation, drawing key lessons (Section 5); and recommendations for where further research could be undertaken and how data gaps could be addressed (Section 6).

2. Background to the context in Somalia

More than two decades of conflict in Somalia, concentrated mainly in the South, destroyed much of the country’s governance structures, economic infrastructure, and institutions. Deep cycles of internal conflicts emerging as a result of the collapse of the Siad Barre government in January 1991 have undermined legitimate institutions and deepened levels of fragmentation. Together with the systematic onset of recurring disasters (e.g. floods and droughts) which only perpetuate competition over resources and conflict dynamics,3 this has led to a complex protracted crisis in Somalia which has created widespread displacement, poverty and vulnerability (Section 3). As a result, Somalia scores low across development and humanitarian ranking lists: 165th out of 170 countries according to the UNDP’s Human Development Index (HDI).4

In 2012, a Provisional Constitution for Somalia was agreed by a new parliament which set out a framework for a new federal government in Mogadishu.5 Following this political transition, a Somali Compact was developed by the Federal Government of Somalia (FGS) in 2013 in consultation with the Somaliland government and other state and interim state governments, the international community and civil society, and based on the principles of the ‘New Deal’ and an overarching focus on peacebuilding and statebuilding. The Compact provides an organising framework (2014–16) for the increased delivery of assistance to Somalia by Somali institutions in line with national priorities (Section 5).

With strong support from international partners, the FGS accelerated federalisation efforts in 2015. State and interim state governments have been established in Puntland, Jubbaland, Galmudug, South-West Somalia and Benadir, and local governments within these have now been established. The provisional constitution sets out provisions for the devolution of power to those best placed to provide service delivery. Contention over regional boundaries has sparked a rise in inter-clan conflicts. While Somaliland falls within the framework of the New
Deal, it is outside the federalisation process as it continues to bid for international recognition as an independent state. Elections will take place in March 2017; 2016 will be a critical year for Somalia as the mandates for the current federal and state government administrations will terminate, and Somalia will undergo an electoral process to select a new administration. Ongoing active conflict continues to undermine both the authority of the FGS outside the capital and the ability of government and international actors to access and address the needs of vulnerable populations. While Al Shabaab has been weakened by the successes of the African Union Mission to Somalia (AMISOM) force working together with Somali forces, including aligned clan militia, it still retains significant terrorist capacity and poses ongoing threats to government and international targets. Where Somaliland and Puntland have remained relatively peaceful, Southern Somalia is still experiencing active conflict.

The conflict has also had a detrimental impact on economic growth in Somalia by limiting revenues and public investment in human and economic capital. In addition, the risk of disasters and conflict has undermined private investment in agriculture, resulting in a poor business environment, and high levels of unemployment.

However, since the political transition in 2012, there have been signs that Somalia is entering into a period of economic growth. According to the International Monetary Fund (IMF) Somalia’s Gross Domestic Product (GDP) will grow from an estimated US$5.3 billion in 2013 to a projected US$7 billion in 2017. This can be associated with an increase in exports in dollar terms. Total exports of goods and services are expected to grow from US$779 million in 2013 to US$1.1 billion in 2017, while imports are also expected to grow from US$3.3 million in 2013 to US$4.6 million in 2017. However, it is important to note that Somalia’s GDP is extremely low in comparison to its population size.

3. Data on poverty and vulnerability

This section seeks to map out the data available on people affected by poverty, crisis and displacement in Somalia, for decision-makers concerned with the allocation of available resources to and within Somalia.

3.1 Data on poverty

National data
Data on poverty in Somalia is weak and largely out of date. The Socio Economic Survey carried out with support from UNDP and the World Bank in 2002 provides the most recently available and nationally representative poverty data on Somalia. According to that survey, 43% of the total population were estimated to be living in extreme poverty (defined as US$1 per day in PPP), and 73% were estimated to be living on less than $2 per day. The percentage of people living on less than a dollar a day was 24% in urban areas rising to 53% in rural and nomadic areas. However, given the contextual changes that have taken place in Somalia since this survey was undertaken, this data is not considered to be representative of current poverty levels in Somalia. As a result, the World Development Indicators and the World Bank’s PovcalNet do not report the results of the Socio Economic Survey 2002.

More recent data on multidimensional poverty in Somalia was produced by the Oxford Poverty and Human Development Initiative’s (OPHI) Multidimensional Poverty Index (MPI).
The OPHI’s MPI data is based on UNICEF’s Multiple Indicator Cluster Survey (MICS) carried out in 2006, and referenced in the most recent Human Development Report for Somalia. \(^{10}\) Somalia’s MPI score places it 96th out of 102 countries. The MPI estimates that 81% of Somalis are in multidimensional poverty. While poverty is widespread and persistent across all regions, the average intensity of deprivation in rural areas is higher (60%) than in rural areas (50%), and highest in south central Somalia (89%), followed by Puntland (75%) and Somaliland (72%). \(^{11}\) However, given the contextual changes that have occurred in Somalia since 2006, this data should also be considered with caution.

No major surveys or poverty assessments have been widely published for all of Somalia since the 2006 MICS survey. In 2011, MICS carried out a survey in Somaliland and another survey in the Northeast Region, yet no MPI poverty headcounts have been published for these studies. Drawing on a 2012 survey, the World Bank has, however, estimated a poverty headcount in rural areas as 38% and at 26% in urban areas in Somaliland. \(^{12}\) These numbers are of the same order of magnitude as the Republic of Congo or Laos.

As illustrated in Figure 1, national capacities to collect and analyse poverty data in Somalia are severely limited, with Somalia ranking as the lowest country in the World Bank’s 2015 Statistical Capacity Indicator (scoring 20 out of a possible 100 points). This was the lowest score among 154 countries included in the indicator. The average for countries eligible for World Bank International Development Association (IDA) lending was 63 out of 100. The subscores highlight that there are a number of challenges related to Somalia's official statistics, including methodology, source data and periodicity.

**Figure 1: World Bank Statistical Capacity Indicator Scores, 2015**

Efforts appear to be underway to improve the capacity of Somalia’s official statistics. From 2011 to 2013, UNDP carried out a project to help administrative units in Somalia to better monitor poverty. PARIS21 has recently reaffirmed its commitment to improve statistics in
fragile states, including Somalia. Recently, PARIS21 has helped the Government of Somalia to revise its statistics law and worked to improve coordination between members of the national statistical system.

The World Bank has also begun work to carry out short surveys on poverty in Mogadishu with plans to expand the surveys nationally. Additionally, the World Bank and the Ministry of Finance of the Federal Government of Somalia met in June to discuss a recently completed household survey which included some information about poverty. Few details have been published about this survey.

**Subnational data**

Beyond national-level statistics, some limited data on poverty at the subnational level exists. A Population Estimation Survey of Somalia (PESS) was conducted by UNFPA in 2013/2014. The survey included data from all regions and was designed to be inclusive of all Internally Displaced Persons (IDPs) and nomadic populations. It focused specifically on providing data on the labour force participation rates by region, age and sex. It identified considerable variation among regions of Somalia where, for example, the region of Juba was reported to have an unemployment rate of 9.7% in contrast to the region of Awdal (37.2%). When looking at sex disaggregation, there were variations by region but as a general finding, unemployment rates were significantly higher for women than men.

Strengthening subnational poverty data is critical to ensuring that international and domestic resources are targeted within Somalia on the basis of the needs of the most vulnerable people in line with the 2030 Agenda ambition to ‘leave no one behind’. However, the undertaking of the PESS survey highlighted the challenges experienced in collecting data at the subnational level in fragile contexts. Situations are complex, populations are hard to access as a result of insecurity, groups go unregistered or uncounted (e.g. nomadic populations, refugees and IDPs), and baseline data is often lacking (e.g. the lack of census data for estimating population figures in Somalia).

