

# The Somaliland Economic Conference

## Growth & Unemployment



THE WORLD BANK

January 29, 2014  
Hargeisa



# GDP: A measure of economic activity



GDP measure the income deriving from production of goods and services on the territory. It is equivalent to :

The value of all final goods and services produced **within** a country in one year.

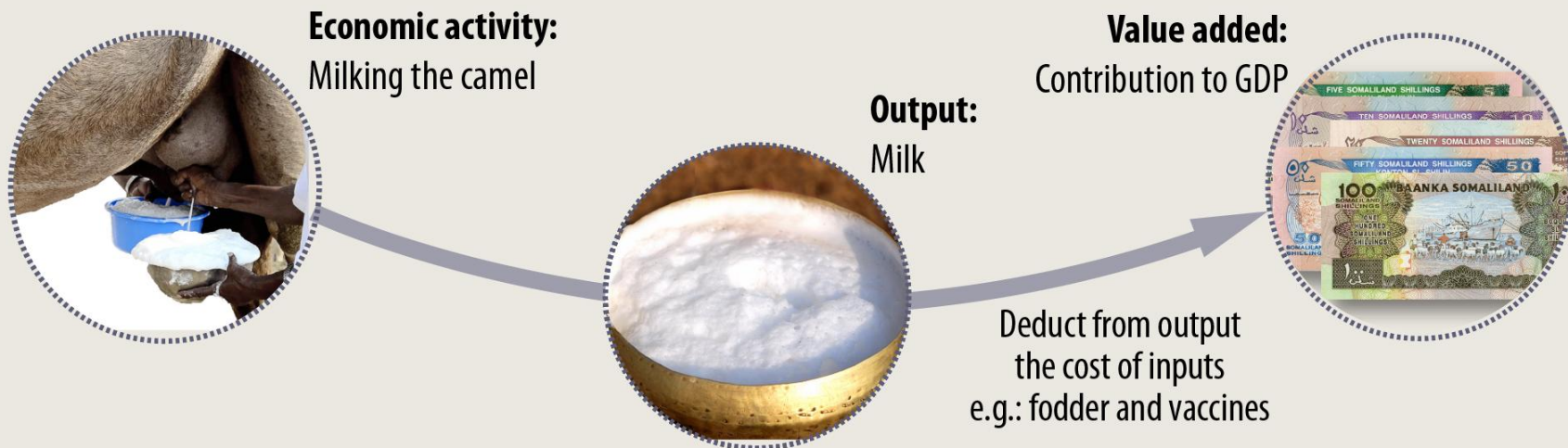
It does not measure wealth but what (any) wealth produces. Nor does it include remittances or aid as these come from abroad

**Wealth:** herd of camels  
(not measured in the GDP)



**National Income**= GDP + external transfers

## What GDP measures:





# Disclaimer

- The following slides will present the first estimate for the Gross Domestic Product (GDP) of Somaliland.
- The presentation today also aims at collecting feedback from a broad audience to finalize the GDP estimate.
- GDP calculations, even in the most advanced economies, always contain some degree of errors and omissions.
- This estimate for Somaliland's GDP was constrained by the obvious difficulties, in the current context, of gauging the economic importance of nomadic populations, for which a number of assumptions had to be made.



Somaliland's GDP (2012) is estimated at:

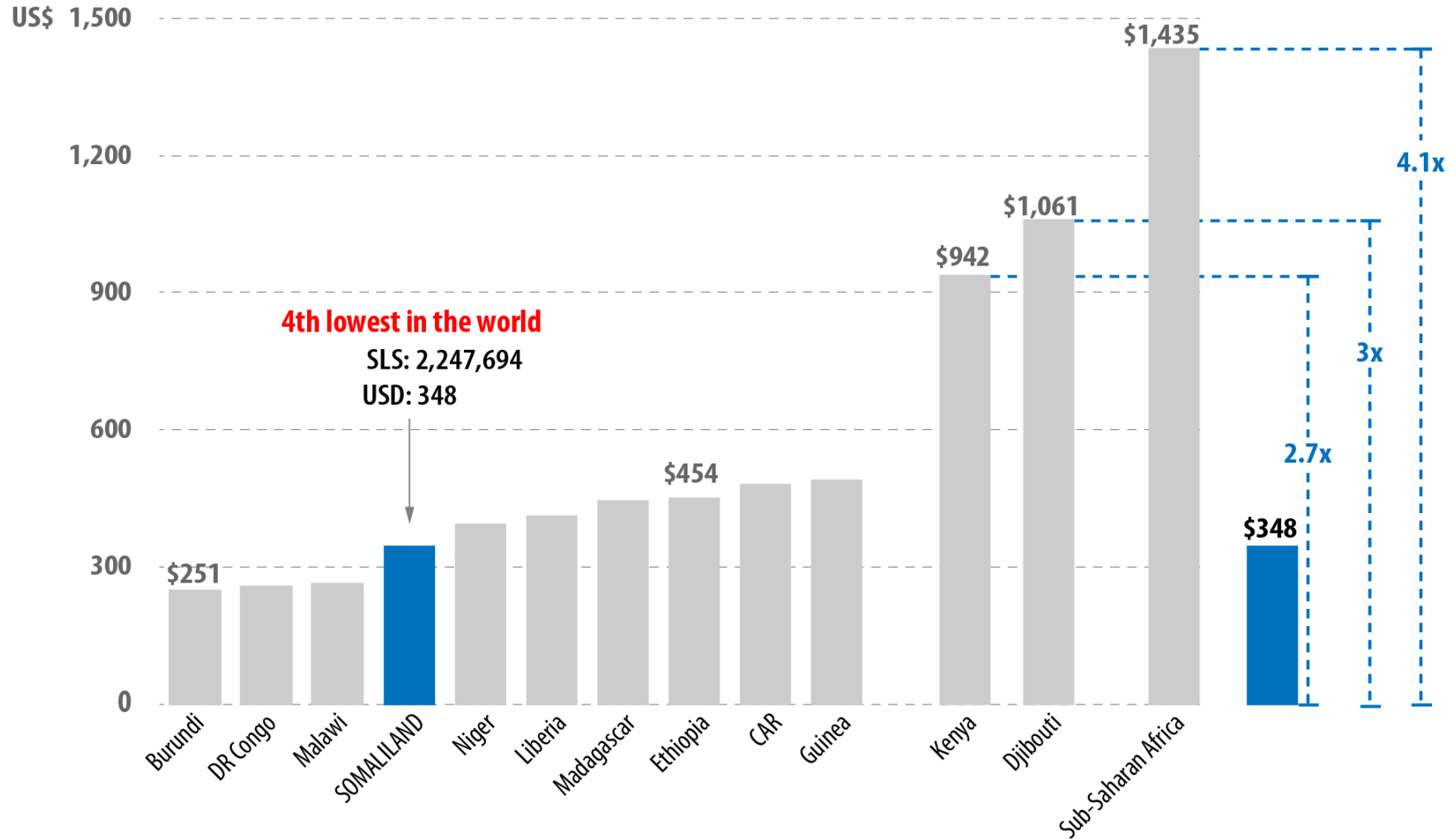
**SLS Million: \$8,991**

**USD Million: \$1,390.9**

Exchange rate: SLS/USD: 6,464  
Not adjusted for Purchasing Power Parity



# Somaliland's GDP per capita ranks the 4<sup>th</sup> lowest in the world

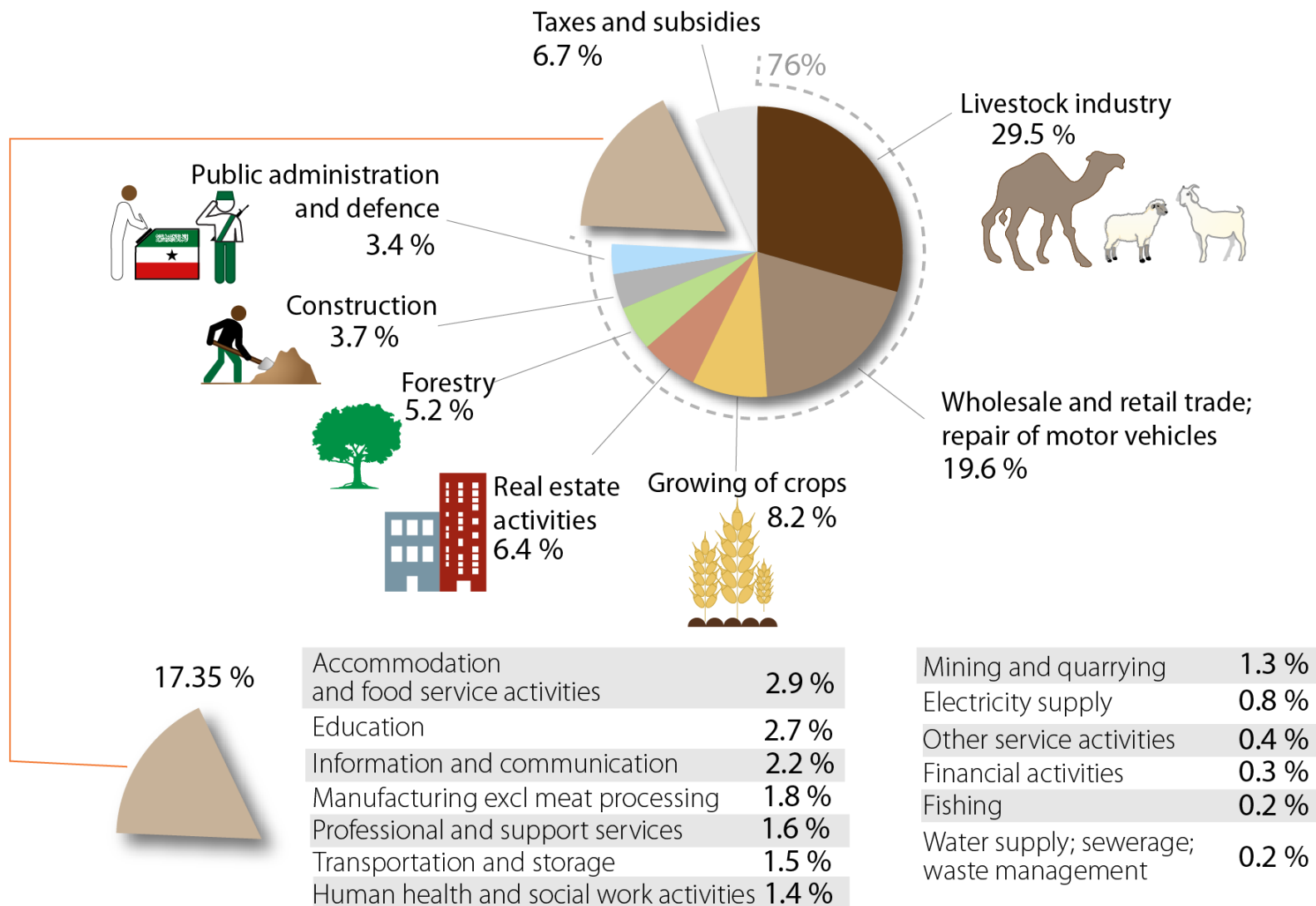


Source: World Bank. GDP per capita at current US prices (not adjusted for Purchasing Power Parity). 2012 or latest figures available.

