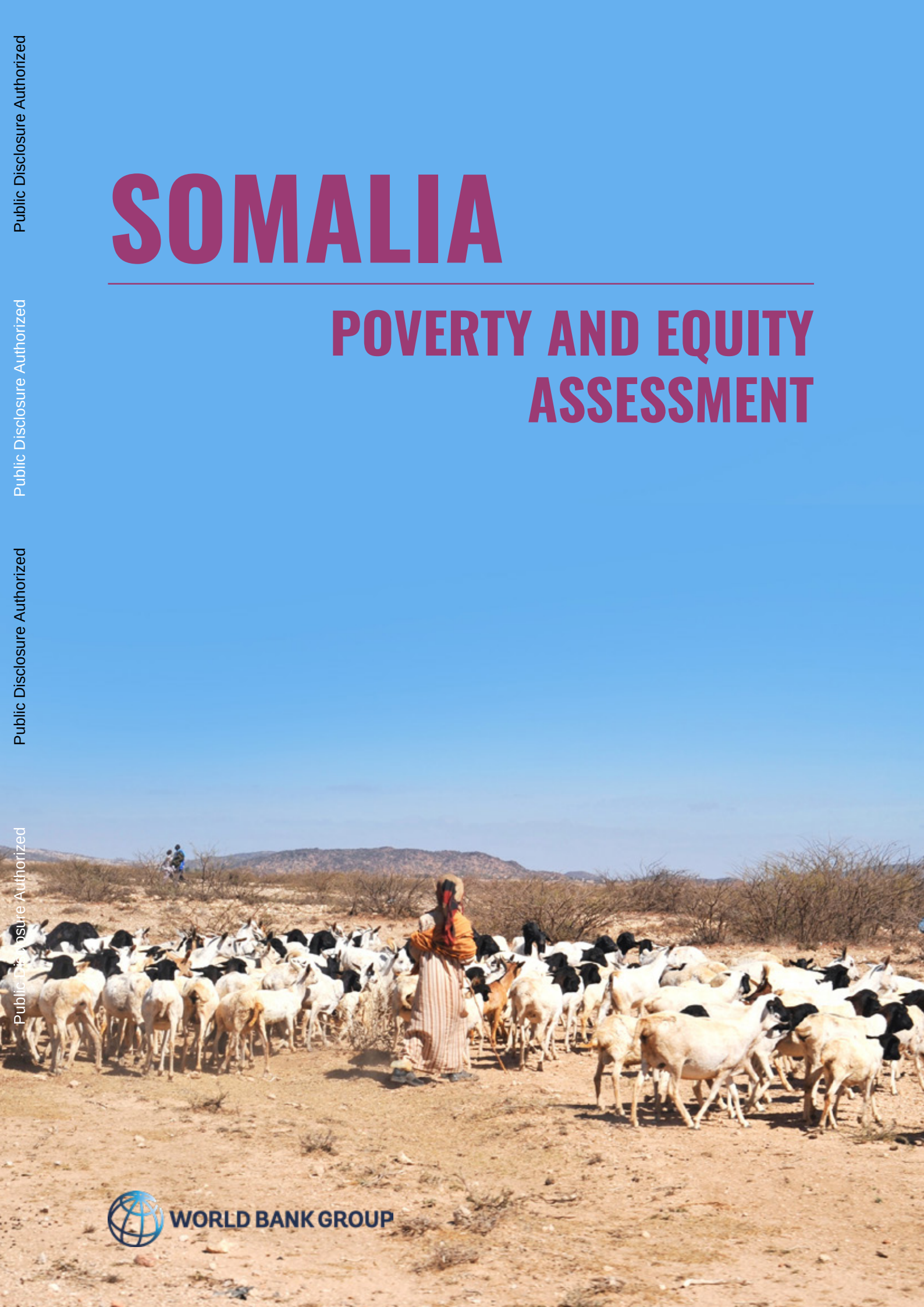
SOMALIA

POVERTY AND EQUITY ASSESSMENT



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1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

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ABBREVIATIONS

COVID-19	Coronavirus disease 2019
DHS	Demographic and Health Surveys
FCV	Fragility, conflict, and violence
FEWS NET	Famine Early Warning Systems Network
FSNAU	Food Security and Nutrition Analysis Unit - Somalia
GDP	Gross domestic product
FAO	Food and Agriculture Organization of the United Nations
FGDs	Focus Group Discussions
HHEs	Household enterprises
HIPC	Heavily Indebted Poor Countries Initiative
HOI	Human Opportunity Index
IDP	Internally displaced person
IMF	International Monetary Fund
IPC	Integrated Food Security Phase Classification
kcal/person/day	Kilocalories per person per day
km	Kilometers
LFP	Labor force participation
LICs	Low-income countries
MENA	Middle East and North Africa
NDVI	Normalized difference vegetation index
NGOs	Non-governmental organizations
PRMN	Protection & Return Monitoring Network
SCD	Systematic Country Diagnostic
SIHBS	Somali Integrated Household Budget Survey
SHFPS	Somali High Frequency Phone Survey
SHFS-W2	Somali High Frequency Survey-Wave 2
SNBS	Somalia National Bureau of Statistics
SOMPA	Somali Poverty and Equity Assessment
SWIFT	Survey of Well-being via Instant and Frequent Tracking
SSA	Sub-Saharan Africa
TLU	Tropical livestock unit
UNFPA	United Nations Population Fund
US	United States
USD	United States dollar
WDI	World Development Indicators
WBGT	Wet-bulb globe temperature

FIGURES

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EXECUTIVE SUMMARY

PART A

Somalia has made macroeconomic progress in recent years; however, the economy remains exposed to shocks, particularly climatic shocks. The economy has shown signs of recovery in recent years after exposure to many shocks. In December 2023, Somalia achieved a historic HIPC completion point, with external debt falling to 6 percent of GDP in 2023, and in March 2024, Somalia joined the East African Community. However, growth has been insufficient to increase GDP per capita, while the economy remains dependent on imports for basic commodities. The country continues to work towards a political settlement and still faces high levels of insecurity and high exposure to climatic shocks.

Poverty remains high, especially among those outside of urban areas. Over half of the population lives below the national poverty line (54%), with the highest poverty rate among the nomadic population (78%) and the lowest rate in urban areas (46%). However, given the high rate of urbanization, poverty is concentrated in urban areas. Spatially, poverty is higher in regions in Central and Southern Somalia.

Despite successive shocks, poverty remained unchanged between 2017 and 2022. In line with the stagnation of GDP per capita, the national poverty rate has also remained unchanged between 2017 and 2022. However, while the urban poverty rate did not change, poverty increased in rural and nomadic areas. The movement of population from nomadic to urban areas, or rather from high poverty to low poverty, countered the negative consumption growth and poverty increase in rural and nomadic areas. Without the population movement, poverty would have increased by around 2 percentage points, largely due to increased rural poverty.

Household size, IDP status, education, having a household enterprise, and receiving remittances are all associated with poverty. Certain demographic variables are associated with higher poverty rates, such as being an IDP, having a larger household size, and having a larger share of children. In contrast, the household head's education is associated with lower poverty levels, especially higher levels of education, as is the self-reported literacy level of the household head. The presence of a household enterprise or remittances from abroad are also associated with lower poverty. In contrast, in rural and nomadic areas, having a wage earner in the household is associated with higher poverty. Finally, location also shapes the spatial pattern of poverty; areas with lower population density and limited transportation access tend to experience higher poverty.

Non-monetary poverty is even higher than monetary poverty, with very low education attainment and enrollment. Over three-quarters of the population are considered non-monetary poor, ranging from 73% in urban areas to almost universal among the nomadic population (95%). This is largely driven by deprivations in education, followed by sanitation and flooring. Just under half the population is considered chronic poor (47%), i.e., both monetary and non-monetary poor, with the highest rates among the nomadic population (74%). Only 15 percent of the Somali population is neither monetary nor non-monetary poor.

Education has the highest inequality in access, with regional differences driving inequalities in opportunity. Secondary education has the largest inequality based on circumstances, driven by household poverty status and region. Enrollment in primary education is less unequal, although it remains more unequal than access to services such as electricity, water, and sanitation. However, the inequality in primary education is largely driven by region and less so by poverty status. Further, while there is limited difference in primary school enrollment by gender, this gap widens for secondary schooling.

The Somalia Poverty and Equity Assessment will focus on three deep-dive topics. The first will focus on Somali livelihoods, given its importance for sustainable poverty reduction. It will look at the type of income, type of employment, sector of employment, and household enterprises. The second deep dive topic will look at shocks, particularly climate shocks. It will focus on who is exposed, who is vulnerable, and what households typically do in response. Resilience to these shocks is essential for households to move out of poverty sustainably. The last deep dive will focus specifically on the nomadic population, given their high poverty rates, extreme poverty, and non-monetary poverty. The chapter will look at the small share of non-poor nomadic households to explore what can be applied to help the poorer nomadic households.

PART B LIVELIHOODS

The Somali labor market has some unique features for its income level: i) very low labor force participation (LFP), ii) a high dependency on wage employment, and iii) a large share of employment in household enterprises. Low-income countries (LICs) typically have a high LFP, a high share of employment in agriculture, and a lower share of wage employment. However, Somalia has a very low LFP, a high dependency on wage employment, and a lower share of employment in agriculture. In addition, while household enterprises are relatively rare at the household level, they account for a sizeable share of total employment.

The limited role of agriculture and little non-agricultural labor demand likely explains the low LFP. Agricultural employment accounts for less than a third of all types of employment. In this regard, Somalia is more aligned with the poorest countries in the MENA region rather than other LICs in sub-Saharan Africa. This is likely due to the small share of viable agricultural land, which limits the number of agricultural opportunities. Further, in contrast with LICs, Somalia has a higher unemployment rate than underemployment. This also suggests a lack of jobs, with over half of the economically inactive individuals who wanted to work citing a lack of opportunities. The limited role

of agriculture and limited non-agricultural labor demand likely results in the low LFP.

Given the limited opportunities, most individuals have no choice but to work in occupations that offer low returns. There appear to be two groups of workers: i) the better educated or connected who can access the small pool of good jobs, and ii) those with no alternative income source and, therefore, have no choice but to work in occupations that offer low returns. Those with alternative income, such as remittances or another working member in the household, are less likely to participate in the labor force. Social norms, highlighted in focus group discussions, limit what roles individuals deem acceptable, adding additional friction to the labor market.

While wage employment is the most important income source, there is evidence of a dual labor market. Wage employment is the most common income source across the consumption distribution, but the income from wages increases with consumption. It is important to note that while the wage employment share of total employment is high, the ratio of wage jobs to the working-age population in Somalia is in line with other LICs. This suggests that the high share of wage employment is driven by limited non-wage opportunities rather than many wage jobs. The better jobs, determined by their contract status or being entitled to paid leave, only account for 14 percent of all employment and 1 percent of the working-age population. These better jobs are dominated by men, those with secondary education or above, and individuals from the richest urban households. They are also concentrated in NGOs, international organizations, and government and pay better on average.

Household enterprises (HHEs) are responsible for a sizeable share of employment but rarely make sufficient profit to lift the household out of poverty. While only 14 percent of households had a household enterprise, they accounted for nearly half of all employment. They were more often operated by women and those without any education. However, very few HHEs make sufficient per capita profit to lift the household above the poverty line, although they positively impact household consumption. Moreover, women-led enterprises face challenges: they often operate from the home and are less productive. Overall, given the current productivity levels, HHEs may be better suited to complement other income sources, although currently they often are the main source of income.

SHOCKS

Somalia is particularly vulnerable to climatic shocks, with higher exposure among poorer regions and households. Generally, Somali households are highly exposed to shocks, with over two-thirds reporting a severe negative economic impact from a shock in 2021 or 2022. Poorer regions and poorer households were more affected by climatic shocks, with those in central and southern Somalia more affected. A drought shock is associated with lower consumption and higher poverty for rural and urban households and only higher extreme poverty among the nomadic population.

Almost all households exposed to climatic shocks are also considered vulnerable. Vulnerability to climate shocks can be defined based on variables linked to a household's ability to cope with shocks: i) the physical propensity to experience severe income, asset, or health loss; and ii) the inability to cope with and recover from the losses. Most exposed households are also considered vulnerable, with higher rates in poorer regions. Most households lack sufficient income,

making them vulnerable to climate change.

Households appear to lack economic options to respond to the drought. Almost two-thirds of households who were negatively affected by drought used non-economic coping mechanisms in response. Richer households were more often able to use savings or sell assets. Reducing food consumption and displacement were the most common maladaptive responses.

Climatic shocks are a large driver of internal displacement within Somalia. Except for 2021, climatic shocks have been the largest driver of displacement in Somalia for the past eight years. IDPs have a high poverty rate, and almost one-third are in the poorest urban quintile. Focus group discussions highlight the desire to move back to their original location, but there is a need to replenish assets or ensure safety and stability before they would consider doing so.

NOMADIC

The nomadic population has the highest monetary and non-monetary poverty rates. The nomadic population also has the highest rate of extreme poverty, the largest poverty gap, and the highest rate of inequality. They also fall behind in terms of literacy and enrollment, access to services and have the highest exposure to climatic shocks. However, there are a small group of nomadic households, the richest quintile, who are non-poor and whose average per capita consumption exceeds the average for the richest rural households.

Herd size, commercialization, and location may help these non-poor households achieve higher consumption. Most nomadic households do not have enough livestock per capita to lift themselves out of poverty. Only a quarter of households had 4.5 TLU per capita or more, the threshold for mobility. A further third had less than 1 TLU per capita and can be considered stockless or near stockless households. TLU per capita increases across the consumption distribution. Richer households sold animals for slaughter and livestock products more often while earning more livestock revenue. Lastly, regional differences in access to markets and climatic variables may also affect the welfare of nomadic households.

Supporting households in accumulating larger herds can help with resilience and, in turn, increase commercialization opportunities. Very few households have a sufficient herd size for mobility. Mobility can allow a more diverse diet, which in turn can improve livestock's health, productivity, and resilience. Assistance to help households accumulate livestock while also promoting resilience to prevent losses can, in turn, help households switch their attention to commercialization. Improving access to key inputs can also help improve productivity and resilience.

PART C

Continued economic progress and stability are important foundations for poverty reduction. Somalia has made macroeconomic progress in recent years; however, it has been insufficient in magnitude to contribute to GDP per capita growth or poverty reduction. Therefore, sustained economic growth and stability are priorities to facilitate a conducive environment for poverty reduction.

Given the limited fiscal space, policy recommendations can focus on i) harnessing urbanization for improved service delivery and ii) strengthening the resilience of rural/nomadic livelihoods. Due to a history of climatic shocks and conflict, Somalia has a high urbanization rate for its income level. As a result, the poor are concentrated in urban areas, which can enable more efficient service delivery. The second area of policy recommendations can focus on strengthening the resilience of rural and nomadic livelihoods. These groups have higher poverty rates than urban areas, have experienced a decline in consumption in recent years, and have greater exposure to climatic shocks. Therefore, policies that help strengthen income generation and buffer it against shocks will be important.

For those in or moving to urban areas, public work programs may act as a positive demand shock for low-skilled labor. As mentioned above, the bulk of the poor reside in urban areas. Further, the movement toward urban areas is likely to continue, given the persistent exposure to climatic shocks and the risk of further dropping out of nomadic households. Given the extremely low levels of education, the small pool of better-quality and better-paid jobs will likely remain out of reach for most of the population. Therefore, policies should focus on increasing the labor demand for low-skilled workers.

Somalia can use its high urbanization to improve its human capital service delivery, especially in education. In the medium term, sustained poverty reduction will need higher levels of human capital, particularly in education. Given most education is fee-based, children from poorer households are often excluded, which risks intergenerational poverty. High urbanization can help reduce the cost of service delivery as the population is concentrated in a smaller area. Therefore, the government must continue its efforts to expand the school system to increase primary school enrollment, especially among the poor.

For those who remain in rural or nomadic areas, there is a strong need to develop more resilient

livelihoods. Exposure to climatic shocks can have a negative impact on rural and nomadic livelihoods, which in turn inhibits sustained consumption growth and, therefore, the movement out of poverty. Policies that help strengthen rural and nomadic livelihoods will be important to limit the negative impact of these climatic shocks. Better management of key resources such as water, soil, and land will be key. Further, the adoption of climate-smart agricultural diversification can improve resilience while also potentially benefiting food security. For the nomadic population, interventions that help provide important inputs such as fodder, water, and veterinary care can help improve the productivity and resilience of livestock. Similarly, facilitating effective rangeland management that enables sufficient livestock mobility will be important.

Economic inclusion is essential for reducing poverty in Somalia. By ensuring that all segments of society -including women, internally displaced persons (IDPs), and pastoral nomads- have equal access to economic opportunities, Somalia can unlock its full potential while promoting fairness and resilience. Analysis of the well-being of marginalized groups reveals that these groups tend to experience higher levels of poverty and lag behind in terms of education and access to services. The pastoral nomadic population faces a high poverty rate and is vulnerable to climate-related challenges. IDPs are 25 percentage points poorer than their urban counterparts and also lack access to education and services. Women experience significant gaps in employment, with only 16 percent engaged in paid labor compared to 41 percent of men. Men are more likely to have formal wage jobs, while women often engage in household enterprises and small-scale businesses, such as street vending and home-based activities, to earn income. The concentration in the informal sector suggests limited access to formal job opportunities. When these marginalized groups are included in the mainstream economy, they contribute to higher productivity and innovation. Furthermore, economic inclusion enhances overall social cohesion and stability. Thus, empowering girls, women, and minority groups through inclusion can help address drivers of fragility, conflict, and violence (FCV).

PART A: CORE ANALYTICS AND CROSS-COUNTRY BENCHMARKING

CHAPTER 1: THE INCIDENCE, NATURE, AND EVOLUTION OF POVERTY IN SOMALIA

Introduction

1. The Somali economy continues to recover from the multitude of shocks in recent years. GDP is estimated to have grown by 4.2 percent in 2023 with improving weather conditions, up from 2.7 percent in 2022.[1] However, economic growth only averaged 2 percent between 2019 and 2023, with a negative real GDP per capita growth rate. During this period, the economy has experienced repeated shocks, including floods, drought, the COVID-19 pandemic, Russia's invasion of Ukraine, and rising food prices. The prolonged drought in 2021 and 2022 is estimated to have led to close to one-third of the population being food insecure by January 2023.[2] The legacy of the prolonged civil war in Somalia has resulted in negligible domestic production capabilities. As such, Somalia is dependent on imports for basic commodities, including food and fuel, which increases its vulnerability to external price shocks. However, in December 2023, Somalia achieved a historic HIPC completion point milestone, with the country receiving debt relief of US$4.5 billion. This resulted in Somalia's external debt falling from 64 percent of GDP in 2018 to less than 6 percent of GDP in 2023.[3] Further, in March 2024, Somalia became the 8th member of the East African Community. Despite this headway, Somalia continues to be extremely fragile due to an unfinished political settlement, continued macroeconomic challenges, weak institutional capacity for service delivery, and communal tension.

2. Somalia continues to work towards a political settlement but still experiences high levels of insecurity. After independence in 1950, Somalia was led by democratically elected civilian governments until a coup d'etat in 1969 led by Siad Barre, who served as President until he was overthrown in 1991. After the collapse of the state in 1991, Somalia has faced continued conflict and instability, which has hindered its progress in securing sustainable development. In 2012, a Provisional Constitution was approved, however, political actors still need to resolve issues such as the sharing of resources between regions and levels of government. In 2012, a Provisional Constitution was approved. However, political actors still need to resolve issues such as resource-sharing between regions and levels of government. In addition, Al-Shabaab maintains territorial control in parts of southern and central Somalia. Although conflict-related incidents and fatalities have been on a declining trend, in 2022, there was an uptick in incidents by 39 percent as compared to 2021.

[1] SNBS, 2024

[2] By February 2023, there was a fifth consecutive failed rainy season, resulting in nearly 5 million people becoming food insecure (crisis level 3 – IPC Phase 3). https://www.ipcinfo.org/ipc-country-analysis/details-map/en/c/1156238/?iso3=SOM

[3] World Bank 2024a.

This was due to fighting with Al-Shabaab in central and southern Somalia.[4] Women and girls also face additional challenges in economic empowerment and political participation.[5]

3. Somalia is highly exposed to climatic shocks. The average annual rainfall is under 200 millimeters for most of the country, although some regions have more rain (northern highlands and the south). Somalia also faces high average temperatures, with most areas experiencing mean daily maximum temperatures above 30 degrees Celsius. Most of the country has desert or semi-desert ecosystems with little grassland vegetation. As a result, over half of Somalia's land mass is suitable for nomadic pastoralism. At the same time, 13 percent can support cultivation, including seasonal agropastoralism and a smaller irrigated agropastoralism zone located along the two main rivers. Most of the Somali population resides in these agricultural areas or coastal cities. Between 2020 and 2022, Somalia experienced its longest drought in four decades, with five consecutive failed rainy seasons. However, as rainfall returned to higher levels in 2023, this coincided with flooding in vulnerable areas. These two sources of climatic shocks cause economic losses for the Somali population while resulting in large numbers of displaced individuals.[6]

4. This Somali Poverty and Equity Assessment (henceforth SOMPA) follows the 2019 Somali Poverty and Vulnerability Assessment and is the first to draw on comprehensive data on the Somali population's living standards. The SOMPA is largely based on the 2022 Somali Integrated Household Budget Survey (SIHBS), the first nationally representative survey since 1985. The report also uses the Somali High Frequency Survey-Wave 2 from 2017 (SHFS-W2) and is supported by four focus group discussions (FGDs).[7] The SOMPA aims to identify key constraints for poverty reduction in Somalia, drawing on the asset framework to explore factors that may inhibit household income growth, especially among the poor. According to the asset framework, a household's ability to generate income is dependent on (i) the assets they own, (ii) the intensity they use these assets, and (iii) the returns these assets provide. Income-earnings assets include human capital, financial and physical assets, social capital, and natural capital. The intensity of the use of assets includes labor force participation or the exploitation of land through agricultural production, and the return to these assets consists of the nominal prices of factors of production. Transfers, such as remittances, can also increase household income, while income is also affected by the prices of goods and services the household consumes. Lastly, asset accumulation, the intensity of usage, the returns to assets, and transfers can be directly affected by external shocks such as climatic, health, and employment-related shocks.[8]

5. The SOMPA will be divided into two parts: the first will focus on recent poverty trends, while the second will look at specific topics related to poverty trends. Part A of the SOMPA will consider the changes in poverty since the last household budget survey conducted in 2017. It will also decompose the trends in poverty, look at the profile of the poor in 2022, and compare monetary and non-monetary poverty. Part B will then build upon the trends outlined in Part A and explore three thematic topics that may explain the observed trends. The first thematic topic will be livelihoods, the second will look at households'

[4] Between 2018 and 2022, 20,201 fatalities were caused by FCV events. This is based on data from the Armed Conflict Location and Event Data Project database: https://acleddata.com/.

[5] World Bank 2023b.

[6] World Bank 2023a.

[7] Focus group discussions covered urban areas, IDPs, and nomadic individuals in Mogadishu, Burtinle, and Guricel.

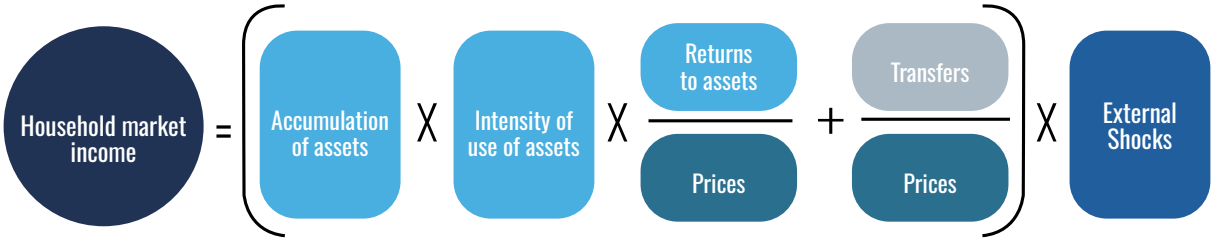
[8] López-Calva. and Rodríguez-Castelán 2016.

exposure to shocks, focusing on climatic shocks, while the final deep dive will look specifically at the nomadic population. The SOMPA will conclude with a section on policy recommendations.

Poverty remains high in Somalia, with the bulk of the poor living in urban areas.

6. In the absence of economic growth, poverty in Somalia remains high. In 2022, over 54 percent of the population lived below the poverty line, with lower rates among urban households compared to their rural and nomadic counterparts.[9] The nomadic population had the highest rate of poverty, with over three-quarters living below the poverty line.[10] Despite the lowest poverty headcount rate, the poor are concentrated in urban areas, reflecting the fact that just under two-thirds of the population live in urban areas (Box 2). The national poverty gap is 20 percent, which means that, on average, the poor consume $150 less than the poverty line. The poverty gap follows the same pattern across rural, urban, and nomadic areas, with the largest poverty gap among the nomadic population (Figure 2).

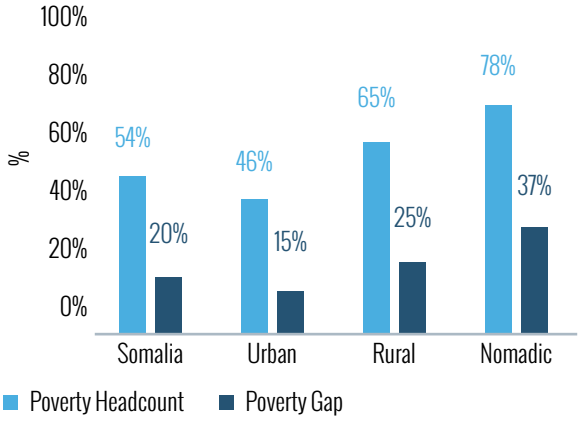
Figure 1: Assets approach to market income



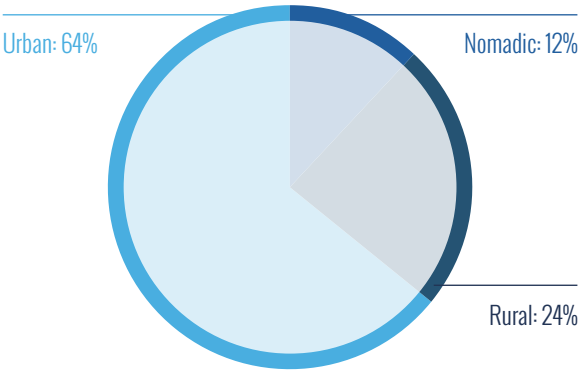
Source: Source: López-Calva and Rodríguez-Castelán 2016.

Figure 2: Poverty Indicators

A. Poverty Headcount and Poverty Gap, 2022



B. Distribution of the population living below the national poverty line by area, 2022



Source: Authors' estimates based on SIHBS 2022.

[9] The poverty estimation methodology is described in Box 1.

[10] The term "nomadic" is used interchangeably with "pastoral nomadic" in this report.

Box 1: Poverty estimation from the Somali Integrated Household Budget Survey (SIHBS) 2022

The poverty analysis is based on the Somali Integrated Household Budget Survey (SIHBS) carried out by the SNBS between May and July 2022. The primary objective of the SIHBS was to collect detailed information on household expenditures and consumption incurred on goods and services to monitor household welfare and measure poverty. In addition to welfare data, SIHBS collects other socio-economic information relevant to monitoring the living conditions of Somali households, such as access to basic assets, facilities, and services.

The term "poverty" is used to indicate households whose per capita expenditure falls below the *poverty line*, i.e., households where individuals cannot afford the cost of meeting their basic needs, which include both food and non-food items (Ravallion 1994, 2016). The *cost of basic needs* poverty line is anchored in the cost of food that can provide the *energy requirement*, defined as the average number of kilocalories (per person per day) that humans need to survive. This analysis uses the standard requirement of 2,200 kcal/person/day. Combining the costs to obtain this food requirement and necessary non-food items, the *cost of basic needs* poverty line is 752 USD/person/year.

Source: SNBS. 2023. Poverty and inequality report.

7. Though poverty is high throughout the country, there are notable spatial differences, with higher poverty in the central and southern regions. Poverty rates range from 39 percent in Awdal to 87 percent in Middle Shabelle, with lower poverty rates in the Northern regions (Figure 3). Over two-thirds of the population is poor in Middle Shabelle, Hiraan, Bakool, and Mudug. Despite the higher rates of poverty in some regions, the absolute number of poor are concentrated in the more populated regions with large urban centers. For instance, Banadir (which includes the capital, Mogadishu) has the third lowest poverty rate but the largest share of the poor at 14 percent. In contrast, despite Middle Shabelle having the highest poverty rate, it only accounts for 4 percent of the poor in Somalia (Figure 4).

Figure 3: Regional Poverty Map, 2022

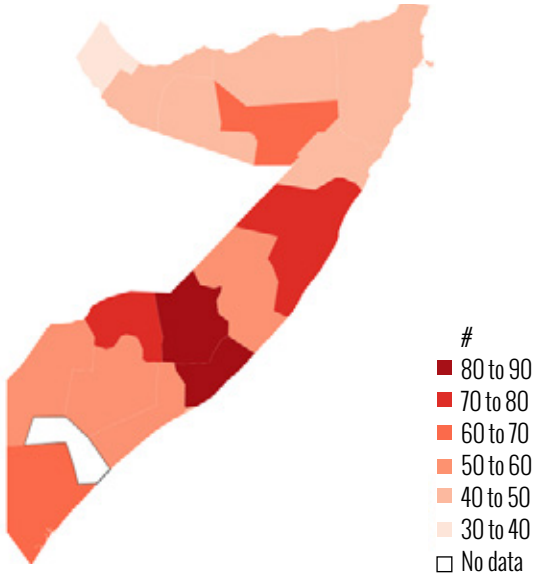
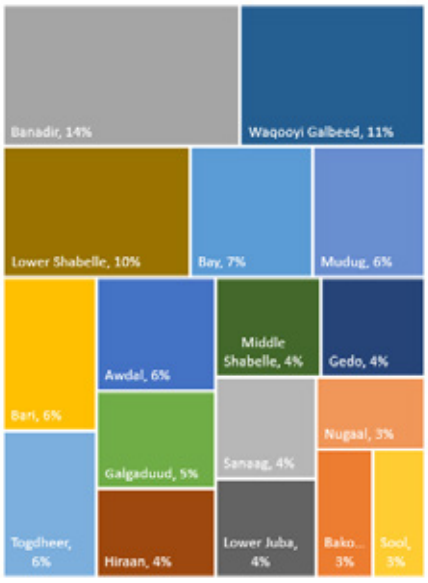


Figure 4: Share of Poor by Region, 2022

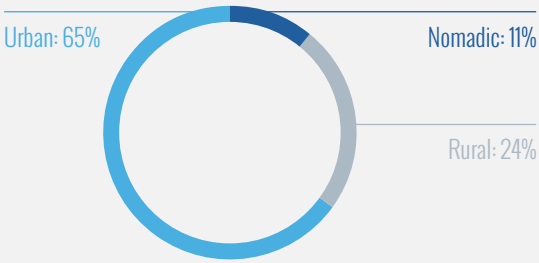


Source: Authors' estimates based on SIHBS 2022.

