



DAKAR 2 SOMALIA  
**COUNTRY FOOD AND  
AGRICULTURE DELIVERY  
COMPACT**





# Executive Summary

**The Plan:** Implementation of the Compact will increase investment in promising food value chains for increased production for local consumption, improved local dietary diversity, and export. Investments in the Compact will result in approximately doubling crop production to meet up to 60 percent of the local demand for cereals and oilseeds and increase commercial crops export to the Middle East and neighbouring countries. In addition, investment in the livestock sector is also expected to double production and increase the value of livestock products, dairy, live animals and shoats' export, while investment in the fisheries sector also expected to increase fish exports (mostly tuna from 3 million MT to about 5 million MT) and increase the fisheries sector contribution to the GDP from 2 percent to 5 percent. In a nutshell, investment in these three sectors within the proposed Compact priority areas will allow the country to attain the projected GDP growth of 3.6 percent in 2023 and 3.7 percent in 2024.

**Political commitment:** The Government of Somalia is committed to continue improving the business-enabling environment and to promote and attract the private sector's investment in the agriculture sector and beyond. The President and Prime Minister remain keen to work with all investment partners to promote sustainable development across the productive sectors. In addition, the Government of Somalia is committed to strengthening Producer-Public-Private Partnerships, supporting knowledge and skills exchange among all stakeholders including communities to add value as well as policy and regulatory environment reform to improve the quality of exports and to encourage investment and access to external markets for Agriculture, Livestock and Fisheries sector products. The Government of Somalia has already made key investments in infrastructure and financial incentives to support and attract foreign direct investment and to encourage the diaspora investment, which includes zero-rated duty on all farm inputs including pesticides and seeds and construction of major ports that offer easy seaborne import and export with potential for infrastructure expansion as transport volume increases. Somali authorities will also develop the legal and policy frameworks to establish a competent Authority for fisheries to certify, lead and develop the access of Somali products to lucrative international markets.

**Financing commitment:** The finance and implementation of the Compact aims to attract private and public sector investment worth USD 563 million to increase yields across the three sectors and to increase local food availability and access. USD 100 million will be directed towards fisheries investment, while USD 163 million towards the livestock sector investment and USD 290 million towards cereals/pulses/oil seed crops investment. USD 10 million will be directed towards multi-sector investments to improve the policy and regulatory environment that enable investments.

**Partner commitment:** The Compact identified the following key development partners with active investment projects in the agricultural sector which are: The African Development Bank (AFDB), the World Bank, the European Union, while USAID, several other donors and non-governmental organizations provide humanitarian assistance/resilience support. The Government of Somalia is soliciting public and private partners support to fund the value chain prioritized investments from the Compact.

**Coordination mechanism:** The Government will facilitate establishment of a Presidential High-Level Council to deliver, guide and monitor the Food and Agriculture Delivery Compacts, Steering Committee and Technical committee to drive action and deliver results at scale to meet the set targets.





## Table of Content

1.	Introduction and Current Situation	1
2.	National Agriculture Investment Plans and progress to date	5
3.	Closing the gap: what is needed ?	12
4.	Partners Input into Key Opportunities	18
5.	A call to action	24
6.	Implementation	27
7.	Declaration from Government and Partners	30



# 1

## Introduction and Current Situation

# Agricultural Productivity

Agriculture is the backbone of the economy, contributing to approximately 70 percent of the country's GDP, 80 percent of employment, and about 50 percent of exports. Millions of Somalis depend on agricultural production for their livelihoods. About 75 percent of the land is owned and managed by smallholder farmers, while 25 percent is owned/managed by large-scale farmers, with about 66 percent people employed in primary production. Agricultural production (i.e. crops) is concentrated mainly in the southern part of the country, where the most fertile land is located, and riverine water irrigation is abundantly available. Primary agricultural produce includes coarse grains, pulses, oil seed crops, and horticultural crops (i.e. fruits and vegetables).

Somalia has considerable productive resources, which offer huge potential for delivering rapid economic growth, with important impacts on people's livelihoods. These resources include 8.9 million hectares of arable land (with 25 percent of crop production grown through irrigation systems), more than 50 million livestock and about 1.8 million tons of fish annually for export. It has two main rivers, Juba and Shabelle rivers with a total length of 2,300 km, and has the longest coastline in mainland Africa of 3,333 km. These natural features present myriad opportunities for growth across all sectors, and especially in the agriculture sector.