Note: Based on an unverified population estimate of 4 million for Somaliland



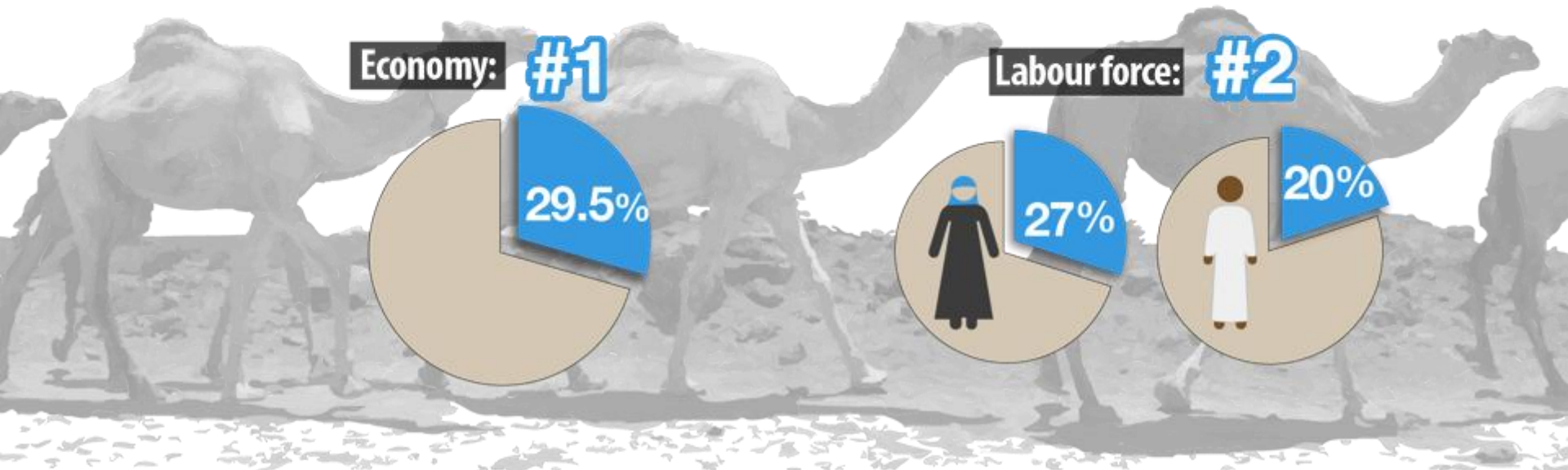
# Somaliland's GDP by sector



Note: Based on an unverified population estimate of 4 million for Somaliland



# Livestock is the main economic sector

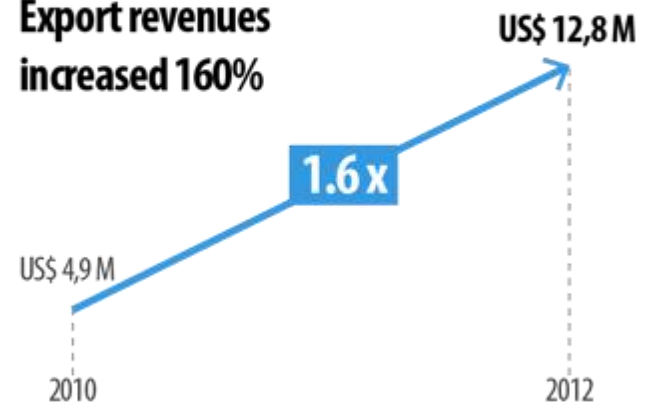


**Livestock Exports through Berbera**



Source: FSNAU November 2013

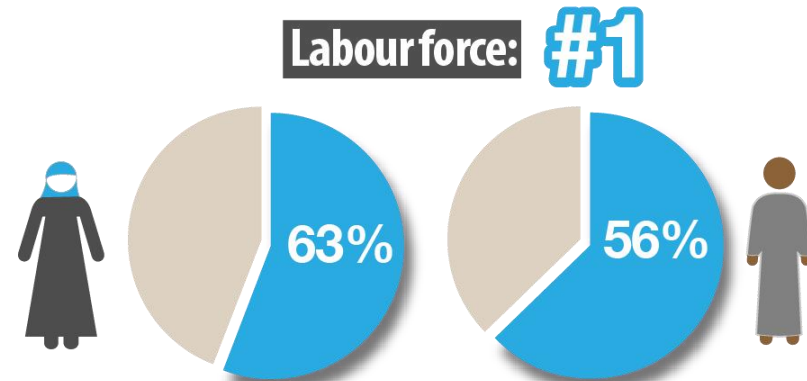
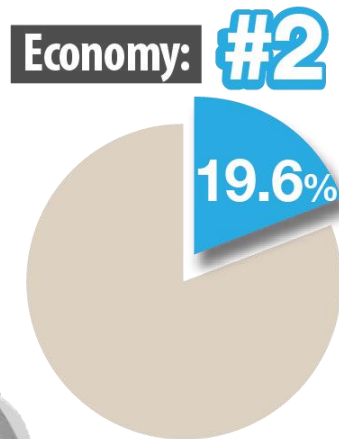
2010-2012:  
Export revenues  
increased 160%







# ...followed by the wholesale and retail sector



"Service and sales" include:

- shop assistants and demonstrators;
- hairdressers, barbers, beauticians;
- undertakers and embalmers;
- house stewards and housekeepers;
- cooks and other catering service workers;
- waiters and bartenders;
- transport conductors; and,
- travel guides and ground attendants.

This categorization includes both formal registered businesses and informal jobs

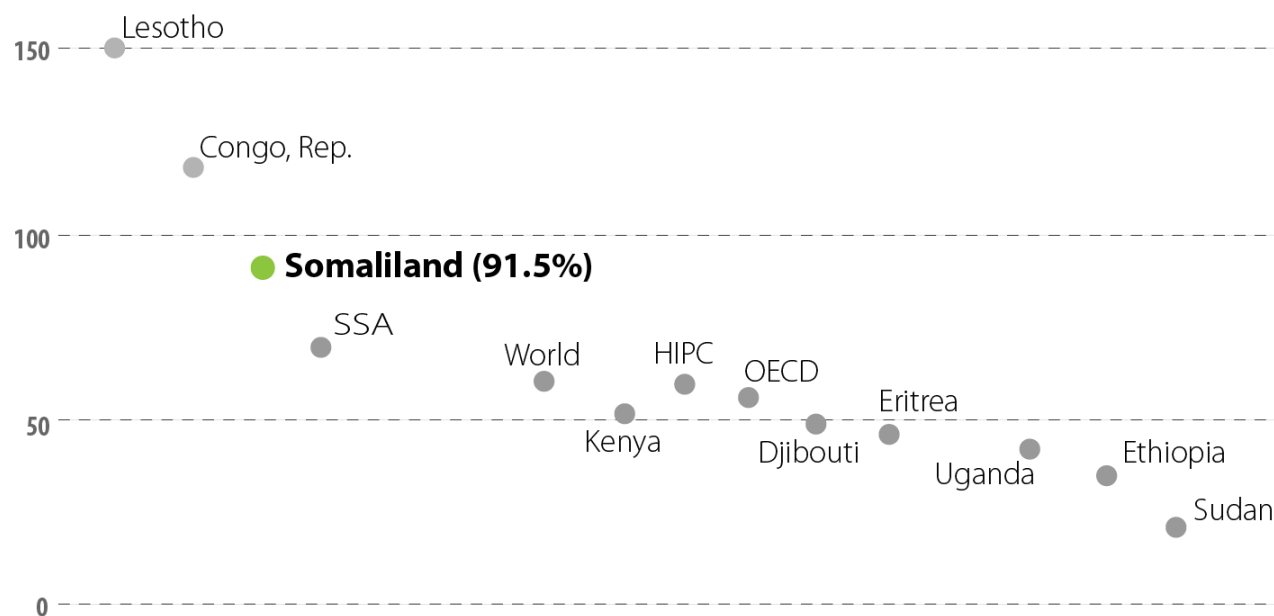




# Trade matters...

- It's a very open economy. The **ratio of Imports + Exports to GDP is 91.5%**, the 7<sup>th</sup> highest in Sub-Saharan Africa and the 45<sup>th</sup> highest in the world.
- Export levies and import taxes collected more than 50% of the revenue in 2012