Box 2: Why are the bulk of the poor in urban areas?

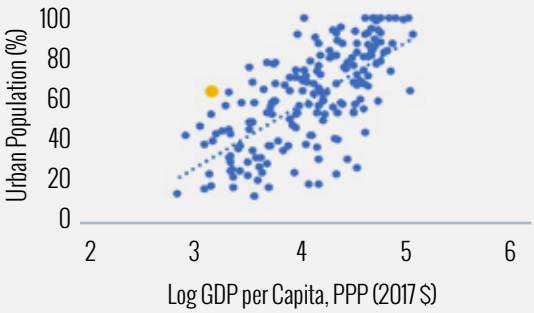
Somalia has a very high level of urbanization relative to its income level. Almost two-thirds of the Somali population reside in urban areas, with just under a quarter in rural areas and the remaining 11 percent in Nomadic areas (Figure 5). Somalia's rate of urbanization is much higher than expected for its income level (Figure 6). A large share of this rapid urbanization is driven by a large, displaced population, who often flee rural areas because of natural shocks or conflict. However, cities also offer the prospect of better living conditions and greater employment opportunities.[11]

Figure 5: Population Shares, 2022



Source: Authors' estimates based on SIHBS 2022.

Figure 6: Urbanization, 2022



Source: World Development Indicators and SIHBS 2022.

8. Over one-fifth of the population are in extreme poverty. A household is considered extreme poor if their total per capita consumption falls below the food poverty line. Extreme poverty is largest among the nomadic population, with almost half being extreme poor. Over one-quarter of the rural population and 14 percent of the urban population are extreme poor. There is also substantial regional variation, ranging from 11 percent in Banadir to 56 percent in Middle Shabelle (Figure 7).

Monetary poverty trends

9. The monetary poverty rate in Somalia has remained unchanged between 2017 and 2022. Due to methodological differences between the two surveys, consumption data in 2017 was imputed to be comparable to the 2022 consumption data.[12] Between 2017 and 2022, the national poverty rate remained constant, with a statistically insignificant change from 55.1 to 54.4 percent. This trend is consistent with the negative GDP per capita growth between 2017 and 2022.[13] However, it is important to note that this stagnant poverty trend covered a period where global poverty increased, with many other African countries experiencing increases in poverty.[14] While poverty did not change at the national level nor in urban areas, it increased in both rural (58.8 to 65.5 percent) and nomadic (77.4 to 78.4 percent) areas (Figure 8).[15] The extreme poverty rate followed a similar pattern (Figure 9). Likewise, the poverty gap remained unchanged at

[11] World Bank 2021b.

[12] This was done using the survey-to-survey imputation method (see details in Box 3 and the associated background note).

[13] The Somali economy grew at around 3 percent in 2018 and 2019. In 2020, the economy contracted by 2.6 percent due to COVID-19 pandemic. Growth recovered to 3.3 percent in 2021 largely driven by household consumption and private investment, supported by robust remittance inflows and credit growth. Economic activity in 2022 slowed to 2.4 percent on the back of the global economic slowdown, moderation in remittance inflows and the domestic drought conditions.

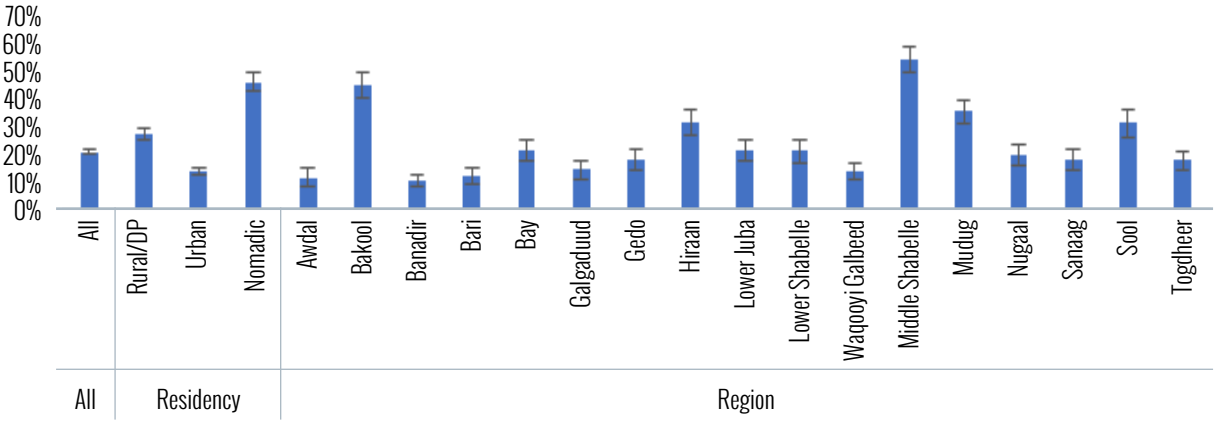
[14] World Bank 2024b.

[15] Extreme poverty is defined as the population share of those whose per capita consumption is below the food poverty line.

the national level while it increased for the rural and nomadic populations (Figure 12). This suggests that while the share of the nomadic population who were poor only marginally increased, those that were poor were, on average, further away from the poverty line. Further, an increasing share of the rural population became poor and additionally, the poor rural population were further away, on average, from the poverty line.

10. Nationally, average consumption per capita did not grow, with only the poorest and richest experiencing positive consumption growth between the two years. The lack of consumption growth is also consistent with the negative GDP per capita growth over the same period (Table 1). There was also little change in real per capita consumption across the national consumption distribution between 2017 and 2022, with only minor increases at the very top of the distribution. However, different patterns exist across rural, urban, and nomadic populations. The rural population, on average, experienced around a 2 percent decrease in consumption annually between the two periods. This explains why the poverty headcount, poverty gap, and severity of poverty all increased in rural areas. In urban areas, the consumption growth was negative, albeit small in magnitude, at every decile of the distribution. The bottom 80 percent of the nomadic population experienced a decline in consumption, with only the richest quintile experiencing positive consumption growth (Figure 10).

Figure 7: Extreme Poverty Rates



Source: Authors estimates based on SIHBS 2022.

Figure 8: Poverty Trends, 2017 to 2022

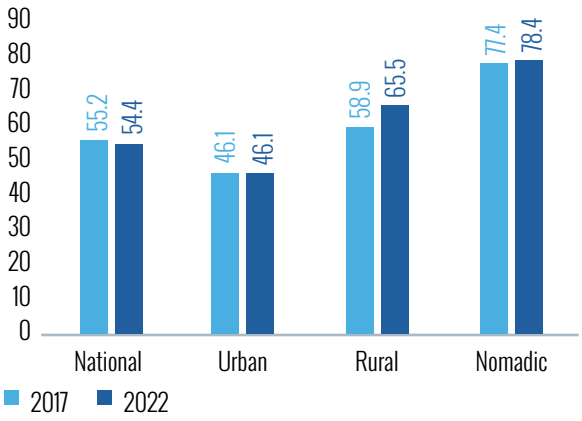
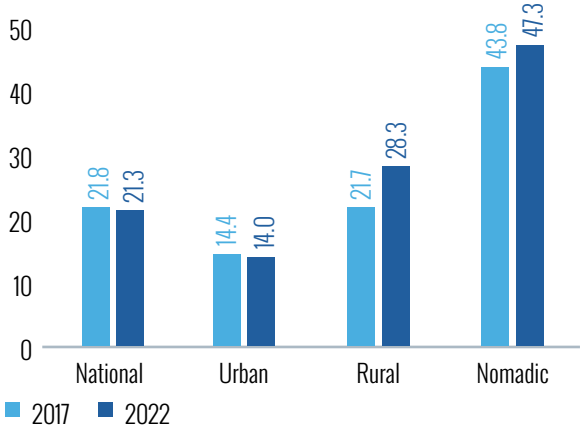


Figure 9: Extreme Poverty Trends, 2017 to 2022



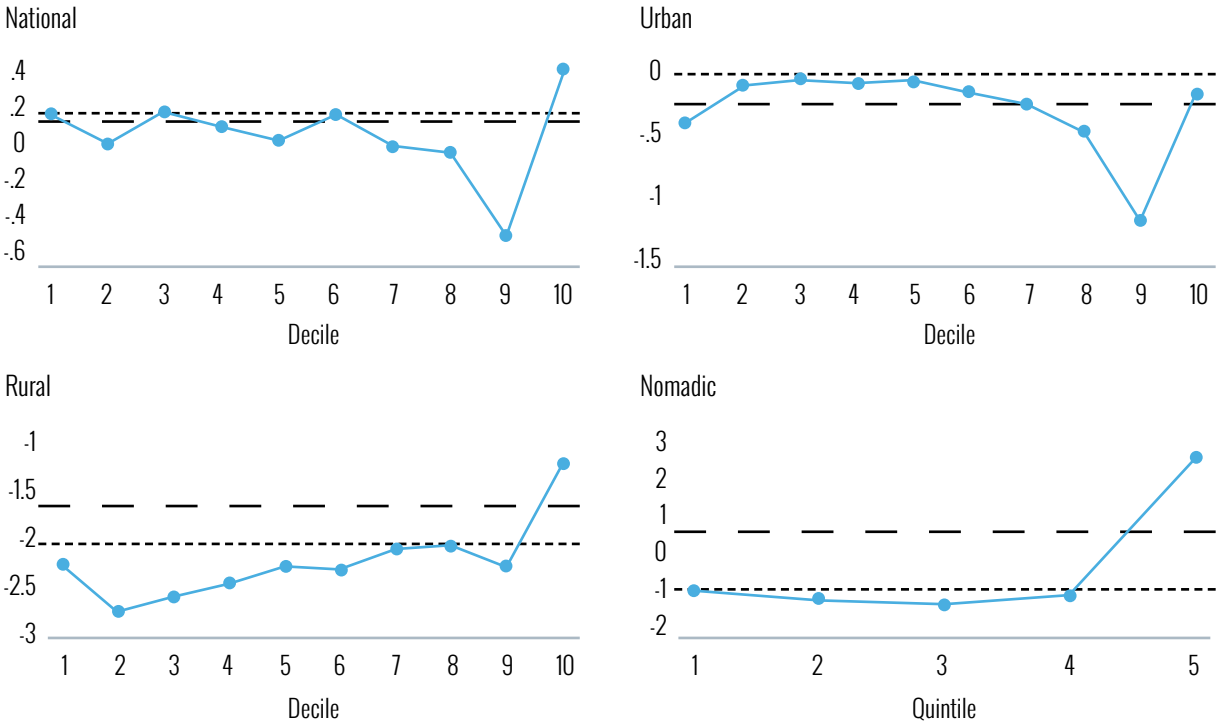
Source:Authors' estimates based on SHFS-W2 2017 and SIHBS 2022.

Table 1: Change in Annual Average Consumption

	2017	2022	Growth
Per capita consumption (2022 $)	875.3	874.3	0%
GDP per capita (Real 2022 Prices, $)	703	664	-6%

Source: Authors' estimates based on SIHBS 2022 and SHFS-W2 2017.

Figure 10: Annual Per capita consumption growth rate, 2017-2022[16]



The horizontal dash and short dash lines show the average and median growth rates for the entire sample, respectively.
The y-axes show the annualized growth rate (%). The y-axes show the quantities of real per capita consumption (RPCC) in each year.
The quintiles are used for the nomadic due to the small sample size.

Source: Authors' estimates based on SIHBS 2022 and SHFS-W2 2017.

11. The movement of population from nomadic to urban areas offsets the increase in poverty in each area, resulting in a stagnation in poverty at the national level. Nationally, the population is estimated to have grown by 2 million between 2017 and 2022, with increases in the rural and urban population and a decrease in the nomadic population.[17] As a result, the total number of poor increased by around 1 million (Figure 11). The movement of the population from nomadic areas with higher poverty rates to areas with lower poverty levels decreased poverty by 2.4 percentage points between 2017 and 2022. However, this was almost completely offset by decreases in

[16] The growth incidence curve (GIC) displays the growth rate of household per capita consumption expenditure for every consumption quantile (i.e., households are ordered in real per capita consumption and are divided into equally sized bins). The horizontal lines show the average growth rate for each group.

[17] The estimates assume that the total population increased by 2.3 and 0.5 percentage points for the urban and rural population groups and that the total population decreased by 0.8 million for the nomadic population.

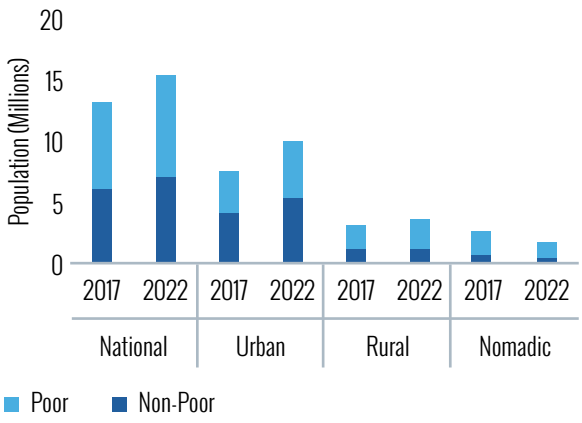
consumption within rural and nomadic areas, which in turn increased poverty by 1.7 percentage points. As a result, poverty only marginally declined between 2017 and 2022 by 0.8 percentage points (Table 2).

12. Without the movement of population, poverty would have increased nationally. If there had been no movement in population across areas between 2017 and 2022, the reduction in consumption in rural areas alone would have increased the poverty rate by 1.6 percentage points, while the decreases in consumption in urban and nomadic areas would have had little effect. Alternatively, if there had been no change in consumption between the two years, the movement of the population out of nomadic areas would have decreased the poverty rate by over six percentage points, while the movement of the population into urban areas would have increased poverty by 3.5 percentage points. This suggests that those leaving nomadic areas for urban areas are poor households, as this population movement decreases poverty in nomadic areas and increases it in urban areas (Table 2). This is perhaps unsurprising given that these households are likely to be IDPs, who resort to moving due to climate or conflict, and who often lack access to clan-based support systems and typically lack the skills for urban livelihoods.[18]

Box 3: Survey to Survey Imputation Method

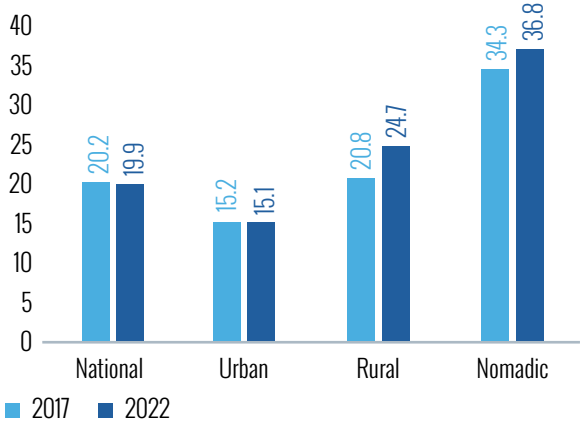
Survey-to-survey imputation was used to estimate the change in monetary poverty, given the methodological differences between the two most recent surveys. This approach used consumption data from the SIHBS 2022 as the base and comparable data on household characteristics from the SIHBS 2022 and SHFS-W2 2017 surveys. The data on household characteristics includes variables that tend to be strongly correlated with consumption and poverty, such as household demographics, household ownership of durable goods, and housing quality. An estimation model of the relationship between the poverty correlates, and consumption is then used to impute consumption for households in the SHFS-W2. The imputation approach used the technique developed in the Survey of Well-being via the Instant and Frequent Tracking (SWIFT) approach (Yoshida et al., 2022).

Figure 11: Poor population measured by the national poverty line, 2017-2022



Source: Authors' estimates based on SHFS-W2 2017 and SIHBS 2022.

Figure 12: Poverty gap rates using the national poverty line, 2017-2022



[18] World Bank 2021b1; This finding is supported by the IDP FGD, which found most individuals became IDPs due to climate or conflict related shocks.

Table 2: Decomposition of Change in Poverty Rate into Intra-population group and population shifts, 2017-2022

	Percentage change in poverty rate:			
	Intra-area effect	Arising from pop. shifts	Residual	Total impact by pop. groups
Urban	0.0	3.5	0.0	3.4
Rural	1.6	0.3	0.0	1.9
Nomads	0.2	-6.2	-0.1	-6.1
Total	1.7	-2.4	-0.1	-0.8

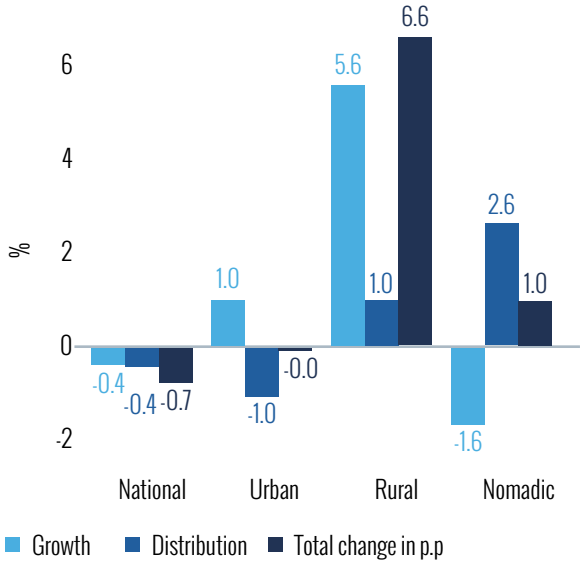
Source: Authors' estimates based on SIHBS 2022 and SHFS-W2 2017.

13. The increase in poverty for the rural population is largely due to negative average consumption growth, while for the nomadic population, it is due to a more unequal distribution. At the national level, the marginal decline in poverty was driven equally by an increase in average consumption and a more equitable distribution. The increase in poverty in urban areas was driven by a decrease in average consumption, although this was partially offset by the distribution becoming more equitable, consistent with those moving to urban areas being poor. Most of the poverty increase among the rural population was driven by a decrease in average consumption. Lastly, in the nomadic population, the increase in poverty was driven by the distribution becoming less equitable. However; this was offset partially by an increase in average consumption (Figure 13).

Who are the poor?

14. Additional analysis can determine what demographic and socioeconomic household characteristics are associated with welfare. In addition to the spatial and regional differences in poverty described above, there are a host of other factors that are significantly correlated with household welfare. These factors can be identified using a regression model that explains a household's poverty status based on a set of demographic and socioeconomic characteristics (Figure 14).

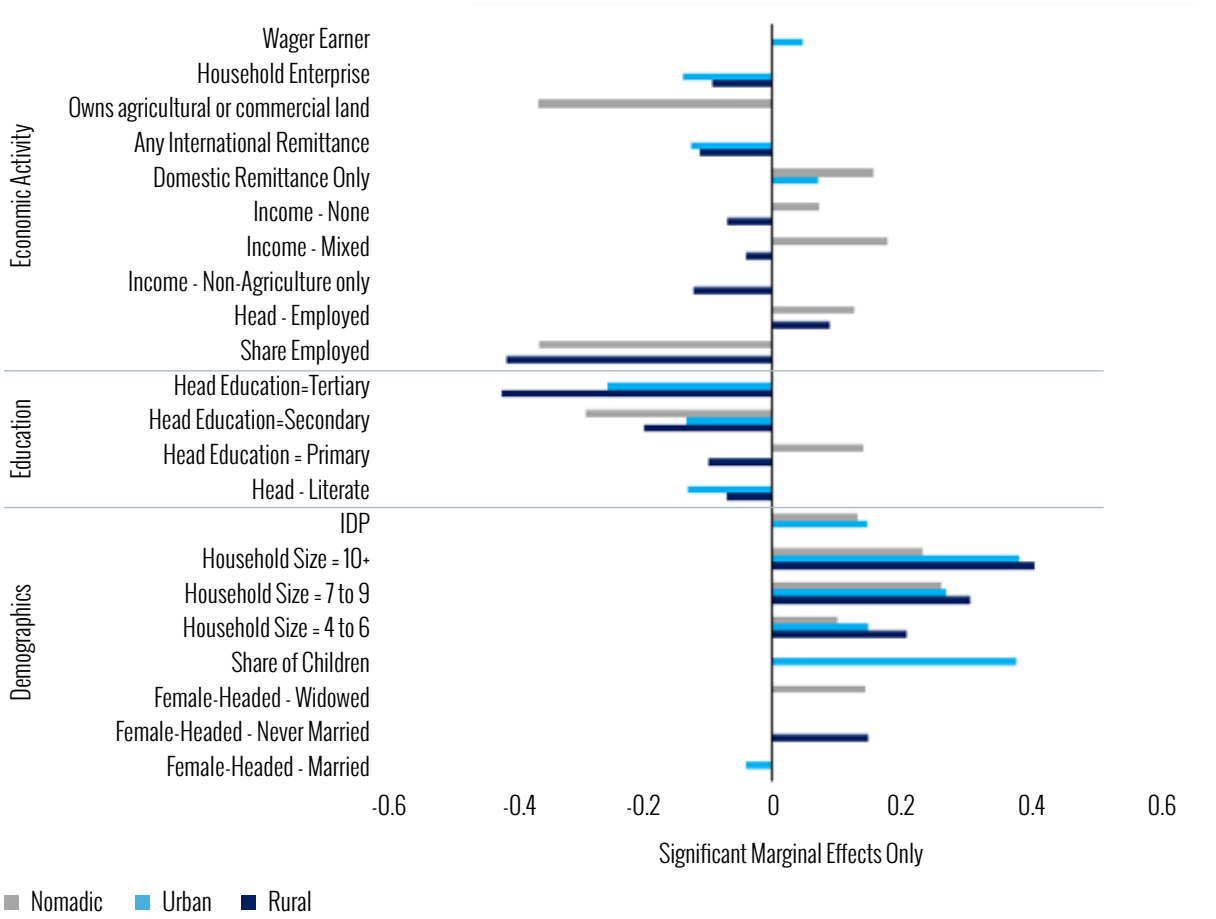
Figure 13: Growth-Redistribution Decomposition, 2017 to 2022[19]



Source: Authors' estimates based on SHFS-W2 2017 and SIHBS 2022.

[19] This method developed by Datt and Ravallion (1992) measures the effect of growth and redistribution in poverty reduction between over a given time period. The method asks what poverty would look like with the mean consumption level of a given year and the consumption distribution of a different year, and vice-versa.

Figure 14: Correlates of Poverty by Residency[20]



Source: Authors' estimates based on SIHBS 2022.

Large households with many children and displaced households are more likely to be poor

15. Larger households are more often poor in all areas of residency, while IDP households are more often poor in urban areas. Relative to a household with 1 to 3 members, a larger household size is associated with higher poverty rates, with the likelihood increasing with size. Further, among urban households, a larger share of children is associated with poverty, although this is only in urban areas. Being an IDP is associated with higher poverty rates in urban and nomadic households, but not rural. Relative to male-headed households, households headed by a female who is widowed are more often poor among nomadic households, and those with a female head who has never married are more often poor in rural areas (Figure 14).

Education protects against poverty, though few Somalis have completed primary education

16. Literacy and formal education of the household head are associated with lower poverty. Most of the Somali population does not have any education, with only 7 percent having completed primary education, 5 percent having completed secondary, and only 2 percent having tertiary education. Relative to a household headed by an individual with no education, those with secondary are less likely to be poor, regardless of area of residency. A household head with tertiary education is also associated with lower poverty in rural and urban areas, while primary education is only significant in rural areas. Likewise, in rural and urban areas, having a literate household head is associated with lower poverty rates. In contrast,

[20] Figure 18 shows the marginal effects of a probit regression, with the poverty status as the dependent variable.

literacy has no association with poverty in nomadic areas (Figure 14).

Running household enterprises is linked with higher welfare levels, as is receiving remittances from abroad

17. International remittances are associated with lower poverty in rural and urban areas, while domestic remittances reduce the likelihood of poverty in nomadic households. Nationally, 15 percent of households received remittances from abroad, while 7 percent received domestic remittances. A larger share of members being employed is only associated with lower poverty among rural households. Income sources outside of agriculture are associated with lower poverty in rural households, although the opposite is true among nomadic households. The importance of remittances is also evident, although the source is important. Among nomadic households, receiving domestic remittances is associated with lower poverty, while for rural and urban households there is no association for domestic remittances. However, international remittances are associated with lower poverty in rural and urban areas. The ownership of a household enterprise is associated with lower poverty in all three areas of residency. Further, while wage earnings are typically associated with lower poverty, in Somalia, having an individual with wage earnings is associated with higher poverty in rural and nomadic areas (Figure 14).

Non-monetary poverty is more prevalent than monetary poverty.

Poverty and Access to Services and Amenities

Health

18. The average woman between 15 and 49 has seven children, with very few births taking place with a skilled provider. The average Somali woman has 6.9 children, ranging from 6.4 in urban areas to 7.3 in nomadic areas. There is little difference in fertility among women from the bottom 80 percent of the wealth distribution, with only those from the richest households having a lower fertility rate (5.6 compared to 7 and above). Fertility also decreases with education, from 7.2 children for women without any education to 3.7 among women with higher education (Figure 15). Further, a poor household has, on average, 1.3 more members relative to a non-poor, with household size decreasing across the consumption distribution in rural, urban, and nomadic areas. However, despite additional members, poorer households do not have more working members on average. In addition, the poorer households have a lower ratio of working-aged members to household size (Table 8). Less than one-third of live births were delivered with a skilled provider present, with the largest share in urban areas (51 percent). The share of live births with a skilled provider is very low for

Figure 15: Fertility rates among women between 15 to 49, 2020

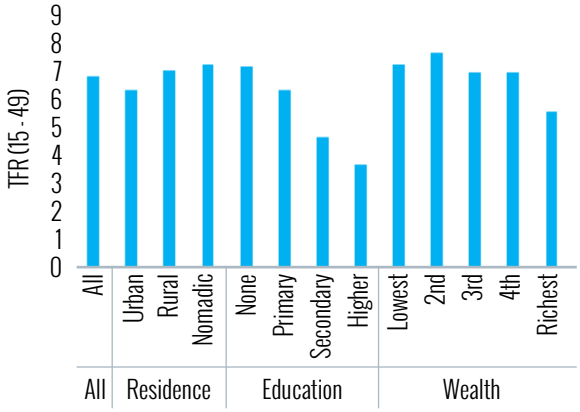
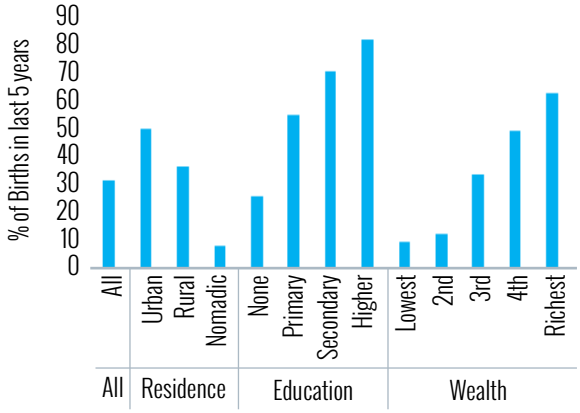


Figure 16: Percent of live births in last five years delivered by skilled provider, 2020



Source: Federal Government of Somalia and UNFPA 2020.

nomadic women (8 percent) and the poorest 40 percent (around 10 percent). This share increases with both wealth and education (Figure 16).

Education

19. Literacy rates and enrollment rates are lower among the poor, women, and the nomadic population. Just over half of the Somali population reported they are literate, with the highest rates in urban areas and lowest among the nomadic. Regionally, literacy rates are also correlated with poverty, with poorer regions having a lower share of literate individuals (Figure 17 and Figure 18). Gross enrollment is very low at 41 percent for primary school and 31 percent for secondary school. Compared to other low-income African countries, Somalia has the lowest gross primary enrollment rates. Enrollment is lower for the poor compared to the non-poor, with a larger difference for secondary education. Enrollment increases across the consumption distribution, and primary enrollment lags far behind in nomadic areas (11 percent). For secondary education, the gap between urban and rural areas widens (37 percent in urban and 23 percent in rural areas) (Figure 19). At the regional level, primary school enrollment follows the same pattern as literacy, with poorer regions having lower enrollment (Figure 20).

Figure 17: Literacy Levels, 2022, 15+

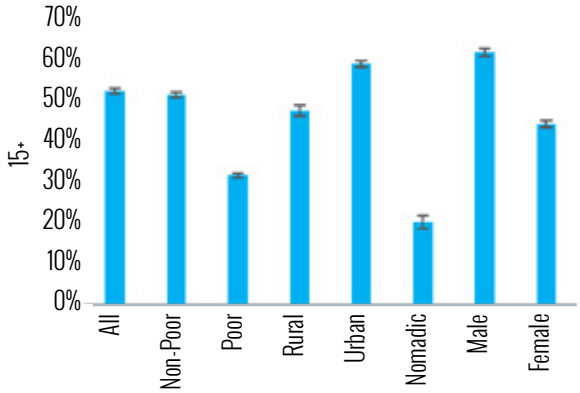


Figure 18: Literacy Levels by Region

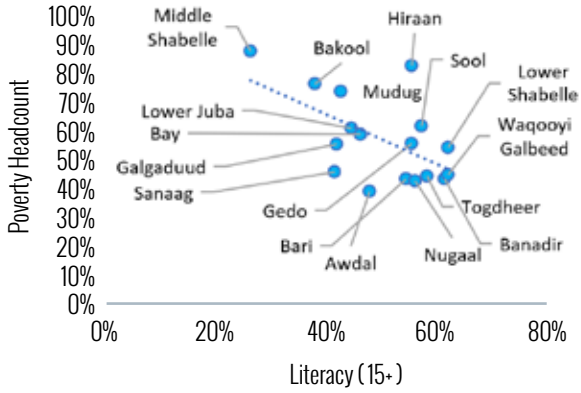


Figure 19: Gross Enrollment

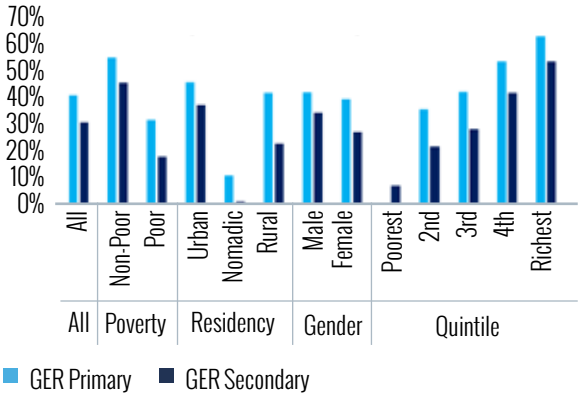
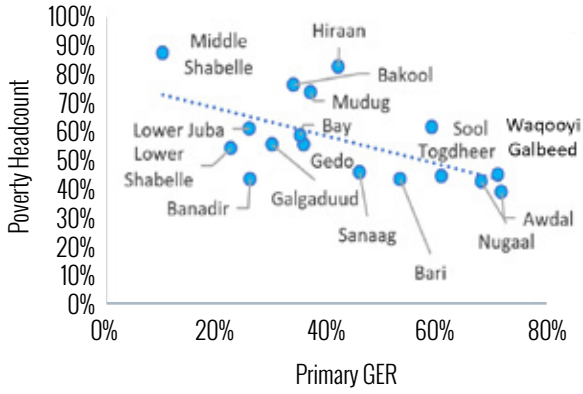


Figure 20: Primary Gross Enrollment by Region



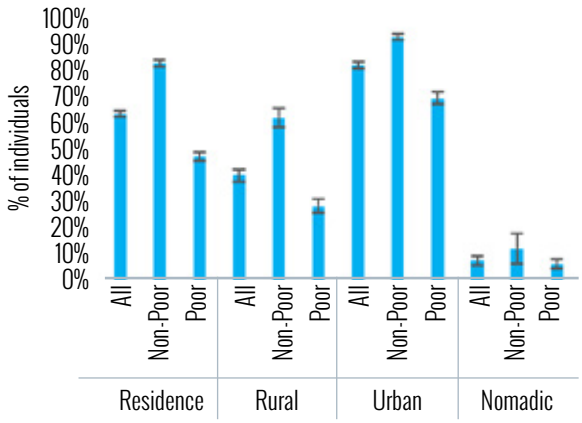
Source: Authors' estimates based on SIHBS 2022.

