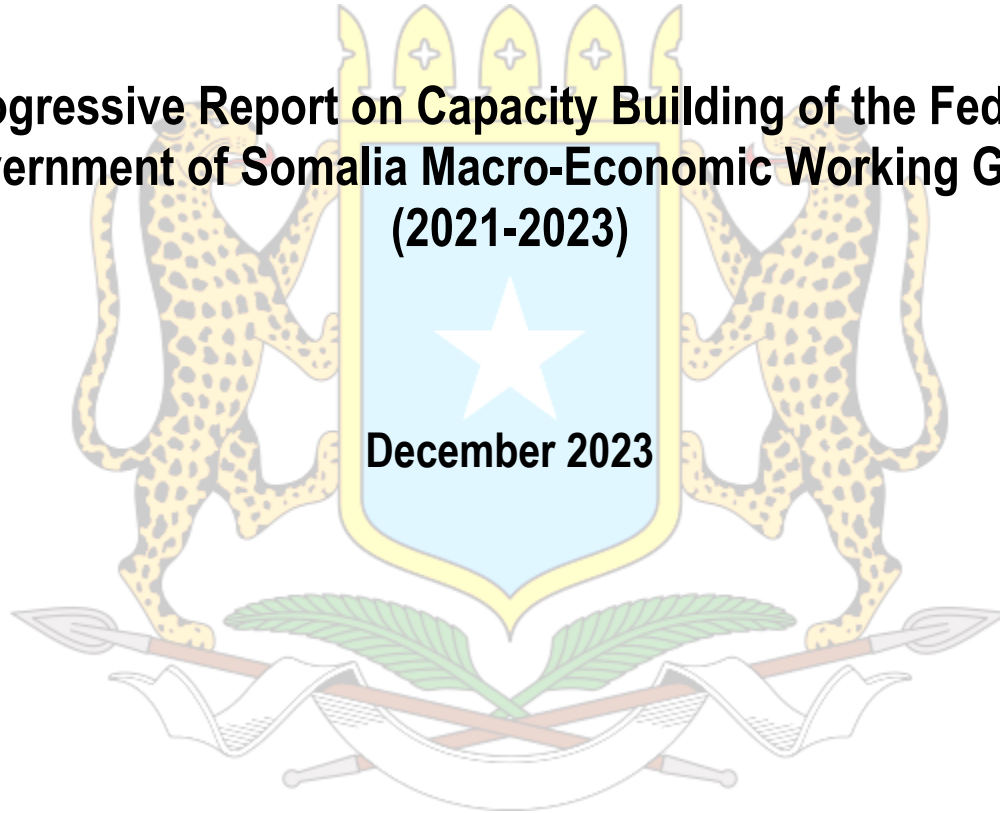




Progressive Report on Capacity Building of the Federal Government of Somalia Macro-Economic Working Group (2021-2023)



December 2023

(1) Introduction:

The Federal Government of Somalia (FGS) received support from the World Bank to establish and build capacity of the Macro-economic Working Group (MWG) under the World Bank funded Somali Integrated Statistics and Economic Planning Capacity Building Project (SISEPCBP). The main objective of establishing the MWG is to ensure that Somali Civil Servants have the required capacity to prepare critical documentation and policies within the next two years (by end of 2023) and to ensure that such capacity is developed in a sustainable way.

The establishment of the MWG has ensured close collaboration between the key economic agencies of the FGS in conducting economic analysis, formulation of policies, and in preparation and production of key policy and planning documents such as the Budget Strategy Paper and the National Development Plan.

(2) Official Launch of the Macro-Economic Working Group

The Macro-economic Working Group (MWG) was officially inaugurated in September 2021 at Decale Hotel Mogadishu, Somalia by the Vice-Minister for Finance Dr Abdullahi Sheikh. It brought together the Government's Macroeconomic and Fiscal Programming Agencies namely: The Ministry of Finance; the Ministry of Planning, Investment and Economic Development; Central Bank of Somalia; and Somalia National Bureau of Statistics.



Following its establishment, the MWG adopted and has been guided by the following Terms of Reference:

- Capacity development for key personnel within FGS and FMS line ministries in economic analysis
- Establish a framework for data compilation for use in economic analysis and forecasting.
- Identify and carry out research activities on various economic, fiscal, trade, financial, global, and regional topics to improve economic analysis and provide policy recommendations and advice.

- Facilitate knowledge sharing, exchange best practices and experience between MWG, MDAs and FMS
- Participate in the development of medium-term macroeconomic models and other forecasting tools.
- Production of Quarterly and Annual Reports on the State of the Economy
- Contribute to the preparation and production medium term macro fiscal framework, Budget Review and Outlook Paper (BROP) and Budget Strategy Paper (BSP)
- Contribute to the preparation of National Development Plan (NDP)
- Liaising with Development Partners in reviewing and aligning Country Assistance Strategies with national priorities outlined in the national development plan and other government policy documents.