Somaliland's effective tariff rates | Imports: 4.15%  
Exports: 3.34%



## Effective import tariff rate

Taxes levied over imports as a percentage

Djibouti	%	17.57
Sudan		14.73
Ethiopia		10.41
SSA		7.32*
Kenya		6.08
Eritrea		5.43
<b>Somaliland</b>		<b>4.15</b>
Saudi Arabia		3.87
Yemen, Rep.		3.82

\*SSA rate includes only developing countries

Note: Latest available data used for each country or aggregate. Source: The World Bank

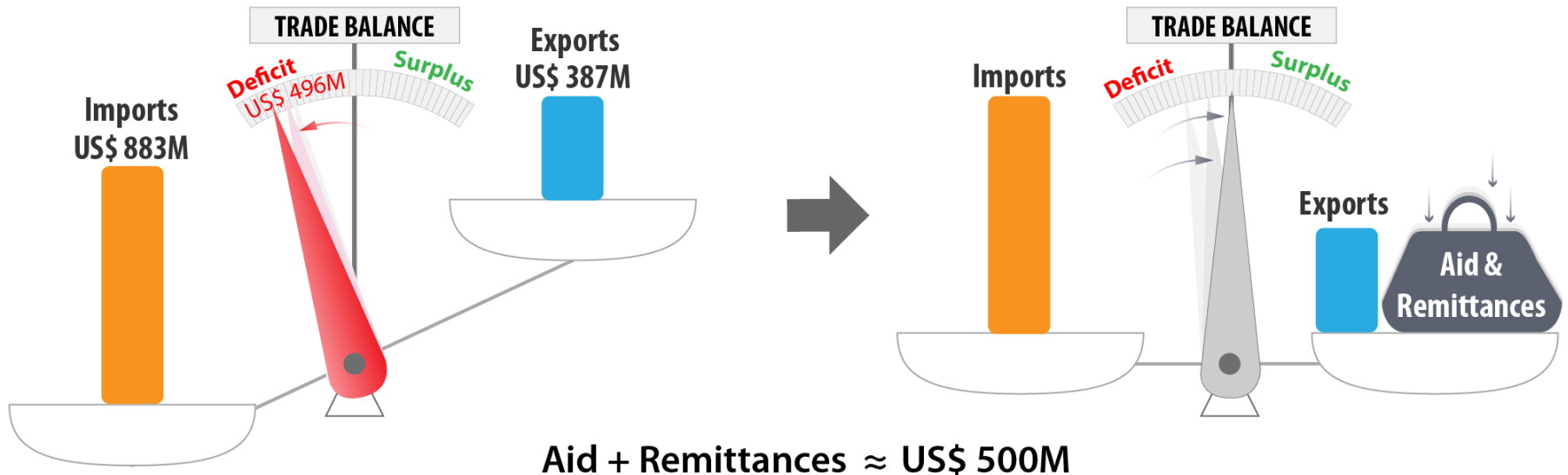
Note: SSA = Sub-Saharan Africa



# ...and trade deficits need to be financed (and Balance of Payments statistics strengthened)

**Trade deficit: US\$ 496M**  
(37.5% of the GDP)

**Financing the trade deficit**



Balance of Payments statistics need to be strengthened to,  
among other things, better capture the value of aid and remittances

**Remittances:** **Not** captured in the GDP as they come from abroad. Most (1/2 to 2/3) is spent on consumption, little on investment. Remittances are estimated at, a minimum, of \$1.2bn for Somalia, including Somaliland. There are not estimates just for Somaliland.

**Aid:** **Not** captured in the GDP as aid comes from abroad. In 2012, Official Development Assistance (ODA) for Somalia amounted to US\$ 750M approximately, including Somaliland. DAD estimates US \$150M for Somaliland in 2012.



# Low investment...

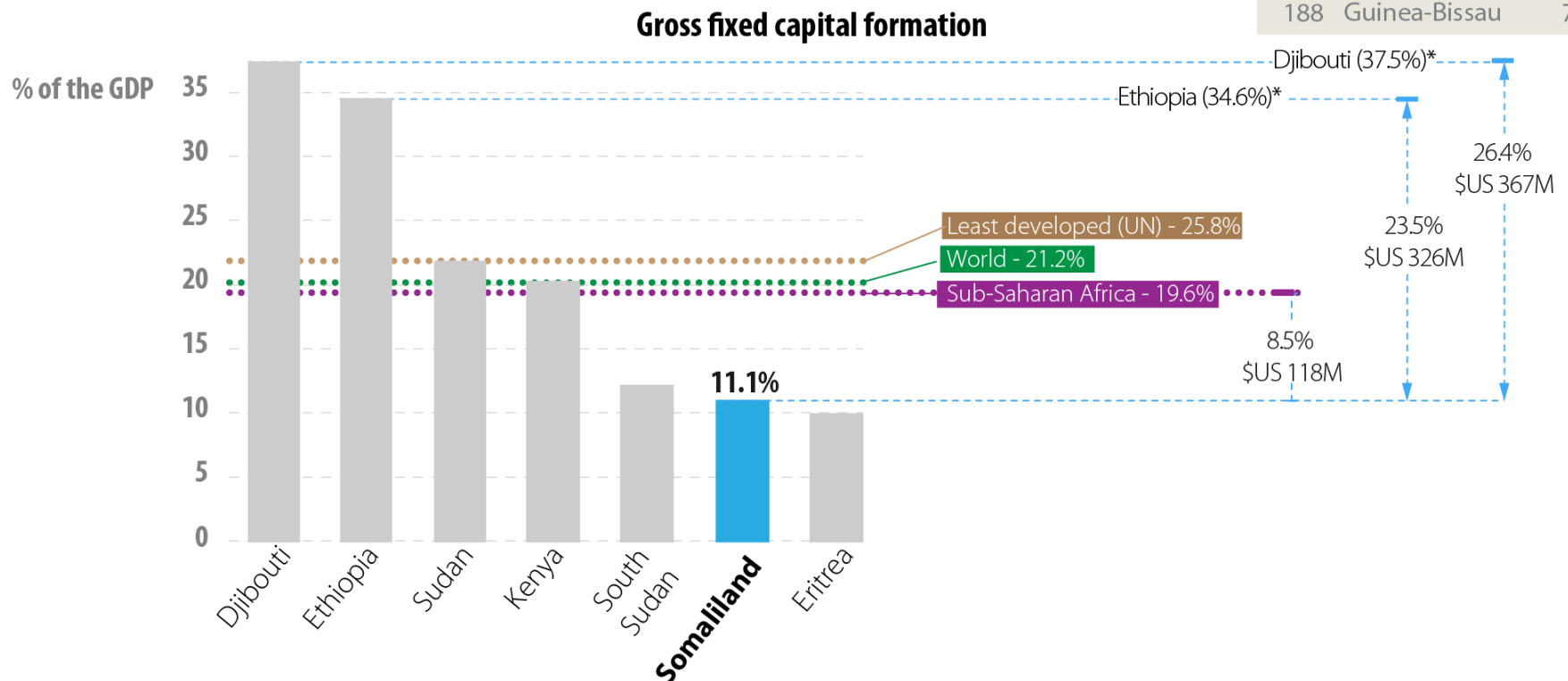
**Gross fixed capital formation: 11.1% (US\$154.4M) of the GDP in 2012**