Housing Characteristics

20. Poor households have lower access to electricity. Just over 60 percent of individuals had access to electricity in 2022, with higher rates for urban individuals (80 percent), followed by rural (39 percent), and lastly nomadic (8 percent). Access to electricity is almost double among non-poor individuals compared to the poor, with wider differences between the poor and non-poor in rural areas (28 to 61 percent) relative to urban areas (68 to 91 percent) (Figure 21). There is little difference between the poor and non-poor in nomadic areas, with both having very low access. Over time, the share of individuals with access to electricity has improved from 49 percent in 2017 to 62 percent in 2022 (Figure 22). Regionally, access to electricity is worse in poorer regions. Lastly, Somalia performs well relative to other low-income African countries, which is likely a reflection of its higher urbanization levels (Figure 95).

21. While poor households have slightly worse access to improved drinking water, predominately in rural areas, there is no correlation at the regional level. 70 percent of the population has access to improved drinking water in the dry season. Once again, those in urban areas have the best access to improved drinking water in the dry season. The non-poor also have better access, with a 9 percentage point difference compared to the poor. Under two-thirds of rural individuals have access to improved drinking water in the dry season. The gap between the non-poor and poor is largest in rural areas at seven percentage points. Access to improved drinking water

Figure 21: Access to Electricity



Source: Authors' estimates based on SIHBS 2022 and SHFS-W2 2017.

Figure 22: Change in Access to Electricity, 2017 to 2022

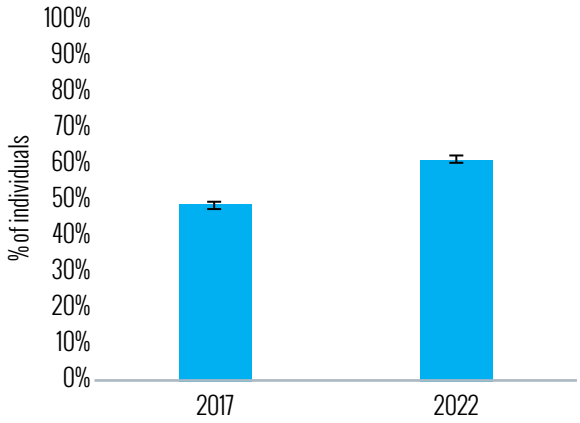
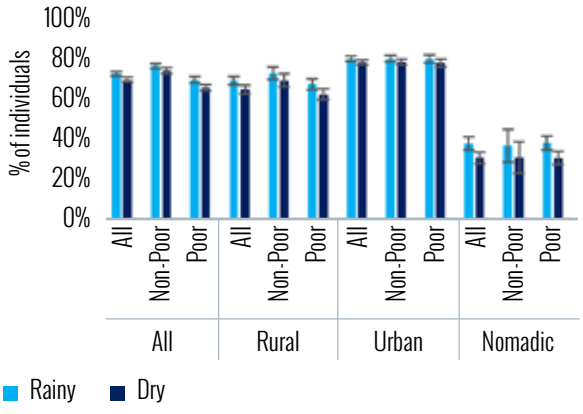
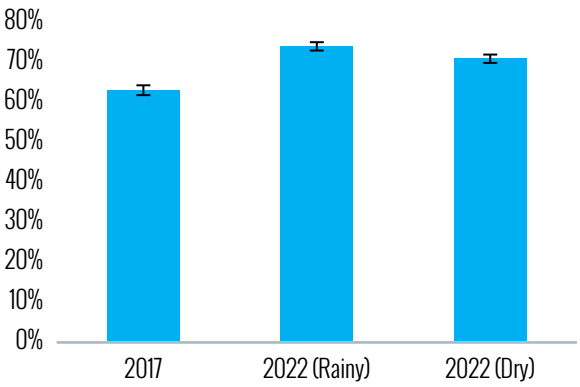


Figure 23: Access to Improved Drinking Water



Source: Authors' estimates based on SIHBS 2022 and SHFS-W2 2017.

Figure 24: Trend in Improved Drinking Water, 2017 to 2022



is low in nomadic areas at 31 percent in the dry season, though there is no difference between the poor and non-poor (Figure 23). Over time, there has been an improvement in the share of individuals with access to improved drinking water (Figure 24). However, at the regional level, there is little correlation between poverty and access to drinking water.

22. Very few individuals have a bank account, and credit is largely used for consumption. Less than 10 percent of individuals have a formal bank account, with higher rates among the non-poor, urban areas, and men. Over a quarter of households took a loan in the last 12 months, with higher rates among the poor and nomadic households, with little difference across household head gender. Most loans were from traders, regardless of household characteristics, and almost all loans were mainly used for consumption.

23. Non-monetary poverty is higher than monetary poverty.[21] Applying the methodology developed by Bolch, Lopez-Calva, and Ortiz-Juarez (2023), households are defined as non-monetary poor if they are deprived in non-monetary indicators such as food security, housing characteristics, and education. Following the same methodology, a household is considered to be chronic poor if it is classified as both monetary and non-monetary poor. Nationally, over three-quarters of the population are considered non-monetary poor, while 47 percent are considered chronic poor. Non-monetary poverty follows the same pattern as monetary poverty, with the highest rates among the nomadic population (95 percent), followed by rural (79 percent) and urban areas (73 percent) (Table 3). Only 15 percent of the population is neither monetary nor non-monetary poor (Figure 26). Chronic poverty is also concentrated in the central part of the country (Figure 25). Most households are deprived in the education dimension, followed by sanitation and flooring. The larger share of nomadic households deprived in each dimension is also reflected by the fact that nomadic households are, on average, deprived in 7 dimensions compared to 4 for rural households and 3 for urban households.

Table 3: Monetary, Multidimensional, and Chronic Poverty

	All	Rural	Urban	Nomadic
Monetary	54.4%	65.5%	46.1%	78.4%
Non-Monetary	76.7%	79.4%	72.6%	94.7%
Chronic	46.5%	55.4%	38.2%	74.3%

Figure 25: Chronic Poor by Region

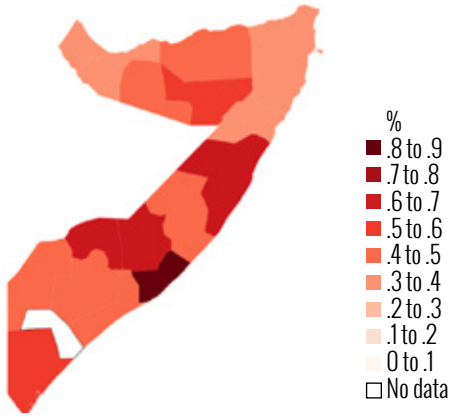
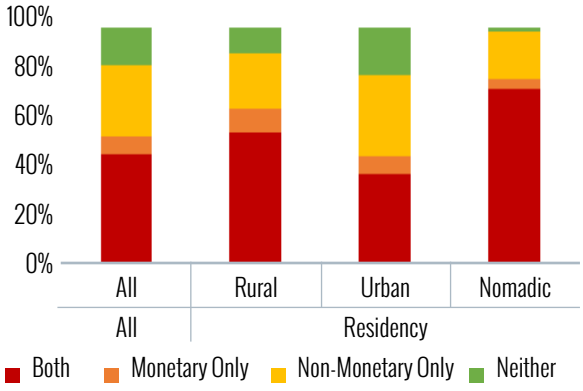


Figure 26: Share of Individuals by monetary and non-monetary poverty status



Source: Authors' estimates based on SIHBS 2022.

[21] The definition of non-monetary, or multidimensional, poverty can be found in the Chapter 1 Annex.

Inequality in consumption remains relatively low, despite high inequality in opportunities.

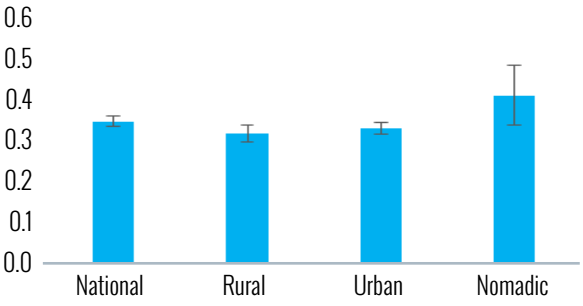
24. Inequality is relatively low in comparison to other low-income African countries, with a higher level among the Nomadic population. The national Gini index is 0.350, which puts Somalia's inequality at the lower end of the distribution among low-income African countries (Figure 27). Inequality, as measured by the Gini index, is largest among the nomadic population. Over time, there has been no change at the national level in the Gini index. However, while there has been no change in urban areas, there has been an increase in inequality among both the rural (1.4 points) and nomadic (5 points) populations (Figure 28). Inequality is largely driven by differences in welfare within regions or areas of residency.

Inequality of opportunity.

25. Education has the highest inequality in access, with location being a key driving factor. As shown above, access to education is relatively low overall in Somalia, especially for secondary education (Figure 19 and Figure 20). Enrollment in secondary education displays the biggest inequality based on circumstance, with poverty having the largest contribution to the inequality, followed by region. Enrollment in primary education is less unequal than in secondary, although it is more unequal than access to services such as water, sanitation, and electricity. Furthermore, inequality in primary education enrollment is driven predominately by region and less so by poverty relative to secondary education. Better service delivery in urban areas, notably as it pertains to education, is a pull factor for urbanization among IDPs.[22] Once these differences in coverage rates across characteristics are accounted for, the HOI value for primary education enrollment is 20.6 and 10.6 for secondary education (Figure 91 and Figure 92).[23]

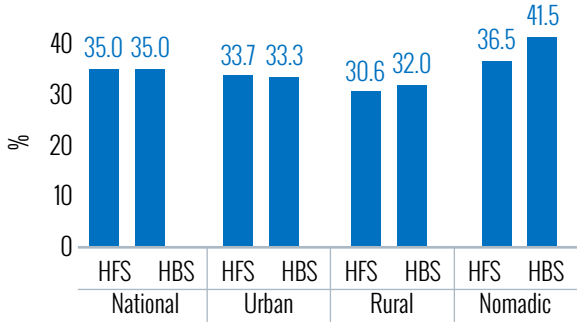
26. The location of the household largely drives inequality in access to services, although poverty still hinders access to electricity and improved sanitation. The coverage rate of access to services is higher than education, with improved sanitation having the lowest and improved drinking water having the highest coverage. Access to electricity shows the largest inequality among the services based on circumstance, with the area of residency having the largest contribution, followed by region and poverty status in that order. Access to improved sanitation has a similar inequality level as access to electricity, although in that case, the region has the

Figure 27: Gini Index, 2022



Source: Authors' estimates based on SIHBS 2022 and SHFS-W2 2017.

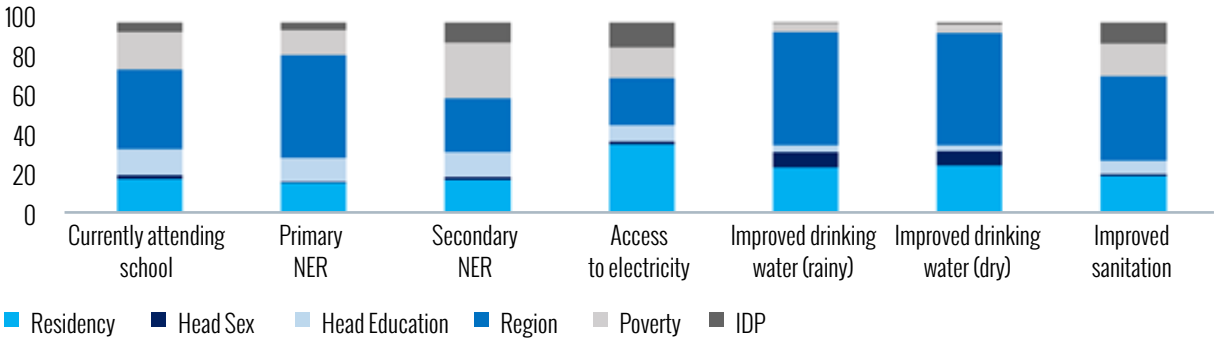
Figure 28: Change in Gini coefficient, 2017-2022



[22] A finding from the IDP FGD.

[23] A description of the human opportunity index can be found in Box 6.

Figure 29: Shapely Decomposition of Each Circumstance, 2022



Source: Authors' estimates based on SIHBS 2022.

largest contribution, followed by poverty status and area of residency. IDP status also contributes to inequality in access to electricity and improved sanitation. Lastly, access to drinking water has the highest coverage and the lowest inequality based on circumstance. The region and area of residency of the household largely drive the inequality that does exist (Figure 29).

The remainder of this poverty assessment will focus on three deep-dive topics.

27. Somalia experiences high persistent poverty, with no average per capita consumption growth and negative per capita GDP growth between 2017 and 2022. Economic growth remains a key input for poverty reduction, with most examples of poverty reduction coinciding with economic growth.[24] However, growth alone does not guarantee poverty reduction, and in fact, sub-Saharan African countries have been less successful at converting economic growth into poverty reduction.[25] Therefore, while it is important that Somalia utilizes policies that will encourage stronger economic growth, it is also important that it is done inclusively so that the poor can benefit from future economic growth. The remainder of the report will focus on areas that are particularly relevant to that objective of inclusive and shared prosperity.

28. The first deep dive will focus on income and employment. The profile of the poor shows that a household with a wage earner is positively associated with poverty in rural and nomadic areas. At the same time, there is neither a positive nor negative association in urban areas. Further, having an employed household head is also positively associated with poverty (Figure 14). In addition, it is well documented that Somalia has extremely low labor force participation.[26] The first deep dive will focus on the income and livelihoods of Somali households, looking in detail at the differences in the type of income, type of employment, sectors of work, and household enterprises between poor and non-poor households and individuals.

29. On the back of an unprecedented multi-season drought in 2022, the second deep dive will focus on households' exposure to shocks, especially climatic shocks. Households' exposure to external shocks, especially repeated shocks, can have a substantial impact on a household's ability to produce market income, which in turn can either keep a poor household poor or push a non-

[24] Ames, Devarajan and Izquierdo 2001; World Bank 2022a; Rodrik 2000.
[25] Wu et al. 2024.
[26] World Bank 2021a.

poor household below the poverty line.[27] Further, climate change effects are already significant in Somalia, and it is likely that the incidence of extreme droughts will increase.[28] As a result, the second deep dive will focus on who is exposed and vulnerable to these climatic shocks, how different households respond to these shocks, and what can be done to increase their resilience.

30. The final deep dive will focus on the nomadic households, who are, by area of residency, the poorest and also very exposed to climatic shocks. The nomadic population has the highest rates of monetary and non-monetary poverty, with just under three-quarters being both monetary and non-monetary poor (Figure 2 and Table 3). Nomadic livelihoods are particularly vulnerable to climatic shocks, as illustrated by the latest drought. In addition, inequality is the highest among the nomadic population, with the top quintile able to lift themselves above the poverty line (Figure 27). Therefore, the deep dive will make comparisons across the consumption distribution to determine factors that may enable the top quintile to be above the poverty line.

[27] López-Calva and Rodríguez-Castelán 2016.

[28] World Bank 2023a.

PART B: DEEP-DIVES

CHAPTER 2: LIVELIHOOD DEEP-DIVE

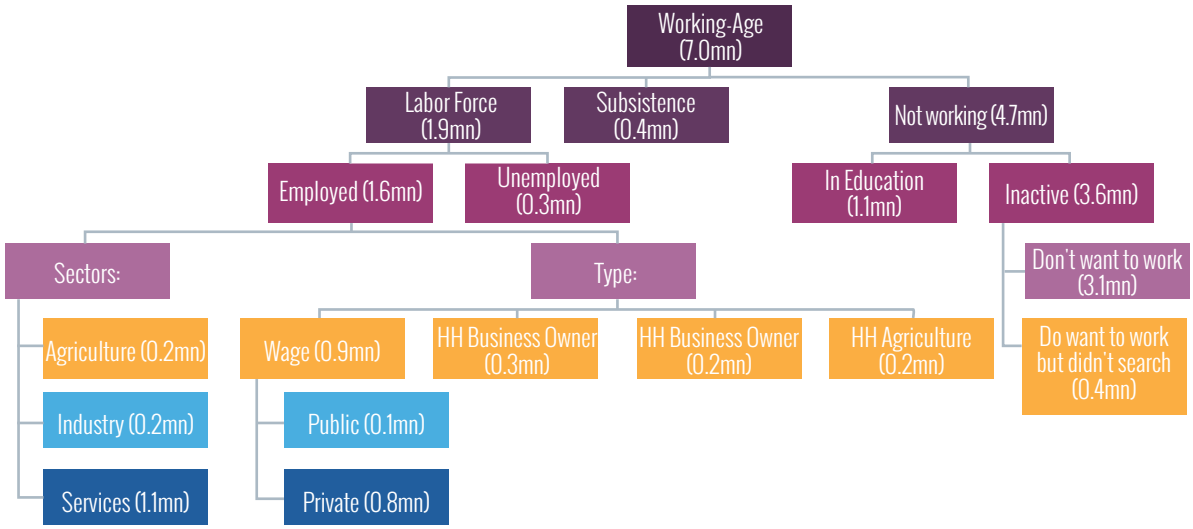
31. The livelihood deep dive will focus on labor and household enterprises and how they can contribute to poverty reduction for Somali households. As outlined in the asset framework, households' capacity to generate income is based on the assets they own.[29] Poorer households' main -and often only- asset is typically their labor, as they often lack financial, physical, and natural assets. For these households, it would seem that only employment can offer a sustainable route out of poverty.[30] Therefore, the intensity of its use, i.e., labor force participation and its returns in wages, are key determinants of poor households' market income. This chapter will provide a breakdown of the Somali working-age population, looking at the numbers in employment, unemployment, and inactivity. From this breakdown, the chapter will explore why labor force participation is so low in Somalia, the dualistic nature of wage employment, and the importance of household enterprises (HHEs).

32. Very few working-age people are engaged in the labor market, especially among women. Somalia had a working-age (15 to 64) population of approximately 7 million in 2022. Over two-thirds (4.7 million) are not engaged in the labor market. 1.6 million Somalis were employed in work-for-pay activities, with most working in services (1.1 million) and private wage employment (0.8 million). Around 0.4 million Somalis undertake subsistence work, while 0.3 million are unemployed. The majority of the inactive do not wish to work. As a result, only 27 percent of the working-age population (15 to 64) are engaged in the labor market, that is, either in work-for-pay employment or unemployment (Figure 30).

33. The Somalia labor market displays some unique traits for its income level. Somalia has extremely low labor force participation, especially when compared to other low-income countries (Figure 31). LFP is also low across all demographic groups, especially among women and the nomadic population. Compared to other low-income countries, Somalia has the lowest male LFP, the third lowest female LFP, and the fifth largest gender gap in LFP. Although the gender gap in LFP is smaller than in contextually similar low-income countries such as Djibouti, Sudan, and Yemen, this is more driven by a lower male LFP than a higher female LFP (Figure 31). The only group with higher LFP is those with tertiary education. However, they account for only 2 percent of the population. Interestingly, there is no difference in LFP across poverty status (Figure 32). A unique feature of the Somalia labor market is agriculture's minor role, accounting for only 12 percent of all work-for-pay employment. As mentioned, this differs from the typical pattern in low-income countries, where agriculture typically employs over half of workers.[31] In addition, Somalia is highly dependent on wage employment, which accounts for over half of employment. This is much higher than the typical share in low-income countries of around one-fifth of employment.[32] Lastly, HHEs are an important source of employment, especially for

[29] López-Calva and Rodríguez-Castelán 2016.
[30] Fields 2012.
[31] Merotto, D., et al, 2018.
[32] Merotto, D., et al, 2018.

Figure 30: Somalia Population Breakdown, 2022



Source: Authors' estimates based on SIHBS 2022.

women, accounting for just under one-third of employment in Somalia. They are also associated with lower poverty in rural, urban, and nomadic households (Figure 14). However, compared to other African countries, the share of households with an enterprise is relatively low.[33]

Why is Somalia's Labor Force Participation so low?

Limited agricultural activity and little non-agricultural labor demand?

34. A unique feature of the Somali labor market, considering its income level, is the small share of agricultural employment. Low-income countries typically have the largest share of agricultural employment, often accounting for over half of employment.[34] However, in Somalia, agriculture only accounts for 12 percent of all work-for-pay employment and under a third of employment if subsistence activities are included. Somalia is more aligned with the poorest countries in the MENA region than other low-income countries in sub-Saharan Africa (Figure 33). This is likely due to Somalia's small share of viable agricultural land and harsh climatic conditions, which limit the number of agricultural jobs. As a result, Somalia cannot absorb a large share of labor into agricultural work, as is often the case in other LICs.

35. Outside of agriculture, the Somali economy appears to have limited labor demand. Low-income countries typically experience low unemployment and higher underemployment.[35] However, unemployment (16 percent of the labor force) in Somalia surpasses underemployment (11 percent of the labor force). The high rate of unemployment suggests that there is a lack of economic opportunities within the economy. This is supported by the fact that over half of the economically inactive individuals who wanted to work but did not search for employment were discouraged workers, i.e., they were tired of searching for employment or stated there were no jobs matching their skills (Figure 34).[36] There

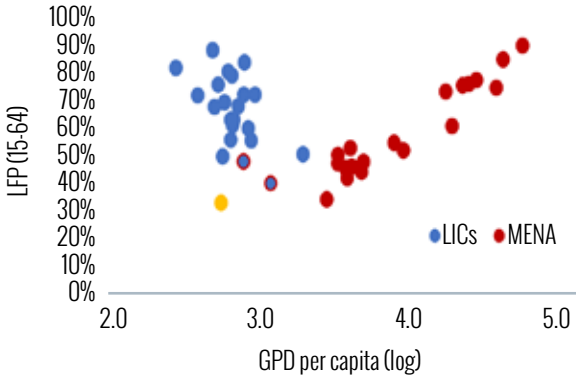
[33] Comparing to countries from the LSMS and WAEMU surveys. These countries have the following share of households with enterprises: Benin (34%); Cote d'Ivoire (44%); Guinea Bissau (64%); Mali (16%); Niger (50%); Senegal (64%); Togo (60%); Ethiopia (23%); Malawi (38%); Nigeria (60%); Tanzania (42%); Uganda (17%).

[34] Merotto, D., et al, 2018.

[35] Merotto, D., et al, 2018.

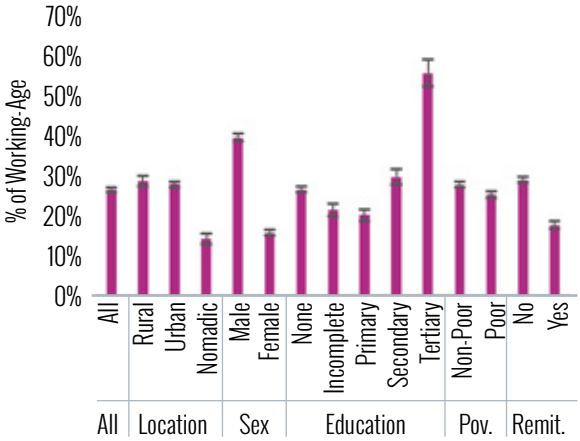
[36] This is likely an underestimate as the question was only asked to inactive individuals who wanted to work. If an individual had become discouraged and therefore no longer wanted to work, they would not be asked this question.

Figure 31: International Comparison of Labor Force Participation[37]



Note: Yellow marker is Somalia; blue markers with red outline are both LICs and MENA countries.

Figure 32: Labor Force Participation, 2022



Source: Authors' estimates based on SIHBS 2022 and World Development Indicators.

is no gender difference in the share of inactive individuals who are discouraged, although a quarter of inactive women who want to work cited family responsibilities as the reason for not searching. The limited role of agriculture and limited non-agricultural labor demand likely results in the low LFP.

The combination of limited opportunities results in most individuals working in low-return activities out of necessity.

36. Regression analysis suggests those who work are either those who can get the few better jobs or those who have no choice but to work in occupations that offer little returns. Although accounting for a small share of the population, those with tertiary education are more likely to participate in the labor force, even among women. These individuals are likely those who can access the better jobs available in the Somali economy. In contrast, women IDPs and unmarried women are more likely to participate in the labor force (Table 11).

Figure 33: LIC and MENA Agriculture Share of Employment

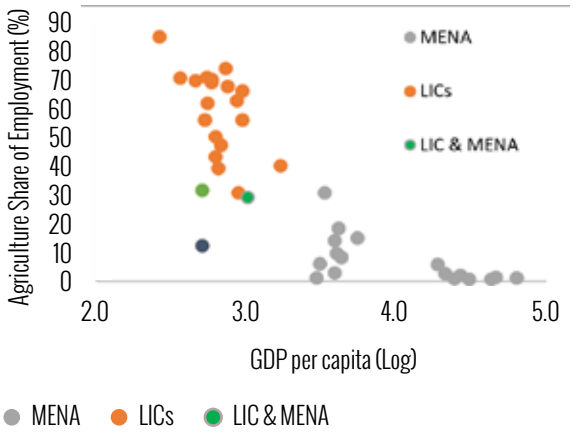
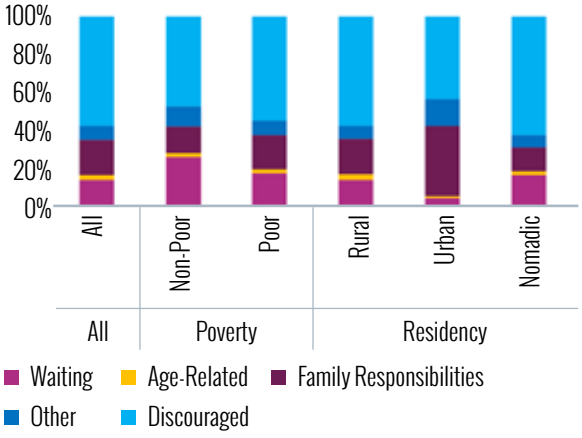


Figure 34: Reason for Not Searching for Work Despite Wanting to Work Among the Inactive



Source: Authors' estimates based on SIHBS 2022 and World Development Indicators.

[37] Somalia's data point is from 2022, while the rest are from 2019.

Box 4: IDPs and Employment

Women in IDP households are more often engaged in the labor force, albeit in lower-quality employment. Both men and women from IDP households have a larger LFP relative to their non-IDP counterparts, especially for women, where LFP is 26 percent for IDPs and 17 percent for non-IDPs. IDPs also have high unemployment rates (Figure 35). Women from IDP households have a much larger share in wage employment relative to non-IDP women, with the latter more often operating HHEs (Figure 36). However, despite similar shares of wage employment for IDP women relative to men, the majority of IDP women work for other households, typically in the "other services" sector. Men IDPs also have a larger share working for other households relative to non-IDP men; however, they also have a much larger share employed in the construction sector (Figure 37 and Figure 38). This is suggestive that IDPs are often in lower-skilled occupations due to their lower levels of education and literacy.

Figure 35: Labor Force Participation by Sex and IDP Status

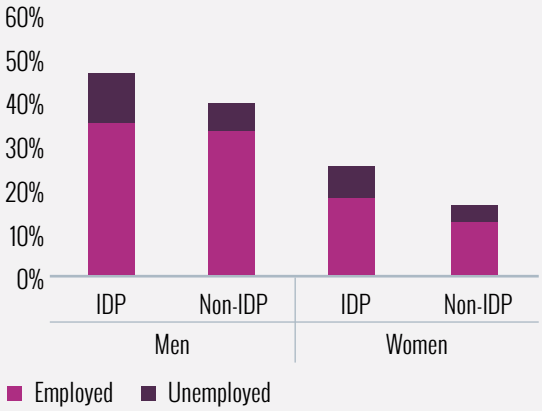


Figure 36: Employment Type by Sex and IDP Status

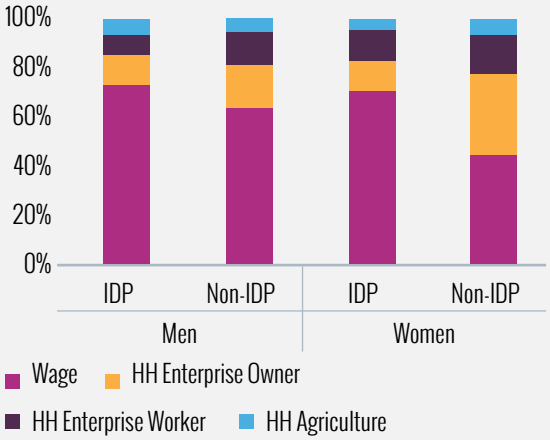


Figure 37: Sector by Sex and IDP Status

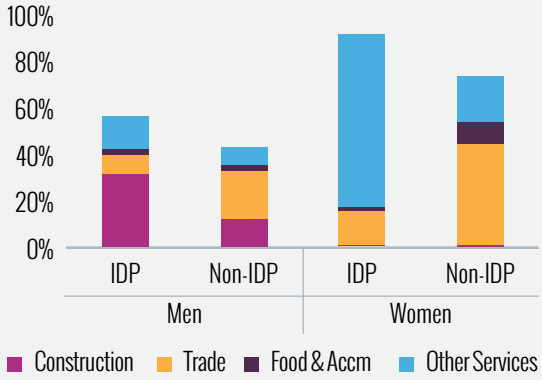
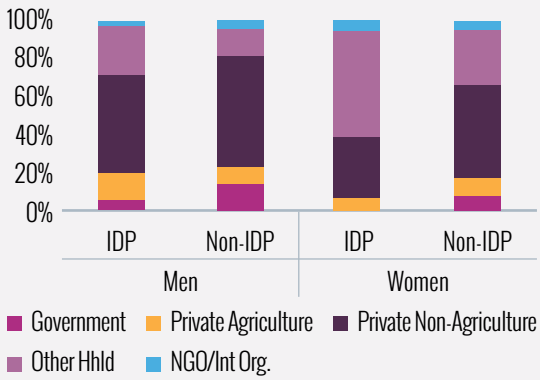


Figure 38: Employer Type by Sex and IDP Status

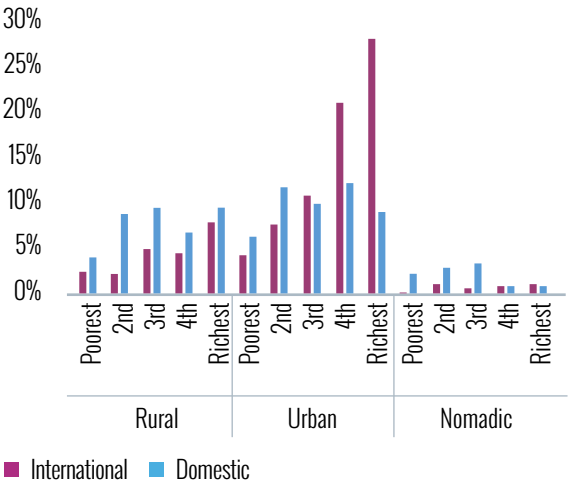


Source: Authors' estimates based on SIHBS 2022.