(3) MWG Capacity Building Activities and Accomplishments:

Since its inauguration, various training, and capacity building activities for the MWG have been undertaken including:

Macro-Economic Working Group Training Workshop Held at the Royal Tulip Canaan Hotel in Nairobi 13th -17th December 2021



A total of 23 participants representing different FGS MWG institutions attended the training workshop. The workshop's main objective was to build capacity of the MWG to prepare key policy documents such as economic outlook and budget strategy papers. Participants were provided with training materials in both hard and soft copies at the start of the workshop. The training workshop covered several areas and topics including:

- Overview the of the macroeconomy and key macroeconomic variables and concepts.
- Data requirements of the MWG and macro-economic models and forecasting tools

- Medium Term Expenditure Framework (MTEF) budget preparation process and preparation of the Annual Budget
- Preparation of Budget Review and Outlook Paper (BROP) and Budget Policy Paper (BPS)

The training methodology and workshop activities included:

- Presentations and Q&A sessions conducted by consultants and resource persons.
- Group working sessions and exercises and
- Presentations of Group Assignments by the MWG members
- Plenary discussions

During the workshop MWG members produced the following documents:

- Reviewed and finalized the MWG Terms of Reference
- Outline of the State of the Economy Paper

Macro-Economic Working Group Workshop Decale Hotel, Mogadishu 29th March 2022



The workshop was officially opened by Dr Abdullahi Sheikh Vice Minister of Finance. At total of 22 participants from different MWG institutions attended the workshop. The senior officials who present were the Director General Ministry of Planning, Investment and Economic Development (MoPIED); Director Economic Affairs and Planning Ministry of Finance; Director of Planning (MoPIED); Director Monitoring and Evaluation (MoPIED); and Director Research Department Central Bank of Somalia.

The workshop provided a forum for MWG members and institutions to review the first draft of the FY 2021 Budget Review Outlook Paper (BROP) in a plenary session where participants had an opportunity to provide comments on the draft paper. Among the key issues discussed were:

- Challenges relating to availability of data required for analysis of recent economic and fiscal performance.
- The need to ensure uniformity of data used by different MWG institutions.

- Low Absorption of donor project funds in some projects and the factors explaining the low absorption
- Evaluation of the performance of the MWG since its inception
- The need to ensure closer and better coordination between the different MWG institutions.
- Way forward in finalization of the FY 2021 BROP

Other FGS MWG Training and Capacity Building Activities (February to July 2022)

The following MWG training and capacity building activities were also undertaken on different occasions over the February to July 2022 period through meetings, workshops, and online training:

- Training on forecasting real and nominal GDP for Ministry of Finance and Central Bank of Somalia
- Training on improvement and forecasting of Balance of Payments for Research Department Staff of the Central Bank of Somali
- Updating Status of the Economy Reports using administrative and High Frequency Data (Monthly Leading Economic Indicators data) from the Ministry of Finance, Central Bank of Somalia, and Somalia National Bureau of Statistics
- The Role of Budget Execution Institutions in preparation of the Budget for staff of the Office of the Accountant General, Ministry of Finance
- Data requirements for production of State of the Economy Paper, BROP, BSP and other policy documents for staff of all MWG intuitions

Macro-Economic Working Group Capacity Building Workshop Held at Raddison Blue Hotel, Nairobi, 17th to 21st October 2022



A total of 26 participants drawn from the FGS Ministry of Finance; the Ministry of Planning, Investment and Economic Development; Central Bank of Somalia; and Somalia National Bureau of Statistics workshop attended the workshop.

The resource persons were Jamshed Ali (Former Head Macro Planning Division, Ministry of Planning Kenya; Jocelyn Ogai (Former Head of Research and Planning, Kenya Revenue Authority) and Samuel Kiiru (Budget Department National Treasury).

The training and capacity building focused on the following areas:

- (i) Preparation of the Paper on the State of the Economy
- (ii) Medium Forecasting of Recurrent and Development Expenditure
- (iii) Forecasting Tax and Non-Tax Revenue
- (iv) Preparation of Budget Review and Outlook Paper

Capacity Building Workshop for Members of the MWG of Federal Member States held at Agan Hotel, Kismayu Jubba Land, 19th to 23rd March 2023



The workshop was officially opened by the Minister of Finance, Jubaland State, Mr Ahmed Handal. A total of 17 participants drawn from the Budget and Macro-Fiscal Departments of Ministries of Finance from the of Federal Member States attended the workshop.

The resource persons who delivered the training were: Jamshed Ali (Consultant/Lead Facilitator), Prof Abdullahi Sheikh (Former Vice Minister of Finance, FGS) and Abdullahi Shafat (Consultant on public policy and governance).