### 3.2 Data on vulnerability and displacement

**National data**

It is difficult to gain an accurate picture of the number of people affected by crisis and in need of assistance in Somalia given the challenge of collecting data in complex fragile contexts. However, several sources can together build a picture – albeit broad and static – of how many people are affected and where. The Centre for Research on the Epidemiology of Disasters (CRED) provides estimates on the numbers of people affected by disasters caused by natural hazards; the UN High Commissioner for Refugees (UNHCR) maintains data on people displaced by violence and persecution; and UN-coordinated appeals estimate the total numbers of people affected by emergencies in the countries that they cover.

The most recent UN humanitarian response plan (for 2016) identifies that 4.9 million people were in need of assistance in Somalia as of September 2015, a rise of 0.7 million people from the previous year. Of these 4.9 people, 1 million people face food security ‘crisis’ or ‘emergency’, and 3.9 million remain highly vulnerable to shocks. It estimates that 308,000 children under the age of 5 are acutely, and 56,000 severely, malnourished, while the overall burden of acute malnutrition in 2016 is estimated at more than 800,000 cases.
According to UNHCR data, 1.15 million people were forcibly displaced in Somalia in 2015, and highly vulnerable to natural hazards, disease outbreaks and protection risks.

Somalia has consistently had the highest rating on the Index for Risk Management (INFORM) since 2014, an index that ranks countries according to the risk of humanitarian crisis. This means that, as well as facing high levels of hazards, Somalia also has high levels of vulnerability and low levels of coping capacity according to a number of indicators.

**Subnational data**

While INFORM is beginning to explore subnational data in a number of other pilot countries, most data on humanitarian needs (e.g. UNHCR and CRED) is published only at the national level. Although humanitarian agencies do conduct subnational needs and vulnerability assessments, these are not reflected in the humanitarian response plan, making it difficult to identify exactly where needs are. National-level data can mask differences in the number of people affected by crises in Somalia, and undermine efforts to target resources effectively and ‘leave no one behind’.

The Food Security and Nutrition Analysis Unit (FSNAU, a multi-donor project managed by the Food and Agriculture Organisation of the United Nations) and the Famine Early Warning System Network (FEWSNET) do however provide quarterly reports on the nutrition and food security situation across the different regions of Somalia, and also livelihood profiles for the different livelihood zones in Somalia which map differences in food and cash income access. These assessments are used to inform needs assessments set out in UN-coordinated appeals for Somalia and indicate drought conditions in north-western parts of Somaliland and have classified these regions in ‘crisis’ phase. FSNAU estimated that 129,000 people in Awdal, Woqooyi Galbeed and pocket areas of Sanaag were in ‘crisis’ and ‘emergency’ phase from August to December 2015. More than 132,000 people had been affected as of late November 2015, 60,000 of whom were displaced.

### 4. Data on international and domestic resource flows

In Somalia there are a wide variety of official, commercial and private actors that provide resources that impact on poverty in different ways. Knowing the types, amounts and delivery channels of these resource flows is critical not only to help these actors understand their contribution within this wider landscape, but also to help guide decision-making about where resources are best suited. Combined with having an understanding about the overall resource picture, information disaggregated geographically is a crucial element to assist with the decision-making process.

This section aims to provide an overall picture of both international and domestic public resources flows in Somalia, before focusing in more detail on flows of official development assistance (ODA). In addition, it includes analysis on the availability of data on domestic and international resource flows at the subnational level.

#### 4.1 The overall resource mix

Figure 2 shows that the landscape of resource flows in Somalia in 2014 was dominated by international (89.6%) as opposed to domestic public resources (10.4%), which combined total US$3.1 billion. Disaggregating each of these further by type it can be seen that there is a multitude of different resource types and actors. For example in relation to international
resources both private and official flows dominate, whereas commercial flows like foreign
direct investment (FDI) are only a fraction (3.8%) of the total.

Remittances are estimated to be the largest international resource flow into Somalia at
US$1.3 billion. These flows form a vital source of household income for a majority of
Somalis, outlined by the World Bank stating as far back as 2006 that around 40% of the
population are dependent on remittances from abroad. However, there has been concern
about how this flow might have decreased over the last two years, given the closure of many
bank accounts of Somali money transfer services in late 2013, in countries like the US, UK,
Australia and Canada, due to a perceived high risk of their services assisting money
laundering or funding of terrorist activities, as a result of the lack of a regulatory environment
in Somalia.

Evidence in 2015 from the Food Security and Nutrition Analysis Unit\textsuperscript{23} has suggested that a
proportion of the population has seen a decline in remittances, a consequence in a third of
cases of a lack of money transfer services in relatives’ countries. Despite this, no clear
evidence exists on the change of remittance flows since 2013 and also on the overall impact
to households in the country as a whole. However, there is hope that in the future bank
accounts could re-open, given that the FGS with the help of the World Bank and other
development partners is trying to improve regulation of the financial sector, for example by
passing the anti-money laundering and combating the financing of terrorism bill in February
2016.\textsuperscript{24}

The combined official flows of non-humanitarian official development assistance (ODA),
international humanitarian assistance and peacekeeping costs provide half of the total
international flows. With regard to peacekeeping costs, over 80% were covered under the
African Union Mission to Somalia (AMISOM) and 16% under the UN Assistance Mission in
Somalia (UNSOOM).

The total level of domestic public resources\textsuperscript{25} is dominated by the Somaliland government,
which raised almost two-thirds of the total overall. The total proportion raised by the FGS in
2014 rose to around a quarter of the total, with contributions from the governments of
Puntland and Jubbaland making up only a small proportion. Somalia overall raised the
lowest level of domestic public resources as a share of Gross Domestic Product (GDP)
(5.8%) compared with 19 of the 20 most fragile countries globally as per the 2014
Fund for Peace Fragile States Index,\textsuperscript{26} and the third highest as international flows (Figure 3).
This illustrates that the convergence between low government expenditure, vulnerability and
dependence on international assistance experienced in many fragile states is an especially
pertinent reality in Somalia.
Figure 2: International and domestic public resource flows, Somalia, 2014

**Sources:** Somalia IMF Staff monitored (May 2016), OECD CRS, UN OCHA FTS, CIPRI, documentation from various governments in Somalia, World Bank World Development Indicators, UNCTAD FDI statistics database.

**Notes:** There is potential double counting between peacekeeping and ODA and humanitarian assistance. Remittances are estimates from mid 2013. Domestic public resources refer to government revenue collection, excluding grants, both international and transfers from higher levels of Government. The figures for domestic public resources refer to budgeted estimates rather than actual collection in 2014.
Figure 3: Mix of resources as percentage of GDP, top 20 fragile countries, 2014

Source: Somalia IMF Staff monitored (May 2016) and various country article IV reports, IMF World Economic Outlook database (April 2016), OECD CRS, UN OCHA FTS, CIPRI, documentation from various governments in Somalia, World Bank World Development Indicators, UNCTAD FDI statistics database.

Notes: There is potential double counting between peacekeeping and ODA and humanitarian assistance. Remittances are estimates from mid 2013. Domestic public resources refer to government revenue collection, excluding grants, both international and transfers from higher levels of Government. The countries shown have the top fragility scores on the 2014 Fund for Peace Fragile States Index.
4.2 Government finance and domestic resources

Within Somalia there are three levels of government: the federal government (FGS), state and interim state governments, and local governments. Each of these governments has different responsibilities; for example, while the FGS has authority over member states on defence, foreign affairs and monetary policy. Other service delivery sectors like health and education are administered across all three levels. This subsection seeks to provide an overview of government spending for the federal state and interim state governments of Somalia.

Government revenue analysis

Revenue mobilisation is particularly poor in Somalia. Comparing levels of non-grant revenue mobilisation with neighbouring countries, in terms of both percentage of GDP and non-grant revenue per person (Figure 4 and Table 1), Somalia is by far the lowest performer. This level of revenue collection is among the lowest in the world, a level which seriously constrains Somalia’s ability to deliver basic services and key government functions. There are many factors for this, but essentially it is a result of poor governance structures, lack of resources to implement effective revenue collection regimes and also a distrust of government which has undermined the ability to collect taxes from the country’s population.