37. Individuals with other sources of income often opt not to work, likely due to the lack of opportunities and limited returns. The regression analysis also shows that remittances and other working members in the household have a negative association with labor force participation. There is often a negative association between remittances and female LFP in other countries, but in Somalia, it is also negatively associated with male LFP.[38] This suggests that if an individual can achieve sufficient consumption without working, they choose to remain economically inactive due to the low returns and the limited number of available opportunities (Table 11). Focus group discussions also suggest that community norms restrict what type of activity an individual should do, with some jobs being viewed as unsuitable for individuals from certain social groups. Security is also an impact factor, with an individual's perception of the safety of public spaces having a positive association with labor force participation for both men and women and those in urban areas (Table 12). Further, FGDs highlight how the fear of gender-based violence is an important concern for women's participation in the labor force, especially for those from marginalized backgrounds.

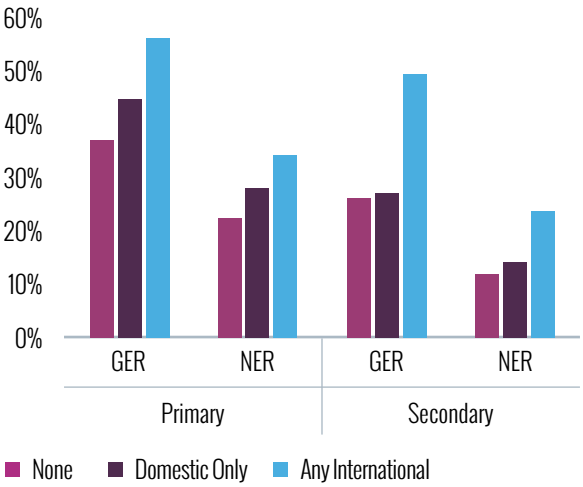
38. Remittances are more common among richer households but reduce the incentive to work. Inward remittances are equivalent to over 15 percent of Somalia's GDP and are high compared to other low-income countries.[39] While a similar share of households in rural and urban areas received remittances, richer urban households most often received remittances from abroad. Over a quarter of all international remittances sent went to the richest urban households (Figure 39). In addition, remittances from abroad are annually $200 more on average, driven by larger transfer amounts rather than a larger number of transfers. Combining both domestic and international remittances, non-poor households received just under $300 more than poor households on average. In line with previous studies, international remittances are also correlated with higher school enrollment, especially for secondary schooling, and increased education expenditure (Figure 40).[40] However, receiving remittances is negatively associated with LFP and

Figure 39: Share of Remittances sent to...



Source: Authors' estimates based on SIHBS 2022.

Figure 40: Enrollment by Remittances



[38] Azizi 2018.

[39] Among low-income countries that had data for 2022 in the WDI database (19 out of 26 countries), Somalia has the 4th highest share of remittances as a percentage of GDP, only surpassed by The Gambia, Liberia, and Yemen.

[40] World Bank 2019. The positive relationship between remittances and education enrollment is also found in other countries: Bouoiyour and Miftah 2016; Ajefuand Ogebe 2021; Gyimah-Brempong and Asiedu 2015.

the operation of a household enterprise, suggesting it reduces the incentive to work (Table 11 and Table 14). The importance of remittances as an income source can be illustrated by the fact that removing remittance income from Somali households' expenditures would result in a 2 percentage point increase in the poverty headcount.

Dualistic Wage Employment

39. Wage employment is an important income source for most households and accounts for an unusually large share of employment. Wage employment is the most important employment type in Somalia, employing the largest share of individuals as well as being the most common income source across most of the rural and urban consumption distribution (Figure 41). While the prevalence of wage employment as a source of income shows only modest variations across the consumption distribution, wage levels are correlated with consumption. Indeed, median household earnings from wages increase across the rural and urban consumption distribution, with a stronger correlation in urban areas (Figure 42). Compared to low-income and MENA countries, Somalia has a high share of wage employment for its income level (Figure 43). However, this appears to be driven by the lack of other forms of employment, as the ratio of wage employment to the working-age population in Somalia is comparable to other low-income countries (Figure 44).

Figure 41: Share of Households with Revenue Sources

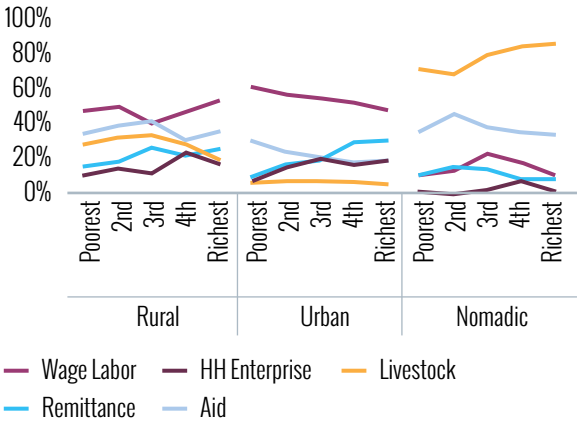
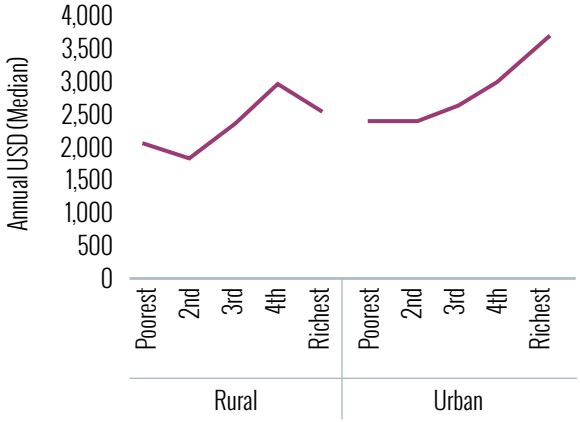


Figure 42: Median Annual Household Income from Wages



Source: Authors' estimates based on SIHBS 2022 and World Development Indicators.

Figure 43: LIC and MENA Wage Share of Employment

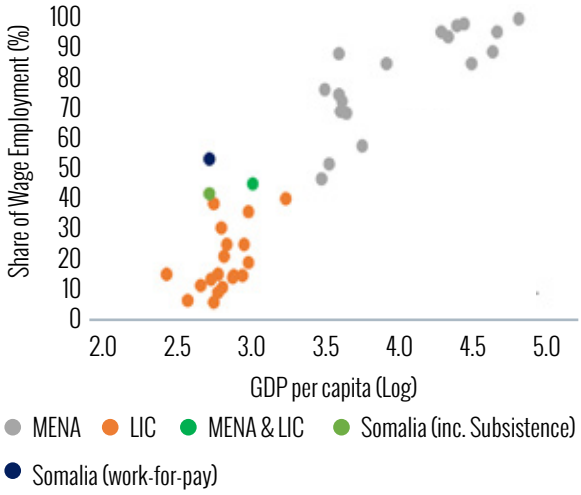
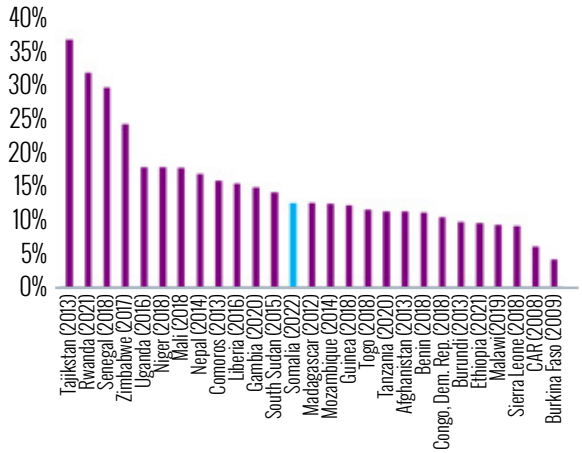


Figure 44: Ratio of Wage Employment to Working-Age Population



Source: Authors' estimates based on SIHBS 2022 and World Development Indicators.

40. The availability of better-wage jobs is extremely limited. As shown above, the regression analysis on LFP suggests two motivations for employment, which feed into a dual labor market: 1) a small pool of good jobs, which are typically only accessible to those with tertiary education, and 2) a larger pool, but still limited, of low-quality, low-pay jobs which individuals take out of necessity. The notion of a dual labor market was also mentioned during a focus group discussion in Mogadishu: one consisting of professional, white-collar jobs that are inaccessible to marginalized individuals and a second sector covering lower-skilled or service-orientated jobs, as outlined above. Respondents mentioned that hiring for these better jobs is often done through connections, which can, in turn, reduce accessibility. These better jobs can be classified in the SIHBS data based on their characteristics, namely whether they offer paid leave and if they have a written contract. The scarcity of these better jobs is demonstrated by the fact that they account for only 14 percent of all employment and 1 percent of the working-age population. The reliance on low-quality wage employment likely explains why having a wage earner in the household is negatively associated with poverty (Figure 14).

Box 5: Guarantor system: How do lack of trust and clan dynamics create friction in Somalia's urban labor markets?

The "guarantor" practice involves trusted individuals vouching for someone's background, character, and reliability for high-paying jobs. It serves as an informal security clearance to ensure the job candidate is not associated with terrorist groups such as al-Shabab and to establish trust in the safety of the institution's assets and information. Historical conflicts in Somalia have led to stronger trust within clans than between different clans. While the guarantor practice serves its purpose, it, in turn, creates friction in the labor market, causing a delay between employees seeking new positions and employers looking for suitable candidates. Consequently, it takes longer for job seekers to find jobs that not only match their skills but also their clan dynamics, resulting in a high unemployment rate in Somalia. Additionally, this system leads to preferential employment within the same clan, limiting opportunities for those without established connections and those from minority clans. A 2022 report on youth unemployment reveals that 44% of youth cited nepotism and clannism as the main challenges in finding employment.[41]

Source: Focus Group Discussions and Heritage Institute.

41. The higher-quality jobs are better paid and are offered by the government or private non-agricultural employers. The higher-quality jobs are concentrated in urban areas (79 percent) and are largely occupied by men (78 percent). Furthermore, under half of the employed are aged between 25 and 34, the most educated age cohort. Over one-third of individuals in these better jobs have completed tertiary education, and 21 percent have completed secondary education. Individuals from the richest 40 percent of urban individuals accounted for around half of these better jobs. Further, households with a member in one of these better jobs have a much lower poverty rate (32 percent). Most are either government jobs (33 percent) or private non-agricultural employers (35 percent), while over one-third are in the social sectors and around one-quarter are in the administrative services sub-sector. Lastly, these jobs are the best paid, with the largest median monthly and hourly wages (Table 13). Further, although they account for a small share of overall employment, over half of all international organization jobs (66 percent) and NGO jobs (50 percent) are considered better-wage jobs, while 29 percent of all government jobs are better-quality wage jobs. In contrast, only 5 percent of jobs with private non-agricultural employers and less than 1 percent with other households are considered better quality wage jobs. These two comparatively less favorable types of employers account for three-quarters of all employment (Figure 45 and Figure 46).

[41] Heritage Institute 2022.

Figure 45: Share of Wage Employment by Sector

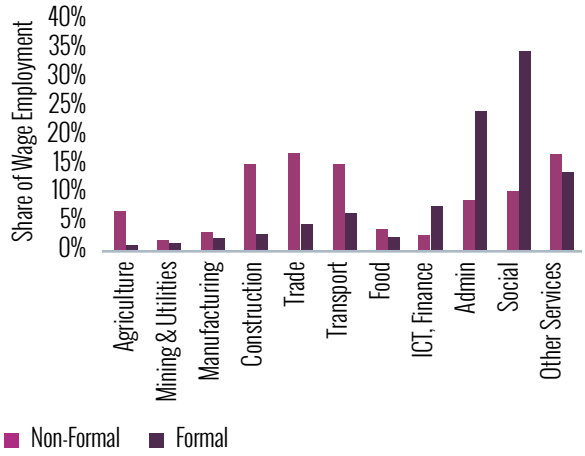
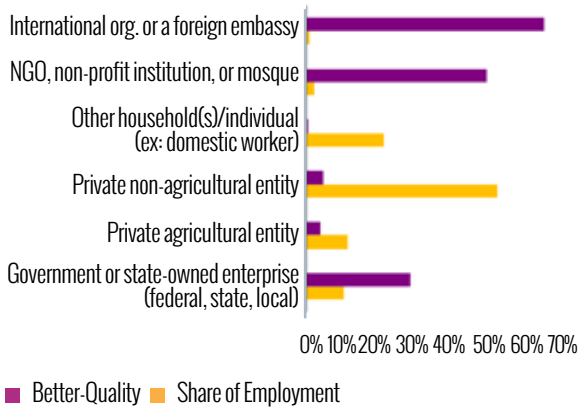


Figure 46: Share of Employment and Share of Jobs that are Better-Quality Wage Jobs by Employer



Source: Authors' estimates based on SIHBS 2022.

Box 6: The importance of aid

15 percent of households received a cash transfer in the 12 months before the survey, although the average value is relatively low. The share is largest among rural households (25 percent), followed by nomadic (24 percent), and a much lower share in urban households (9 percent). The share remains high across most of the rural and nomadic consumption distribution (Figure 47). The same pattern is also true for in-kind aid and charity. A larger share of cash aid is received by poor households compared to in-kind aid (Figure 48). However, the average value received by a household is relatively low at $255 for cash aid, which is only equivalent to around one-third of the per capita poverty line. Therefore, it is perhaps unsurprising that receiving aid does not harm labor force participation (Table 11) and its removal from household total consumption does not impact the poverty rate or poverty gap.

Figure 47: Share of Households Receiving...

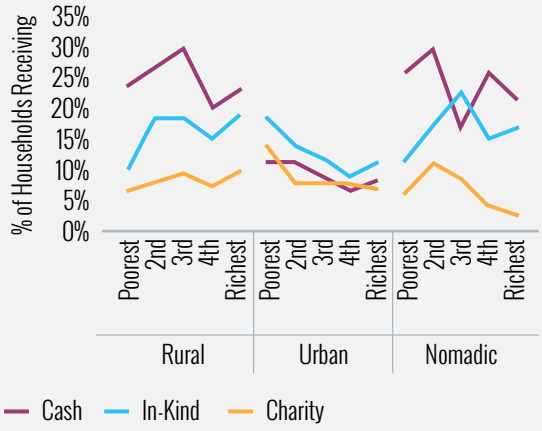
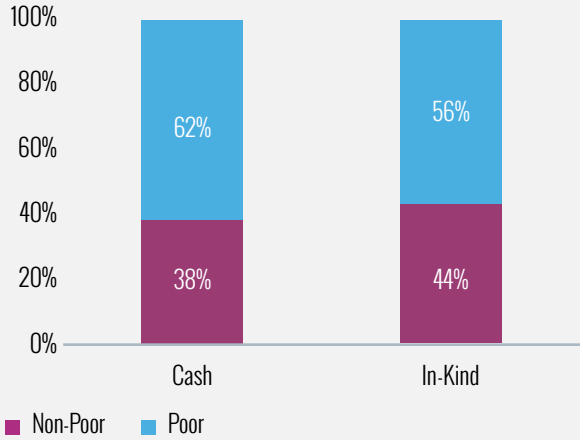


Figure 48: Share of Recipients by Poverty Status



Source: Authors' estimates based on SIHBS 2022.

Household enterprises: Can they contribute to poverty reduction?

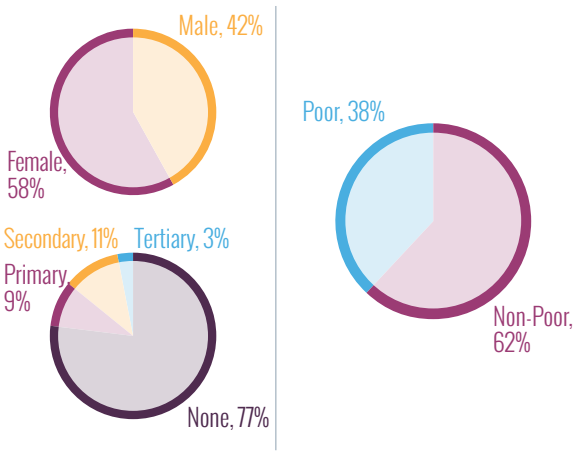
42. Household enterprises are an important job creator in the labor market, despite being relatively rare at the household level. As shown above, HHEs account for 44 percent of employment.[42] Paradoxically, despite accounting for a large share of employment, only 14 percent of households had an HHE (Figure 49). This is relatively low compared to other African countries. However, having a household enterprise is negatively associated with poverty (Figure 14).[43] Just under two-thirds of all household enterprises were operated by non-poor households, and they are more often operated by women and individuals without any education (Figure 50). They, therefore, offer alternative employment opportunities to individuals who may struggle to gain access to better jobs. They also have the potential to further contribute to job creation. Evidence from other African countries suggests that HHEs owned by more educated individuals and those in urban areas have greater job creation potential.[44]

43. Households receiving remittances or those with a wage earner were less likely to have an enterprise. Households with a female head are more likely to have an HHE, as are households with a head that has some education. In addition, IDP households less often had an enterprise. Households with domestic or international remittances or households with a wage earner are also less likely to run an HHE. This suggests that households do not use these other income sources to set up household enterprises (Table 14).

44. Despite few household enterprises making sufficient profit to lift the household out of poverty, they positively impact consumption. Household enterprises operated by non-poor urban households are twice as productive on average

Figure 49: Share of Households with an Enterprise

Figure 50: Household Enterprise Owner Gender and Education



Source: Authors' estimates based on SIHBS 2022.

[42] The share of employment by a household enterprise is calculated by summing total employment from the household enterprise module and dividing it by total employment.

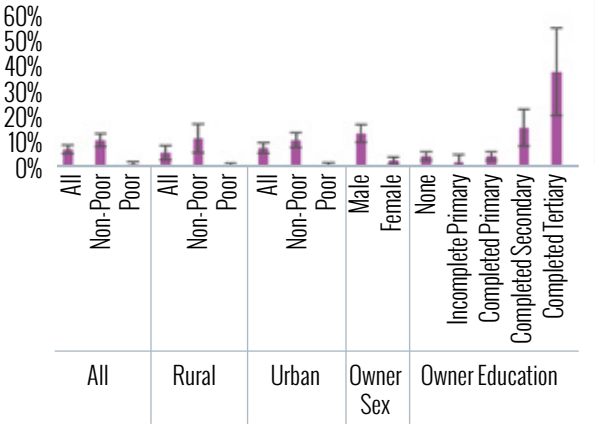
[43] Evidence from other African countries also support the positive impact of HHEs and poverty reduction. Fox and Sohnesen 2016; Stifel 2010.

[44] Beegle and Christiaensen 2019.

than those operated by poor urban households.[45] Male-owned household enterprises are also more productive, as are those owned by individuals with at least completed secondary education, as found in other African countries.[4] However, less than 7 percent of household enterprises make sufficient profit per capita to lift the household out of poverty poverty (Figure 51). Despite this, the presence of a household enterprise significantly increases household welfare (Table 15). Therefore, household enterprises may be better suited to complement other income sources at current productivity levels. However, this is rarely the case, with household enterprise income often being the only or largest source of income.[47]

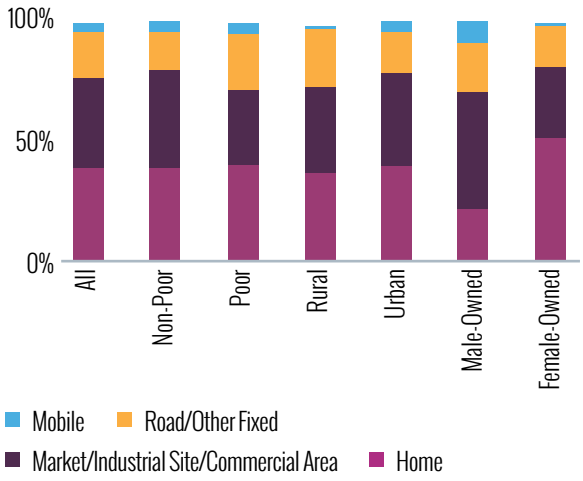
45. Operating from a market is positively associated with revenue per worker but not profit. Slightly more HHEs run by poor households operated from their household and less often from a marketplace. Gender differences exist, with half of female-owned HHEs operating from the household relative to male-owned HHEs, which may limit exposure to customers (Figure 52). Operating from a marketplace has a positive association with larger revenue per worker, although this association does not exist for profit (Table 17). This may be due to higher operating costs from operating in the market area. Higher education and male ownership are associated with larger revenues per worker, while HHEs operated by poor households have lower revenues. Given that it is often the poor and women-owned enterprises who report lower revenue and profit, even after controlling for the location of operation, other barriers may limit the success of their enterprises, such as the greater marginalization they are exposed to. They may also lack social and political networks, especially women, who are often excluded from these networks. For instance, focus group discussions in Mogadishu highlighted that

Figure 51: Share of Household Enterprises that report enough per capita profit for the household to be above the poverty line



Source: Authors' estimates based on SIHBS 2022.

Figure 52: Household Enterprise Operating Location



[45] The self-reported profit is used. When this is not available, profit is calculated using reported revenues and costs. In the instance revenue is not reported, it is imputed based on the enterprise and owner characteristics.

[46] Nagler and Naudé 2017

[47] Just over a third of households with an enterprise solely rely on this income source, while for two-thirds it is the largest income source. Among these households, enterprise earnings accounted on average for 90 percent of their total income.

clan dynamics often influence purchasing decisions.

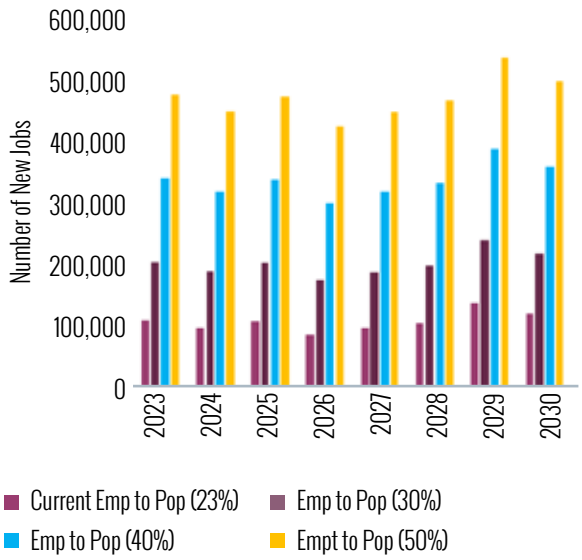
How can the poor be more productive, and what prevents them from accessing productive economic opportunities?

46. Differences exist in how households engage with the labor market across the consumption distribution. On initial inspection, there is little difference in labor force participation, and wage employment is the most common source of employment for most. However, richer and urban households received remittances more often, particularly from abroad (Figure 39). In addition, while employment in the services sector accounted for most employment, individuals from poor households were more likely to work in low-productivity sectors such as agriculture, construction, and other services. Further, individuals from richer households worked for the government more often, and those from poorer households worked for other households. While private non-agricultural employers were the largest source of employment, individuals from richer households more often worked for larger-sized private non-agricultural employers. Finally, while most households depend on a single worker, there are demographic differences, with poorer households having fewer working members relative to their size.

47. Due to Somalia's demographic composition, job creation will become an increasingly important issue for Somalia. In 2022, the pool of individuals aged between 15 and 64, or the working age, was around 7 million. As around half of Somalia's population is 14 or under, the pool of working-age individuals will continually increase over time. For instance, based on the SIHBS, the number of working-age individuals will reach 10.7 million by 2030. While not all working-age individuals are expected to work, even to maintain the current employment-to-population ratio, on average, just over 100,000 jobs must be created annually until 2030. However, given Somalia's low LFP and the importance of employment for poverty reduction, maintaining the current employment-to-population ratio would be the minimum ambition. If the country were to increase its employment-to-population ratio to 30 percent by 2030, this would require an average of 200,000 jobs to be created each year, while reaching 40 percent would need just under 340,000 jobs a year (Figure 53). Therefore, policies that help promote an environment for job creation will be essential.

48. Improvements in education remain extremely important. As outlined above, literacy and enrollment are extremely low in Somalia, even relative to other low-income countries. Further, the education of the household head is associated with lower poverty, as is literacy. Within the labor market itself, education

Figure 53: Required Job Creation, 2023-2030



is often correlated with better outcomes, such as employment in more productive sectors (social and administrative services), government and NGO employment, and employment in larger private employers. Further, household enterprises with better-educated owners appear to be more productive.

49. Government programs can also help support areas relevant to employment. While most employment and future job creation should come from the private sector, the government can still play an important role. For instance, social protection programs can be utilized to help increase the accumulation of human capital, while public works may offer opportunities for those who may initially lack the skills or experience to gain access to employment opportunities within the private sector. Lastly, interventions that promote the growth of household enterprises can help contribute to job creation. These potential policies will be discussed in more detail in Part C.

CHAPTER 3: SHOCKS DEEP-DIVE

50. Somalia is particularly vulnerable to climatic shocks, as highlighted by the recent multi-season drought. Somalia has an arid to semi-arid climate, with limited rainfall and high average temperatures. As a result of its arid climate, over half of the country is suitable for extensive nomadic pastoralism, while only 13 percent of the country's total land area is suitable for cultivation. The country is also vulnerable to shocks due to its variable climate, which often has substantial consequences for the climate-dependent livelihood systems, such as livestock, that support most of the population. Further, climate change is already impacting the country, with average temperatures increasing, while the Gu rains have been declining in many parts of the country.[48] This is exemplified by the recent multi-season drought experienced throughout 2021 and 2022, followed by extreme flooding in 2023.[49] Temperatures are forecast to continue increasing, while changes in precipitation are generally predicted to increase, although with a much wider range of uncertainty.[50]

51. This deep dive will look at households' exposure, vulnerability, and coping strategies to droughts, and how these differ spatially and across the consumption distribution. External shocks, such as drought or flooding, can have a negative impact on a household's ability to convert assets into market income.[51] Improving households' resilience to shocks will be key to Somalia's future poverty reduction. Therefore, given climatic shocks are likely to become more frequent, this chapter will focus on who is most exposed to climatic shocks, who is vulnerable to these shocks, and what households typically do in response to these shocks. The chapter will conclude with suggestions on how Somali households can become more resilient to climatic shocks.

What shocks are commonly reported by Somali households?

52. Over two-thirds of households reported a severe negative economic impact from any shock in 2021 or 2022. After five consecutive failed rain seasons, the drought, which started in 2020, was the longest and most severe in decades.[52] Meanwhile, food inflation reached unprecedented levels in 2022, particularly for imported foods. For instance, the average annual inflation rate for cereal prices in Mogadishu reached 69% in June 2022, up from 2% the previous year.[53] As a result, 68 percent of households reported that they were severely negatively affected by a shock in 2021 or 2022, a similar share to that reported in 2017 following the 2016-2017 drought.[54] While poor households were more often negatively affected by shocks, just under two-thirds of non-poor households also self-reported being negatively affected. Self-reported exposure was largest in nomadic households, followed by rural and, lastly, urban households (Table 18). Households in the south of the country, where agriculture is more common, are more often reported to be negatively affected.

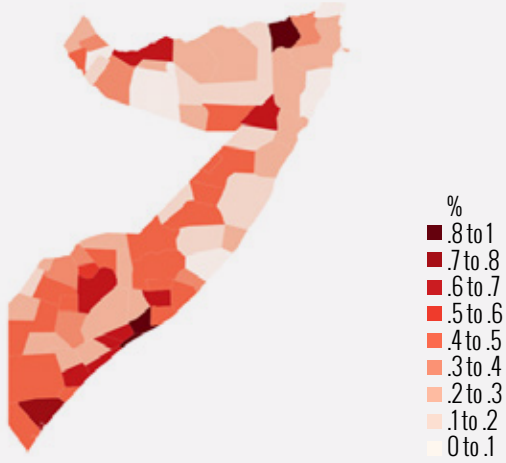
[48] World Bank 2023a.
[49] Reliefweb 2023.
[50] World Bank 2023a.
[51] López-Calva and Rodríguez-Castelán 2016.
[52] World Bank 2024c.
[53] IMF 2022.
[54] World Bank 2019.

Box 7: Poverty and Conflict

Fragility and conflict harm economic activity. Al-Shabaab maintains territorial control in parts of southern and central Somalia. Despite a downward trend in conflict between 2018 and 2022, there was an uptick in 2021 due to fighting with Al-Shabaab in central and southern Somalia. Further, many shocks can intensify conflict as competition for scarce resources increases. Conflict can also create a vicious cycle whereby the lack of services and opportunities reinforces marginalization and breeds conflict, which in turn leads to further neglect, continued poverty, and marginalization.[55] Conflict in Somalia has also been shown to have a large negative short-term impact on consumption and, therefore, increasing poverty. The decline in consumption appears to be driven by a smaller share of household members working and earning income. By contrast, consumption for richer households appears to be unaffected.[56] In addition, conflict and insecurity have destroyed the enabling infrastructure required for domestic production and contributed to internal economic fragmentation, disrupting supply chains across the country and worsening food insecurity. Finally, areas with the potential for agricultural production are also some of the most affected by conflict.[57]

Exposure to conflict is larger in the southern part of the country; however, it does not appear to be correlated with regional poverty rates. Banadir (96 percent) has the highest share of the population living within 5 km of a conflict between 2018 and 2022, likely partly due to a higher frequency of conflict and population density. Other regions with a higher share of exposure include Lower Shabelle (66 percent) and Lower Juba (61 percent) (Figure 54). However, at the regional level, there does not appear to be any correlation between poverty rates and exposure to conflict (Figure 55). Further, very few households reported a severe negative economic impact from conflict in 2021 or 2022, with higher exposure among the nomadic poor and urban non-poor (Figure 56).