In 2012, Somaliland ranked 180<sup>th</sup> out of 188 countries

## World's Bottom 10

Gross Capital Formation  
as % of GDP

179	Yemen, Rep.	11.7
<b>180</b>	<b>Somaliland</b>	<b>11.1</b>
181	Ireland	10.7
182	Swaziland	10.2
183	Cote d'Ivoire	10.1
184	Eritrea	10.0
185	Trinidad & Tobago	9.7
186	Puerto Rico	9.7
187	Nigeria	8.2
188	Guinea-Bissau	7.5



Note: Lastest data available used for each country. Source: The World Bank

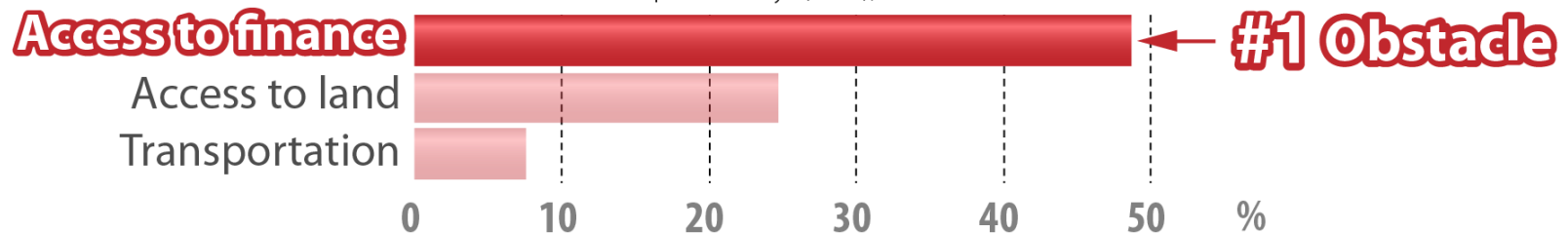
\*Last available year for Djibouti (2007) and for Ethiopia (2011)



# ...is the result of low public and private investment, owing to business difficulties

## What is the most severe business obstacle?

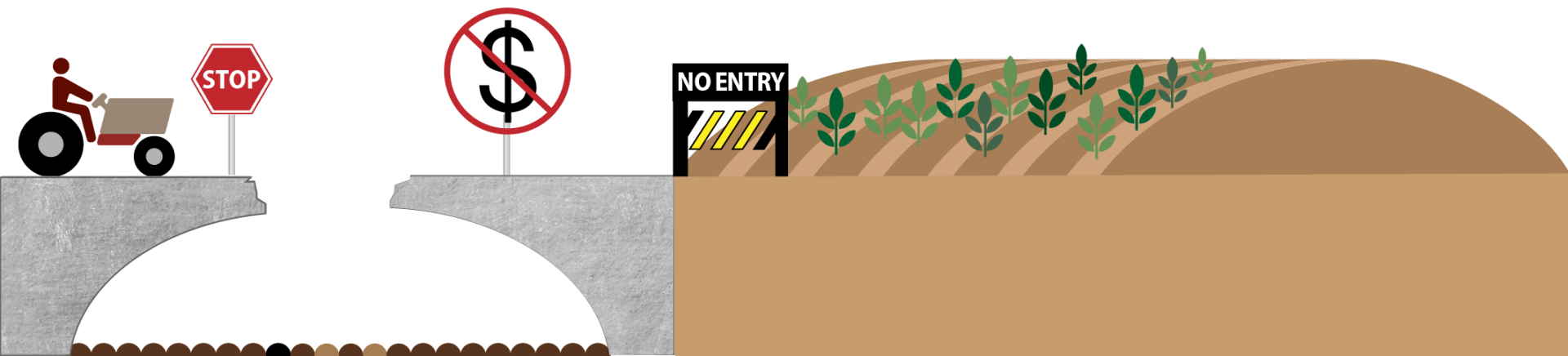
Source: Enterprise Surveys (2013), The World Bank



Poor Transport/ Infrastructure  
+  
Poor access to finance  
+  
Poor access to land