## Increasing Food Insecurity

### Supply Gaps

The ongoing widespread severe drought has largely affected the agriculture sector leading to failed production, displacement of farmers/ producers, loss of agricultural livelihoods, and has resulted in over dependence on food imports and humanitarian assistance.

The 2022 Deyr season (December 2022-January 2023) cereal harvest in southern Somalia (the country's bread basket) is expected to be 40-60 percent below the 1995- 2021 average. The Gu 2023 season harvest (July 2023- August 2023) is also estimated to be 40- 60 below the 1995- 2022 average.

Production per unit area is very low. The average yield of maize is between 1.0 to 1.5 million tons/hectare (MT/ha), which is far below the potential yield for maize. Similarly, the yield of sorghum is low (0.3 to 0.4 MT/ha). Potential yields of these crops vary between 10 to 15 MT for maize and 5 to 10 MT/ha for sorghum under ideal conditions (Gavin et al. 2018).

### Trade imbalance

Somalia has a chronic food crop deficiency, with domestic cereal production meeting less than 40 percent of per capita cereal needs even in the best agricultural seasons. Agricultural imports, which account for 60-70 percent of domestic food consumption, have risen 18-fold since the late 1980s. For example, local cereal production in 2021 met only 22 percent of domestic needs. Even in the best agricultural seasons, domestic production provides only about 40-50 percent of per capita cereal needs. The combination of increased domestic food demand (largely supported by remittances and driven by rapid population growth and urbanisation), the collapse

of domestic crop production and the ongoing Ukraine- Russia crisis have led to the massive increase in food imports.

Agriculture sector is further weakened by a lack of agricultural inputs and improved seed varieties, impaired access to markets and high postharvest and storage losses. Livestock sector has been severely affected by the ongoing drought and the livestock export ban. For instance, while livestock export to the Middle East recorded a peak in 2015, notable declines in the value and quantity of export were noted in 2017-2019 (due to drought), and 2020- 2021 due to the livestock export ban, COVID- 19 restrictions and the ongoing drought.

Generally, imports dwarf exports earnings by over 100 to 1 ratio. Overall, the value of imports in Somalia increased from USD 2.9 billion in 2020 to USD 3.3 billion in 2021. The value of food imports rose by a factor of 14, reaching USD 1.17 billion in 2020, up from an annual average of about USD 82 million in the late 1980s.

### **Impact from Ukraine crisis**

Given Somali's dependence on imports, rising global food prices are driving local prices, with few or no substitutes available. The crisis in Ukraine has exacerbated the stresses on the already vulnerable livelihoods of Somalis and disrupted the nascent economy. Some of the major risks that emanate from the Ukraine crisis include:

- Trade uncertainty with exports from Ukraine and Russia cut off completely. Somalia is among the most affected countries that rely heavily on imports from these two countries. The main imports whose supply has been severely compromised include foodstuffs (grain and oilseeds). For instance, Somalia imports between 49-59 percent of its wheat from Ukraine, and 33-43 percent from Russia.
- Price risks caused by the global supply gap and significant increases in the price of crude oil, with prices of key food commodities and production inputs skyrocketing and continuing to increase. This has severely reduced availability and affordability of these commodities by households. In Somalia, the prices of wheat and oil have increased by up to 300 percent. Due to inaccessible and unaffordability of food, the food security and nutrition situation has continued to deteriorate. Households are unable to continue with production as they cannot afford production inputs. Unprecedented increases in the price of fertilizer and their transport costs are being experienced coupled with restrictions on use and importation of fertilizers affecting crop production. In Somalia, there is no fertilizer subsidy mechanism in place to offset these shocks.

Local and imported staple food prices are expected to remain abnormally high, with prices influenced by both the national cereal deficit, high global food and fuel prices, and high production input prices and import restrictions.