Figure 54: Exposure to Conflict, 2018-2022



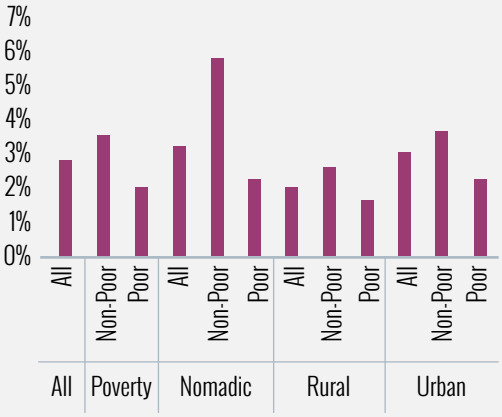
% of population living within 5km from conflicts (2018 - 2022) (District)

Source: Authors' estimates based on SIHBS 2022 and Somalia PTI data.

Figure 55: Regional Poverty Rate and Exposure to Conflict

[55] World Bank 2023b.
[56] Nunez-Chaim and Pape 2022.
[57] World Bank 2023b; World Bank 2021a.

Figure 56: Self-Reported Household Exposure to Conflict in 2021 or 2022



Source: Authors' estimates based on SIHBS 2022 and Somalia PTI data.

53. Food price increases were the most common shock, followed by drought, which affected specific parts of the population more frequently. Food price shocks affected just under half of Somali households in 2021 or 2022 (45 percent), followed by drought (35 percent) and then livestock death (11 percent). All other types of shocks affected less than 3% of households. Given the large share of imported food in Somali diets, with domestic production satisfying only a fifth of per capita cereal needs, it is expected that imported food inflation would affect most households.[58] The food price increases affected households equally across location and poverty status. In contrast, drought-affected nomadic and poor households more often. The same is true for livestock death, which is concentrated among nomadic, with a larger share among poor nomadic households (Table 18).

How are different areas of the country affected by climatic shocks?

54. Exposure to drought, floods, and heat is more common in poorer regions. Geospatial data can be used to estimate the number of households in a region exposed to climatic shocks. This allows for classifying a household as exposed to a shock regardless of whether they perceived themselves negatively affected. Regional poverty rates follow a similar pattern to the share of the population exposed to any climatic shock, with poorer regions typically having greater exposure (Figure 57 and Figure 58). Further, a much larger share of the population is exposed to drought compared to floods and heat (Figure 59, Figure 60, and Figure 61). With around 38 percent of the population exposed to drought, flood, or heat, Somalia has a similar share of exposure to neighboring low-income countries such as Ethiopia and Uganda but lower than Sudan and some West African low-income countries.[59]

Figure 57: Poverty Rate

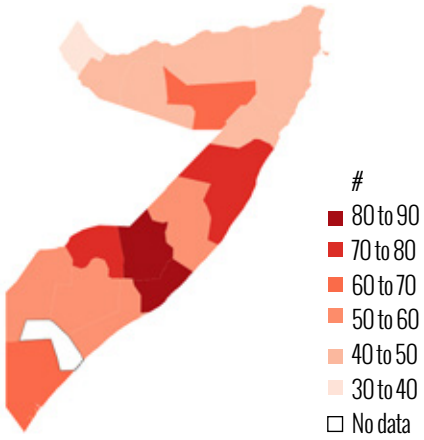
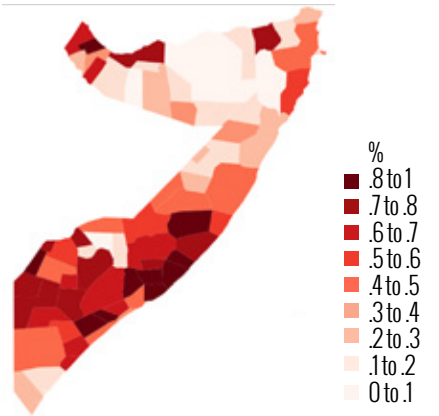


Figure 58: Share of Population Exposed to Any Climate Hazard[60]



Source: Authors' estimates based on SIHBS 2022, Worldpop, FAO, GFDRR, and Fathom (Version 3).

[58] IMF 2022.

[59] Doan et al. 2023.

[60] Definitions of exposure and data sources for each of the three climate hazards are detailed in the footnotes attached to the following figures.

Figure 59: Share of Population Exposed to Drought[61]

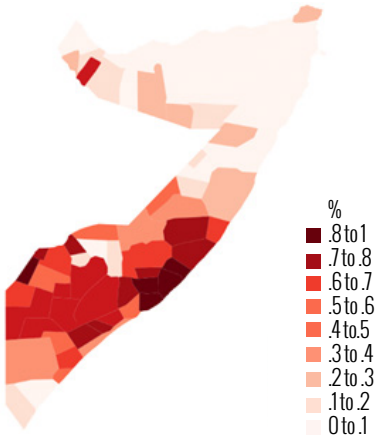


Figure 60: Share of Population Exposed to Heat[62]

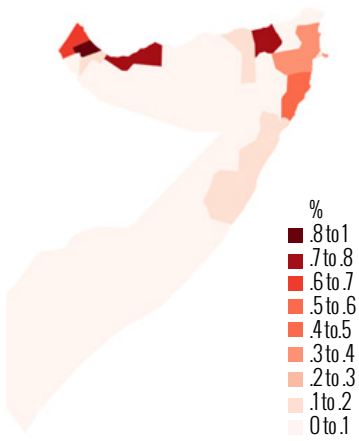
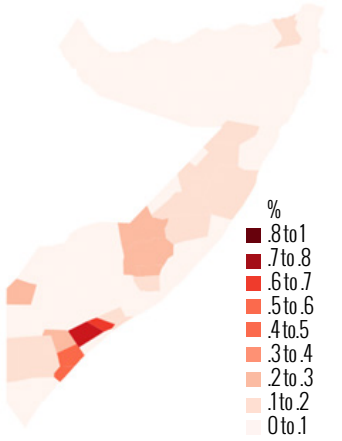


Figure 61: Share of Population Exposed to Floods[63]



Source: Authors' estimates based on SIHBS 2022, Worldpop, FAO, GFDRR, and Fathom (Version 3).

Did poor households more often report a negative impact of drought?

55. Poorer households and regions more often reported being negatively affected by the recent drought. At the household level, there is a clear correlation between the reported impact of drought and poverty. The negative relationship between consumption and the likelihood of being impacted by drought is clearest among urban households and weakest among nomadic households (Figure 62).[64] As a group, nomads are more likely to be affected by the drought. At the regional level, there is a weak positive correlation between poverty headcount and the share of households experiencing drought (Figure 63).

Figure 62: Share of Households Affected by Drought by Residency and Consumption Quintile, 2022

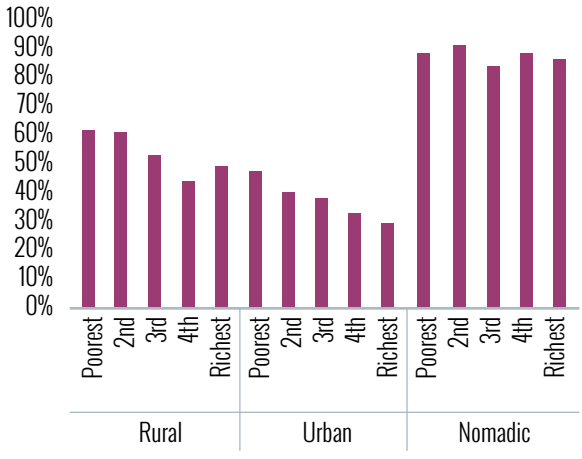
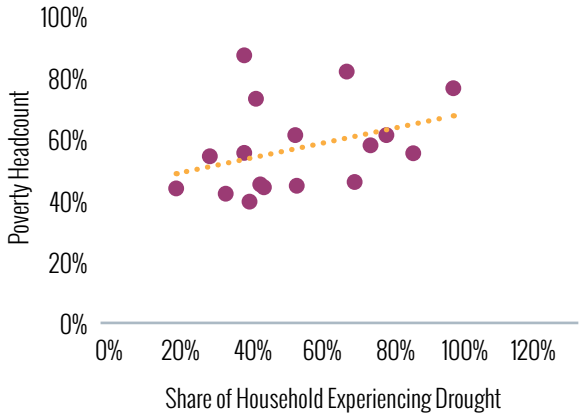


Figure 63: Poverty Headcount by Region and Share of Households Affected by Drought, 2022



Source: Authors' estimates based on SIHBS 2022.

[61] Drought hazard is defined as areas where at least 30% of cropland/grassland have experienced drought (VHI below 35) for the past 39 years (https://data.apps.fao.org/catalog/iso/f8568e67-46e7-425d-b779-a8504971389b).

[62] % of people exposed to extreme heat (33C day max WBGT) (https://datacatalog.worldbank.org/int/search/dataset/0040194/Global-extreme-heat-hazard)

[63] % of people exposed to river flood hazard (inundation depths of at least 50 cm during 1-in-100-year flood events).

[64] Even after removing self-reported IDPs, the poorest urban households reported the highest exposure.

56. A negative NDVI shock at the district level in the Deyr rainy season in 2021 had a negative impact on consumption and poverty.[65] Regression analysis shows that the larger the negative normalized difference vegetation index (NDVI) shock in November or December of 2021 was, the larger the negative impact on consumption and poverty in rural and urban areas. An increase in the Z-score of the NDVI shock in a district was associated with lower total, food, and non-food consumption and increases in poverty, food poverty, and extreme poverty (Table 4). The negative impact of drought on households' consumption and poverty is consistent with previous findings in Somalia.[66]

Table 4: Regression Coefficients for NDVI Shock Z-Score on Monetary and Non-Monetary Indicators[67]

	All	Poor	Non-Poor	Rural	Urban
Consumption	-0.673***	0.023	-0.637***	-0.938**	-0.849***
Food Consumption	-0.446**	0.235	-0.530**	-0.788*	-0.750***
Non-Food Consumption	-0.919***	-0.277	-0.459	-1.320*	-1.074***
Food Insecurity	0.706	-1.413	1.933	3.399	1.438
Poverty	0.539***			1.006**	0.632***
Food Poverty	0.489***			0.751*	0.745***
Extreme Poverty	0.234**			0.919***	0.300**

Source: Authors' estimates based on SIHBS 2022.

Who are vulnerable to climate shocks?

57. Almost all the Somali population exposed to climatic shocks are likely vulnerable. While a household may reside in an area that experiences a climatic shock, some households may not be negatively affected due to their resilience or lack of vulnerability. A household's vulnerability could be proxied using two aspects: the physical propensity to experience severe income, asset, or health loss and the inability to cope with and recover from the losses (Table 5).[68] The population exposed to either drought, heat, or flooding is multiplied by the share of the population who are considered vulnerable in at least one dimension to get the share of the exposed population who are vulnerable.

[65] A negative NDVI shock is based on the Z-score of the monthly district NDVI in relation to the monthly long-term average NDVI at the district level. The long-term average is defined as the monthly average between 2002 to 2023. The Z-score is inverted so a negative NDVI shock has a positive figure to improve the interpretation of the regression coefficients i.e. a negative coefficient means a larger negative NDVI shock is associated with a reduction in the dependent variable.

[66] Pape and Wollburg 2019.

[67] The impact of climatic shocks can be estimated using OLS. Weather shocks are exogenous variables, which implies the absence of endogeneity. Short-run deviations from long-run rainfall and temperature are plausibly exogenous (Nübler et al. 2021; Wineman et al. 2017). Therefore, OLS regressions can be used to estimate the impact of weather shocks (i.e., negative and positive rainfall shocks, temperature shocks and vegetation shocks) on household monetary and non-monetary welfare for 2022.

[68] Doan et al. 2023.

Table 5: Indicators to Measure Climate Vulnerability

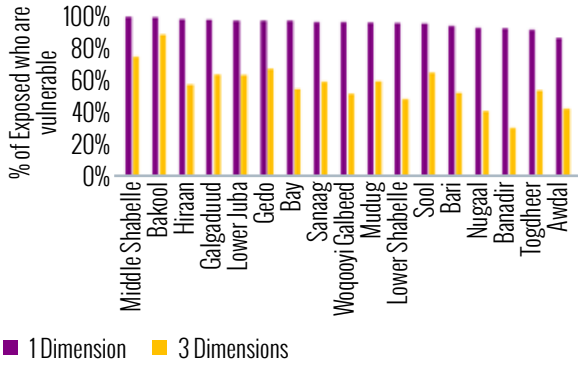
Vulnerability	Area	Dimension
Physically Vulnerable	Access to water	The household has access to an improved water source in the dry season and the trip to collect water and return takes less than 30 minutes.
	Access to electricity	Household has access to electricity.
Unable to cope	Low income	Household's per capita consumption is below 1.5 times the poverty line.
	Not covered by social protection	The household did not report receiving aid or remittances.
	No access to finance	The household did not have an adult with access to a bank/mobile money account.
	Low education	The household does not have a member with at least completed primary education.

Source: Doan et al. 2023.

58. Regardless of region, almost all exposed households are also deprived in at least one dimension and, therefore, could be considered vulnerable. Relaxing the definition of vulnerability to require a household to be vulnerable in three dimensions reduces the percentage of exposed who are vulnerable but widens regional differences. For instance, in Bakool, 88 percent of the exposed are still considered vulnerable, while this drops to 31 percent in Banadir (Figure 64). Therefore, the share of the exposed but not vulnerable population can be considered a proxy for resilience. This is strongly correlated with regional poverty, with poorer regions having a larger share of exposed who are considered vulnerable, or rather a smaller share who could be considered resilient to climatic shocks (Figure 65).

59. Most households are considered vulnerable due to a lack of income, followed by education. On average, households are vulnerable in 2.6 dimensions, with the lowest average among urban households and the largest among nomadic households. There are also large regional differences, ranging from 3.8 in Bakool to 2.1 in Banadir (Figure 66). Just under three-quarters of all households are vulnerable in the income dimension, followed by just under two-thirds in the education dimension (Figure 67). Sufficient education is important as it enables a household to be more flexible in changing livelihoods, while sufficient income provides a buffer to smooth consumption during shocks.

Figure 64: Share of Exposed Population that are Vulnerable in 1 Areas



Source: Authors' estimates based on SIHBS 2022.

Figure 65: Regional Poverty Rates and Share of Exposed Population that are Vulnerable in 3 Areas

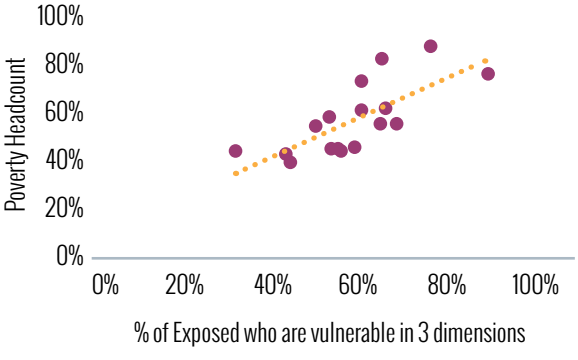
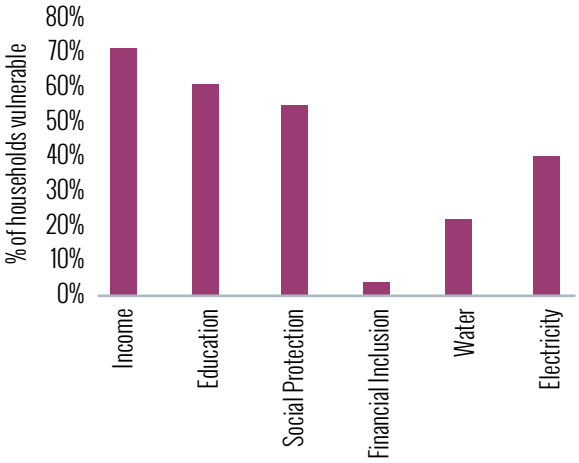


Figure 66: Average Number of Vulnerable Dimensions by Region

Figure 67: Share of Households Vulnerable in each dimension



Source: Authors' estimates based on SIHBS 2022.

How Somali households cope with climatic shocks?

60. Most households did not utilize any economic response after being affected by the drought. Over half of the households who were affected by the drought took no economic action (this includes prayer, doing nothing, and other responses not classified elsewhere) in response (Figure 68). The most common form of economic response is to rely on savings or assets, regardless of the area of residency. However, the ability to do so increases along the consumption distribution. By contrast, the share of households receiving assistance decreases with consumption in rural and urban areas. The poorest urban households more often reduced consumption or moved all or part of the households, likely reflecting that a large share of IDPs are at the bottom of the urban consumption distribution. Borrowing and increasing economic activities also decrease with consumption in urban areas (Figure 69).

Figure 68: Share of Households Responding to Drought, 2022[69]

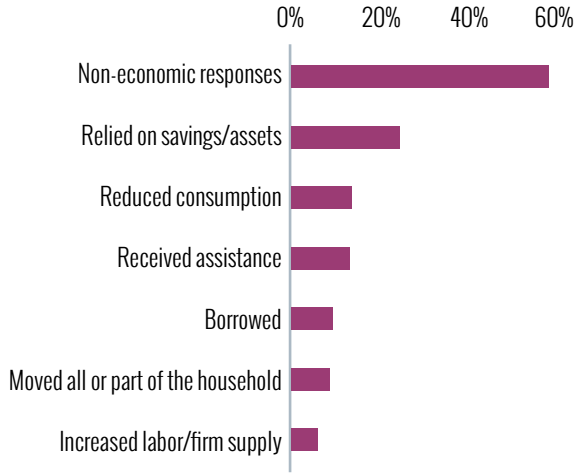
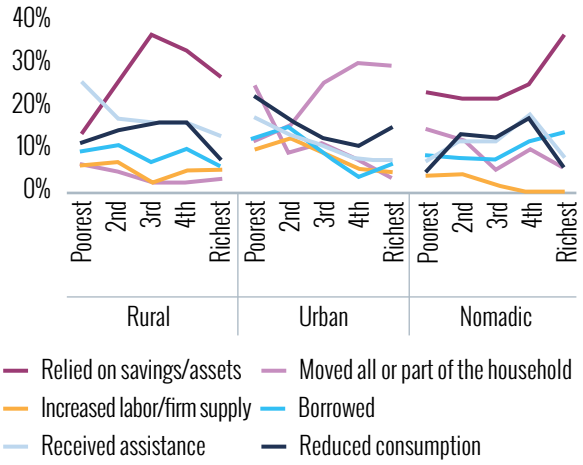


Figure 69: Share of Households with Economic Responses to Drought by Residency and Consumption Quintile, 2022



Source: Authors' estimates based on SIHBS 2022.

[69] The sample for this section is households who reported having been affected by the drought shock in 2020, 2021 or 2022. "Non-economic responses" combines "Prayer", "Do nothing" and "Other" responses not classified elsewhere. A detailed account of which survey responses are combined to create the categories discussed in this section is available in Annex 1.

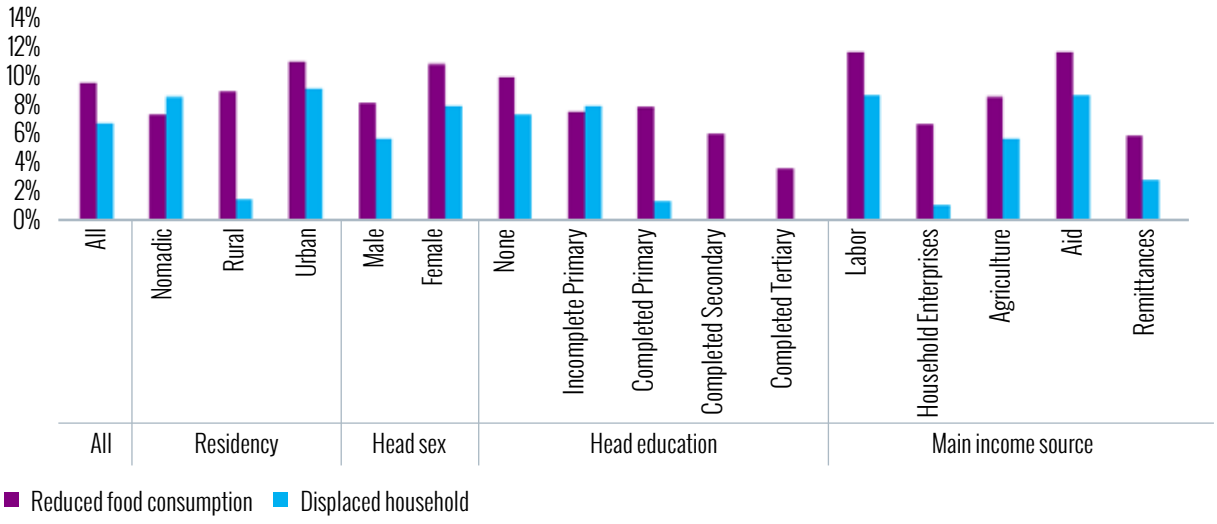
61. Reducing food consumption and displacement were the most common maladaptive responses. Maladaptive responses may have long-term implications for welfare, such as harming human capital (removing children from school, displacement, reduction in food consumption) or supply capacity (selling out of land or livestock).[70] Reducing food consumption was adopted by 10 percent of households affected by the drought, while 7 percent were displaced. By contrast, only 1 percent of households sold out all land or livestock that they owned in response to the drought, and less than 1 percent of households removed children from school to make them work. This is consistent with low labor force participation rates, with most households having some inactive adults and low school enrollment rates outside of urban centers. Female-headed households were more often displaced or reduced food consumption, as were households with less educated heads (Figure 70).

The relationship between displacement and climatic shocks

62. Climatic shocks are the main reason for internal displacement in Somalia in recent years. Between 2016 and 2023, on average, over 1 million Somalis were displaced, with drought being the largest cause of displacement in 2017 and 2022 and floods in 2020 and 2023 (Figure 71).[71] Self-reported IDPs in 2022 most often cited droughts as the main reason for displacement, with this reason being the most common among the poorest IDPs (Figure 72).

63. IDPs are poorer, both in terms of the poverty headcount and gap and are concentrated in the poorest urban quintile. Nationally, the poverty rate is 52 percent among non-IDPs compared to 72 percent among IDPs, while the poverty gap increases from 18 percent to 31 percent. Therefore, self-reported IDPs are more often poor, and when

Figure 70: Share of Households with Common Maladaptive Responses to Drought by Household Characteristics, 2022



Source: Authors' estimates based on SIHBS 2022.

[70] Households were considered as having sold out of livestock if they owned <5 animals of any one type. This threshold was chosen based on the distribution of livestock ownership in the entire sample and literature on minimum viable flock size.

[71] Data on displacement is from the Protection and Return Monitoring Network (PRMN) database, maintained by the UNHCR. (https://prmn-somalia.unhcr.org/)

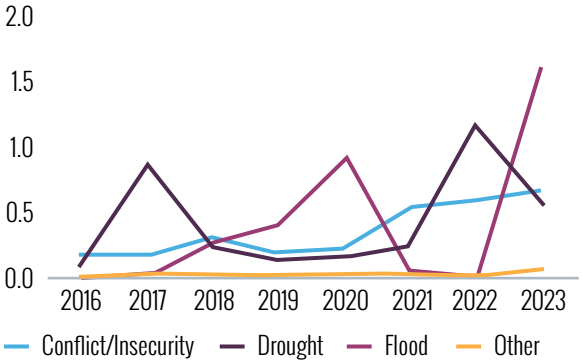
they are poor, they are further, on average, from the poverty line (Figure 73). The difference between IDPs and non-IDPs in urban areas is the widest (25 percentage points). Further, 31 percent of all IDPs are in the poorest urban quintile, suggesting that when IDPs do move to urban areas, they often fall at the bottom of the urban consumption distribution (Figure 74).

64. A focus group discussion with IDPs in Mogadishu highlighted that climatic shocks resulted in the loss of assets (farms and livestock), which in turn forced them to flee their homes. However, most IDPs declared a desire to return to their original location, provided stability exists.[72] Further, some stated the inability to return to their previous location without assets; for instance, those who lost livestock stated they would return if they had livestock assets. However, the desire to return wasn't uniform, with one respondent able to establish and grow a small business. Respondents also highlighted land tenure issues and a lack of social capital, formal education, credit, and marketable skills as factors hindering their integration into urban areas.

How can households be more resilient to climatic shocks?

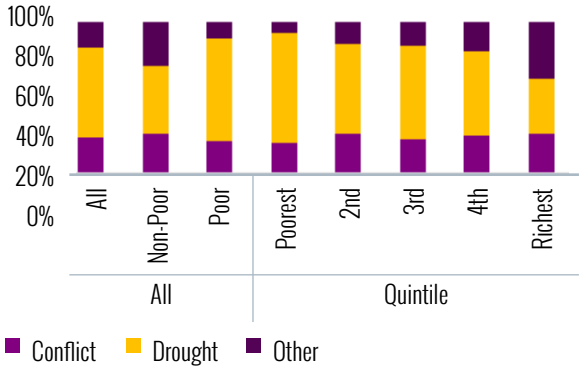
65. Three broad methods can help promote economic resilience to climate change. Firstly, efforts can be made to reduce the biophysical impact of climate change and extremes, for instance, by growing crop varieties that are more resilient to drought. Secondly, interventions can moderate the socioeconomic consequences of these impacts,

Figure 71: Displaced Individuals, 2016-2023



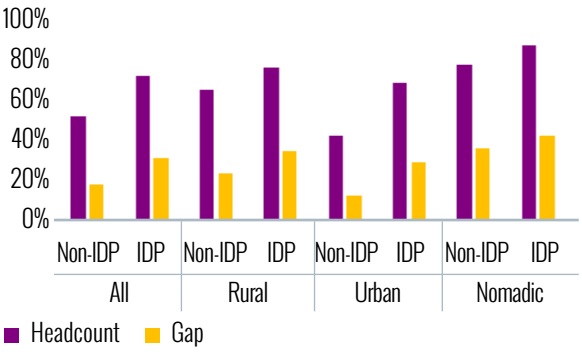
Source: Authors' estimates based on PRMN data.

Figure 72: Reason for Being an IDP



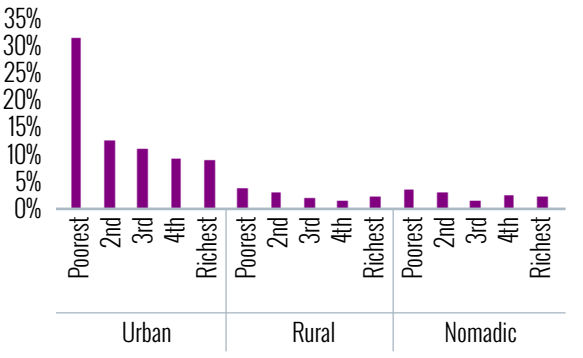
Source: Authors' estimates based on SIHBS 2022.

Figure 73: Poverty Headcount and Gap



Source: Authors' estimates based on SIHBS 2022.

Figure 74: Distribution of IDPs



[72] Federal Government of Somalia 2023.

such as encouraging alternative livelihood options, increasing insurance uptake, or utilizing adaptive social safety nets. Lastly, diversification towards sectors that are less vulnerable to these shocks can be considered. While economic growth can contribute to improvements in resilience, this needs to be complimented by proactive and science-informed adaptation.[73]

66. Increased economic opportunity, education, and access to social protection can help improve resilience. Poorer regions tend to be more exposed to climatic shocks and have a larger share of exposed households who lack characteristics that may help them deal with these shocks. Policies that help households increase their market income will, in part, help households be more resilient to climatic shocks while improving access to education and social protection, which will also benefit exposed households. The latter is also made more relevant by the small share of drought-affected households who reported receiving assistance following the drought.

67. Households displaced by climatic shocks need support integrating into their new location. Climate-related shocks will remain a key driver of displacement, especially among the poorest. These households typically move to urban areas and are concentrated among the poorest urban quintile, suggesting they have difficulty finding economic opportunities in urban areas. This is supported by the fact that IDPs have higher labor force participation than non-IDPs and often work in low-quality and insecure jobs. Therefore, policies that help better integrate displaced individuals into urban areas will be beneficial.

Box 8: Spatial Inequalities

Somalia – a country with an area of about 637,657 square kilometers – spans diverse agroecological zones, from pastoral land in the North to riverine farmland in the South. Simply looking at the national-level poverty rate masks important geographical variation and drivers for poverty reduction. Looking at the regional level maps, monetary and non-monetary poverty display a clear pattern, with lower poverty in the country's northern regions. The same pattern is true for non-monetary poverty: educational enrollment is low in the poorer regions in central and southern Somalia. On the other hand, access to the internet is high in regions with large cities around Mogadishu, Hargeisa, and Garowe.

Figure 75: Poverty Rates

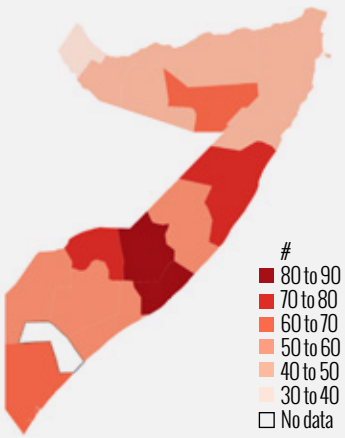


Figure 76: Access to the Internet

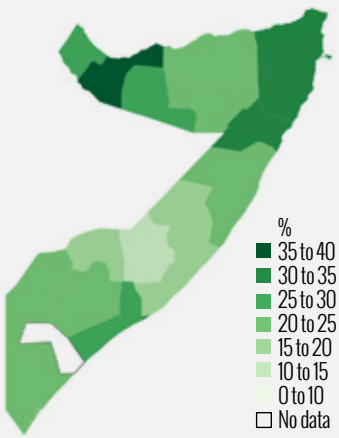
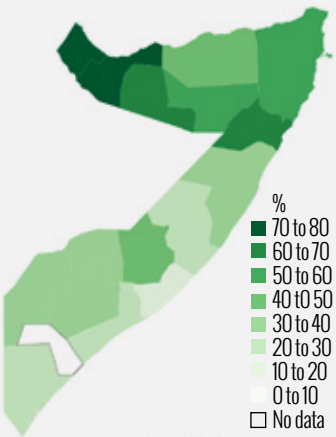


Figure 77: Primary Gross Enrollment



[73] World Bank 2023a.