Figure 4: Non-grant revenue as percentage of GDP in Somalia and neighbouring countries

Source: Somalia IMF Staff monitored (May 2016) and various country article IV reports, IMF World Economic Outlook database (April 2016), documentation from various governments in Somalia.
Table 1: Non-grant revenue per person in Somalia and neighbouring countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Chad</th>
<th>Djibouti</th>
<th>Ethiopia</th>
<th>Kenya</th>
<th>Somalia</th>
<th>South Sudan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-grant revenue per person (2014 US$)</td>
<td>196.4</td>
<td>601.7</td>
<td>88.6</td>
<td>260.3</td>
<td>30.9</td>
<td>312.7</td>
</tr>
</tbody>
</table>

Source: Somalia IMF Staff monitored (May 2016) and various country article IV reports, IMF World Economic Outlook database (April 2016), documentation from various governments in Somalia.

Despite this very low level of domestic resource mobilisation overall, revenue has increased significantly over recent years for the major governments in Somalia (Figure 5). For example, the revenue of the FGS has almost quadrupled since 2012 in nominal terms and increased by two-thirds in Somaliland and by half in Puntland. This trend is projected to be maintained in the medium term, meaning a significant increase in new resources available to the government.

Figure 5: Non-grant revenue to major Somali governments, 2010–2015

Source: IMF Staff monitored report (May 2016) and documentation from various governments in Somalia

However, the ability of the government in Somalia to significantly upscale non-grant revenue collection is constrained by the fact that the revenue base is extremely narrow (Figure 6). The vast majority of revenue comes from international trade taxes, predominantly export taxes and customs duties from ports. For example, the FGS and Puntland government collect over 70% of their total revenue from Berbera and Bosasso ports respectively.28 Without widening this revenue base, it is going to be difficult to increase non-grant revenue collections. Also this reliance on international trade taxes is a pressing issue for newly formed member states who do not have a major port (e.g. Galmudag and Hirran & Middle Shabelle), as collection of revenue will be a serious challenge. In addition, other factors that
are common in fragile contexts limit the ability of Somalia to mobilise revenue: for example, the large informal sector and lack of information on property ownership inhibit the extent to which collection of direct and local taxes is possible.

**Figure 6: Non-grant revenue to Somali governments**

Source: IMF Staff monitored report (May 2016) and documentation from various governments in Somalia

Notes: The three governments represented in the figure were the only ones where data was available of sufficient quality to disaggregate revenue in this way.

In addition to domestic public resources, some governments in Somalia receive concessional grant funding, either directly from development partners or from pooled funding channelled through the FGS. This additional finance plays a significant role in financing government expenditure. For example, from 2013 to 2015 external grants made up over 40% of total revenue for the FGS, a trend which is projected to continue into the medium term. However, access to wider international finance beyond grants is constrained by debt stemming from the 1980s, although the FGS is hoping to resolve issues surrounding this and be in a position to quality for debt relief as a heavily indebted poor country (HIPC) and under the IMF’s Multilateral Debt Relief Initiative (MDRI) in future.29

**Government expenditure analysis**

While grants continue to play a key role in aiding government expenditure envelopes, spending within the major governments in Somalia is constrained and focuses predominantly on security and basic administrative functions (Figure 7). For example, security spending in the FGS, and state governments of Somaliland, Puntland and Jubbaland makes up between 29% and 44% of total expenditure. Somaliland is the only government that spends less than
three-quarters of its budget on security and administrative costs, as it also allocates significant amounts to infrastructure development. Security spending in Somalia is proportionally among the highest in the world in terms of the percentage of the total government budget (Figure 8).

Figure 7 also shows the small proportion of government expenditure allocated to social sectors like education and health, despite significant service-delivery responsibilities in this regard. This firstly illustrates both the extreme level of resource constraints experienced by governments in Somalia and that security is the primary concern of governments at present. This overarching focus within the major governments in Somalia on security and administration aligns to the priorities of the Somalia New Deal Compact on peacebuilding and statebuilding. While objectives for strengthening service delivery are included within the broader framework of the Somalia New Deal Compact under Peacebuilding and Statebuilding Goal (PSG) 5, progress has been slow and focus has been placed in the first instance primarily on statebuilding and peacebuilding. With limited progress having been made on service provision through the New Deal, and only a small proportion of government expenditure currently allocated to social sectors, it can be assumed that humanitarian assistance is financing the provision of basic services in Somalia, which alone is inadequate to meet needs, resulting in a vacuum in social-service provision.

Figure 7: Security and administrative spending by federal state governments\textsuperscript{30}

Source: IMF Staff monitored report (May 2016) and documentation from various governments in Somalia
A further indicator of resource constraint within governments in Somalia is the amount allocated to recurrent rather than capital expenditure. Although each government’s proportion of recurrent to capital expenditure will differ with context, typically governments spend no less than 20% of total budget on capital expenditure. For example in 2015 Kenya allocated 30% of spending to capital, while both Djibouti and Ethiopia allocated over 50%. However, where data was available for Jubbaland and the FGS, in 2015 only 4.3% and 7.3% respectively was allocated towards capital spending. Levels this low indicate governments able to focus only on performing basic functions, and show a lack of investment in infrastructural development.

4.3 Official development assistance in Somalia

**Total ODA to Somalia**

ODA to Somalia has increased considerably over the last decade: levels grew almost four-fold from US$262 million in 2005 to US$1 billion in 2014 (Figure 9). The establishment of the FGS following political transition in 2011/12 and of improved financing instruments may explain this trend. In the six years before the transition towards the establishment of the FGS and supporting financing facilities such the SDRF, ODA to Somalia averaged US$513 million per year (totalling US$3.1 billion over the six-year period between 2005 and 2010). Between 2010 and 2011 ODA jumped significantly, increasing by 87% to US$988 million, and has remained at a similar level since: between 2011 and 2014, total ODA to Somalia averaged US$974 million per year (totalling US$3.9 billion over this four-year period).
Figure 9 shows that development assistance (non-humanitarian ODA) to Somalia has increased year on year between 2005 and 2014, growing at an average annual rate of 20% to reach US$558 million in 2014, when it overtook humanitarian assistance in volume for the first time. Growth in volume has particularly accelerated from 2011. Balancing support to longer-term development efforts with responses to the immediate needs of crisis-affected people in Somalia is a priority for the FGS and donors. A considerable proportion (61%) of ODA to Somalia over the last decade has been in the form of humanitarian assistance, which in 2014 totalled US$480 million. Somalia was the 12th-largest recipient of international humanitarian assistance in this year.

However, unlike development assistance, humanitarian funding to Somalia has been relatively volatile with peaks and troughs linking to onset emergency response, crises response and political fragility. For example, levels fell significantly in 2010, a year in which the World Food Programme suspended operations in the south of the country due to threats, demands and insecurity problems. Flows stabilised over 2012–14, although have remained relatively high, demonstrating that Somalia has a continued need for emergency assistance, and this has been attributed to continued displacement of Somalis, persistent drought in parts of the country and onset of new crises such as El Niño.

The US was the largest donor to Somalia in 2014, providing US$206 million, slightly above the United Kingdom (US$204 million). The third-largest overall donor and largest multilateral donor was ‘EU institutions’ at US$188 million (Figure 10). Other multilateral donors in the top 15 include the Global Fund (US$20 million) and UNICEF (US$16 million). The UAE was the largest non-DAC donor reporting to the OECD-DAC, disbursing US$23 million, making up 91% of the non-DAC total to Somalia. In total, 40 donors reported ODA to Somalia in 2014.
With regard to other non-DAC development partners providing assistance in Somalia, Turkey reported US$74 million to OECD-DAC in 2014, an amount which would place the country as the fifth-largest donor to Somalia, narrowly behind Sweden. In addition, Saudi Arabia reported US$5.5 million to the UN OCHA FTS in humanitarian assistance to Somalia in 2015. Other non-DAC countries providing development assistance in 2014, as reported to the FGS, included Qatar (US$17 million), China (US$2 million) and Nigeria (US$0.9 million) and Russia and South Africa are active humanitarian aid providers to Somalia.