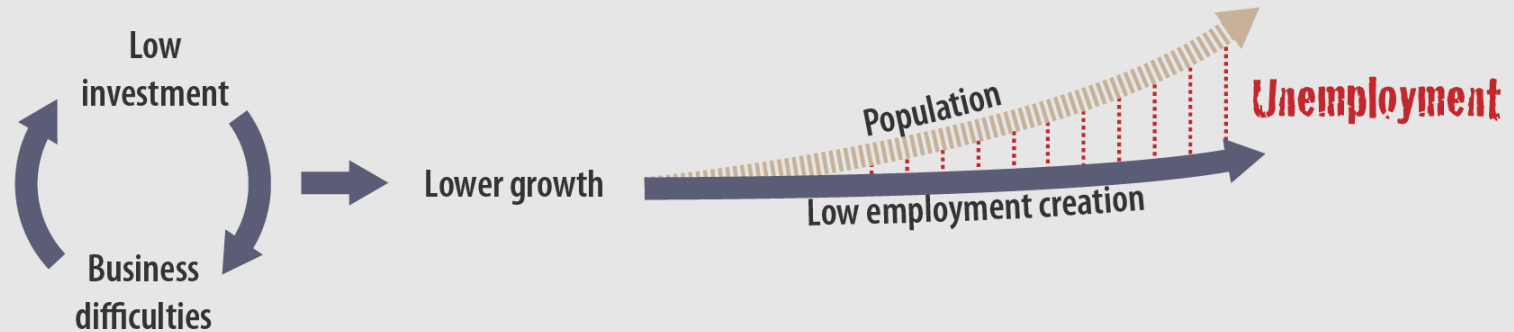
High-cost  
operating  
environment

Low foreign investment  
Local manufacturers  
unable to compete  
with imports



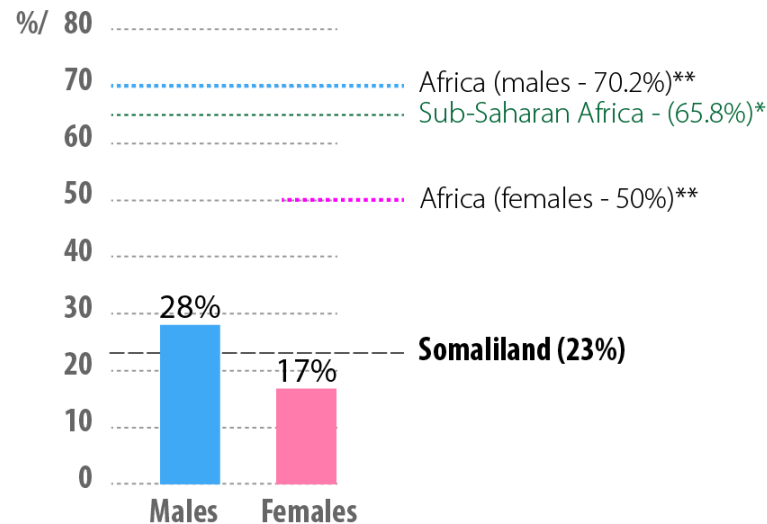


# Overall, the result is lower employment



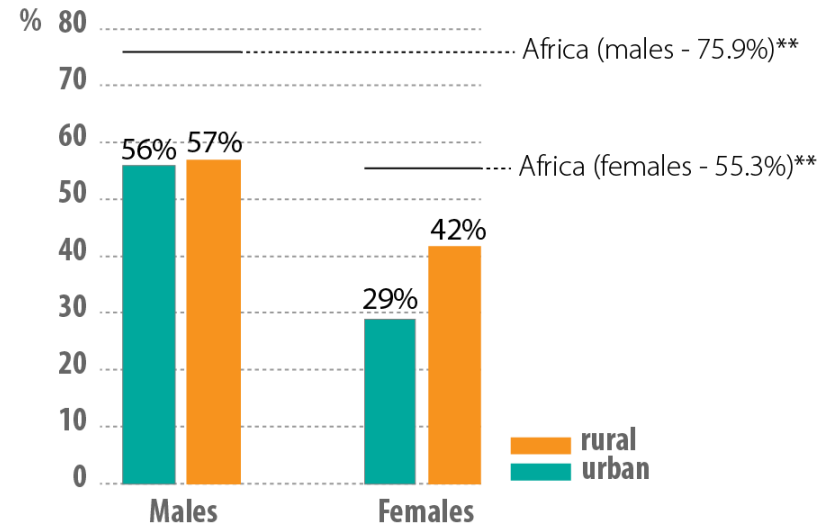
## Employment-to-population ratio

(Borama, Hargeisa & Burao's 15-64 year population)



## Labour force participation rates

(Borama, Hargeisa & Burao's population)



Source: Labour Force Survey Somaliland 2012 - Report on Borama, Hargeisa & Burao, ILO, 2012

\*Source: Towards Decent Work in sub-Saharan Africa Monitoring MDG Employment Indicators, ILO, 2011

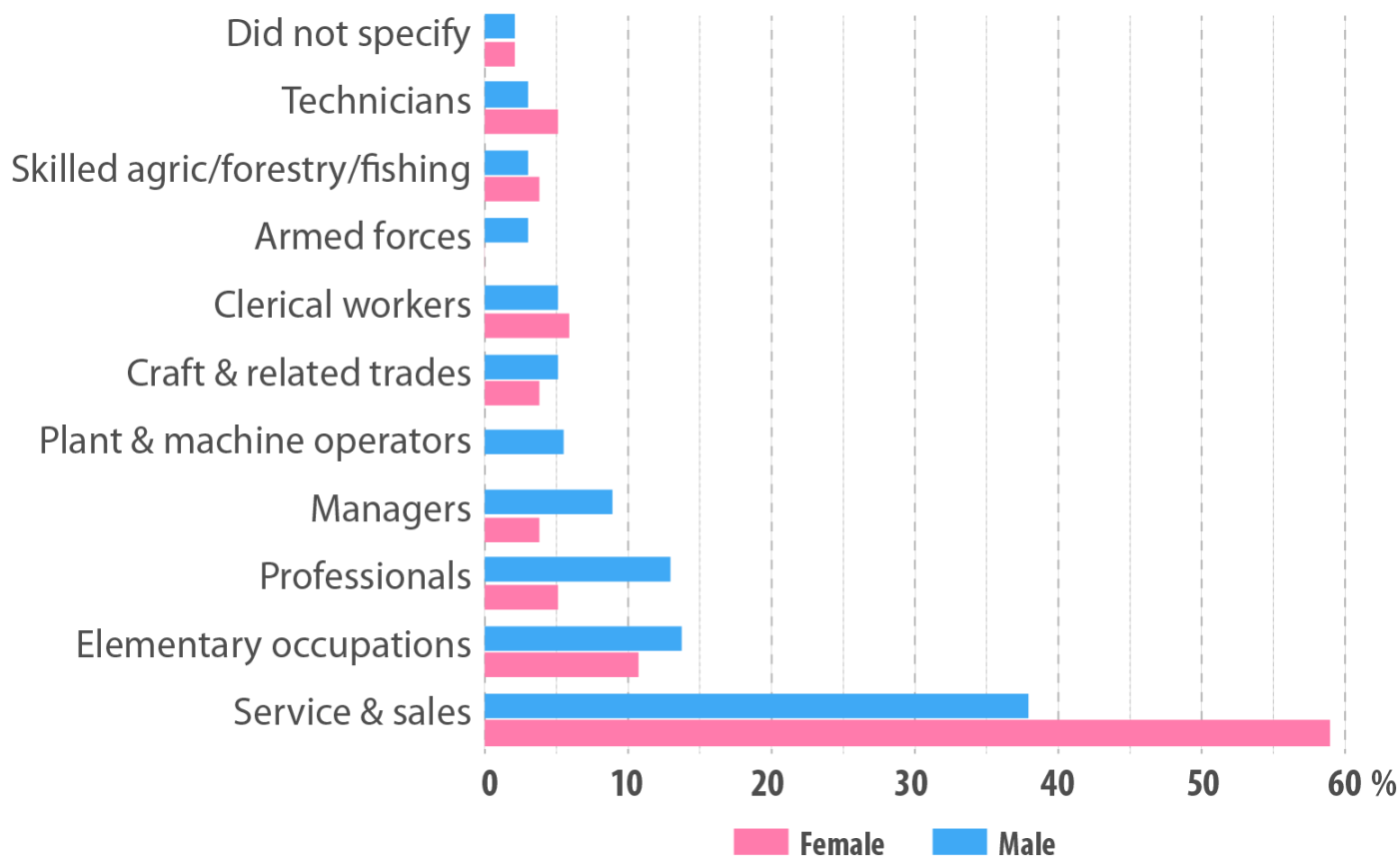
\*\* Source: UN Economic Commission for Africa, 2013