What explains differences in welfare levels across different areas? Economic geography, a framework used to analyze spatial disparities in development, helps us understand how these disparities are connected to three major factors: density, distance, and division.[74]

Figure 78: Population Density

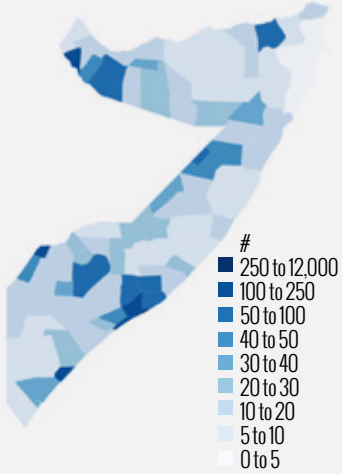


Figure 79: Distance[75]

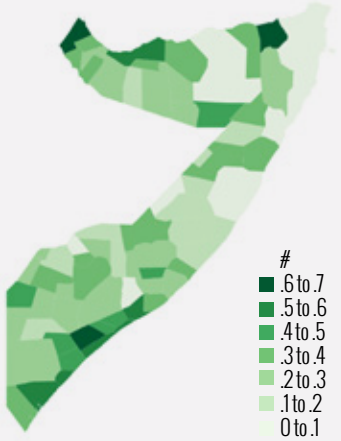
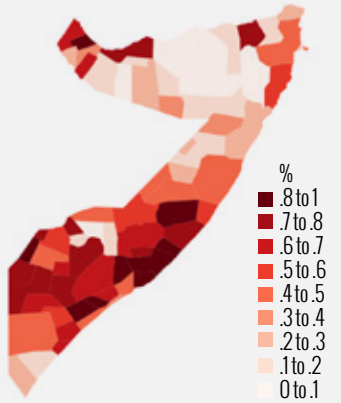


Figure 80: Exposed to Climate Shock



Density. Urban agglomerations usually drive economic growth and poverty reduction. Somalia data shows high population density near large urban areas such as Mogadishu and Hargeisa. Such a pattern will continue to grow due to rapid urbanization and displacement. Given the urban nature of poverty, these northern regions still account for almost four in 10 of all the poor (Figure 4).

Distance. Transportation plays a significant role in the spatial welfare gap in Somalia. The country's national transport infrastructure has suffered from a lack of investment and maintenance, with only 13% of its roads being paved. Transport prices for these routes vary widely and are among the highest in Africa, exceeding international benchmarks for developing countries (CEM, 2021). Access to markets may also affect the welfare of nomadic households (see Nomadic deep-dive chapter).

Division. Somalia is one of the most vulnerable countries globally. The relative stability in the north is due to the greater homogeneity of the clans. In contrast, Southern Somalia is more densely populated and heterogeneous, with more communities competing for resources, leading to significant conflict (SCD 2023). Linkages between conflicts and poverty are shown in Box 7 and Figure 55. In addition, domestic market fragmentation due to illegal checkpoints and high transportation costs complicates logistics and dampens competitiveness (CEM, 2021).

Climate risks. As noted earlier in the shocks deep-dive chapter, a larger portion of the population in central and southern Somalia is affected by drought, while a few northern districts are more prone to heat shocks. These shocks are linked to poverty patterns.

A simple regression with poverty as the dependent variable and population density, Rural accessibility Index (RAI), and conflict as independent variables shows the expected relationships: greater population density and access to markets are associated with lower poverty, while greater conflict is associated with higher poverty (Table 19).

[74] "World Bank. 2009. World Development Report 2009: Reshaping Economic Geography. © World Bank. http://hdl.handle.net/10986/5991.

[75] Share within 2km of all season road.

CHAPTER 4: NOMADIC DEEP-DIVE

68. The movement of the nomadic population played a key role in the stagnation of poverty between 2017 and 2022. Between 2017 and 2022, some of the nomadic population dropped out and moved to urban areas, typically as IDPs, demonstrated by the changes in the population shares. The movement of these nomadic households had a poverty-reducing impact on the nomadic poverty rate, suggesting that these were poor households that had dropped out and moved to urban areas. This movement also coincided with an increase in inequality in nomadic areas, which may have occurred as, during drought, richer households often buy livestock at depressed prices when the poorer households are forced to sell.[76]

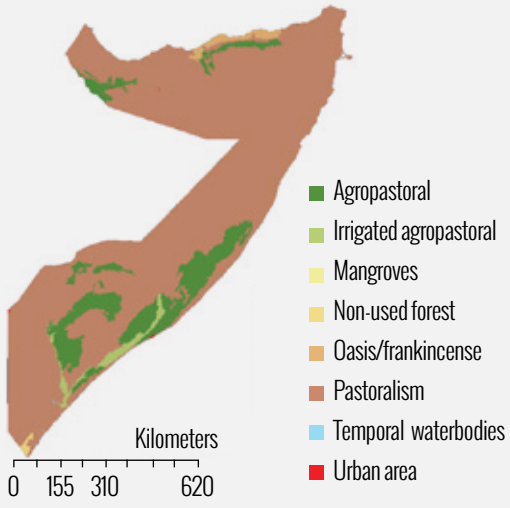
69. The rest of this chapter will focus on what can be done to improve the welfare of the nomadic population. The chapter will start by looking at the characteristics of the nomadic population and their welfare. It will then look at the type of livestock owned, diversification, the use of inputs, output production, and commercialization across the nomadic consumption distribution to determine whether there are differences between the non-poor and poor nomadic households. Further, given the movement of population from nomadic to urban areas and the likelihood that climatic shocks will become more common, the chapter will also look at urban IDPs and what can be done to better support their integration into urban areas.

Box 9: The Nomadic Lifestyle

Pastoral societies are found in environments characterized by limited productive potential of the land, as well as scattered and highly variable precipitations. In such settings, nomadic livestock rearing offers better potential to exploit available resources than other productive systems (Figure 75).[77] This correlates with the concentration of the nomadic population in the northern regions (Figure 95).

A crucial element of Somali pastoral society is its ability to spread risk based on principles of reciprocity and obligation among kin. Numerous mechanisms exist to provide livestock to kin-mates in need, from outright gifts to interest-free loans of milking animals to credit paid-in livestock

Figure 81: Land Use Systems



Source: World Bank 2023a.

[76] Aklilu and Catley 2009.
[77] Cossins 1985.

when the opportunity arises. Gifting of animals, especially camels, punctuates important life events, such as birth and marriage.[78]

Attachment to nomadic pastoralism is driven by its cultural perception as "noble" and "pure", in opposition to urban and agro-pastoralist communities which suffer broad political and social discrimination.[79] The political and cultural dominance of nomadic pastoralism dates back to the conquest of the Somali peninsula by northern clans.[80] While aspects of their hegemony were threatened by colonial rule, it was reasserted upon independence and strengthened during the Siad Barré era and the civil war, as the strongest nomadic clans struggled for political supremacy.[81]

What are the welfare conditions of the nomadic population?

70. The nomadic population suffers from the highest monetary and non-monetary poverty. The nomadic population accounts for a relatively small share of the population (11 percent), however, they display the highest poverty rate (78 percent). The nomadic population also have the highest rates of extreme poverty and the poverty gap, both of which increased between 2017 and 2022. Inequality was also the largest among nomadic households and increased between 2017 and 2022. In addition, they lag in literacy and enrollment rates, and have lower access to electricity and improved drinking water, which is reflected by the high rates of multidimensional poverty (91 percent), with just under three quarters being both monetary and multidimensionally poor. There are also demographic differences, with nomadic individuals having less education and being younger on average.

71. However, there is a small group of nomadic households who achieve higher levels of consumption. This is demonstrated by the richest nomadic quintile, which coincides with the non-poor nomadic households, who had consumption levels comparable to those of the richest rural quintile. The difference in consumption is also the widest between the 4th and 5th quintiles among nomadic households.

Box 10: Drought and Nomadic Welfare

The indicators presented in this chapter should be considered in the context of a prolonged drought. Somalia faced an unprecedented multi-season drought in 2022, which in turn resulted in the loss of livestock.[82] Given the importance of livestock to nomadic households, this sub-population is likely to have been severely affected by the drought. The SIHBS 2022 data collection took place between May and July 2022, and therefore nomadic households had already likely been affected by the drought. For instance, in 2021 or 2022 70 percent of nomadic households reported a negative economic impact from the drought and 44 percent reported a negative economic impact from livestock death. Therefore, it

[78] Elmi 1989.
[79] Hill 2010.
[80] Lewis 1960.
[81] Mukhtar 1996.
[82] FEWS NET and FSNAU 2022.

is important that the data presented is considered with this context in mind. For instance, the average regional NDVI, a measure of vegetation, was far below the long-term average, while regions with a larger negative deviation from the long-term average NDVI had higher nomadic poverty rates (Figure 74 and Figure 75). Further, households with larger livestock holdings have been shown to be able to better smooth consumption during poor weather in pastoral zones in Western Africa, and so it is plausible there would be a similar effect in the Somali context.[83]

Figure 82: Unweighted regional NDVI

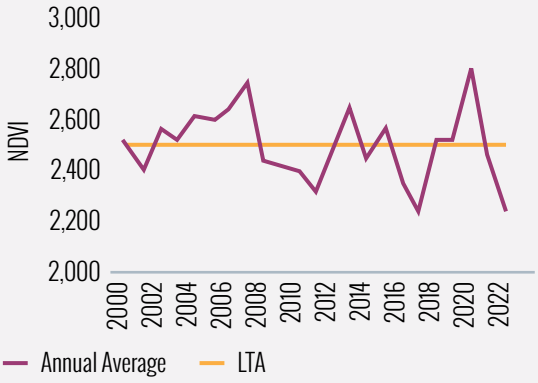
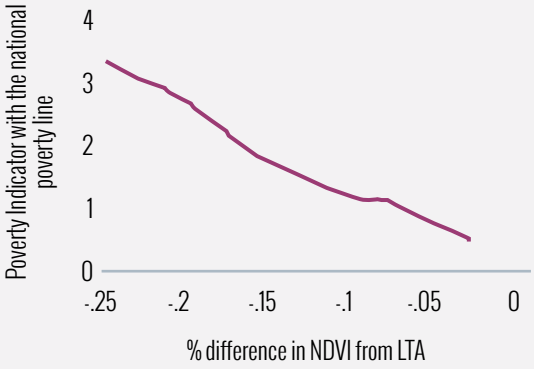


Figure 83: Correlation between Nomadic Poverty and NDVI Deviation[84]



Source: Authors' estimates based on SIHBS 2022 and MODIS data.

What enables these richer nomadic households to achieve higher consumption?

Larger herd sizes?

72. Most nomad households do not own enough livestock to bring them out of poverty. There is little difference in the number of livestock owned across the bottom 60 percent of nomadic households, with the median household owning over 50 animals. The same applies to total tropical livestock units (TLU) and TLU per capita. However, the number of livestock increases for the top two quintiles, with the median household having over 90 animals in the richest quintile or around 14 TLUs and 3.8 TLU per capita (Figure 78). A stockless or near stockless household can be classified as one that has less than 1 TLU per capita.[85] Across the nomadic population, 7 percent reported no livestock ownership, while 25 percent had 1 or less TLU per capita. Just under a quarter had a TLU per capita above 4.5, which can be considered a threshold for the "better-off" pastoralists (Figure 79).[86] As these stockless or near-stockless households cannot produce food for their consumption from livestock, they need cash earnings to survive. These cash earnings typically take the form of aid or wage employment.

[83] Gascoigne, J. et al. 2024.

[84] The largest percentage deviation in the first 6 months of 2022 relative to the long-term average is used, at the district level.

[85] Little et al. 2008.

[86] Little et al. 2008 use this threshold in Northern Kenya. This is supported by similar sustainable herd sizes identified in other studies (Dahl and Hjort 1976; Lybbert et al. 2004; and Potkanski 2000). Nomadic households with a TLU per capita above 4.5 have the lowest poverty rate at 64 percent compared to 87 percent among those with 1 TLU per capita or less.

Figure 84: Median Livestock and TLU Ownership

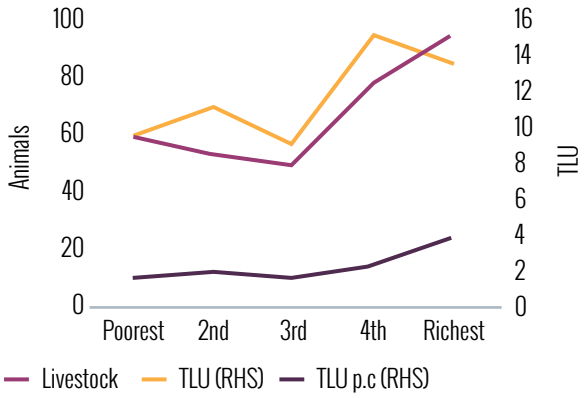
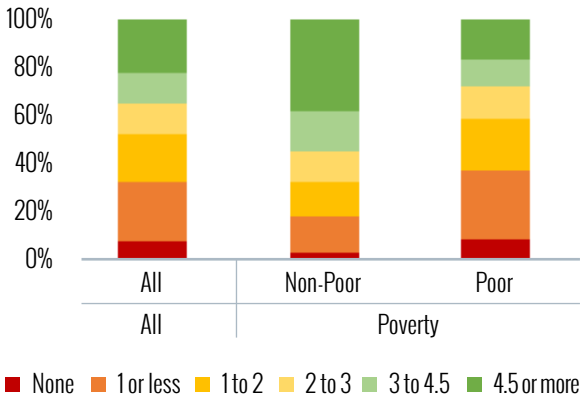


Figure 85: Nomadic Households by TLU per capita



Source: Authors' estimates based on SIHBS 2022.

Box 11: Type of Pastoral Activities

In line with McPeak and Little (2017), nomadic households can be classified into 4 groups based on their per capita TLU and per capita income. Just under half of nomadic households only own livestock and do not have other livelihoods (crops, wages, household enterprises, remittances, aid). A similar share has mixed livelihoods, owning both livestock and engaging in other livelihoods (Figure 80). Households with per capita TLU below the median and per capita income below the median are classified as "left out" as they have less access to herds and the cash economy. The second group is "moving from" as they have below the median per capita TLU but above the median per capita income, suggesting they are moving in a direction away from herd-based livelihoods and are occupying other areas of the economy. The third group, "staying with", have below the median per capita income but above the median per capita TLU, as they have high levels of TLU but are not engaging with the cash economy as much as their peers. Lastly, the fourth group, "combining", have above the median TLU per capita and income per capita, suggesting they are both involved in pastoralism and the cash economy (Table 6).[87] Just over a third of nomadic households are considered as combining, followed by a quarter as staying with, and around one-fifth as moving from or left out. However, the share in the staying with or combining categories increases across the consumption distribution, reaching over three-quarters among the richest compared to 44 percent among the poorest (Figure 81).

Table 6: Classification of Pastoralist Type

		Per Capita Income	
		Below median	Above median
Per capita TLU	Below median	1) Left out	1) Moving from
	Above median	2) Staying with	2) Combining

Source: McPeak and Little 2017.

[87] McPeak and Little 2017.

Figure 86: Type of Pastoralist

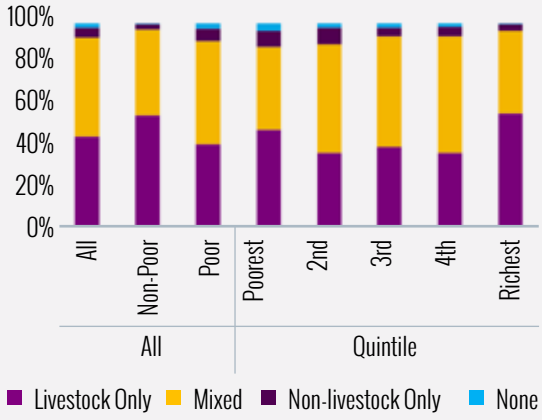
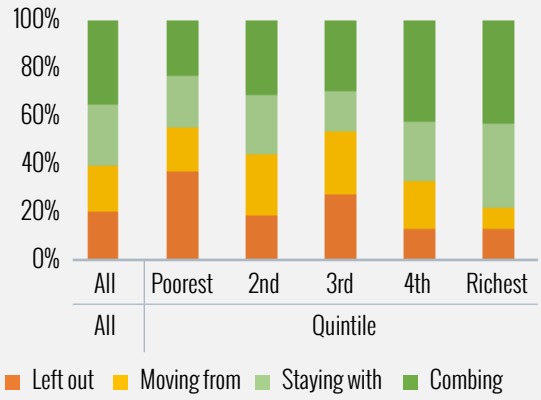


Figure 87: Pastoralist Type based on per capita income and TLU

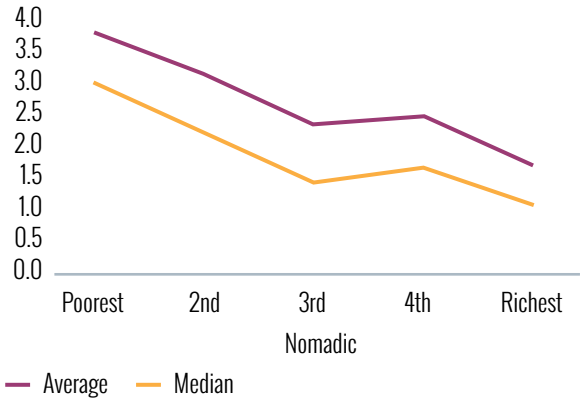


Source: Authors' estimates based on SIHBS 2022.

Commercialization

73. Richer nomadic households also appear better able to convert their livestock assets into consumption.[88] The poorest nomadic households, despite having a lower average value of livestock owned, have a larger ratio of livestock value to total household consumption. For instance, on average the poorest nomadic household has livestock which is valued 3.6 times larger than the total household consumption. In comparison, the average ratio for the richest nomadic household is 1.6 (Figure 82). It is important to note, however, that nomadic households often maximize milk production and herd growth, which may in turn limit their potential for the sale of livestock.[89] Most nomadic households received revenue from the sale of animals, with lower shares among households with below median income ("Left out" and "Staying with"). The sale of livestock output, such as milk, increases across the bottom half of the consumption distribution, and is more common among households with larger per capita herd sizes ("Staying with" and "Combining"). The sale of livestock is more common among the richer nomadic households, and those with larger per capita herd sizes (Figure 83). In fact, the differences in commercialization may also partly explain the increasing inequality in herd size as it often leads to the redistribution of livestock from smaller to larger herds.[90] Milk production and herd accumulation is often a major production objective and therefore pastoralists will organize their herds to meet this objective. This may be supported by the fact that goat and sheep ownership is predominately female animals, which favors milk production and herd growth, rather than animal trade (Figure 84).[91]

Figure 88: Ratio of Livestock Value to Annual Consumption



Source: Authors' estimates based on SIHBS 2022.

[88] Livestock is valued according to the median selling price for rural, urban, and nomadic areas.
[89] Aklilu et al. 2013; Abdulahi 1990.
[90] Aklilu and Catley 2009.
[91] McPeak and Little 2017.

Figure 89: Livestock Revenue Sources

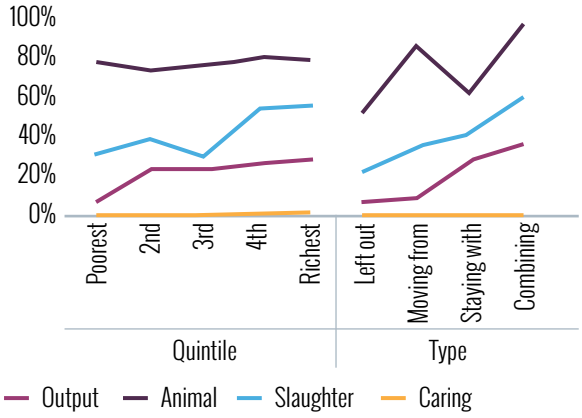
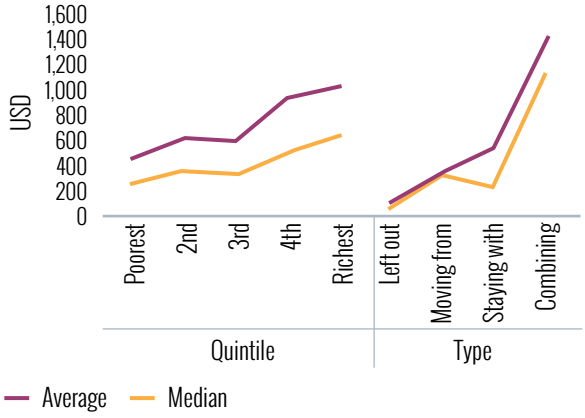


Figure 90: Average and Median Livestock Revenue



Source: Authors' estimates based on SIHBS 2022.

The importance of location?

74. Access to markets appears important for selling livestock for slaughter. There is a large regional variation in the share of livestock-owning households who sold at least one animal for slaughter in the past 12 months, ranging from 52 percent in Bari to 8 percent in Bakool (Figure 85). The geographic location of the regions appears important for accessing markets for slaughter. For instance, the key export ports of Berbera and Bossaso in Waqooyi Galbeed and Bari offer access to Somalia's most lucrative export markets of in the Gulf Cooperation Council countries. In southern Somalia, regions such as Gedo offer access to Kenya and Ethiopia through borders.[92] Further, while the nomadic poverty rates are extremely high, there are some regions where the nomadic poverty rate is lower relative to the nomadic average. For instance, the nomadic poverty rate is below 70 percent in Sanaag, Bari, and Galgaduud (Figure 94).

75. Some regions suffered greater deviations from their long-term NDVI average. One rough measure of the severity of the drought in June 2022 is the degree to which NDVI differed from its long-term average for June between 2000 and 2022. During June 2022, while most districts were experiencing NDVI lower than the long-term average, there were a few exceptions with minor positive deviations. For instance, NDVI in Xarardheere in Mudug was 21 percent below the long-term average, while Galdogob, also in Mudug, was 6 percent above the long-term average. This highlights the climatic differences across regions and even within regions (Figure 86). Given the importance of vegetation for livestock grazing, these variations likely impact nomadic households. Focus group discussions also highlighted the negative impact climate change has had on the nomadic lifestyle.[93]

76. A few regions had higher livestock revenue, even after controlling for herd size. Regression results show that relative to Awdal, nomadic households in Bari, Galgaduud, Gedo, Mudug, Sanaag, and Sool all had higher livestock revenue. However, livestock revenue is correlated with herd size, which was not constant across regions. Once this is controlled for in the regression, only Galgaduud, Sanaag, and Sool had higher livestock revenue among nomadic households relative to those in Awdal, all of which are located in the North of the country. In contrast, Bakool, Lower Juba, Middle

[92] Hagmann and Stepputat 2016; Mahmoud 2010.

[93] The focus group discussion with nomadic individuals took place in Guriceel, Galguduud.

Shabelle, and Nugaal all had lower livestock revenue. Similarly, while female-headed nomadic households reported lower revenue, this was no longer the case once herd size was controlled for (Table 19).

Figure 91: Share of Households with Livestock Selling an Animal for Slaughter in the last 12 months

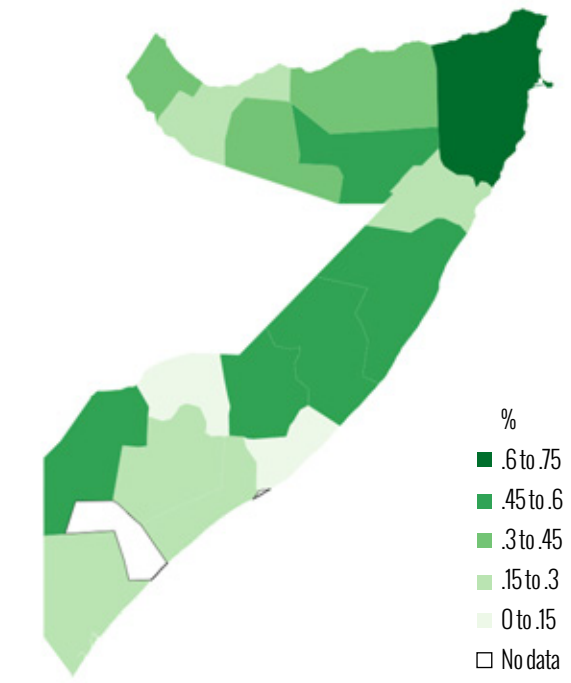
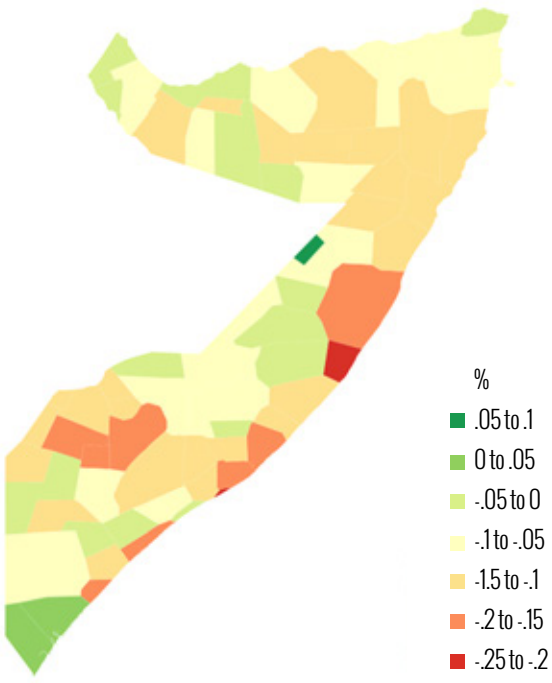


Figure 92: Percentage Deviation from the Long-Term NDVI in June 2022



Source: Authors' estimates based on SIHBS 2022 and MODIS data.

Box 12: Nomadic households and the Drought: Moving Up or Moving Out?

Livestock ownership has declined most among the poorest nomadic households. In the context of severe drought, all nomadic quintiles reported a decline in the owned TLUs from 12 months before the survey. However, the decline was largest for households in the poorest quintile, for which the median declined by 42 percent of the initially owned TLUs. The "left out" and "moving from" households also experienced much larger declines in the median TLU despite having much lower initial TLU (Figure 87). The poorest quintile had the third-largest average number of TLUs per capita 12 months before the survey. Given that herd size is correlated with poverty, it is possible that these households lost many livestock, which resulted in a decline in consumption and hence being in the poorest quintile at the time of the survey (Figure 88). The reduction in TLU seems to be driven, at least in part, by higher mortality rates among poorer nomadic households for the main livestock types.[94] Further, the "Staying with" and "Combining" groups experienced lower median mortality rates. Finally, birth rates, which are often lower in drought periods, increase across the consumption distribution and are also larger for the "Staying with" and "Combining" groups for most animals.[95]

[94] The mortality rate is calculated as the number of livestock deaths over the past 12 months divided by the initial livestock ownership 12 months ago.

[95] Toulmin 1985; Otte et al. 2023.

Figure 93: Percentage Change in Median TLU from 12 months prior to the survey to date of interview

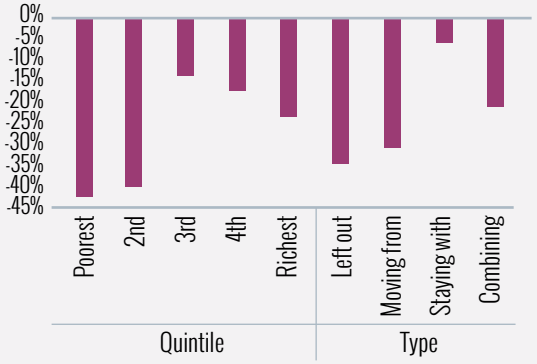
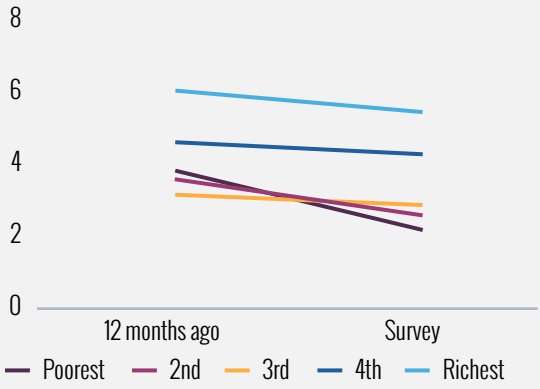


Figure 94: Change in Average TLU per capita Ownership[96]



This declining trend resulted in greater inequality in livestock ownership. Inequality in TLU increased among nomadic households, represented by an increase in the Gini for TLU from 0.51 to 0.54, coinciding with an increase in per capita household consumption inequality. The share of livestock owned by the poorest nomadic households decreased over the 12 months before the survey.

What can the rest learn from the richest nomadic households?

77. Supporting herd accumulation can have knock-on effects in terms of resilience and productivity. Having sufficient herd size allows greater mobility, which in turn can promote greater resilience. Livestock that moves can potentially access a more diverse diet, which in turn improves their health. As a result, these animals are more resilient to climatic shocks.[97] This is supported by higher mortality rates among sheep and goats among drought-affected nomadic households and lower birth rates (Figure 89). Further, the increased mobility also enables these households to move away from areas suffering from drought. Greater herd sizes can also act as a buffer to shocks, ensuring that households can restore their herd size after losses due to drought.[98] Improved health can also positively impact productivity, as healthier livestock are likely to produce more output.[99] Based on previous work, a household needs at least 4.5 TLU per capita for mobility.[100] Around one-quarter of nomadic households have the required per capita TLU for mobility. Richer nomadic households have larger total TLU and per capita TLU, which means they can more often benefit from increased mobility. The recent drought has exacerbated the differences in TLU across the nomadic distribution. Therefore, poorer nomadic households should be supported in improving their ability to accumulate greater herd numbers and prevent livestock loss in the event of shocks. Land rights also play an important role in enabling nomadic households to achieve sufficient mobility.[101] Further, focus group discussions highlighted inter-clan conflict's negative impact on nomadic mobility.

[96] This would not capture households who previously owned livestock 12 months ago but did not own any at the time of the survey.

[97] McPeak and Little 2017; Heritage Institute 2023.

[98] McPeak and Little 2017.

[99] Carter and Barrett 2013; Little et al. 2008; Abdulahi 1990.

[100] Focus groups discussions with nomads suggested that a herder would need at least 20 camels or 50 sheep or goats to have a viable herd size. Using this threshold also produces a larger share (69 percent) of nomadic households who meet this threshold. However, this does not account for household size.

[101] Niamir-Fuller 2005; Homman, Rischkowsky and Steinbach 2004; Littleet al. 2008.

78. Once a sufficient herd size is reached, households can shift their focus to commercialization. Households will often prioritize herd accumulation over commercialization until this point.[102] Further, livestock also serves other social functions among the nomadic population, such as social insurance. The importance of this social insurance is highlighted by evidence from Turkana in Northern Kenya, which suggests that herders fell into poverty not solely due to the loss of animals but also due to the failure to establish social relations that provided support networks.[103] These support networks can be established and developed by exchanging animal assets.[104] However, richer households, i.e., those with larger TLU per capita, more often sold animals for slaughter and more often sold livestock output, which is facilitated by their larger herd size.