**Sector allocation of non-humanitarian ODA**

The doubling of non-humanitarian ODA to Somalia over the last five years (Figure 11) has largely been driven by increases in funding to the governance and security and health sectors. Governance and security is the largest non-humanitarian ODA recipient sector in every year over 2010–14. Aid to this sector has increased every year over the period in real terms: from US$98 million in 2010 to US$255 million in 2014, where it made up 46% of development aid received by the country.

Within this sector, the governance component captures aid to government and civil society, which stood at US$136 million in 2014. ODA to this area has increased over the last five years and includes expenditure towards public sector policy and administration management (US$36 million), public finance management (US$34 million) and democratic participation and civil society (US$19 million). Increases in ODA to governance coincide with support to Somalia’s federalisation process, where flows have been scaled up to support governance across the country.

In addition, linked to Somalia’s experience of fragility and conflict, a high degree of aid to Somalia goes towards conflict, peace and security (CPS). Similar to government and civil
society, levels to CPS have increased over 2010–14 and stood at US$120 million in 2014. Activities in this area include civilian peacebuilding, conflict prevention and resolution (US$79 million), security system management and reform (US$22 million) and land-mine removal (US$11 million).

The rise in aid spending on the governance and security sectors since 2010 coincides with the agreement of a New Deal for Engagement in Fragile States at the Fourth High-Level Forum on Aid Effectiveness in Busan in 2011 which has an overarching focus on peacebuilding and statebuilding, and culminated in the Somalia New Deal Compact in 2013 as an overarching framework for international assistance (Section 5).

Somalia is a relatively low-performing country on health indicators. For example, it had the sixth-highest maternal mortality ratio globally in 2015. An effort to scale up ODA funding towards health in recent years can be observed. ODA to the health sector in Somalia has increased rapidly over the last five years, reaching a high of US$125 million in 2014, more than double the levels in 2010. Just under a third of health ODA to Somalia in 2014 went towards reproductive healthcare (US$39 million). Basic healthcare received US$35 million; activities in this area included vaccine support and health system strengthening. Disbursements relating to disease control (including malaria, tuberculosis and HIV/AIDS control) totalled US$22 million.

Figure 11: ODA (excluding humanitarian aid) by sector, 2010–2014

Source: OECD CRS
Types of humanitarian assistance to Somalia

The majority of humanitarian aid to Somalia over the last decade has been in the form of material relief assistance and services and emergency food aid, together making up 85% of humanitarian aid over this period (Figure 12). The 2010 trough and 2011 peak are both driven by levels of emergency food to Somalia in these two years. Disaster prevention and preparedness, which can include strengthening resilience to shocks, has increased in recent years and stood at US$24 million in 2014, over 10 times the levels in 2010, although it still remains a small proportion of total humanitarian aid (5%). The inclusion of a resilience component into the multi-year humanitarian response plan for Somalia in 2013 may explain this rise (Section 5).

Figure 12: Humanitarian assistance to Somalia by type, 2005–2014

Source: OECD CRS

Modalities for ODA spending

Just under half of total ODA (47% or US$487 million) to Somalia was disbursed in the form of cash grants in 2014 (Figure 13), almost double the proportion in 2010 (26%). An increase in cash grants can be explained by the rising use of cash and voucher programming by humanitarian agencies during this period, largely in response to the famine in 2011, and during reoccurring periods of severe food insecurity since. It can also be attributed to an increase in international support to the government following the establishment of the Somalia New Deal Compact in 2013 which set out a number of statebuilding and peacebuilding priorities.

Certain elements of the aid bundle made up a similar share of total in 2014 as compared to 2010: shares of aid disbursed in the form of technical cooperation and commodities and food have not changed beyond two percentage points over this time period. Mixed project aid has fallen significantly in share of total from 52% to 30% between 2010 and 2014. Somalia is not eligible to receive ODA in the form of loans.
Figure 13: Aid bundle, 2010 and 2014

Source: OECD CRS
Notes: NNGOs: Northern non-governmental organisation.

Figure 14: Channels of delivery of ODA to Somalia, 2014

Source: OECD CRS

Over half of ODA to Somalia (52% or US$531 million) was channelled through multilateral organisations in 2014 (Figure 14). Cash grants channelled through multilateral organisations can include disbursements to pooled funds and ultimately end up being received by the Somali government.
Of the aid channelled through multilateral organisations, a significant proportion (85%) has been through UN agencies (Figure 15). This includes agencies which hold a significant focus on the humanitarian sector such as the World Food Programme (WFP), Food and Agriculture Organization (FAO), Office for the Coordination of Humanitarian Affairs (OCHA), United Nations High Commissioner for Refugees (UNHCR) and United Nations Children’s Fund (UNICEF). A significant proportion of ODA is also channelled through the United Nations Development Programme (UNDP) – US$94 million in 2014 – and includes aid under both the humanitarian and development sectors. Figure 15 also shows ODA channelled through the World Bank, which stood at US$46 million in 2014, making up 9% of aid channelled through multilateral organisations.

Over a third (US$365 million) of ODA to Somalia was channelled through NGOs and civil society. NGOs play a key role in humanitarian assistance. National and international NGOs can receive funding through various funding mechanisms, including the UN Country Based Pooled Fund for Somalia (Somalia Humanitarian Fund) and from the International Committee of the Red Cross. Local NGOs are often the first responders to humanitarian crises and have established relationships with vulnerable communities, yet face challenges in accessing direct funding as a result of donor financial and accountability requirements and capacity constraints.34
Despite the Somali New Deal Compact seeking to strengthen country ownership through the increased use of government financial systems, and ongoing efforts to improve public financial management (PFM) systems within the different federal governments, progress has been slow. As an illustration of this, only 5% of ODA (US$49 million) was channelled through public sector institutions in 2014, and included US$24 million channelled through the donor governments and US$14 million channelled through the federal governments of Somalia (Figure 14).

Projections for development and humanitarian assistance in the medium-term (2015–2018)
Current estimates available demonstrate that both development and humanitarian aid to Somalia remained high in 2015, while forward estimates are limited by the reporting available and the emergency response nature of humanitarian aid. Estimates on development aid for 2015–2018 are produced by the Aid Coordination Unit in the FGS Office of the Prime Minister with support from the World Bank and UNDP, and capture reporting from partners. Humanitarian data for 2015 is available from reporting to the UN Office for the Coordination of Humanitarian Affairs Financial Tracking Service (UNOCHA FTS).35

Reporting on development aid to Somalia shows levels continued to increase into 2015, where they reached US$675 million (Figure 16), before stabilising into 2016. The UK, US and EU (the top three 2014 donors) are reported to remain as key donors to Somalia, with EU activities increasing in particular over 2015 and 2016. The trend of increased governance and security expenditure targeted across different federal states (shown in Figure 7) is reported to have continued in 2015 and 2016. Reporting for 2017 and 2018 is limited, with the low and decreasing levels shown representing incomplete reporting for this future period as opposed to a decline in aid to Somalia. More complete forward reporting can facilitate stronger governmental planning in the allocation of resources.

However, the forecasting of humanitarian aid is particularly myopic due to its role in responding to unforeseen crises. Humanitarian aid data captured in Figure 16, which is reported to the UNOCHA FTS and FGS, shows that levels remained high at US$593 million in 2015. A very limited picture is available post-2015, with under US$100 million reported for 2016 and for 2017.