## The main causes of protracted food insecurity

**Climate change and climate variability:** Livelihoods in Somalia are increasingly vulnerable to effects of climate change with consistently high populations in Integrated Phase Classification (IPC) Crisis or worse season after season, necessitating USD billions in humanitarian assistance year on year. FAO's Somalia Water and Land Information Management Unit (SWALIM) historical trend analysis shows an increase in the frequency of shocks, with climatic shocks such as floods and droughts now occurring almost every year, at times both within the same year. The ongoing drought is an effect of climate change. Often, reduced access to water and pasture is also a result of natural climate variability. Going forward, it is critical that investments focus on adoption of climate smart inputs and technologies to diversify livelihoods, increase local production and productivity using scarce natural resources in the most efficient manner.

**Inadequate access to factors of production- capital, land, entrepreneurship:** Lack of capital for investment in sustainable livelihoods in the Agriculture sector remains a major hindrance to production and productivity. This also fuels over-reliance on humanitarian aid and it manifests in a vicious circle of poverty. Key priority investments need to look at sustainable approaches to injecting capital especially in rural areas to improve producers' access to start-up capital/ informal and formal finance. Producers also need to be equipped with the right knowledge and skills through climate-sensitive extension service provision, with education that promotes entrepreneurship beyond production for consumption. Access to arable land remains a challenge in most locations: favourable policies around land ownership and land use need to be put in place to reduce social inequality in access to factors of production, to reduce environmental degradation and to counter negative effects of climate change.

**Poor access to markets:** Access to markets is challenging mostly due to a lack of infrastructure that could stimulate the opening of markets and spur rural and urban development. Insecurity is also a major hindrance to market development and functionality. A lack of surplus local production leads to over-reliance on food imports but also inhibits rural development as it limits market activity in rural, hard-to-reach areas. Market development in terms of putting in place physical infrastructure, establishing a conducive policy environment, and establishment of linkages between producers and private sector (business-to-business linkages) is key to improving market access.

**A lack of or limited investment in value addition and value chain development:** There is limited agro-processing and value addition in almost all aspects of the food systems. The agro-processing industry is constrained by the shortage of skilled labourers, the high cost of energy, lack of infrastructure, lack of formal credit facilities and limited capacity for innovation and investment. Low agricultural production and productivity and underdeveloped value chains lead to low dietary diversity, malnutrition, and high levels of unemployment especially in rural communities, and particularly for women and the youth.

**Poor infrastructure and technology:** Investment in irrigation technology, infrastructure and mechanization at the production, post-harvest and storage phases needs to be a priority to improve production and productivity, to reduce post-harvest loss, and to conserve natural resources such as water and land while improving efficiency in food production. Investments in new production technologies, with innovations applied across main value chains through an evidence-based model, accumulation and replication of good and best practices remains key to achieving efficiency in food production, preservation, and to trade overall. E-agriculture is of particular importance in not only advancing production efforts, but also in reducing gender and social inequalities throughout the value chain.

**Partial enabling policy environment:** Within the Agriculture sector, policy reforms that support agri-input research, development, multiplication, processing and input certification need to be strengthened/ put in place. In addition, policies to support foreign investments, strengthen the quality of produce, and encourage partnership with the private sector and academic institutions to promote cost efficient production are needed. The government of Somalia is on a pathway to strengthening such policies: For instance, the recent establishment of the Somali Agricultural Regulatory and Inspection Service (SARIS) is a key milestone to mainstreaming efforts at creating a conducive policy environment and supporting policy implementation. The development of the Livestock Sector Development Strategy (LSDS) 2020- 2030 is also a key milestone that will steer development along primary livestock value chains.

#### **Some of the avenues to improve the productivity and productive capacity of the agriculture sector include**

1. Building quality transportation networks, logistical services, cold storage facilities, irrigation facilities and other ancillary infrastructure which will be needed to mitigate the impact of climate shocks
2. Strengthening land management including the land tenure system
3. More inclusive access to credit
4. Extending agriculture extension services to be deployed in innovative and cost-effective ways to help producers by increasing their knowledge of agronomy and animal husbandry
5. Introducing modern inputs, including improved fertilisers
6. Improvements in the sector's institutional support structures.