The training and capacity building focused on the following areas:

- (i) Economic Policies including fiscal and monetary policies, trade and exchange rate policies.
- (ii) Budget preparation process in Somalia including alignment between the budget preparation process of FMS and FGS
- (iii) Budget preparation process of other countries (Kenya and South Africa)
- (iv) Principles of a good tax system and reforms in tax administration
- (v) Expenditure and Revenue Forecasting

Capacity Building Workshop for Ministry of Finance, Budget and Macro-Fiscal Department Officials of Federal Member States, BCQ Palace Hotel, Galmudug State of Somalia 8th to 12th October 2023



A total of 20 participants attended the workshop, including 1 representative from the Ministry of Finance FGS, 1 from the PIU, and 9 participants from Galmudug State of Somalia, 2 from Hirshabelle, 2 from Jubbaland, and 2 from Southwest. The participants from the Federal Member States (FMS) were selected from their Macro-Fiscal and Budget departments. The workshop resource persons were local experts, namely Prof Abdillahi Sheikh (former Vice Minister for Finance FGS), Mr. Khalid Mohammed (Consultant), and Ismail Abdi (Consultant). The Minister of Finance of Galmudug, His Excellency Farhan Mohamud gave opening remarks which also highlighted World Bank support in funding the FMS Financial Management Information System (SFMIS).

The capacity building and training activities focused on the following areas:

- (i) Economic Development and HIPC-Related Challenges. The presentations and discussions revolved around the areas related to economic development, HIPC initiatives and conditions necessary for sustainability and addressing Post HIPC economic challenges. Also addressed were three critical technical issues that need immediate attention after reaching the completion point. These included the country's preparedness for EAC accession, conditions related to harmonization of tariffs, and customs modernization,
- (ii) Economic Reforms. The presentations and discussions covered areas which included: economic and structural reforms prior to the collapse of central government in 1991, the trajectory of recent of recent HIPC debt relief program in Somalia, Post HIPC reform programs, and the pre-requisites for currency issuance.
- (iii) The Role of Macro-Fiscal Departments. The presentations and discussions focused on: key fiscal, budgetary, and revenue raising issues. The role and responsibilities of the various departments and facilitating information sharing among ministry of finance departments. Also discussed was the need for and importance of alignment and collaboration at both federal and

member state levels to support and strengthen macro-fiscal monitoring, forecasting, and Somalia's economic development.

Macro-Economic Capacity Building Workshop Held at Pan Pacific Serviced Suites Hotel, Nairobi 6th to 10th November 2023



The workshop was officially opened by Prof Abdillahi Sheikh. Mr Andy Kotikula of the World Bank and Mr. Abdinasir Warsame (Director Policy and Planning FGS Ministry of Finance) also gave opening remarks. A total of 26 participants representing the FGS Ministry of Finance; the Ministry of Planning, Investment and Economic Development; the Central Bank of Somalia; and Somalia National Bureau of Statistics attended the workshop.

The resource persons were Jamshed Ali (Former Head Macro Planning Division, Ministry of Planning Kenya; Jocelyn Ogai (Former Head of Research and Planning, Kenya Revenue Authority) and Samuel Kiiru (Budget Department National Treasury).

The workshop presentations and discussions covered the following areas:

- (i) Overview of the Macroeconomy
- (ii) Data requirements of the MWG
- (iii) Outline and Preparation of the Paper on the State of the Economy
- (iv) Medium Term Forecasting of Recurrent and Development Expenditure using Spreadsheets.
- (v) Medium Term Forecasting of Tax and Non-Tax Revenue using Econometric Package and Spreadsheets
- (vi) Preparation of Budget Review and Outlook Paper (BROP)
- (vii) Post HIPC Policy Framework and Debt Management Issues Post HIPC

(4) Conclusions, Recommendations and Way Forward

The SISEPCBP World Bank funded project facilitated the establishment of the Somalia MWG. As highlighted above, a number of capacity building and training initiatives for both the FGS and FMS macro-fiscal institutions have been undertaken. The majority of the participants who attended the MWG training and capacity development workshops, at both the FGS and FMS levels, have expressed the need for further training especially in the areas of macroeconomic modelling and production of medium term macro-fiscal forecasts.

Taking into account the Post HIPC period, there will be need for additional training and capacity building on Debt Management Issues, policies and measures to enhance domestic resource mobilization through fiscal measures, and issues related to issuance of government bonds by the central bank and the conduct of monetary policy.

It is thus recommended that the World Bank provides additional funding under the FGS Ministry of Finance to continue with the training and capacity of the MWG at both FGS and FMS levels.

(5) Tribute to the Late John Randa

The late John Randa was instrumental in the formation of Somalia's MWG. He was an ardent supporter of training and capacity building of the macro-fiscal institutions of the FGS and FMS. His vision was to ensure that Somali Civil servants acquire the necessary technical skills to produce, on their own, the requisite policy, planning, and budget documents to support their country's economic growth and development.



John passed away on the 8th of November 2023. His passing sadly coincided with the first day of the capacity building workshop held for FMS held in Galmudug State. The workshop participants expressed sadness at receiving the tragic news of John's sudden passing. Considering this unfortunate event, the participants expressed a collective desire to continue to honor the late John Randa's vision and ensure success for the MWG program.

At the MWG capacity building workshop held at the Pan Pacific Serviced Suites in Nairobi in November 2023, a month after John's passing, Senior FGS Government officials, World Bank officials, resource persons and participants acknowledged and expressed appreciation of the efforts of the late John Randa and the World Bank for their invaluable contribution to developing the capacity of Somalia's macro-fiscal institutions.