Figure 16: Reported development and humanitarian aid to Somalia, 2015–2018
4.4 Subnational data availability on domestic and international resource flows

In order to ‘leave no one behind’, it is critical that resources are allocated within countries on the basis of people’s needs. To achieve this, there is a pressing demand for data on the distribution of resource flows at the subnational level in fragile contexts. This subsection provides analysis on the availability of data on the geographical distribution of both government and development-partner resource flows within Somalia, at both state and local government level. Somalia offers an interesting case study for this analysis given its levels of devolution and fiscal decentralisation. This analysis is also critical for better understanding the overall level of government resources in Somalia in order to complement knowledge about international flows. Below, we look at what disaggregation is possible at both state and local government levels.

Geographical disaggregation of government finance

Information on state government resource raising and allocations is stronger in cases where governments have been established for longer (e.g. Jubbaland, Puntland, and Somaliland), as detailed above. Beneath state governments sit local governments, constitutionally allocated key roles in basic service delivery in sectors like health and education. However, although many local governments have been formed, they are often not well established, with only a limited number able to raise resources and deliver services to the population (Figure 17). Where local governments do raise and allocate resources, this is often only a very small percentage of the federal state governments’ income, meaning that they play a small role in service delivery overall, apart from municipalities like Berbera, Hargeisa, Kismayo and Mogidishu. However, the progress made by local governments has been commendable in the context of ongoing insecurity and the active presence of Al Shabab in many parts of the country.

However, while it is possible to have a good understanding about the scale and allocation of resources within each government, it is difficult to assess how governments distribute resources geographically apart from details of financial transfers from the federal government to state governments and from state to local governments. To improve this situation, it will be necessary to improve public financial management reporting across all levels of government.
Figure 17: Data availability on local government revenue-raising

Source: Documentation from various governments in Somalia
Notes: Grade refers to the assigned value between A and D that state governments gives to local governments, based on the level structures in place. In general grade A districts have greater capacity to raise resources, receive more inter-governmental transfers and have more councillors. Although Somaliland could be defined as a top level of government, given that it is outside of the federalisation process, it has been termed as a middle level government for the purpose of this report alongside state governments within Somalia.
Geographical disaggregation of development partners’ assistance

There are currently two initiatives that provide insights into the geographical disaggregation of development partners’ assistance in Somalia. The first is by the FGS Aid Coordination Unit (ACU), which sits within the Office of the Prime Minister, from its Aid Flows in Somalia report. The ACU asked each development partner to self-report on the geographical location of its funding, along with the programmatic alignment (Table 2).

Table 2: Development assistance in 2015, by location and programme type (US$ millions)

<table>
<thead>
<tr>
<th>Sector focus</th>
<th>FGS</th>
<th>Benadir</th>
<th>Hiraan and Middle Shabelle</th>
<th>Galmudug</th>
<th>Juba</th>
<th>South West</th>
<th>Puntland</th>
<th>Somaliland specified</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inclusive politics</td>
<td>2.1</td>
<td>3.1</td>
<td>5.6</td>
<td>4.7</td>
<td>3.7</td>
<td>3.9</td>
<td>4.5</td>
<td>5.6</td>
<td>7.2</td>
</tr>
<tr>
<td>Security</td>
<td>2.6</td>
<td>7.5</td>
<td>3.4</td>
<td>1.3</td>
<td>3.9</td>
<td>24.4</td>
<td>7</td>
<td>8.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Justice</td>
<td>2.7</td>
<td>2.0</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
<td>1.8</td>
<td>3</td>
<td>0.8</td>
<td>10.5</td>
</tr>
<tr>
<td>Economic foundations</td>
<td>4.4</td>
<td>10.5</td>
<td>6.8</td>
<td>3.2</td>
<td>5.6</td>
<td>6.5</td>
<td>16.1</td>
<td>44.6</td>
<td>31.9</td>
</tr>
<tr>
<td>Revenue and services</td>
<td>30.9</td>
<td>38.9</td>
<td>14.1</td>
<td>8.4</td>
<td>21.5</td>
<td>11.3</td>
<td>39.6</td>
<td>59.4</td>
<td>49.5</td>
</tr>
<tr>
<td>Cross cutting</td>
<td>7.8</td>
<td>5.6</td>
<td>3.1</td>
<td>1.4</td>
<td>2</td>
<td>8.5</td>
<td>11.8</td>
<td>9.8</td>
<td>6.9</td>
</tr>
<tr>
<td>Capacity development</td>
<td>3.9</td>
<td>0.4</td>
<td>1.7</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>2.2</td>
<td>1.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Other</td>
<td>1.7</td>
<td>2.3</td>
<td>0.6</td>
<td>0.4</td>
<td>0.5</td>
<td>0.4</td>
<td>2</td>
<td>3.5</td>
<td>24.5</td>
</tr>
<tr>
<td>Total</td>
<td>56.1</td>
<td>70.3</td>
<td>35.3</td>
<td>20.2</td>
<td>38.1</td>
<td>55.9</td>
<td>85</td>
<td>135.7</td>
<td>126.7</td>
</tr>
</tbody>
</table>

Source: Aid Flow Analysis, New Deal Somalia (February 2016)

Although a proportion (20%) of assistance could not be disaggregated by location, there are some interesting findings about allocations that could be. For example, the ‘economic foundations’ programmatic area, which includes infrastructure, private sector and productive sector assistance, is predominately located in Somaliland, presumably given the more stable security situation there to allow for this form of assistance to be effective and the establishment of the Somaliland Development Fund in 2013 which focuses primarily on strengthening service delivery (Section 5). In addition, allocations to the area of revenue and services, largely spending on health and to a lesser extent education and public financial management, is more evenly split throughout the country. However, allocations are lower in Hirran and Middle Shabel, Galmudug and South West, which although primarily a result of lower populations could also be a consequence of government structures not yet fully formed and the constraints of ongoing insecurity.

While the data from the ACU disaggregates development assistance to what could effectively be defined as each federal state government, it does not provide insights into what projects there were or any further disaggregation.
5. Financing mechanisms for international assistance

Although the economic situation in Somalia is beginning to improve, a lack of internal revenue and weak public financial management continue to constrain the budget, leaving the country largely dependent on foreign assistance. Following political transition and the formation of the FGS in 2012, a number of financing mechanisms have been established to facilitate support from the international community for stabilisation and recovery in Somalia. Focus is also placed upon strengthening budget accountability and public financial management as necessary for moving towards greater country ownership and use of the government’s financial systems.

In parallel, humanitarian funding continues to be channelled through UN appeals and pooled funding, and new mechanisms for addressing the impacts of climate change and building resilience have been established. An overview of a select number of key mechanisms is outlined below.

5.1 Peacebuilding, statebuilding and stabilisation

Somalia has played a key role, as a member of the g7+, in the delivery of the New Deal for Engagement in Fragile States, agreed at the Fourth High-Level Forum on Aid Effectiveness in Busan in 2011. A New Deal Compact (or Mutually Accountability Framework) was developed by the FGS in 2013 as a framework for implementation against the five New Deal Peacebuilding and Statebuilding Goals (PSGs) during the period 2014–2016 and aligning the delivery of donor assistance with national priorities according to the Busan principles for effective development cooperation. The PSGs are focused primarily on improving governance structures, security and building economic foundations, including priorities on continuing the implementation of federalisation process.

The New Deal Facility provides vital support to the Aid Coordination Unit (ACU), which became fully operational in 2014, and now sits within the Office of the Prime Minister of the FGS. The ACU oversees implementation of the Somali New Deal Compact, including conducting an aid mapping exercise to ensure alignment between donor and national priorities. The FGS is responsible for transferring funds to state governments within the broader framework of the New Deal, apart from to Somaliland government, which receives funding directly (see below). The ACU is currently facilitating a Compact review taskforce which will result in decisions on a framework for delivering on New Deal commitments after 2016, when the current Compact expires.

In 2015, the FGS initiated a process for developing a national development plan building upon the work under PSGs 4 and 5 of the New Deal Compact on ‘economic foundations’ and ‘revenue and services’, which seek to create the conditions for sustainable economic recovery and development. Fostering infrastructural development and building institutional capacities in support of basic service delivery is critical in terms of finding durable solutions for vulnerable groups and reducing humanitarian needs.