# 2

## **National Agriculture Investment Plans and progress to date**

The Somalia government's priority investments are informed by the ninth National Development Plan 2020- 2024 (NDP 9) which is the country's poverty reduction strategy and is framed within four major pillars: Inclusive politics; Security and the rule of law; Economic Development; and Social development. The four pillars mainstream six imperatives: To strengthen gender and other types of social equity, build the resilience of households, communities and the government, manage better the environmental and natural resources, prioritize durable solutions, strengthen the humanitarian- development- peace nexus, and strengthen institutional capacity for effective governance. These six imperatives inform the United Nations Sustainable Development Cooperation Framework 2021- 2025 of Somalia. In addition, NDP 9 is informed by the Sustainable Development Goals (SDGs), where Pillar 1 contributes to SDGs 1,5, 10 and 16, Pillar 3 contributes to SDGs 1,2 and 8, and Pillar 4 contributes to SDGs 3,4,5,6 and 10.

The Ministry of Agriculture and Irrigation (MoAI) strategic priorities document is a reflection of the NDP 9 with a focus on the key priority investments needed to increase agricultural production and productivity, while mitigating natural crises such as droughts and floods. These, complemented by key priorities from the Ministry of Fisheries and Blue Economy and the Ministry of Livestock, Forestry and Range, make up the key priority investments identified below.

In 2022, the MoAI with partners concluded the Food Systems Assessment report informed by a series of dialogues and mapped the roadmap for national pathways to sustainable, resilient and equitable food systems, towards the realisation of the vision of the 2030 Agenda for Sustainable Development and to contribute to the National Development Plan 9.

The Somalia National Investment Promotion Strategy and related Theory of Change (ToC) envisions that accelerating output production, import substitution and export promotion alongside the principles of centrality of enabling reforms, private capital, while prioritizing the most essential investments that are achievable, and putting in place enablers by supporting both soft and hard systems and infrastructure would promote self- sufficiency of the country across various sectors, including Agriculture sector.

This ToC is framed within the precondition that a long sequence of reforms must be undertaken as part of an overall structural adjustment approach allowing each change to lay the foundation for the next action.



# Efforts and investments put in place

- In November 2022, the government of Somalia held the first ever International Investment Conference as an opportunity to showcase investment opportunities, sectoral studies and the general business investment climate in Somalia.
- Formation of the Somalia Investment Promotion Office under the Ministry of Planning, Investment and Economic Development as a statutory body to promote foreign investment, rebrand Somalia, facilitate investment entry and retain, and to continuously advocate for improvised investment policies.
- Development of complementary policies and frameworks to strengthen agricultural production. These include policies on land use, irrigation development, food safety regulations, the National Industrial Policy, the Small and Medium Enterprise (SME) policy, the National Export Strategy, the Foreign Investment law of 2015.

Agribusiness investment-related policies have increasingly focused on attracting investments into the sector.

- The Foreign Investment Law of 2015 promotes and protects foreign investments. It aims to offer favourable incentives to foreign investors, such as tax advantages, and guarantees against expropriations. It also guarantees that an investor can settle any dispute through international arbitration.
- Somali Agricultural and Inspection Services (SARIS). Legislation has established the agricultural regulatory agency known as SARIS, one of whose mandates is to facilitate international trade as a National Plant Protection Organisation (NPPO). The institution's tasks are to implement the Somali Agrochemical Policy; the Seeds and Varieties Act; the Plant Protection and Quarantine Law; the National Fertilizer Policy; and the National Pesticide Policy.
- Agricultural Land Use and Irrigation policies: The first policy addresses the economic, political, legal, physical, and planning aspects of agricultural land use, while the second one regulates the use of water for agriculture.
- Standards and Quality Control Act Law No. 27 establishes the Somali Bureau of Standards, whose mandate is to control the quality of goods and services across the economic sectors.
- The recently passed agricultural laws provide a legal framework for regulating agricultural development in the country, including the quality control of farming inputs and products. The government has put these frameworks in place to facilitate trade and investment in the agricultural sector, which is a significant area of focus in the National Development Plan.
- With the improving investment climate, in recent years FDI in the farming industry has increasingly focused on greenfield investments, joint ventures, and the subsidiaries of transnational corporations.