79. Improving access to key inputs can help improve livestock productivity and resilience to drought. A lack of access to water, fodder, and medicine can worsen the productivity of livestock, as well as cause conflict due to the increased pressure on shared resources.[105] The unpredictable nature of rain was stated as one factor that has made the nomadic lifestyle harder.[106] Further, poor animal health can impact the viability of livestock exports, with serious implications for the entire Somali economy, as livestock is the country's main export.[107] The share of households with expenditure on labor, medicine, water, and fodder increases across the consumption distribution, with water and medicine being the most common. Some larger and wealthier nomadic households can also use their influence to gain better access to inputs.[108] Likewise, input expenditure is most common among households in the "Staying with" group, followed by the "Combining" group (Figure 90). Improving access to these inputs can further help support resilience and prevent the need for distress sales during droughts when prices are low.[109]

Figure 95: Mortality and Birth Rates by Drought Status

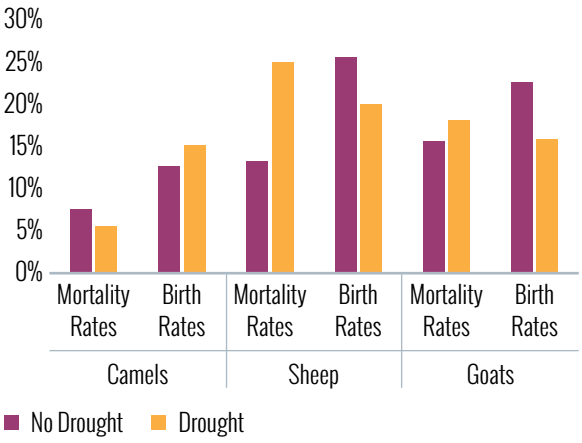
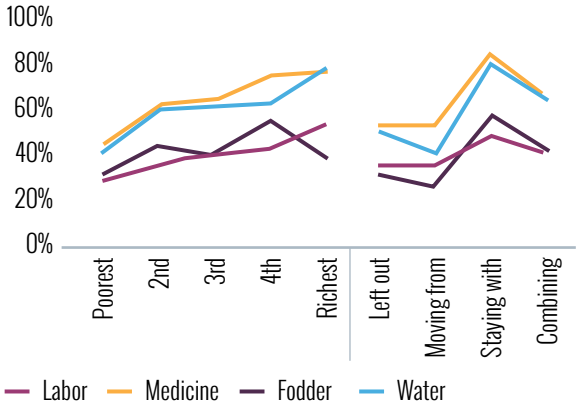


Figure 96: Share of Livestock Owning Households with Expenditure on...



Source: Authors' estimates based on SIHBS 2022.

[102] Carter and Barrett 2013; Little et al. 2008; Abdulahi 1990.
[103] Anderson and Broch-Due 2000.
[104] Little et al. 2008.
[105] World Bank 2023a.
[106] Based on a focus group discussion with nomadic individuals in Guriceel.
[107] World Bank and FAO 2018; World Bank 2021a.
[108] Aklilu and Catley 2009.
[109] Barrett, Bellemare, and Osterloh 2006.

PART C: POLICY RECOMMENDATIONS

80. Somalia's poverty rate remains high, with no poverty reduction in recent years. Economic growth has failed to match population growth, with an annual average increase of 2 percent between 2019 and 2023, resulting in negative real GDP per capita growth.[110] However, GDP growth is estimated to be 3.7 percent in 2024 compared to 2.8 percent in 2023 as the economy recovers.[111] The negative real GDP per capita growth coincided with no change in the national poverty rate between 2017 and 2022. With over half the Somali population living in poverty, there is a pressing need to ignite poverty reduction. Further, poverty increased in rural and nomadic areas between the two years. Two key challenges that likely hinder poverty reduction are the exposure to repeated climatic shocks and limited economic opportunities, resulting in extremely low labor force participation rates, even for its income level, and especially among women. This is reflected by the unclear relationship between employment and poverty, especially in urban areas. In addition, the labor market will come under increasing pressure due to Somalia's demographics.

81. Policy recommendations can be divided into two areas: i) overarching economy-wide recommendations and ii) sectoral-specific recommendations. Somalia faces overarching constraints that cut across sectors. Addressing these constraints can increase stability and growth, which will also benefit many sectors of the economy and create the foundations for sustained poverty reduction. However, there are also sectoral-specific constraints related to the thematic focus of this report that policies can address to promote poverty reduction. It is also important that these policy recommendations take into account Somalia's salient features. For instance, Somalia is unusually urbanized for its income level, resulting from a history of urban migration due to conflict and climate shocks, with the bulk of the poor living in urban areas (Box 2). This movement towards urban areas will likely continue, given the continued exposure to climatic shocks and the large share of near-stockless nomadic households (Figure 114). This will further cement the urban nature of poverty. Though the high level of urbanization results from a series of shocks, it can be harnessed for poverty reduction and improved service delivery.

[110] World Bank, 2024a.
[111] IMF 2024.

Table 7: Policy Recommendations

Overarching recommendations					
Finding/Challenge	**Lack of economic growth and stability**				
Potential Solutions	Investment in basic infrastructure and services in border or transport corridors; improved governance measures to reduce multiple taxation; strengthen local community institutions; diversification of exports; continued development of the regulatory framework; continued development of social cohesion				
Sectoral recommendations					
Finding/Challenge	Low levels of human capital	Low labor force participation	High exposure to climate shocks	Livestock herds not viable	Marginalized groups lagged behind
	Expand primary enrollment	Boost demand for urban low skilled workers	Improve management of soil, water, and land	Adopt livestock insurance	Closing the gender gap in secondary enrollment
Potential Solutions	Improve health services, esp. family planning	Address women's specific constraints to employment such as risk of GBV and gender norms	Adopt climate-smart agricultural diversification	Improve access to key inputs	Improve access to services of IDPs
			Diversify livelihoods	Improve rangeland management	
			Manage disaster risk		
			Expand adaptive social protection		

Overarching need for greater economic growth and stability.

82. Stability and economic growth will be important for sustained poverty reduction. The limited economic integration can hinder economic opportunities and worsen a country's resilience. For instance, the segmentation of domestic markets increases costs for producers. This segmentation is driven by transportation costs, which are largely due to poor infrastructure and multiple taxation points. In the short to medium term, investing in basic infrastructure and services in border and transport corridors, improved governance measures to reduce multiple taxation, and strengthening local community institutions can all improve cross-border trade and potentially create jobs. Wholesale and retail trade account for a quarter of all employment, and commerce activities are particularly large among entrepreneurs. Product space analysis suggests there is scope for the diversification of exports from livestock to other products such as gums, resin, sesame, bananas, and fish, which again has the potential to create additional employment opportunities and may offer greater resilience among rural households.[112] This diversification will be supported by improving infrastructure and

[112] Hansen et al. 2019.

strengthening resilience to climatic shocks, especially through improved water management. In addition, the continued development of its regulatory framework is needed to address constraints the private sector faces.[113] The continued development of social cohesion and trust will be important for sustained economic growth.

Low levels of human capital.

83. Human capital service delivery: In the medium term, sustained poverty reduction will require much higher levels of human capital, notably education. Only 30 percent of the labor force has completed primary education, and enrollment remains exceptionally low (Figure 31). As most education is fee-based, children from poor households are largely excluded, with cost often cited as a reason for not attending or never attending school among poor households. This may reproduce poverty across generations. The fact that Somalia is highly urbanized in principle makes delivering public services more cost-effective as the population is concentrated in smaller areas. In addition, the government must continue expanding the school system to increase primary school enrollment, whether through the public or private education system. If the latter, this can be subsidized for children from poor households. There should also be a focus on closing the gender gap in secondary school enrollment. Expanding the education system will also be a key factor in improving medium to long-term productivity. Further, there should be a focus on ensuring that skills needed in the economy, not just in existing sectors but also in potential areas for growth, are provided by the education system to reduce the skills mismatch between workers and jobs.[114]

Low labor force participation.

84. Utilize policies that can help increase labor demand, especially for low-skilled workers: The bulk of the urban poor, and virtually all IDPs, have no formal education and are engaged in low-skill employment with very low wages. The small share of higher quality employment, those that typically require education, are out of reach. Given this, policies that positively shock labor demand for low-skilled labor are arguably the most effective way to increase earnings for the large pool of low-skilled labor. For instance, policies promoting economic growth and stability will increase labor demand indirectly. There is also merit in exploring the feasibility of a large-scale urban public works program, which could act as a demand shock for low-skilled labor. Such programs are successful in other low-income countries.[115] In addition, these public works could focus on improving urban amenities and strengthening urban climate resilience, such as creating drainage to counter floods, planting trees to reduce urban temperatures, and other activities of a public nature with climate benefits.[116] Given the norms about social status and low-wage work, only the ultra-poor would likely self-select into such programs, reducing the administrative cost of targeting such an intervention.

85. Female labor force participation. Policies that would increase overall labor demand must be complemented with interventions tailored to women to help them gain equal access to employment opportunities. (i) *Safety and GBV risk.* The safety and risk of gender-based violence disproportionately affect women, hindering their mobility and economic opportunities. Evidence from Bangladesh shows that women who feel safe are more likely to work, explore new opportunities,

[113] World Bank 2021a.

[114] Heritage Institute 2022.

[115] Recent evidence from urban public works programs in low-income countries shows sizable benefits, increasing the welfare of the urban poor by 20 percent through direct benefits from participation in public works, indirect benefits from an increase in the economy-wide unskilled wage rate, and indirect benefits from improved urban amenities. Franklin et al. 2024.

[116] Seetahul 2023.

and transition to higher-paying jobs in the service sector.[117] In Somalia, the labor force participation regression shows that women who feel safe are 3.3 percentage points more likely to be economically active than women who feel unsafe after controlling for individual, and household characteristics. Interventions such as adequate streetlights and an enhanced law enforcement system can be adopted to make public spaces safer for women. (ii) *Gender norms*. Even after accounting for individual and household characteristics, female labor force participation is still about 20 percentage points lower than male. Gender norms may contribute to this gap. Interventions targeting men's perceptions of women's work acceptability and promoting women's employment prospects have been effective in increasing women's job opportunities, especially in regions with large gender disparities like the Middle East, North Africa, and South Asia. (See gender annex for more detail).

Rural and nomadic households are highly exposed to climate shocks.

86. Further, the development of resilient rural livelihoods will be key. Managing key resources such as soil and water will promote resilience against climatic shocks. While these decisions are often private, public funding could still be used to increase the uptake of such actions. For instance, providing necessary digital and physical market access infrastructure will play an important role. For water management, the immediate priority is improving water availability through water infrastructure development. In addition, there is scope for investment in irrigation systems, especially in areas with the potential for crop-related agricultural activities.[118] Increasing the resilience of crop-related activities can also have positive implications for food security.[119] Other adaptations include terracing, subsurface dams, and rainwater harvesting.[120] Adopting climate-smart agricultural diversification, such as selecting more resilient crops or varieties, can help improve resilience. Additional extension support, including agri-forecasts, climate-smart practices, and market information, can further help with resilience and productivity. Further, diversifying livelihoods into areas such as gums, resin, sesame, bananas, and fish can promote new opportunities and offer greater resilience among rural households. Such expansion will require the necessary infrastructure to support the development of these activities outside of retail.[121]

87. Disaster risk management and adaptive social protection can help support rural and nomadic households in these areas. Those who remain in rural or nomadic areas currently have higher poverty rates, which have increased between 2017 and 2022, and are more vulnerable to drought (Figure 74). Increased disaster risk management and integration into planning for key sectors can help improve preparedness for these climatic shocks. Further, the continued use of Baxnaano to act as an adaptive and scalable social safety net can help buffer the poor from climatic shocks, as has been done in the past for drought and locusts, as well as potentially improving school enrollment, social cohesion, and mental health.[122] Sustained financing will be important in line with fiscal sustainability. Similarly, improving the program's targeting to minimize inclusion errors can help maximize the effectiveness of the limited available spending.[123]

[117] Ahmed and Kotikula 2021.

[118] Two areas show potential: a small area west of Hargeisa and a larger area between the Shabelle and Juba river valleys. Although, as only 13% of Somalia's total land area is suitable for cultivation, this will not be an option for large employment gains. Giordano, Namara, and Bassini 2019.

[119] Hansen et al. 2019.

[120] World Bank 2023a.

[121] World Bank 2021a.

[122] IMF 2023; d'Errico et al. 2020; Baird et al. 2013; Valli, Peterman, and Hidrobo 2019; de Milliano et al. 2021; and Kilburn et al. 2016.

[123] World Bank 2022b; Development Pathways 2022.

Nomadic households often lack sufficient herd size.

88. Specific policies can be introduced to help the resilience of livestock activities, which are key for nomadic households. Very few households are engaged in crop production compared to livestock keeping, which is especially common among the nomadic population. Maintaining a minimum herd size is important as it enables households to support their food consumption, as well as enables mobility which can be beneficial for livestock health and productivity. Restocking could be considered in the instance of future droughts, targeting households whose livestock ownership is just below this threshold, as interventions that do not lift pastoralist households to the minimum viable herd size are likely to be unsuccessful.[124] Interventions that aim to maintain herd size during shocks, such as veterinary care, feeding, and water delivery, appear more cost-effective than interventions that seek to remove livestock from the system.[125] Further, increased uptake of livestock insurance can help protect livestock-owning households from livestock loss.[126] The improved water management mentioned above would also benefit livestock through improving their access to water, especially in times of shortages. Similarly, improved access to feed and fodder can help protect livestock against drought and prevent livestock loss.[127] The movement of livestock is an important tool for improving livestock health and diet diversity and avoiding areas that may be experiencing drought. Therefore, promoting effective rangeland management and agreements on land user rights can help facilitate mobility among livestock-owning households, particularly the nomadic.

Cross-cutting themes

89. Policies and interventions should be implemented with an understanding of local norms and beliefs. Failure to recognize how these norms influence people's behaviors may result in ineffective interventions. For example, FGDs with nomadic individuals highlighted an unfavorable view of urban areas and a strong desire to remain in their traditional culture of livestock rearing. Likewise, social norms are a barrier to female labor force participation, which can negatively impact overall economic growth. At the same time, members of high-ranking clans may avoid certain manual jobs. However, it has been shown that norms can change in Somalia. An impact evaluation of a program in Somalia indicates that an intervention to change gender norms for young adolescents led to greater support for gender equality attitudes among girls and boys.[128] Interventions encouraging people from different clans to interact and work together to ward goals could also improve the level of trust in society and reduce friction in the labor markets.

90. The theme of inclusivity needs to cut across policies. Marginalized groups still lag in multiple dimensions of welfare. For instance, nomadic households or self-reported IDP households have much higher poverty rates and more often work in employment that offers low returns. Further, women face unique challenges that often limit their engagement in the labor force. Thus, policies and interventions should ensure inclusion at the planning and implementation stages.

[124] Little et al 2008; Santos and Barrett 2006.
[125] Little et al 2008; Morton et al. 2005; Catley 2007.
[126] World Bank 2022b; Hansen et al. 2019.
[127] World Bank 2023a.
[128] Brar et al. 2023.

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GENDER ANNEX

The gender gap in labor force participation rates (LFP) in Somalia is alarming. Women's LFP is persistently lower relative to men. Estimates from SIHBS 2022 indicate that Somalia has the lowest female labor market participation rates in Sub-Saharan Africa. Only 16 percent of women are engaged in paid labor compared to 41 percent of men, resulting in a gender gap of 26 percentage points. Compared to other low-income countries, Somalia has the lowest male LFP, the third lowest female LFP, and the fifth largest gender gap in LFP. However, it's noteworthy that the gender gap in LFP is relatively smaller in Somalia compared to similar low-income contexts such as Djibouti, Sudan, and Yemen. Regression analysis further supports these differences, with women significantly less likely to participate in the labor force than men, regardless of the area of residency (Table 14 and Table 15).

Figure 97: Labor Force Status by Gender and Poverty

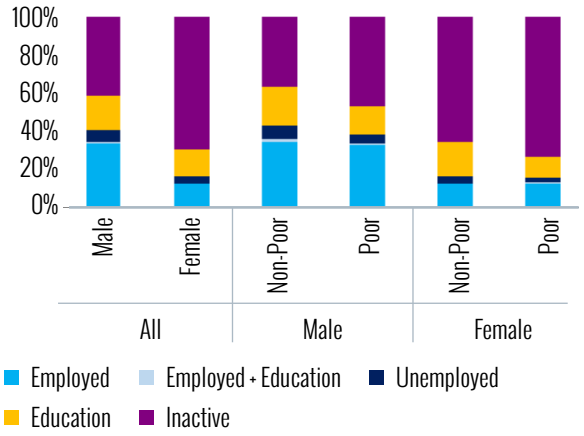
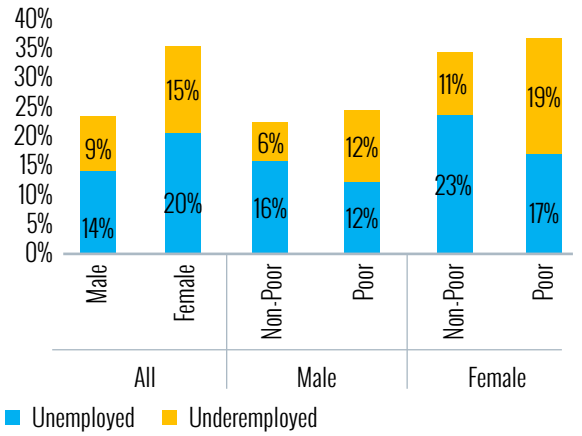


Figure 98: Unemployment and Underemployment by Gender



Source: Authors' estimates based on SIHBS 2022.

Various socio-economic factors, including marital status, residence, IDP status, and household composition, shape the extent of gender inequality in labor force participation. The gender gap in LFP is exacerbated among the married population. While LFP rates are higher for married men than for women, women who are separated or divorced are much more likely to engage in paid work than men. LFP is also substantially higher for women living in urban areas and for IDP women. This is consistent with estimates from the HFS survey, which show that the share of adults working was higher in camps – 31 percent, compared to only 22 percent of women in the host community.[129] Further, the presence of another working member is negatively associated with women's LFP but not with men's. By contrast, larger household size is negatively associated with men's LFP, but not women's.

For both men and women, age, higher education, household aid, and safety increase incentives for paid work, while remittance inflows reduce incentives for paid work. Estimates suggest that, like men, women with tertiary education have higher LFPs than those without education, consistent with estimates

[129] World Bank, forthcoming (a).

from other low-income countries.[130] There is no difference in LFP between women with primary or secondary education and those without education. Both men's and women's LFP rates are higher among the older population, households that received aid, and in safer areas. Lastly, as observed in other countries, remittance inflows are negatively associated with labor force participation regardless of gender.

IDP women exhibit notably higher labor force participation rates compared to their counterparts outside of IDP households. Both men and women from IDP backgrounds are more actively engaged in the labor force compared to non-IDP individuals, but this is particularly evident among women, where the participation rate stands at 26 percent for IDPs versus 17 percent for non-IDPs. Additionally, IDPs face considerable unemployment rates. Women from IDP households are disproportionately represented in wage employment compared to non-IDP women, who are more frequently involved in household enterprises. Despite a similar proportion of wage employment between IDP women and men, a significant portion of IDP women are employed by other households, often within the services sector. Similarly, men from IDP backgrounds have a higher share of employment within other households compared to non-IDP men, although they also show a significant presence in the construction sector. These trends suggest that IDPs often find themselves compelled to occupy lower-skilled occupations due to comparatively lower levels of education and literacy.

There are also large gender differences in employment sectors. Men are more likely to be employed in formal wage employment, especially among the poor. These formal wage jobs, including those in the government and private sector, typically offer more stable income, benefits, and job security. In contrast, female employment is more reliant on household enterprises. Women frequently engage in small-scale businesses, street vending, and home-based activities to generate income. This informal sector involvement could arise from limited access to formal employment opportunities due to factors such as gender discrimination, educational disparities, and cultural norms that prioritize men's participation in the formal workforce. There are also large gender differences in employment sectors. Women are more often employed in wholesale and retail trade, food and accommodation, and other services, while men more often work in construction, transport, and administrative services.

Figure 99: Type of Employer by Gender and Poverty

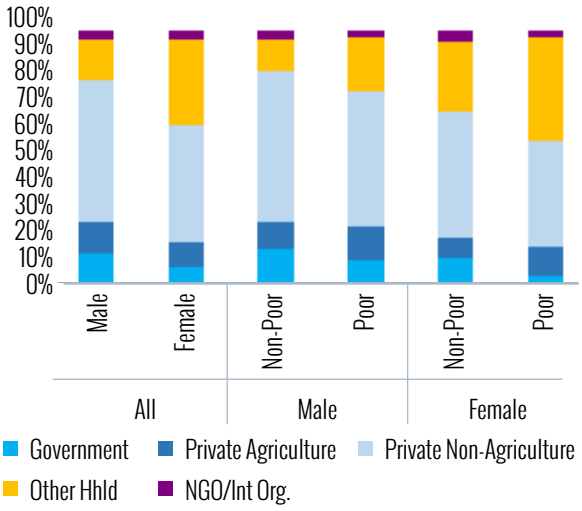
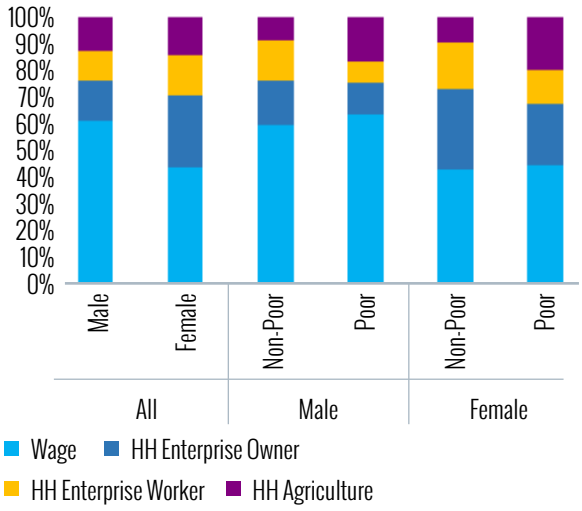


Figure 100: Type of Employment by Gender and Poverty



Source: Authors' estimates based on SIHBS 2022.

[130] Klasen et al. 2021.

Women are more likely to be inactive. Over two-thirds of individuals who do not want to work are women. Regression analysis shows that women are more likely to be inactive, especially those who are married or those without any level of education. Conversely, women's rates of inactivity are significantly lower among IDP households or households that received remittances (Table 16).

Women, especially among the poor more often operate household enterprises, but male-owned household enterprises are twice as productive on average than female-owned household enterprises. Estimates suggest that 27% of the female working population are household enterprise owners compared to only 15% of men. However, female-owned enterprises are associated with lower revenue and profit per worker. Additionally, half of female-owned HHEs operate from the household, compared to male-owned household enterprises, which are more likely to operate from the market. Operating from the household may limit the number of accessible customers.

Economic shocks[131] are more likely to affect male-headed households compared to female-headed households. According to the 2021 Somalia Household Phone Survey (SHFPS),[132] 64 % of male-headed households were affected by economic shocks, while the share of female-headed households affected by economic shocks was only 45 percent. This is likely driven by women being more involved in non-farm business activities, which are less prone to climate shocks. Notably, the same survey shows that female-headed households are also less susceptible to other shocks, including food price, health, natural disaster, and security shocks.[133] When it comes to coping strategies, male-headed households tend to rely more on assistance or loans from family and friends than female-headed households. About 54 percent of male-headed households report relying on assistance from family and friends as a coping strategy, while only 47 percent of female-headed households do the same. In contrast, female-headed households are more likely to rely on loans from financial institutions and NGO assistance.

What works in other countries

Obstacles hindering women's participation in Somalia's labor force encompass limited educational and skills training access, cultural expectations confining women to household roles, scant economic prospects, workplace gender bias, and security risks stemming from ongoing conflicts. Tackling these hurdles is pivotal for enabling women to actively seek and engage in employment. Although Somalia-specific data and research are scarce, insights from broader studies and experiences elsewhere can guide potential solutions.

Various interventions aimed at husbands and extended families have effectively expanded women's job opportunities. In regions sharing gender disparities akin to Somalia, such as the Middle East and North Africa (MENA) and South Asia (SA), studies indicate that initiatives targeting men's perceptions of women's work acceptability or promoting women's employment prospects can boost their workforce participation.[134]

[131] Economic shocks include (i) job loss, (ii) non-farm business closure, (iii) disruption of farming, livestock, and fishing activities, (iv) lack of availability of business/farming inputs, (v) increased price of farming/business inputs, and (vi) reduced price of farming/business output.

[132] World Bank, forthcoming (b).

[133] Food price shocks include (i) increase in price of major food items consumed. Natural disasters include (i) flooding, (ii) drought, and (iii) locust invasion. Security shocks include (i) theft/looting of cash and other property, and (ii) conflict or community violence. Health shocks include (i) illness, injury, or death of an income-earning member of household.

[134] Bursztyn, González, and Yanagizawa-Drott 2020; Lowe and McKelway 2021.

Empowering women by addressing demand-side barriers—like financial constraints, social norms, and childcare responsibilities—can also elevate female labor force participation. Examples include the World Bank's Liberia Economic Empowerment of Adolescent Girls and Young Women (EPAG) project and the Benin Youth Employment Project.

Moreover, Somali women face challenges from climate shocks. Initiatives like the World Bank's efforts in the Democratic Republic of Congo, Ghana, and South Asia highlight the effectiveness of involving traditionally marginalized groups in climate action. These groups possess valuable traditional knowledge and practices, crucial for bolstering community resilience against climate-related disruptions.

ANNEX: CHAPTER 1

WORKING-AGE AND HOUSEHOLD SIZE

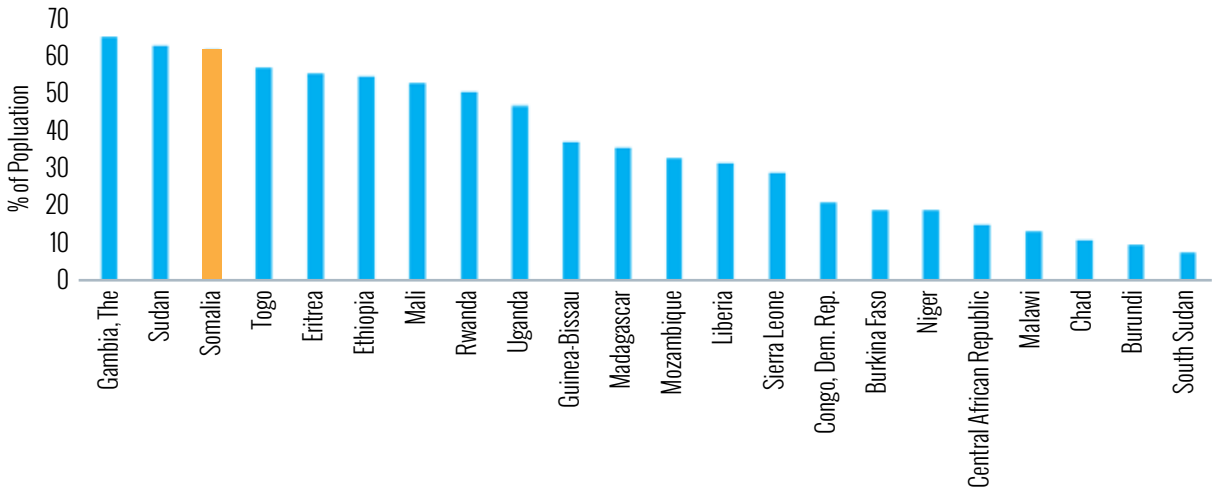
Table 8: Household Size, Working Age, and the Ratio of Working-Age to Members

		Av. Members	Av. Working-Age	Working Age / Members
All	All	6.7	3.0	45%
	Non-Poor	6.0	3.1	51%
	Poor	7.3	2.9	40%
Nomadic	All	6.0	2.6	43%
	Non-Poor	5.0	2.4	48%
	Poor	6.3	2.6	42%
Rural	All	6.2	2.6	42%
	Non-Poor	5.3	2.5	48%
	Poor	6.8	2.6	38%
Urban	All	7.0	3.3	47%
	Non-Poor	6.4	3.3	52%
	Poor	7.9	3.3	41%
Nomadic	Poorest	7.0	2.7	39%
	2nd	6.3	2.5	39%
	3rd	6.3	2.5	41%
	4th	5.6	2.8	49%
	Richest	5.0	2.4	47%
Rural	Poorest	7.8	2.9	37%
	2nd	6.6	2.4	36%
	3rd	6.3	2.5	39%
	4th	6.4	2.8	44%
	Richest	4.7	2.4	51%
Urban	Poorest	8.2	3.2	39%
	2nd	7.8	3.4	43%
	3rd	7.3	3.4	46%
	4th	6.7	3.5	52%
	Richest	5.6	3.1	55%

Source: Authors' estimates based on SIHBS 2022.

Access to Electricity

Figure 101: International Comparison in Access to Electricity



Source: Authors' estimates based on SIHBS 2022.

MULTIDIMENSIONAL POVERTY DEFINITION

Multi-dimensional poverty is defined in this analysis as follows:

Table 9: Multidimensional Poverty Definition

Dimension	Indicator	Definition	Weight
Food Insecurity		Deprived if any member were hungry but did not eat because there was not enough money or other resources for food or went without eating for a whole day because of a lack of money or other resources.	1/3
Housing Characteristics	Basic Services	Deprived if no access to electricity.	1/18
		Deprived if no access to improved water in the dry season.	1/36
		Deprived if no access to improved water in the wet season.	1/36
		Deprived if no access to improved sanitation.	1/18
	Quality	Deprived if floor is of poor quality	1/18
		Deprived if roof is of poor quality	1/18
		Deprived if cooking fuel is of poor quality	1/18
Education		Deprived if the head never enroll in school	1/3

Source: Bolch, Lopez-Calva, and Ortiz-Juarez 2023.

HUMAN OPPORTUNITY INDEX

A child's background often acts as a determinant to their access to an ***opportunity*** i.e., a good or service that should be universally available within society. These background factors may include gender of the household head, the education level of the household head, a family's wealth status, ethnicity, or geographical location. These factors are referred to as circumstances. The idea is that ***circumstances*** should never determine whether a child has access to an opportunity. The Human Opportunity Index (HOI) unpacks existing inequalities by looking at the coverage rate of a particular opportunity accounting for distributional disparities amongst ***circumstance groups*** - clusters of individuals with the same set of circumstances. In other words, the HOI measures how circumstances influence a child's access to different opportunities.

The HOI methodology uses the **dissimilarity index *(D-Index)*** to measure inequality in access to an opportunity. It explores how a set of circumstances result in disproportionate access to an opportunity. The D-Index ranges between 0 and 1, where 0 indicates no inequality, and 1 indicates that the entire access to an opportunity is limited to a specific circumstance group e.g., males, children with educated parents and those living in urban areas. The methodology further decomposes the contribution of each circumstance through a ***Shapley decomposition*** which estimates the marginal contribution of each circumstance to inequality. Since the HOI is a function of a set of given circumstances, the Shapely decomposition is useful for understanding how each of the circumstances contributes to the inequality of opportunities.