While a number of challenges have been faced in the delivery of the New Deal in Somalia, landmark progress has been made, in which donors have reportedly coordinated around the development of the Compact and worked in partnership with the government in a way that has not been witnessed in over 20 years. While progress has been slow, especially on service delivery, and the Somali Compact may lack legitimacy on some levels given the limited progress made with regard to political dialogue and initially regarding the inclusion of civil society in its development, it should be recognised as a solid first step towards a longer-term goal of country ownership, statebuilding and peacebuilding.

Within the framework of the Somali New Deal Compact, a number of funding mechanisms have been established.
The Somali Development and Reconstruction Facility (SDRF)

The SDRF was launched and established in October 2013 as a mechanism for financing the PSGs. In line with the constitutional framework, the SDRF can channel resources to the federal unit level. It is co-chaired by the Somali Prime Minister and the EU. The donor co-chair role rotates between the US, the EU and DFID. A steering committee acts as the board of two multi-partner trust funds that have been established under the SDRF and are administered by the UN and the World Bank.

Key objectives of the SDRF are to:

- align resources from the international community to national priorities
- strengthen Somali institutional capacity through leadership
- facilitate transition towards the use of country public financial management (PFM)
- increase the transparency and accountability of international assistance to Somalia
- reduce transaction costs by pooling funds and adopting harmonised reporting on results.

The SDRF is composed of four financing windows as follows.

1. The Special Financing Facility (SFF) provides urgent support to the federal government of Somalia for recurring costs and quick-impact projects.
2. The World Bank Multi-Donor Trust Fund (MDTF) provides on-budget un-earmarked funds dedicated to the delivery of the PSG on economic foundations and revenue and services. The Fund finances government recurring costs and priority projects, and oversight is provided by a committee of regional and federal officials.
3. The UN Multi-Partner Trust Fund for Somalia (MPTF) is aligned to the PSGs. It disburses funds only through UN agencies and eligible non-governmental organisations (NGOs) and country systems, bringing UN programmes under the government umbrella.
4. The African Development Bank Facility seeks to fold the African Development Bank’s programmes into the SDRF and focuses on enhancing jobs and livelihoods and strengthening national institutions.

In Somalia the SDRF has started to fund programmes under the PSG pillars. Facility allocations have also supported the engagement of civil society organisations (CSOs) and the regions in Compact implementation. Finally the Facility is supporting work to develop a monitoring framework for tracking the PSGs, aid flows and the New Deal Compact partnership principles. Further work to strengthen the ACU is planned for 2016.

In March 2015, the steering committee reviewed and endorsed initial programmes for the funding windows for the period 2015–2016 – representing a key step towards the delivery of tangible results through the Compact. The committee endorsed six UN joint programmes submitted to the UN Multi-Partner Trust Fund and five programmes submitted to the World Bank Multi-Partner Trust Fund. The programmes have been developed through the SDRF structures, and are reportedly indicative of extensive consultations between the government, UN and donor partners over 18 months. In line with New Deal PSG 1 (legitimate and inclusive politics), three programmes were presented to provide support to the implementation of the government of Somalia’s Vision 2016 (a strategy document outlining political priorities including a pledge to hold democratic elections in 2016) within the agreed timeframes. The programmes focus on state formation, constitutional review and the electoral process. The EU, UNDP, UK, Sweden, US, Norway, Denmark and Italy have pledged contributions over three years to these programmes.

The SDRF is an example of where development partners have aligned their support to the priorities of the partner country in order to minimise risk, reduce fragmentation and strengthen government ownership. The UK was reportedly the first donor to channel funding to the World Bank Multi-Partner Fund for Somalia, which kick-started support from other donors.
Feedback from donors highlights the difficulties in using country systems in Somalia given the current capacity constraints of the newly formed central bank and its weak mechanisms for tracking expenditure. As such, channelling funding through pooled mechanisms is regarded as the best option available for donor alignment to national priorities and building state capacity in the current context. However, in contrast to this, some feedback suggests that decisions on funding allocation within the SDRF continue to be donor-driven. It is argued that development partners could do more to strengthen government ownership, including increased use of country systems and bilateral on-budget support, given the improvements made in financial controls over recent years, and following in the footsteps of Norway’s on-budget support to civil servant salary payments (see below).49

Initial lessons emerging from the implementation of the SDRF include:

- the importance of including partner country governments in the governance of pooled funding mechanisms from the outset in order to foster greater and more sustainable country ownership
- the role that pooled funding can play in promoting greater use of country systems while at the same time minimising the risk faced by donors in channelling funding through the government
- that support to pooled funding mechanisms can strengthen the effectiveness of state institutions.

Preceding the New Deal Compact, the Government of Norway and the World Bank established an on-budget financing mechanism to support the payment of government salaries in Somalia through a Special Financing Facility (SFF). This facility was critical to the formation of state institutions and functions, and reportedly kick-started the government’s leadership in developing the New Deal Compact and enabling the formation of wider partnerships between donors and the government,50 including ongoing and expanded support to pay recurrent government salaries through the SFF within the SDRF.51

At the request of the Government of Norway as a precondition for on-budget support, the SFF established financial controls and a fiduciary framework for recurrent costs, as well as strengthened transparency and accountability of revenues and expenditures. This helped to build the basis for future public finance mechanisms.

Somaliland Development Fund (SDF)

Within the broader framework of the Somalia New Deal Compact, donor funding is also channelled to Somaliland through the SDF. Support is provided in alignment with the objectives set out in the Somaliland National Development Plan (2012–2016) which have an overarching focus on strengthening the core state functions of Somaliland and service delivery.52

A Memorandum of Understanding was signed in 2013 by the Government of Somaliland (GoSL) and its SDF development partners (the UK and Denmark initially, but since extended to include Norway and the Netherlands). The SDF is the GoSL’s preferred vehicle for receiving and channelling development funds. To date, the SDF has reduced fragmentation in development assistance to Somaliland, and strengthened Somaliland government ownership over how and where funds are allocated.53

It is too soon to measure the full impact of the SDF but the National Planning Commission has been meeting regularly to lead the prioritisation process and has become more effective as a result. However, there has been limited progress regarding the objective to support the GoSL to establish rigorous budget and fiscal processes in order to strengthen budget accountability.54 This will take time, and is critical if donors are to shift towards the use of government financial systems in support of greater country ownership in the longer term.
UN Peacebuilding Fund
The UN Peacebuilding Fund is providing support to the FGS to deliver on the objectives set out in the New Deal Compact, with a particular focus on the ‘newly recovered’ areas. Support is provided for longer-term programmatic support in line with Somalia’s Vision 2016, and the delivery of the government’s stabilisation strategy in South-central Somalia which seeks to install interim and caretaker administrations in a manner intended to build local legitimacy and trust. Such support is helping to build on the Somalia Finance Facility (SFF) work to strengthen national systems for peacebuilding by extending support to national and local districts.

Additional funding has also been provided to support priorities outlined in the New Deal Compact that are jointly endorsed by the FGS and the SDRF Steering Committee for providing support to risk management, rule of law, state formation and reconciliation. Support is also provided to support women’s participation in peacebuilding processes, including plans for a cross-border project to support refugees across the Kenya–Somalia border. Efforts are being made collaboratively with the World Bank to shift towards funding directly through government financial systems.

Somalia Stability Fund
Within the framework of the Somalia New Deal Compact, the Somalia Stability Fund was conceived during the 2012 London Somalia Funding conference. It was established in 2013 as a multi-donor fund to support peace and security in Somalia in 2013. It is designed to strengthen local stability and governance, improve the coordination of international support, and support the resolution and migration of conflicts. Donors include the UK, Denmark, Norway, Sweden, the Netherlands, United Arab Emirates and the European Union.

To date, a number of projects have been supported through the Fund, with a focus on community development, private sector engagement in stability, youth engagement and support to regional administrations and other governance structures, including to the Jubbaland Interim Administration as well as in Puntland and South-central. Funding priorities are aligned to the FGS’s National Stabilization Plan, which focuses on laying the foundations for functional and effective local governance structures.