# Achievements to date

Some of the main achievements that promote economic and political development thereby setting pace for sector-specific development include the following:

- Somalia has significantly reduced its debt-to-GDP ratio from 111 percent to 9 percent under the HIPC debt relief program
- Somalia has experienced real GDP growth over the past years that has averaged about 3.4 percent per annum
- Put in place numerous investment policies and made institutional reforms which have attracted substantial FDI, and promoted agricultural development
- Significant logistical infrastructure in ports and airports from foreign investment that have given easy access to the Persian Gulf, such as the Berbera Port
- Preferential trade agreements in place with countries in Africa and the Middle East
- Five major ports that offer easy seaborne import and export with potential for infrastructure expansion as transport volume increases
- A well-established, vibrant private sector with the Somalia Chamber of Commerce being the dominant private-sector association
- Improved governance and security over the past decade which has contributed to expansion of the economy
- Approval of incentives in agribusiness including zero-rated duty on all farm inputs including fertilizer, pesticides and seeds
- Somalia is now at the advanced stage of ratification of the African Continental Free Trade Area, a flagship project of Agenda 2063 of the African Union (AU)
- Somalia benefits from several free trade and preferential market access arrangements involving multiple countries and Somalia is a member of the following trade bodies: such as IGAD, OACPS, EAC, COMESA, the Arab League and AfCFTA. Somalia has concluded bilateral investment treaties with Turkey, Germany and Egypt, and negotiations for similar treaties with other countries are at an advanced stage
- In recent years, diaspora investment in private sector development has grown very fast, thus creating a high potential for economic growth. Some of these investments address climate smart agriculture, such as using greenhouses for vegetable crops under drip irrigation systems near urban areas, and the use of mobile money in improving access to capital especially in rural hard-to-reach areas.
- Various agriculture processing industries along the agricultural value chain have been established, including modern grain mills, seed processing facilities, slaughterhouses and meat and fish processing facilities
- The livestock and agriculture share of GDP has risen to 75 percent, and agricultural exports (primarily live animals) represented 93 percent of the country's total export earnings
- There are flourishing horticultural industries in urban areas using climate smart agricultural practices.



## Flagship initiatives

1. AFDB-funded multinational Program to Build Resilience for Food and Nutrition Security (BREFONS). Under this program Somalia will invest in sustainable seed systems, climate-adapted fodder varieties and infrastructure to improve access to water, pasture, animal health and markets. Under this program, the government expects significant improvement of the national domestic food and feed production and productivity.
2. AFDB- funded Multi-Partner Somalia Infrastructure Fund (SIF)
3. World Bank- funded Somalia Crisis Recovery Project (SCRP). This project supports the recovery of livelihoods and infrastructure in flood and drought- affected areas, whilst strengthening government systems and capacity for disaster preparedness.
4. European Union- funded Inclusive Local and Economic Development (ILED) programme. Under strategic objective two this programme seeks to revitalise and expand the local economy with a focus on livelihood enhancement, job creation and broad-based inclusive growth.
5. DP World investment of USD 442 million to expand the port of Berbera and to extend the Berbera- Tog Wajaale corridor to the border. This investment is likely to reduce Somalia's shipment times and cost and increase the potential for increased export of fresh produce.

# Evaluation of results against key performance indicators

With the implementation of NDP-9, Somalia has achieved remarkable progress in advancing critical economic reforms, supported by the International Monetary Fund (IMF) and other donors, that culminated in the attainment of the Highly Indebted Poor Countries (HIPC) Decision Point in March 2020.

This achievement restored Somalia's regular access to International Financial Institutions' (IFI) concessional grants from multilateral partners, including the World Bank's International Development Association (IDA), for the first time in three decades. Somalia is committed to continuing the reforms to reach the HIPC completion point by 2024 and maintain macroeconomic stability, including prudent debt management.

Somalia's real GDP increased by 2.9 percent in 2021 compared with a decrease of -0.3 percent in 2020. This reflects Somalia's partial emergence from the COVID-19 pandemic's shock in 2020, with larger increases in per capita consumption of non-food products (relative to food) underpinning this result. This recovery occurred even as the economy faced several headwinds in 2021 (World Bank, June 2022).