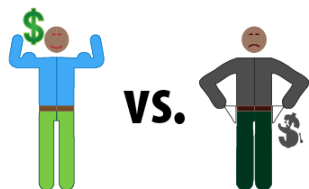
# Employment, dominated by the service and sales sector

## Employment by sector and age (people over 15)

(Population of Borama, Hargeisa and Burao)

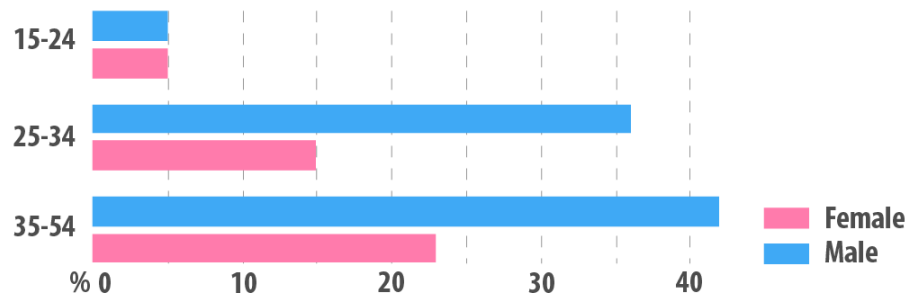


Source: Labour Force Survey Somaliland 2012 - Report on Borama, Hargeisa & Burao, ILO, 2012

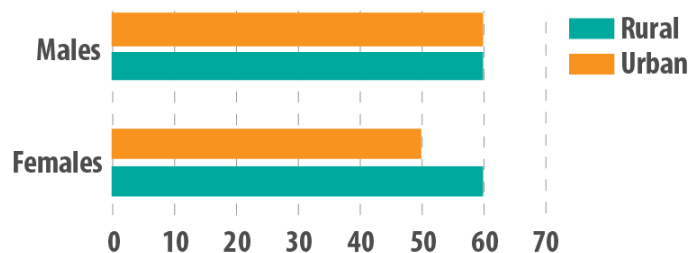


# Employment challenges

## 1 Low ratio of employment to population among the youth



## 2 High underemployment



## 3 High share of workers in vulnerable employment

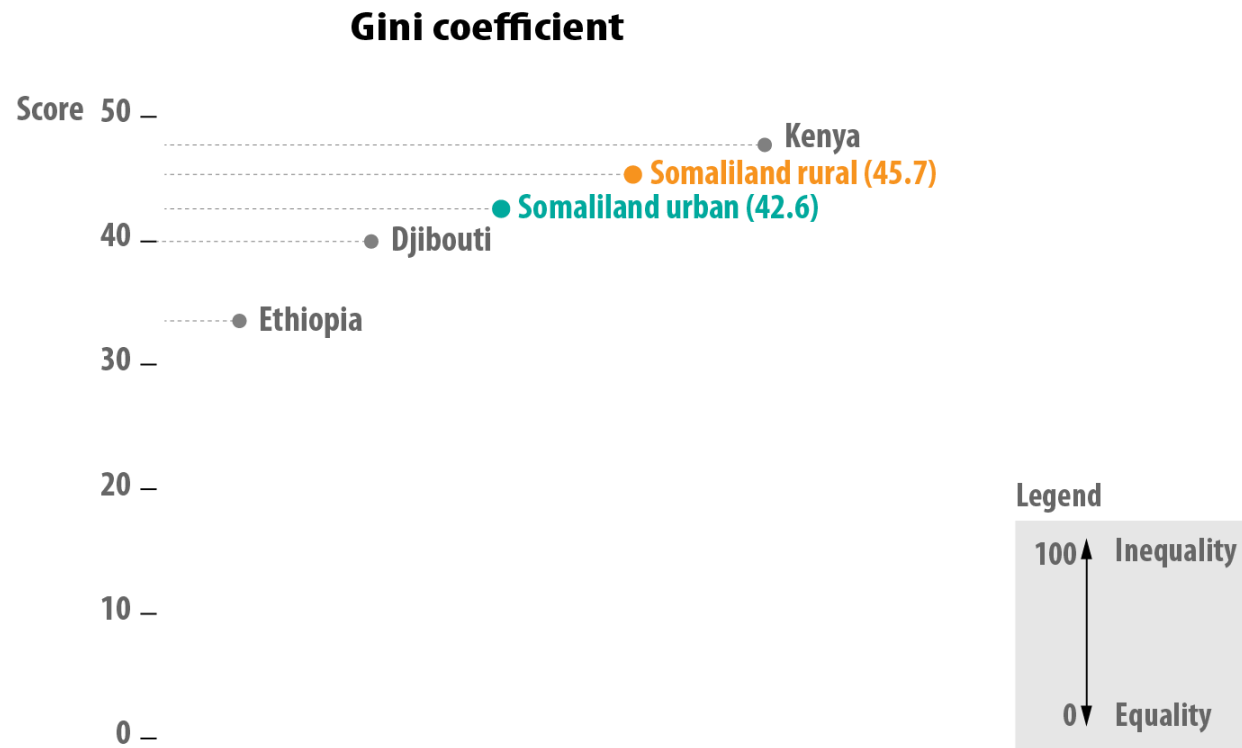
≈ 1 out 2 workers





# Lack of employment leads to inequality

The Gini coefficient is a measure of inequality in the distribution of income. The lower the score, the more equal a society.