5.2 Economic reconstruction

International Monetary Fund (IMF) Staff Monitored Programme
The IMF agreed a staff monitored programme (SMP) for the period of May 2016 to April 2017 in order to support economic reconstruction in Somalia. The SMP seeks to re-establish macroeconomic stability, build capacity to strengthen macroeconomic management, rebuild institutions and improve governance and economic statistics. Key objectives include: rebuilding institutions and economic statistics; adopting a new statistical law and strengthening data collection infrastructure; and developing fiscal, monetary and financial policy and reforms. The federal authorities intend to continue to rely on foreign grants to cover their financing, yet will refrain from domestic and external borrowing and avoid selective-debt servicing to bilateral creditors as these would complicate external debt resolution.

5.3 Humanitarian assistance
The government continues to struggle to deliver basic public services, provide security and implement the rule of law. Progress in development and the delivery of the New Deal has been slow, as is to be expected in a context where political transition is new and active conflict is ongoing. As a result, there is a continued demand for humanitarian response across a range of sectors in order to meet the basic needs of vulnerable people.
UN-coordinated appeals

A UN Strategic Response Plan (SRP) for humanitarian assistance to Somalia is in place, which responds to the different types of crises experienced across the different regions – including food security and nutritional crisis, conflict disease outbreaks, cyclical natural disasters and protracted internal displacement. It seeks to address humanitarian needs, restore livelihoods and basic service delivery to build resilience to recurrent shocks, and strengthen the protection of the displaced and other vulnerable groups though durable solutions. Support is channelled through various clusters (education, enabling programmes, food security, health, logistics, nutrition, protection, shelter and water and sanitation). In 2015, US$885 million was requested for the Somalia SRP, which targeted 3.5 million people, yet a significant funding gap persists as only 38% ($324 million) was met.

To respond to rising levels of internal displacement as a result of ongoing conflict, and the scale of the protracted refugee crisis as increased numbers of returnees fleeing from the crises in Yemen, Eritrea and Kenya continue to arrive in Somalia, a refugee response plan was established as an additional component in the 2016 SRP. The protective environment for refugees in Somalia remains weak in the absence of a comprehensive national legal framework for refugees.

In addition to providing life-saving protection and assistance, the refugee response plan seeks to develop durable solutions to the protracted displacement crisis. Aims include: improving registration, identity and civil status documentation for refugee children by authorities which will enable them to access services; strengthening integration within national systems for basic services such as health and education; enhancing self-reliance through building livelihoods and coping mechanisms; and supporting the development of refugee legislation, policy and procedures and capacity-building of institutions to support implementation.

Recognising that building resilience through a longer-term approach to humanitarian assistance is critical to achieving effective responses to protracted and recurrent crises, Somalia was the first and only country to have a multi-year UN-coordinated appeal in 2013. It sought to integrate life-saving and livelihood support to address the cycle of recurring crises brought on by drought and conflict. In 2015, multi-year planning and resource mobilisation had gained momentum, with 15 of 31 appeals being multi-annual.

A three-year multi-year framework was established, and annual SRPs are developed to reflect changes and short-term shocks. A number of donors are providing multi-year funding to Somalia, including the UK, Sweden and Denmark. However, the extent to which projects in these appeals are genuinely multi-year – rather than repeated single-year interventions – is unclear. Current reporting mechanisms do not allow funding provided as part of multi-annual commitments to be identified as such, making it currently impossible to accurately determine the real scale of multi-annual funding at the global level.

While the potential gains of multi-year approaches and funding are well established in theory, a number of challenges have been experienced in practice.

- For some donors, annually determined budgets and legal restrictions make awarding multi-year grants difficult.
- Primary recipients of multi-year funding (typically UN agencies and international NGOs) do not appear to routinely pass on multi-year and flexible funding to their implementing partners, limiting gains further down the transaction chain.
- Aligning multi-year humanitarian planning timeframes and objectives with development-oriented planning frameworks has been problematic, hampering the potential synergies of multi-year humanitarian approaches with longer-term development outcomes.
Pooled funding mechanisms
The Central Emergency Response Fund (CERF) and Common Humanitarian Fund (CHF) play an important role in humanitarian response in Somalia, providing flexible resources for responding rapidly to humanitarian needs. Combined, the two pooled funds cover approximately 15 per cent of total annual contributions to humanitarian needs in Somalia. The CHF provides timely assistance to the most vulnerable people while mainstreaming protection services to create a broader protective environment. IDPs and host communities with the highest malnutrition rates, as well as vulnerable people with acute needs in newly recovered areas, are prioritised for assistance. The CERF is accessed in the event of sudden-onset life-saving needs, whether conflict- or disaster-related, and can provide additional resources, typically at the mid-year, to address underfunded life-saving needs. In 2015, Somalia was the fourth-largest CERF recipient, receiving 5.4% of annual CERF funding (US$25.3 million).

5.4 Addressing climate change, building resilience and managing disasters

National Adaptation Programme of Action
During 2013, a National Adaptation Programme of Action of Climate Change (NAPA) was developed by UNDP in close collaboration with the FGS as well as the governments of Puntland and Somaliland.

The NAPA is a first step toward delivering a nationwide strategy for addressing the impacts of climate change across Somalia. Its overarching vision is to make the Somali people more resilient to climate change, which is critical in an economy dependent on natural resources. The key objectives of the NAPA are to: develop and implement immediate and urgent project-based activities to adapt to climate change and climate variability; build community awareness on climate change; increase monitoring and risk-forecasting capacities; and support the adoption of government policies and strategies to improve resilience to climate risks among vulnerable population groups. The NAPA is structured around three key programmes: sustainable land management, water resources management and disaster management. The completion of the NAPA has enabled Somalia to access international funding for climate change projects through the Global Environment Facility (GEF). With financing from the GEF’s Least Developed Countries Fund (LDCF) and UNDP agreed in 2015 for a period of four years, ministries, districts, NGOs and community-based organisations (CBOs) are currently receiving support to deliver projects in all the regions of Somalia which seek to enhance community resilience and build national capacity for environmental management.

Financing resilience
In addition to the UN-coordinated appeal for Somalia which includes a strong resilience component, a number of individual donors are supporting programmes which seek to build resilience to disasters in Somalia. For example, the European Union has been funding the Supporting the Horn of Africa’s Resilience (SHARE) programme in Somalia (and the broader Horn of Africa region) since 2013, which seeks to strengthen community resilience. New initiatives on financing to protracted displacement situations are emerging and create opportunities for achieving more durable solutions. For example, the World Bank announced at the World Humanitarian Summit in May 2015 that it is developing a global financing response platform to facilitate long-term support in protracted emergencies, including in large refugee-hosting settings. The platform will be launched at the UN General Assembly in September 2016 and will include access to long-term, low-interest loans.
6. Areas for further research and the way forward

6.1 Strengthen data on people and vulnerability

Strengthen the management of data and production of statistics As Somalia transitions towards greater stability and the conditions for building a more complete landscape of statistical data improve, donors should provide support to the federal state governments and the government of Somaliland in building the capacity of National Statistical Offices (NSOs) and establishing National Strategies for the Development of Statistics (NSDs).

Begin investing in sustainable data systems This should include investing in registry data (e.g. civil registration and vital statistics), administrative data (e.g. health and education management information systems) and continuous surveys and community data.

Improve the reach, efficiency and quality of existing household surveys The challenges of collecting data in complex contexts (e.g. access issues, political constraints, limitations in baseline data and national capacity constraints) must be considered and addressed in the planning of surveys and data collection exercises, through for example allocating more realistic timeframes and budgets.

Strengthen innovation to update the statistical data landscape in Somalia New and emerging data collection technologies could be mobilised for this purpose and where the security situation allows, including the use of mobile technologies for data collection, mobile phone metadata to track population movement, and satellite data to map agricultural opportunities. More research should be undertaken to identify which specific innovative technologies would work in the Somali context and for what purpose.