Somalia's economy is expected to grow along a gradual trajectory: A recovery in demand is expected in 2023 when most of the shocks currently dragging on the recovery are expected to dissipate; a forecast of GDP growth of 3.6 percent in 2023 and 3.7 percent in 2024. Government spending is projected to increase, as political uncertainty declines significantly following the completion of elections.

For the first time, Somalia now has a Goal Tracker which can be accessed online showing real-time evidence on the implementation of selected SDGs in Somalia. In addition, for the first time, Somalia has presented the Voluntary National Review Report to the UN HPLF in July 2022 in New York.

The household final consumption expenditure increased by 3.9 percent in 2021. This result implies per capita consumption increased by 1.1 percent as Somalia's population increased by 2.8 percent over this period. Also, government final consumption expenditure increased by 9.4 percent, reflecting the revised 2020 supplemental budget.

The Federal Government's efforts to re-introduce corporate and sales tax yielded impressive results with an increase in domestic revenue by more than 37 per cent, up from USD 671.8 million in 2021 to USD 918.7 million in 2022 (including grants), the largest budget ever passed by the Cabinet.

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**Closing the gap: what is needed?**

# Consequences of Inaction

Food insecurity is a major contributor to conflict in the country and urgent action is needed to ensure that the food systems are able to support the food needs in Somalia and to complement peacebuilding efforts. The compromised food systems have also exacerbated environmental degradation and the negative effects of climate change. Climate change, being a risk multiplier, has led to widespread displacement and livelihood iniquities.

The culmination of all these deep-rooted obstacles requires transformation in the social, political, economic and environmental systems which influence the food systems. The national development policy (NDP9) provides strategic guidance across all key four pillars that impact food systems. Specifically, the NDP9 recognizes the interconnectedness between severe poverty, hunger and food gaps.

Failure to invest in long term solutions to these challenges will lead to extreme levels of poverty, chronic food insecurity and widespread acute malnutrition, unprecedented displacement trends mostly from rural to urban areas (explosive and unplanned urbanization) and to neighbouring countries, overdependence on humanitarian assistance which will fuel donor fatigue, a lack of conducive environment to attract long term investments by stakeholders, deficit local food production leading to chronic overdependence on imports and therefore increased susceptibility to external price and commodity shocks and stresses.

## Expected positive impact

The Compact will aim to transform Somalia agriculture into a business-oriented and commercially viable sector capable of guaranteeing food self-sufficiency and putting an end to food insecurity and malnutrition.

### Compact Strategic Objectives

The Somalia Food and Agriculture Delivery Compact objectives clearly articulate an agricultural transformation agenda, while defining and setting targets for self-sufficiency in specific agricultural value chains and efficient and effective road maps for seed systems strengthening, competitive production, market access, extension service provision and policy reforms.

The Compact is expected to achieve the following overall objective by 2027:

- Invest in promising food value chains for increased local production and for export, and in agro-industrial business ventures that produce processed foods to increase local dietary diversity.

### Specific objectives include:

- I. To improve crop, livestock and fisheries productivity and to double the gross agriculture production value of the selected value chains
- II. To achieve self-sufficiency for local human and industry consumption in strategic agriculture commodities (such as Maize, Sorghum, Cowpea, Sesame and horticulture crop products), livestock products such as meat, milk and fodder, and fisheries products

III. To double agriculture trade through improved market access and competitiveness of agriculture commodities on the domestic and export markets through quality produce, increased quantity and value addition

IV. IPolicies/regulatory frameworks are developed to create a business-enabling environment in agriculture, livestock and fisheries sectors.

### Priority High Impact Value Chains

After consultation with a joint ministerial high level task force on the compact development and an extensive desk review of relevant documents, several high impact value chains have been identified for development in the next five years as described below.

### Priority Crop Sector Value Chains

- **The crop sector value projections for the next five years will be more than USD 1 billion taking into account potential impact, import substitution potential and added value.**
- The following commodities have been identified as priorities, with the value in USD if production and processing is improved.

