

# Economic impacts of and policy responses to the coronavirus pandemic: early evidence from Somaliland

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## Key messages

- Somaliland recorded its first two cases of COVID-19 on 31 March 2020.
- It is still too early to fully assess the economic and social impacts of the COVID-19 crisis in Somaliland. Nevertheless, the country's dependence on remittances and livestock exports makes it vulnerable to shocks in other countries.
- The government has implemented several policy measures to mitigate the potential impact of the coronavirus. More will probably be needed from a state with limited financial and enforcement capabilities.
- Individual countries and philanthropists have so far supported Somaliland through in-kind donations. It is unclear how donor assistance will reach the country, given its non-recognised status.

## Introduction

Somaliland reported its [first two cases of COVID-19 on 31 March 2020](#), with no deaths so far. Prior to the confirmation of these cases, the government had already established a taskforce, which has introduced [travel restrictions and social distancing measures](#).

Travel restrictions include a ban on flights from affected countries; a mandatory 14-day quarantine for all other passengers arriving by air; and closure of land borders and ports to passengers. Social distancing measures include the banning of social gatherings (including sports, workshops and weddings); the closure of schools; the limiting of prayer times; working from home by non-essential civil servants; and orders to close *khat* shops and limit the activity of coffee and tea shops. Nonetheless, it is important to highlight that some social distancing measures are not being strictly enforced.

After a challenging few years, brought about by the 2015 drought and the 2017 livestock export ban by Saudi Arabia, Somaliland registered moderate growth in 2018 and 2019. Prior to the COVID-19 pandemic, [the Ministry of Finance forecast GDP to grow by 2% in 2020](#). This is higher than the five-year average growth recorded in 2012–2017 but lower than the 5% growth rate target set in the [National Development Plan II \(2017–2021\)](#).

An important disruption starting in 2019 and continuing throughout into 2020 relates to the [locust swarms that are negatively affecting agricultural production and livestock in Somaliland and neighbouring countries](#). Furthermore, Somaliland is facing structural challenges, including the fact that it is home to a large number of displaced people, as well as food security and water-related climate risks such as both floods and droughts. Politically, the postponement of the 2019 parliamentary elections brought about [some political unrest](#) in an otherwise relatively stable country.

[Government spending on the health sector is set to be 4.7% of the 2020 annual budget](#), representing a 6.9% increase from 2019. This is approximately \$11.2 million, or \$2.7 per capita. [The country has reported having virtually none of the essential supplies needed to diagnose and treat COVID-19 patients](#).

## Economic and social impacts

[Somaliland's economy is dependent on imports for food security and energy supply, and on remittances for domestic consumption and investment](#). Livestock exports to neighbouring Gulf countries account for the vast majority of the country's exports and income. In 2019, [the country exported approximately 1.8 million heads of cattle, camel, sheep and goats](#), 75% of which occurred in July and August, coinciding with the Hajj and Eid Al-adha. Given the [uncertainty around the 2020 Hajj](#) scheduled for July in Saudi Arabia, total

livestock exports in 2020 are likely going to be significantly lower.

Annual remittances are estimated at \$1 billion (approximately 38% of Somaliland's GDP). The Somali diaspora is distributed throughout the world. [This includes hard-hit countries with a high number of cases, such as the US and the UK.](#) The indirect impact of COVID-19 on Somaliland as a result of the virus' effects on importing countries and countries of residence to the Somali diaspora is yet unknown.

Stability in food prices is key, given food security concerns. Moreover, [the cost of electricity is high and dependent on fuel imports.](#) Therefore, price changes in these items can have important consequences for Somaliland's economy. In this regard, [inflation](#) has remained relatively stable during the first two months of 2020, at an average annual rate of 4.8%. Food products' annual inflation rate has been increasing since May 2019. In past months, annual inflation for non-food items has been stable, and energy products' inflation rate has decreased. At this stage, more data are needed to ascertain the impact of the COVID-19 crisis on price levels.

In addition to monitoring the evolution of trade, remittances and inflation, close attention ought to be paid in the coming months to other relevant economic indicators. At the time of writing, there is not enough publicly available information to provide a broader evidence-based overview of the economic and social impacts of the crisis.

## Fiscal impacts

Government spending is low compared with Somaliland's GDP and dependent on import flows. The 2020 budget includes expenditures of \$245 million (approximately 10% of GDP) at current exchange rates. 95% of total revenue is domestically sourced and [more than 50% of that comes from taxes on imported goods.](#)

Although the policies currently being implemented are likely to have substantial impacts on the level and composition of expenditure, there has been no official communication on a revised budget as yet.

## Monetary and financial policy

Similarly, there has been no official communication on changes to monetary policy as yet.

## Fiscal policy

[The government has implemented a series of fiscal policies](#) with the objective of reducing the economic impact of the virus, addressing the potential health crisis and ensuring food security. First, the government has suspended all development projects budgeted for 2020, freeing up those funds to fight the COVID-19 crisis. Second, it has announced a revision of tax alleviations made by the previous administration. Third, it has announced the purchase of food from local farmers in order to ensure food security. Finally, the government has decided to suspend import taxes on certain items such as medical supplies.

## Other policy

In line with other health-related policies, the Somaliland government has established a COVID-19 information call centre, and [all private medical facilities have been put under the control of the National Health Committee](#), the [taskforce aimed at coordinating policy efforts against the virus](#). Also, a COVID-19 awareness campaign has been launched through social media, and [the government has released 574 prisoners considered low-risk offenders](#). Last but not least, and related to the fiscal policies above, the government has restricted the entry of goods by sea to Berbera Port, closing all other sea ports and prioritising essential food and fuel imports, and has issued a [warning to local traders](#) against intentions to dangerously increase food prices.

## Donor support

Somaliland has received in-kind support from the [United Arab Emirates](#) and [Saudi Arabia](#). The former has sent medical equipment, the latter food supplies. However, the non-recognised country status of Somaliland may hamper its ability to independently call for and receive aid funds, which may be under Somalia's control. To date, [Somalia has sent to Somaliland the latter's share of the medical supplies donation made by the Jack Ma Foundation and the Alibaba Foundation](#), but it remains unclear how Somaliland will access other assistance mechanisms, such as [funds the IMF, the World Bank and the UN will make available to low-income countries](#).

Information in this note is correct as of 3 April 2020. The authors are ODI Fellows with Somaliland's Ministry of Trade, Industries and Tourism and the Ministry of Finance Development; this note is written in a personal capacity. Comments welcome to [a.ruirodriquez.fs@odi.org.uk](mailto:a.ruirodriquez.fs@odi.org.uk)