The formula of the human opportunity index is given as

$$HOI=(1-D) \times C$$

where D is the inequality index and C is the coverage rate

Dabalen et al. (2014) explored access to different opportunities in education, basic infrastructure services, health, and access to a bundle of basic goods and services in 20 Sub-Saharan Africa countries using DHS data. They found mixed results across countries and in some instances within a country in opportunities related to access to school attendance and those related to the quality of education (starting school on time and finishing primary school).

Table 10: Definition and reference groups for various opportunities

Opportunity	Definition	Reference Group
Primary school attendance	Child is currently enrolled in primary school	6 - 13 years
Secondary school attendance	Child is currently enrolled in secondary school	14 - 17 years
Access to electricity	Child lives in a household with access to electricity	6 - 18 years
Improved source of drinking water	Child lives in a household with access to improved source of drinking water.	6 - 18 years
Improved source of sanitation	Child lives in a household with access to improved source of sanitation.	6 - 18 years

Source: Dabalen et al. 2014.

Figure 102: Coverage and Human Opportunity Index, 2022

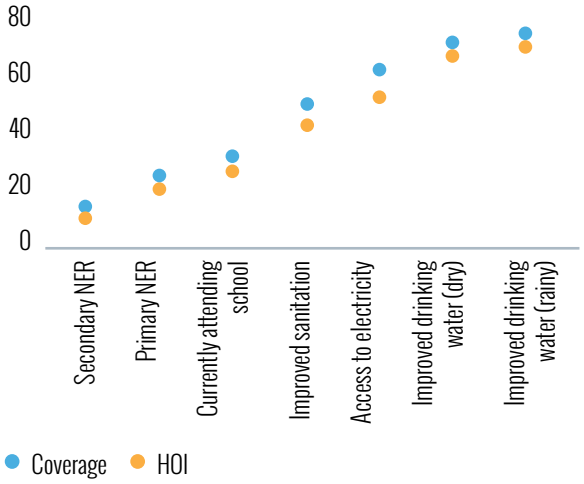
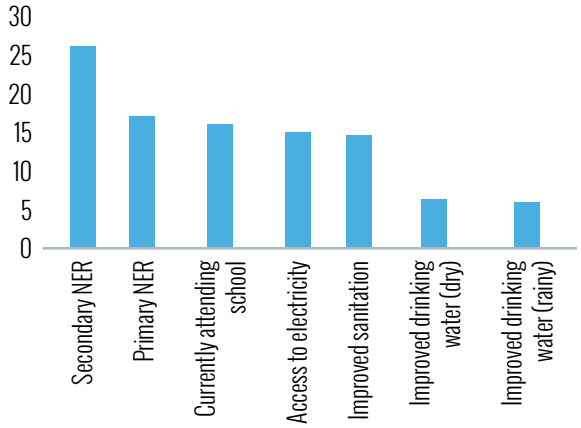


Figure 103: D-Index, 2022



Source: Authors' estimates based on SIHBS 2022.

ANNEX: CHAPTER 2

LABOR FORCE PARTICIPATION REGRESSIONS

Table 11: Labor Force Participation Regression, 2022[135]

		All	Men	Women	Rural	Urban	Nomadic
Gender	Male	0.000			0.000	0.000	0.000
		(.)			(.)	(.)	(.)
	Female	-0.231***			-0.299***	-0.220***	-0.140***
		(0.015)			(0.039)	(0.013)	(0.030)
Age		0.033***	0.037***	0.031***	0.035***	0.036***	0.007
		(0.002)	(0.004)	(0.003)	(0.003)	(0.003)	(0.005)
Age Squared		-0.000***	-0.000***	-0.000***	-0.000***	-0.000***	-0.000
		(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Household Size		-0.005***	-0.010***	0.000	-0.001	-0.006**	0.003
		(0.002)	(0.003)	(0.002)	(0.004)	(0.003)	(0.003)
Marital Status	Married	0.000	0.000	0.000	0.000	0.000	0.000
		(.)	(.)	(.)	(.)	(.)	(.)
	Divorced or widowed	0.024	-0.184***	0.120***	0.042*	0.022	-0.024
		(0.018)	(0.028)	(0.020)	(0.022)	(0.026)	(0.017)
	Never Married	-0.099***	-0.322***	0.061***	-0.117***	-0.091***	-0.095***
		(0.015)	(0.027)	(0.015)	(0.014)	(0.020)	(0.022)
Education	None	0.000	0.000	0.000	0.000	0.000	0.000
		(.)	(.)	(.)	(.)	(.)	(.)
	Incomplete Primary	0.026*	0.008	0.018	0.070**	0.019	-0.065
		(0.013)	(0.020)	(0.011)	(0.024)	(0.016)	(0.050)
	Complete Primary	0.007	-0.010	-0.020	0.056**	-0.000	-0.041
		(0.016)	(0.019)	(0.015)	(0.025)	(0.019)	(0.070)
	Complete Secondary	0.048**	0.033	0.004	0.067	0.042**	0.136**
		(0.021)	(0.025)	(0.017)	(0.078)	(0.019)	(0.063)
	Complete Tertiary	0.249***	0.226***	0.163***	0.281**	0.236***	
		(0.027)	(0.039)	(0.039)	(0.098)	(0.028)	
Dependency		0.003	0.018**	0.002	-0.010	0.003	0.001
Ratio		(0.004)	(0.008)	(0.005)	(0.011)	(0.005)	(0.010)
	Rural	0.000	0.000	0.000			
Residency		(.)	(.)	(.)			
	Urban	0.005	-0.013	0.023			
		(0.013)	(0.021)	(0.015)			

[135] The results are from an OLS regression with the dependent variable being a dummy variable for labor force participation.

		All	Men	Women	Rural	Urban	Nomadic
	Nomadic	-0.181***	-0.277***	-0.066**			
		(0.034)	(0.042)	(0.029)			
	No	0.000	0.000	0.000	0.000	0.000	0.000
IDP		(.)	(.)	(.)	(.)	(.)	(.)
	Yes	0.039	0.007	0.070**	0.080***	0.029	0.001
		(0.025)	(0.026)	(0.030)	(0.024)	(0.033)	(0.028)
	No	0.000	0.000	0.000	0.000	0.000	0.000
Household		(.)	(.)	(.)	(.)	(.)	(.)
Remittance	Yes	-0.118***	-0.135***	-0.073***	-0.143***	-0.130***	-0.026
		(0.017)	(0.018)	(0.018)	(0.041)	(0.018)	(0.035)
	No	0.000	0.000	0.000	0.000	0.000	0.000
		(.)	(.)	(.)	(.)	(.)	(.)
Household Aid	Yes	0.042***	0.045***	0.034**	0.002	0.047**	0.043*
		(0.013)	(0.014)	(0.015)	(0.018)	(0.017)	(0.022)
Other Working	No	0.000	0.000	0.000	0.000	0.000	0.000
Member							
		(.)	(.)	(.)	(.)	(.)	(.)
	Yes	-0.078***	-0.016	-0.037*	-0.116***	-0.108***	0.225***
		(0.024)	(0.023)	(0.021)	(0.031)	(0.023)	(0.037)
Child in	No	0.000	0.000	0.000	0.000	0.000	0.000
Household							
		(.)	(.)	(.)	(.)	(.)	(.)
	Yes	0.027*	0.018	0.002	0.058*	0.020	0.022
	No	(0.014)	(0.016)	(0.012)	(0.031)	(0.017)	(0.024)
Secondary City	No	0.000	0.000	0.000	0.000	0.000	0.000
		(.)	(.)	(.)	(.)	(.)	(.)
	Yes	-0.057*	-0.097**	-0.019	0.005	-0.056**	-0.076
		(0.031)	(0.042)	(0.023)	(0.025)	(0.023)	(0.058)
Poverty	Non-Poor	0.000	0.000	0.000	0.000	0.000	0.000
		(.)	(.)	(.)	(.)	(.)	(.)
	Poor	-0.007	-0.014	-0.013	-0.031	-0.013	0.025
		(0.010)	(0.016)	(0.008)	(0.022)	(0.011)	(0.033)
Dummy		Region	Region	Region	Region	Region	Region
Observations		21204	9774	11430	4878	14023	2303
R-squared		0.249	0.339	0.095	0.288	0.263	0.270
Adjusted R-squared		0.247	0.336	0.093	0.283	0.262	0.260
AIC		19872.612	9845.168	8501.543	4576.214	13224.993	1043.542

Source: Authors' estimates based on SIHBS 2022.

Table 12: Labor Force Participation Regression including perception of safety, 2022

		All	Men	Women	Rural	Urban	Nomadic
Gender	Male	0.000			0.000	0.000	0.000
		(.)			(.)	(.)	(.)
	Female	-0.272***			-0.354***	-0.261***	-0.159***
		(0.019)			(0.042)	(0.020)	(0.033)
Age		0.037***	0.035***	0.034***	0.035***	0.042***	0.008
		(0.003)	(0.003)	(0.003)	(0.005)	(0.003)	(0.005)
Age Squared		-0.000***	-0.000***	-0.000***	-0.000***	-0.000***	-0.000
		(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Household Size		-0.007***	-0.014***	0.000	-0.002	-0.008**	0.001
		(0.002)	(0.004)	(0.002)	(0.004)	(0.003)	(0.003)
Marital Status	Married	0.000	0.000	0.000	0.000	0.000	0.000
		(.)	(.)	(.)	(.)	(.)	(.)
	Divorced or widowed	0.038**	-0.187***	0.121***	0.063**	0.040	-0.026
		(0.018)	(0.029)	(0.020)	(0.023)	(0.026)	(0.016)
	Never Married	-0.112***	-0.320***	0.055***	-0.135***	-0.098***	-0.109***
		(0.016)	(0.029)	(0.018)	(0.016)	(0.022)	(0.026)
Education	None	0.000	0.000	0.000	0.000	0.000	0.000
		(.)	(.)	(.)	(.)	(.)	(.)
	Incomplete Primary	0.044***	0.044*	0.035**	0.098***	0.023	-0.013
		(0.015)	(0.022)	(0.013)	(0.032)	(0.015)	(0.047)
	Complete Primary	0.025	0.018	-0.012	0.074**	0.014	-0.070
		(0.019)	(0.020)	(0.019)	(0.030)	(0.023)	(0.076)
	Complete Secondary	0.060**	0.044	0.022	0.069	0.055**	0.141**
		(0.023)	(0.028)	(0.019)	(0.094)	(0.022)	(0.063)
	Complete Tertiary	0.246***	0.226***	0.176***	0.287**	0.236***	
		(0.028)	(0.042)	(0.042)	(0.100)	(0.029)	
Dependency Ratio		0.002	0.021**	0.000	-0.011	0.001	0.006
		(0.005)	(0.008)	(0.005)	(0.011)	(0.006)	(0.013)
Residency	Rural	0.000	0.000	0.000			
		(.)	(.)	(.)			
	Urban	0.006	-0.018	0.029*			
		(0.014)	(0.021)	(0.016)			
	Nomadic	-0.209***	-0.333***	-0.078**			
		(0.038)	(0.045)	(0.032)			
IDP	No	0.000	0.000	0.000	0.000	0.000	0.000
		(.)	(.)	(.)	(.)	(.)	(.)
	Yes	0.046*	0.012	0.075**	0.103***	0.032	0.012
		(0.024)	(0.024)	(0.030)	(0.033)	(0.031)	(0.022)
Household Remittance	No	0.000	0.000	0.000	0.000	0.000	0.000

		All	Men	Women	Rural	Urban	Nomadic
		(.)	(.)	(.)	(.)	(.)	(.)
	Yes	-0.131***	-0.155***	-0.084***	-0.147***	-0.146***	-0.007
		(0.019)	(0.019)	(0.022)	(0.045)	(0.020)	(0.038)
Household Aid	No	0.000	0.000	0.000	0.000	0.000	0.000
		(.)	(.)	(.)	(.)	(.)	(.)
	Yes	0.036**	0.033**	0.029*	-0.001	0.044**	0.033
		(0.014)	(0.016)	(0.016)	(0.020)	(0.017)	(0.028)
Other Working Member	No	0.000	0.000	0.000	0.000	0.000	0.000
		(.)	(.)	(.)	(.)	(.)	(.)
	Yes	-0.078***	-0.008	-0.045*	-0.103***	-0.114***	0.254***
		(0.024)	(0.026)	(0.023)	(0.031)	(0.023)	(0.057)
Child in Household	No	0.000	0.000	0.000	0.000	0.000	0.000
		(.)	(.)	(.)	(.)	(.)	(.)
	Yes	0.025	0.018	0.003	0.060*	0.019	-0.006
		(0.015)	(0.020)	(0.012)	(0.029)	(0.020)	(0.018)
Feel Safe in Public	No	0.000	0.000	0.000	0.000	0.000	0.000
Spaces							
		(.)	(.)	(.)	(.)	(.)	(.)
	Yes	0.033**	0.031*	0.033*	0.000	0.048**	0.011
		(0.013)	(0.017)	(0.018)	(0.023)	(0.017)	(0.037)
Dummy		Region	Region	Region	Region	Region	Region
Observations		17761	8120	9641	4129	11678	1954
R-squared		0.244	0.300	0.089	0.284	0.252	0.286
Adjusted R-squared		0.242	0.297	0.085	0.278	0.250	0.275
AIC		18246.684	8931.167	8211.040	4193.103	12172.506	973.667

Source: Authors estimates based on SIHBS 2022.

Characteristics of "Better Jobs"

Table 13: Characteristics of Better jobs

				Formal	
			Non-Formal	Armed	Other
Individual Characteristics	Residency	Rural	25%	13%	21%
		Urban	72%	87%	79%
		Nomadic	3%	0%	0%
	Sex	Male	76%	97%	78%
		Female	24%	3%	22%
	Age	15-24	16%	1%	7%
		25-34	32%	25%	45%
		35-44	30%	37%	28%
		45-54	16%	13%	11%
		55-64	6%	24%	7%
	Education	None	61%	44%	27%
		Incomplete Primary	9%	11%	6%
		Primary	9%	23%	11%
		Secondary	11%	21%	21%
		Tertiary	9%	0%	35%
	Urban Quintile	Poorest	16%	2%	5%
		2nd	13%	24%	13%
		3rd	15%	12%	11%
		4th	13%	36%	25%
		Richest	15%	13%	25%
Employment	Employer	Government	10%	82%	33%
		Private Agriculture	10%	0%	7%
		Private Non-Agriculture	54%	12%	35%
		Household	23%	0%	1%
		NGO	2%	4%	15%
		Int Org	1%	2%	9%
	Sector	Agriculture	7%	0%	1%
		Mining & Utilities	2%	0%	1%
		Manufacturing	3%	0%	2%
		Construction	15%	13%	3%
		Trade	17%	0%	5%
		Transport	15%	6%	7%
		Food	4%	0%	2%
		ICT, Finance	3%	0%	8%
		Admin	9%	81%	24%
		Social	10%	0%	35%
		Other Services	17%	0%	13%

				Formal	
			Non-Formal	Armed	Other
Employment	Earnings ($)	Av. Month	321.48	256.72	2.34
		Av. Hour	2.79	1.14	300.00
		Med Month	240.00	200.00	1.88
		Med Hour	1.25	0.87	

Source: Authors' estimates based on SIHBS 2022.

Household Enterprises

Table 14: Marginal Effects from Probit Regression on Household Having an Enterprise

		Coefficient	SE	P Score
Head Gender	Female	0.031	0.009	0.001
Head Education	Incomplete Primary	0.053	0.025	0.037
	Complete Primary	0.031	0.017	0.064
	Complete Secondary & Post-Secondary	0.052	0.024	0.031
	Completed University	0.040	0.034	0.241
Location	Urban	-0.012	0.015	0.437
	Nomadic	-0.126	0.014	0.000
IDP	Non-IDP	0.080	0.017	0.000
Income	Aid	-0.002	0.016	0.911
	Domestic Remittances	-0.101	0.007	0.000
	International Remittance	-0.070	0.009	0.000
Composition	Household Size	0.008	0.002	0.000
	Dependency Ratio	-0.004	0.005	0.381
	Wage Earner	-0.081	0.013	0.000
Finance	Member has bank account	-0.066	0.018	0.000

Source: Authors' estimates based on SIHBS 2022.

Given the presence of a household enterprise is an endogenous regressor in the household welfare equation, the estimation of the welfare impact of having a household enterprise utilizes a maximum likelihood estimator with an endogenous regressor under the Recursive Bivariate Regression (RBR) model. This approach will improve the causal inference on the effect of a household enterprise on a households welfare. The RBR jointly determines equations as a system of two equations that allows the error terms to be correlated, and the household enterprise variable is an endogenous regressor in the equation determining household welfare. This will enable the estimation of the average welfare effect of having a household enterprise.

The choice of population density as an exclusion restriction is validated by running regressions to determine its relevance in explaining variations in household enterprise ownership and whether or not it has a direct effect on household welfare. As shown in table 15, population density has a significantly negative association with owning a household enterprise. This is likely as in areas that have greater population

density, have greater employment opportunities and therefore there is less reliance on household enterprises. Table 16 further explores whether population density has a statistically significant direct effect on household welfare beyond its effect through ownership of a household enterprise, for which there is none.

Table 15: Determinants of Having an Enterprise and its impact on household welfare

	Has Enterprise	Log Consumption Per Capita
Population Density	-0.0017*	
	(0.0010)	
Has Enterprise		0.6306***
		(0.0598)
Female Head	0.1245***	0.0173
	(0.0424)	(0.0136)
Head Education: None	-	-
	-	-
Head Education: Incomplete Primary	0.2719***	0.1063***
	(0.0668)	(0.0232)
Head Education: Primary	0.1363*	0.1843***
	(0.0735)	(0.0246)
Head Education: Secondary	0.2709***	0.3128***
	(0.0776)	(0.0270)
Head Education: Tertiary	0.0666	0.5248***
	(0.1072)	(0.0361)
Head Age	0.0054***	-0.0000
	(0.0014)	(0.0005)
Area: Rural	-	-
	-	-
Area: Urban	0.0144	0.3230***
	(0.0471)	(0.0157)
Area: Nomadic	-0.9906***	-0.3254***
	(0.1015)	(0.0233)
Non-IDP	0.4429***	0.2869***
	(0.0772)	(0.0233)
Aid	0.0361	-0.0043
	(0.0443)	(0.0145)
Domestic Remittance Value	-0.0004***	0.0000**
	(0.0001)	(0.0000)
International Remittance Value	-0.0001***	0.0001***
	(0.0000)	(0.0000)
Household Size	0.0644***	-0.0949***
	(0.0076)	(0.0028)
Wage Earner	-0.3462***	-0.0027
	(0.0465)	(0.0145)
Walking time to nearest city	-0.0001**	-0.0001***
	(0.0001)	(0.0000)

	Has Enterprise	Log Consumption Per Capita
Constant	17.4024	6.4063***
	(12.0476)	(0.0633)
Observations	7,156	7,156

Source: Authors' estimates based on SIHBS 2022.

Table 16: Exploring the direct effect of household enterprise on household welfare

	(1)
	pcerl_coef_popd
VARIABLES	l_pcer
has_enterprise	0.190***
	(0.0260)
Pop Density	-1.30e-06
	(5.54e-06)
city_wlk	-0.000287
	(0.000203)
city_mtr	0.00274
	(0.00180)
RECODE of pop_wp (pop_wp)	0.0582**
	(0.0229)
rai	0.00324*
	(0.00169)
RECODE of hh1_17 (How many kilometers is this house from the nearest all-season	-0.0718***
	(0.0150)
Constant	6.293***
	(0.0987)
Observations	7,156
R-squared	0.043
Standard errors in parentheses	
*** p<0.01, ** p<0.05, * p<0.1	
Regression estimation	

Source: Authors' estimates based on SIHBS 2022.

Table 17: Household Enterprise Regressions

		Profit	Profit Per Worker	Revenue Per Worker
Poverty	Non-Poor	0.000	0.000	0.000
		(.)	(.)	(.)
	Poor	-146.306*	-78.706*	-0.433***
		(82.09)	(42.60)	(0.12)
Household Size	1-3 HH members	0.000	0.000	0.000
		(.)	(.)	(.)
	4-6 HH members	382.659	170.307*	-0.001
		(248.44)	(91.58)	(0.33)
	7-9 HH members	487.927*	199.406**	0.108
		(257.17)	(95.28)	(0.32)
	10+ HH members	377.234	166.748*	0.067
		(269.54)	(98.47)	(0.33)
Location	Rural/IDP	0.000	0.000	0.000
		(.)	(.)	(.)
	Urban	-71.677*	-38.107*	-0.363**
		(42.25)	(21.84)	(0.15)
	Nomadic	-30.602	-89.374	-0.016
		(136.53)	(56.62)	(0.44)
Enterprise Size	Single	0.000	0.000	0.000
		(.)	(.)	(.)
	2 to 4	-114.206	-120.407**	-0.814***
		(96.71)	(49.95)	(0.11)
	5 or more	-36.362	-125.794***	-2.954***
		(130.54)	(32.39)	(0.32)
Operating	Inside Home	0.000	0.000	0.000
Location		(.)	(.)	(.)
	Outside Home	-48.015	-10.047	0.045
		(51.83)	(28.51)	(0.18)
	Marketplace	-122.046	-28.685	0.388**
		(86.86)	(39.54)	(0.16)
	Other	-71.095	-33.502	0.166
		(69.72)	(35.66)	(0.18)
	license_main=0	0.000	0.000	0.000
Licensed		(.)	(.)	(.)
	license_main=1	25.054	48.922	0.763***
		(109.71)	(57.91)	(0.17)
	Male	0.000	0.000	0.000
Owner Gender		(.)	(.)	(.)
	Female	-205.594**	-89.008**	-0.328**
		(87.68)	(43.75)	(0.13)
	None	0.000	0.000	0.000

		Profit	Profit Per Worker	Revenue Per Worker
Owner Education		(.)	(.)	(.)
	Incomplete Primary	-100.925*	-57.408*	-0.199
		(52.19)	(29.98)	(0.16)
	Completed Primary	-97.562	-35.158	-0.158
		(87.11)	(32.61)	(0.17)
	Completed Secondary	-82.243	-29.154	-0.010
		(172.07)	(87.02)	(0.22)
	Completed Tertiary	530.120*	155.410	1.086***
Controls		Region, Sector, Type, Owner Age	Region, Sector, Type, Owner Age	Region, Sector, Type, Owner Age
Observations		901	901	803
R-squared		0.086	0.084	0.420
Adjusted R-squared		0.043	0.042	0.389

Source: Authors' estimates based on SIHBS 2022.

Potential Impact of Urban Public Works

To demonstrate the potential impact of an urban public works program, a rough back of the envelope calculation can be made to assess the potential impact on poverty. It is assumed that the poorest 20 percent of urban households self-select into such a program, and it is limited to one member per household. The number of days worked per week is restricted to 3, resulting in 156 days per year. A daily wage rate of $2 to $5 is calculated and the additional income is added to total household consumption. Poverty is then recalculated based on the per capita consumption with the additional earnings from the public works program. The wage cost of the public works would depend on the daily wage rate, ranging from 0.7 to 1.8 percent of GDP and 8 to 20 percent of government expenditure in 2022.[136] With the assumption that wage costs account for 80 percent of total costs, this cost increases from 0.9 to 2.3 percent of GDP and 10 to 26 percent of government expenditure in 2022.[137]

While there is no change in the poverty rate, the poverty gap decreases both nationally and in urban areas. Given that IDPs are concentrated in the poorest urban quintile, these households tend to be quite far from the poverty line. As a result, a public works program that targets the poorest urban households does not reduce the poverty headcount, either nationally or in urban areas. However, at the national level the poverty gap is reduced by over a percentage point if the daily wage is $4, while in urban areas a daily wage of $3 reduces the urban poverty gap by 1.5 percentage points. The $5 daily wage decreases the urban poverty gap by 2.5 percentage points. It should be noted, this only considers the direct impact of such a program, and as shown in other countries, there are indirect benefits from the increase in low-skilled wage rates, and other potential benefits may arise from increased domestic spending for household enterprises.

[136] This only considers the payment of wages associated with such a program. There would also be an administrative cost. GDP in 2022 is assumed to be $10.42bn (https://data.worldbank.org/country/somalia) and government expenditure is $918.7mn (https://www.unicef.org/esa/media/11721/file/Somalia%20National%20Brief.pdf).

[137] Examples from Ethiopia and Liberia restricted wage costs to 80% of program costs (World Bank 2012).

Figure 104: Impact on the Poverty Gap

Source: Authors' estimates based on SIHBS 2022.

ANNEX: CHAPTER 3

Table 18: Self-Reported Exposure to Shocks[138]

		Any Shock	Food Price Increase	Drought	Livestock Death
All	All	75%	53%	47%	14%
Poverty	Non-Poor	73%	55%	39%	8%
	Poor	78%	51%	56%	21%
Nomadic	All	96%	54%	87%	51%
	Non-Poor	93%	54%	85%	40%
	Poor	96%	54%	87%	55%
Rural	All	77%	52%	53%	19%
	Non-Poor	75%	58%	46%	13%
	Poor	78%	49%	57%	23%
Urban	All	70%	54%	37%	5%
	Non-Poor	70%	55%	32%	4%
	Poor	71%	52%	43%	7%

Source: Authors' estimates based on the SIHBS 2022.

Table 19: Poverty and 3 D's Regression

VARIABLES	poor_ub
Pop Density	-4.14e-05***
	(1.08e-05)
Share of population within 2km of All-Weather Road	-0.0149***
	(0.00377)
Share of population within 5km of conflict (2018-2022)	0.00831***
	(0.00247)
Constant	0.148*
	(0.0863)
Observations	7,156
Standard errors in parentheses	
*** p<0.01, ** p<0.05, * p<0.1	
Probit estimation with SVY settings	

[138] Defined as experiencing a severe negative economic impact.

ANNEX: CHAPTER 4

Figure 105: Nomadic Poverty Rates by Region

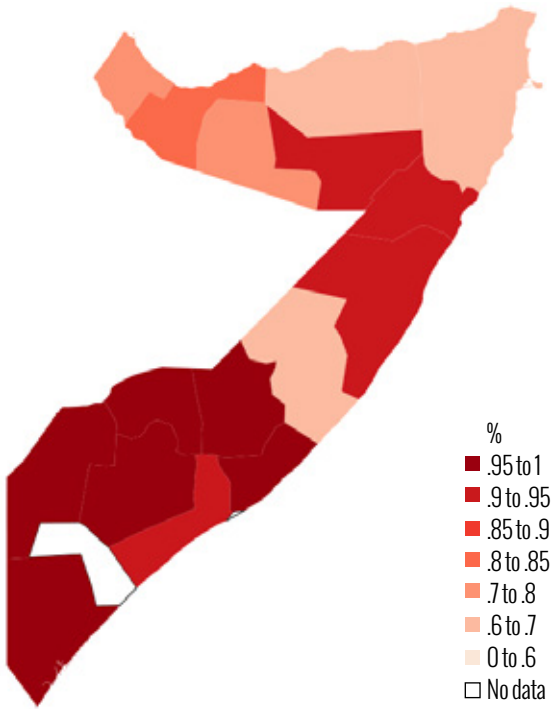
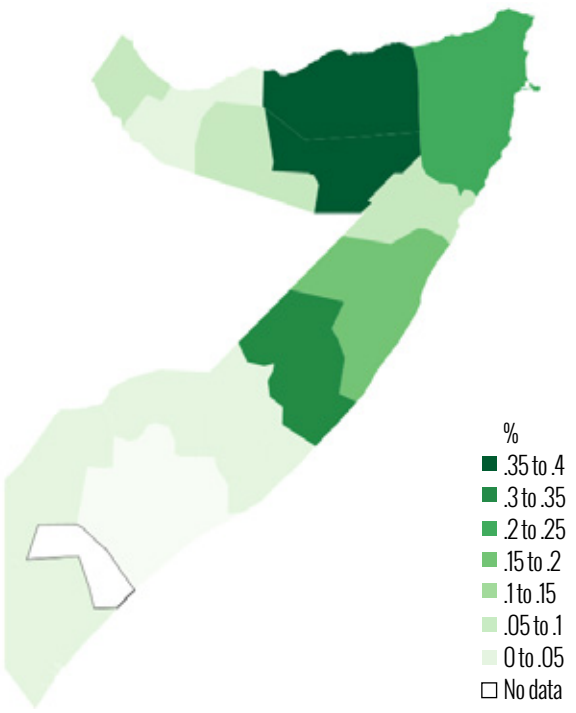


Figure 106: Nomadic Population Share in each Region



Source: Authors' estimates based on SIHBS 2022.

LIVESTOCK REVENUE REGRESSION

Table 20: Livestock Revenue Regression

	total_lstck_earn	total_lstck_earn
Male	0.000	0.000
	(.)	(.)
Female	-153.184**	3.099
	(60.205)	(50.537)
None	0.000	0.000
	(.)	(.)
Incomplete Primary	-212.428	-218.495*
	(148.115)	(122.751)
Completed Primary	-25.175	2.783
	(241.205)	(199.904)
Completed Secondary & Post-Sec	-55.316	-80.435
	(456.736)	(378.523)

	total_lstck_earn	total_lstck_earn
Awdal	0.000	0.000
	(.)	(.)
Bakool	-57.029	-514.228**
	(310.393)	(258.310)
Bari	288.420*	5.346
	(154.559)	(128.915)
Bay	14.175	-218.786
	(307.655)	(255.250)
Galgaduud	748.402***	224.422*
	(155.239)	(131.443)
Gedo	399.883**	35.272
	(163.495)	(136.787)
Hiraan	238.632	200.719
	(160.578)	(133.093)
Lower Juba	-142.018	-564.402**
	(327.096)	(271.949)
Lower Shabelle	129.411	162.864
	(158.892)	(131.694)
Waqooyi Galbeed	-141.985	-93.415
	(155.951)	(129.269)
Middle Shabelle	-152.676	-448.884*
	(313.747)	(260.463)
Mudug	354.402**	110.626
	(154.511)	(128.663)
Nugaal	211.322	-221.784*
	(156.502)	(131.597)
Sanaag	380.816**	363.862**
	(174.468)	(144.593)
Sool	792.617***	727.114***
	(159.490)	(132.221)
Togdheer	168.717	158.115
	(150.195)	(124.476)
Yes	0.000	0.000
	(.)	(.)
No	189.744*	239.719***
	(107.975)	(89.521)
(max) ndvianom=0	0.000	0.000
	(.)	(.)
(max) ndvianom=1	-51.076	312.072
	(260.215)	(216.460)
tlu_tot		27.496***
		(1.413)
Observations	850	850

	total_lstck_earn	total_lstck_earn
R-squared	0.126	0.400
Adjusted R-squared	0.104	0.385
AIC	13761.220	13442.872
Standard errors in parantheses. Weights are applied in all estimations.		
="* p<0.10	** p<0.05	*** p<0.01"

Source: Authors' estimates based on SIHBS 2022.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