Source: The World Bank

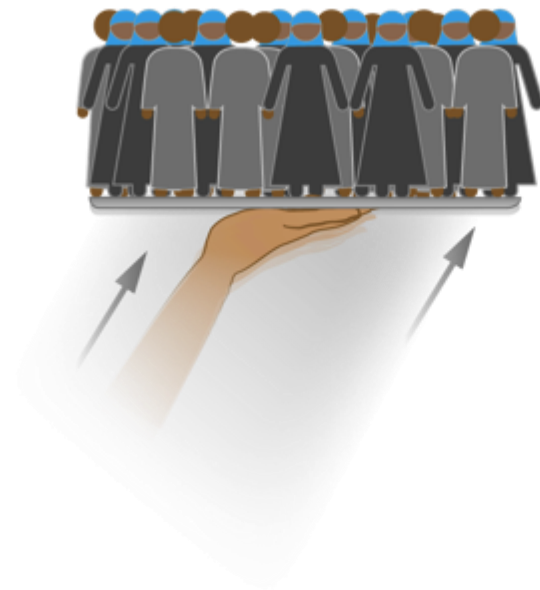


# ...that signals the need for inclusive growth

The idea of 'inclusive growth' involves maximising the opportunities for poor people to participate in the growth process on terms that benefit them.

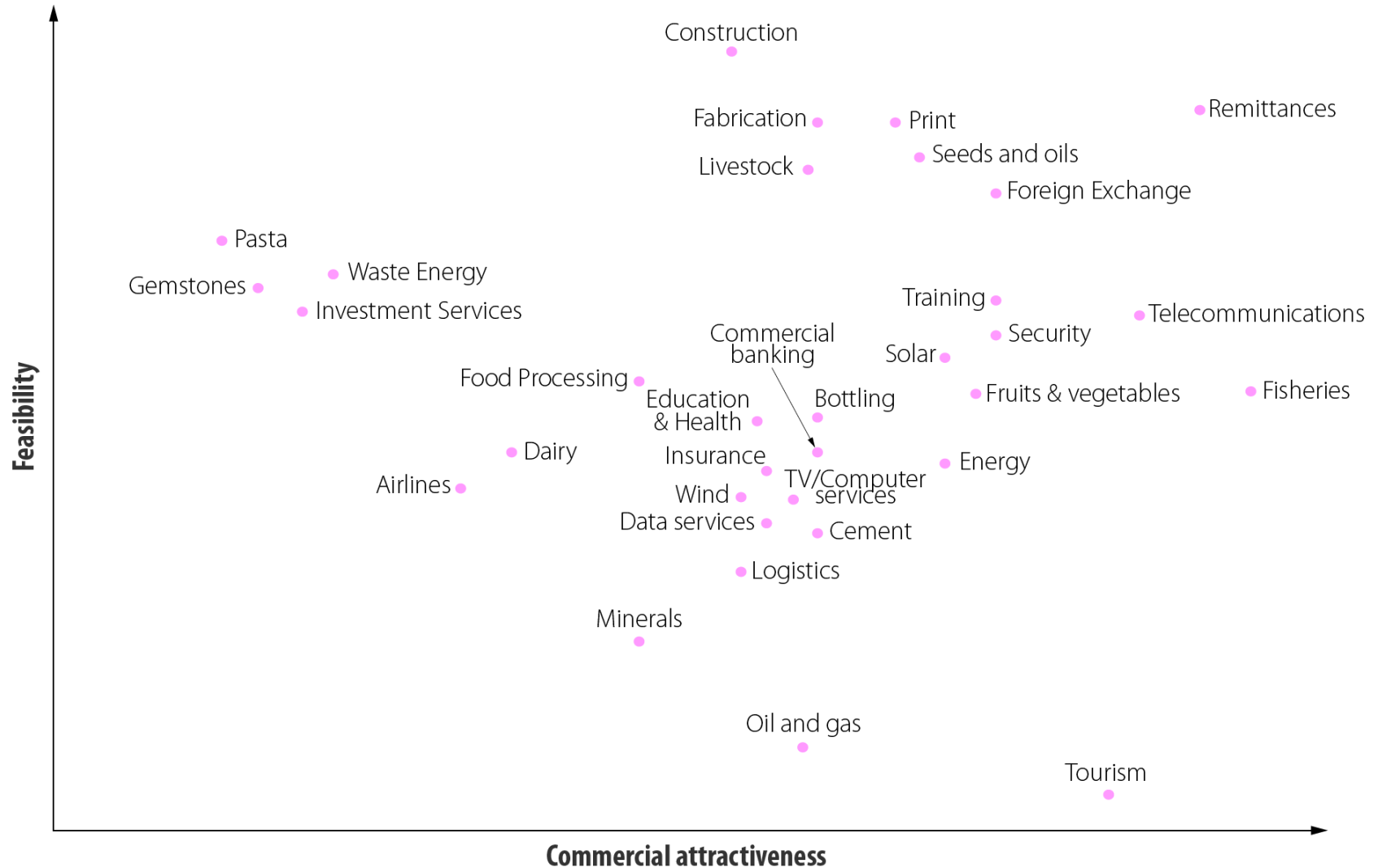
(OECD, 2006)

Inclusive growth results from economic growth that happens in sectors intensive in human labor, such as manufacturing, agriculture, modern service industry.





# ...which requires looking for new opportunities, (comparative data from neighbouring areas)





# ...implementing reforms, and building human capital

**Vision 2030** and the **NDP 2012-16** provide a framework  
within which economic reforms should be designed





Overall there's a need for economic reforms, greater private and public investment to drive forward inclusive growth