Take a differentiated approach to data collection and analysis The approach should be appropriate to the specific stage of conflict and responsive to the types of challenges experienced in the different regions. To achieve this and inform the work of national and international actors in this area, better evidence on what data collection methodologies are effective in these different contexts is critical, perhaps including new and innovative technologies. Pilot research on such data collection methodologies could be undertaken in Somalia for this purpose, initially in regions where the security threats are less.

Develop a better understanding of subnational needs and fragility Understanding the needs of people is a more accurate means of identifying where resources are most needed to reduce fragility and address vulnerability. This would be a more useful focus than national-level classifications, such as the lists of fragile states produced by various actors. In the regions where the security situation is less volatile and access is possible, data on people should therefore be disaggregated down to the lowest level of administration.

Move towards joined-up data on poverty and vulnerability The protracted nature of the crisis in Somalia demands a durable response, which moves beyond short-term humanitarian assistance to incorporate longer-term efforts to build resilience and create sustainable livelihood opportunities. As such, there is a critical need to move towards joint needs and poverty assessments and greater collaboration in the targeting of humanitarian and development assistance. The UN Secretary-General’s report for the World Humanitarian Summit suggested that data and joint analysis should become the bedrock of development and humanitarian action.\textsuperscript{76} This is particularly relevant with regard to the protracted refugee situation and endemic disaster context in Somalia. Data on external resource flows should be combined with domestic resources, to map data on all resource flows against the targets and indicators for the Global Goals, as well as other socioeconomic statistics.

Capture poverty data on refugees and IDPs For a durable response to protracted displacement in Somalia, it is imperative that support to refugees and IDPs extends beyond
the humanitarian domain and that development actors prioritise efforts to address the longer-term livelihood needs and poverty experienced by this vulnerable group of people. To achieve this, poverty data collected by development agencies to inform long-term planning efforts, such as national poverty surveys, should incorporate refugees and IDPs.

6.2 Strengthen information on domestic and international resource flows

Develop understanding of the scale, comparative advantage and role played by different domestic and international resource flows to Somalia In particular, areas for future research include: better understanding the role, impact and level of remittance flows, given their importance in Somalia; the role of other domestic flows beyond public resources (e.g. commercial (banks/business) and private (philanthropy/civil society/households)); and the role of other private and commercial flows to Somalia. Understanding the comparative advantage of these different resource flows and the role that they play in service delivery can inform better targeting in line with needs.

Develop a better understanding of key-sector service delivery in Somalia Given the low levels of government expenditure allocated to service sectors (e.g. education and health), further research is required to ascertain the actors involved in filling this gap in the delivery of basic services, the structures and mechanisms for coordination in place, and the scale of the challenge and unmet demands. This information will enable decision-makers to plan responses for strengthening service delivery, addressing unmet needs and overcoming the challenges identified.

Strengthen information on government finances at all levels This can be achieved by investing more in public financial management across all levels of government, which includes strengthening systems for reporting. Further research could be undertaken to disaggregate government resource flows at the state and local levels, and to scope the availability of such data among different government agencies.

Strengthen information on international resource flows at the subnational level Further research should be undertaken to scope the potential for using data from the International Aid Transparency Initiative (IATI) to achieve this. IATI allows for reporting to be coded by project name, sector and specific location. An initial scoping of reporting of development assistance to Somalia in IATI shows that 31% of all projects have locational information included, a significant proportion of geographical coordinates referring to capital cities, where the project was either in collaboration with government or had multiple locations, and where the project was focused across a particular region or area.

6.3 Leaving no one behind: ensuring that financing mechanisms effectively target the needs of vulnerable people

Balance support at the state level with the provision of basic services In order to meet the ambition set out in the 2030 agenda – to leave no one behind – it is important that the needs of vulnerable people in Somalia continue to be met while support at the state level and for peacebuilding and security interventions takes place within the framework of the New Deal, in particular through the simultaneous provision of basic services. This is particularly important given that statebuilding and peacebuilding are long-term processes, and, in complex contexts such as Somalia, will take generations to achieve.

An increase in the targeting of international assistance to basic services is particularly important in Somalia, given that progress in delivering goals on service provision within the New Deal Compact has been slow, and the extreme expenditure constraints experienced by the major governments, resulting in the financing of service delivery within the humanitarian sector. Moving beyond humanitarian assistance, it is important to consider the role of other actors in ensuring such provision, particularly through social protection programmes. Greater
support to the basic functioning and strengthening the capacity of governments will also be a critical aspect of this.

**Build a multi-faceted approach** In order to effectively target and address the needs of vulnerable people, a multi-faceted approach is needed – including humanitarian, development, political, climate change and peace and security dimensions. While remaining mindful of humanitarian principles, this means judging where collaboration makes sense, agreeing objectives, then drawing on comparative advantages to better understand and address humanitarian needs and the root causes of poverty. At the very least, the establishment of mechanisms for information-sharing is important, particularly in terms of identifying and addressing access constraints for humanitarian actors.

There have been efforts in recent years to strengthen links between development and humanitarian action by integrating multi-year, resilience and refugee-response components into the UN humanitarian response plan, in recognition of the need to develop durable solutions to protracted displacement and disaster crises in Somalia. This is a step in the right direction, yet a full evaluation of the Somalia multi-year consolidated appeal process would yield lessons for all multi-year appeals – including effects on volumes and duration of humanitarian assistance and other resource flows, as well as challenges in balancing urgent response with resilience-building.

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Notes


3 See the EU Humanitarian Crisis Factsheet.


11 See note 10.


15 See note 6.

16 See note 6.


18 See note 6.

19 INFORM ‘Results and Data’ (http://www.inform-index.org/Results/Global) (accessed 8 June 2016).


22 See note 6.


25 Defined as government revenue that excludes foreign grants and transfers from the federal government to member states. This total does not include newly formed member states of South West, Galmudug and Hiraan & Middle Shabelle and local government revenue, although these would not impact significantly on the total.


27 For the purpose of this report, ‘state governments’ includes the government of Somaliland.

28 See Equity and Taxes in Puntland and Jubbaland. (www.diakonia.se/globalassets/documents/diakonia/where-we-work/africa/somalia-2014-taxation-and-
budgeting-study.pdf) for the case of Puntland and IMF Staff monitored report
29 World Bank Somalia Economic update, October 2015 and IMF Staff monitored report
30 For the purpose of this report, this includes the government of Somaliland
31 See page 55 (www.globalhumanitarianassistance.org/wp-content/uploads/2016/06/Global-
33 Turkey reports to OECD-DAC table 2a, and not to the CRS; its data is therefore not captured in the charts shown in this analysis due to a focus on CRS data only. In 2014 Turkey provided US$74 million to Somalia, US$34 million of which was disbursed as humanitarian aid.
34 However, there are challenges associated with this channel of delivery, such as accountability to donors, absorptive capacity (especially for local NGOs) and measuring impact of interventions.
35 Data from these two sources can differ from the data reported to the OECD CRS (used for previous analysis in this section), for example in donor coverage. Therefore, figures between these sources are not strictly comparable.
38 See note 1.
40 See Aid Flows in Somalia, Aid Coordination Unit (ACU) within the Office of the Prime Minister, February 2015.
42 The Somali Development and Reconstruction Facility and Pooled financing mechanisms for the New Deal Factsheet, UNDP. The SDRF establishment will be pragmatic and gradual, allowing for a steady transition towards full operational effectiveness, based on capacity and performance. It will develop an agreed mechanism to ensure the engagement of regions.
43 DFID (June 2015) Project Completion Report for Project ‘Support to the Implementation of the New Deal for Engagement in Fragile States’.
44 The Somali Development and Reconstruction Facility and Pooled financing mechanisms for the New Deal Factsheet, UNDP.
45 See note 6.
47 See note 44.
49 See note 46.
51 See note 46.