Product	Gross Production (MT)		Value of Gross Production in USD '000	
	2022	2027	2022	2027
Poultry (indigenous and commercial) (Number)	8,808,092	10,030,877	69,540	113,457
Milk (camel, cattle, sheep and goats) (Litres)	3,701,323,970	5,184,541,644	3,368,036	6,379,160
Meat (sheep and goats) export (MT)	1,140	7,200	5,472	43,200
Live animal export (Number)	3,533,996	4,950,161	413,796	832,112
Feed (Fodder, pasture and crop byproducts) (MT)	23,334,791	32,685,654	8,342,188	16,775,503
Fodder sheds (Number)	37	91	2,965	16,775,504

### Priority Livestock Value Chains

- The livestock sector value projections for the next five years will be on increasing production, productivity and exports in poultry, milk, meat and feed value chains, taking into account potential impact, import substitution potential, added value, practicability.

Product	Gross Production (MT)		Value of Gross Production in USD '000	
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## Investment needs with estimated budget in USD

- **Total Investment needed is USD 563 million**

Sector	Key investments	Budget (USD)
Crop/ Farming	Infrastructure and irrigation scheme development	120,000,000
	Agricultural Research and Extension Services.	20,000,000
	Value chain and agribusiness development including access to finance, production components and mechanisation.	150,000,000
Livestock	Strengthening key livestock value chains and markets	34,000,000
	Enhancing Animal Feed resources	51,000,000
	Strengthening Somalia Animal Health System and Service Delivery	78,000,000
Fisheries	Fishery Sector value chain facilities and services (fishing ports, fishing jetties, vocational schools, fish processing plants or canneries, support to policy environment strengthening and capacity building of the government).	50,000,000
	Fishery market infrastructure including access roads.	50,000,000
Multi sector	Policy and Regulations	10,000,000
<b>Total</b>		<b>563,000,000</b>

## How... Achieving these targets will require:

- Greater resilience: Improved seed varieties, adoption of Climate Smart approaches in production, technological advancements in production and marketing with adoption of e-agriculture in extension service provision, investment in sustainable production methodologies including infrastructure that promotes cost- efficiency in production and improved access to markets
- Higher yields: Average target increase of cereal yields of 34 percent, pulses of 33 percent, oil seeds of 35 percent, vegetable crops of 37 percent, and fruits of 34 percent.
- Additional land under cultivation: Increase the percentage of crop production grown through irrigation systems from 25 percent to 35 percent, and utilize up to 40 percent of arable land (35.6 ha) while increasing acreage of production land for primary crops- sorghum, maize, sesame, oil crops, vegetables and fruits.
- Value addition: Reduce post-harvest loss from 20- 30 percent (50,000- 80,000 metric tons) to 15- 20 percent by investing USD 100 million in value addition infrastructure, equipment, training and in agro-processing industries.
- Policy environment: Invest USD 10 million in strengthening the policy and regulatory environment to improve the quality of exports and to encourage investment and access to external markets for Agriculture, Livestock and Fisheries sector products. Sustainable exploitation of natural resources (land, water, pasture): Invest about USD 1 billion to support improved production and productivity in Agriculture, Livestock and Fisheries sectors to increase availability of local products in local markets, and to increase the quantity of exports.

Where: Increasing production and productivity across the three sectors will require close collaboration between humanitarian and development partners, under the leadership of the government of Somalia at both state and federal levels, promoting a graduation pathway from humanitarian aid to recovery and to resilience. It will require team effort from all stakeholders to have a shared vision, to employ good and best practices through evidence- based and area- based approaches, to explore new technological advancements that support new ways of doing business. It is imperative that the policy environment is conducive to support such initiatives as stakeholders leverage on minimal resources to achieve maximum gains with support from a diverse group of investment partners.

### At what cost...

- Meeting these updated production and value addition targets will require US dollars 563 million in additional investment to increase yields across the three sectors and to increase local food availability.
- The target for cereal production is expected to almost double and to meet up to 60 percent of the local demand, while investment in the fisheries sector will increase fish export (mostly tuna from 3 million MT to about 5 million MT) and increase the Fisheries sector contribution to the GDP from 2 percent to 5 percent. Investment in the livestock sector is also expected to almost double and to increase the livestock contribution to GDP from the current 50 percent to about 60 percent.

**Meeting these production targets will require Partners to double-down on successes and leverage new opportunities.**

- Doing more of what works, more efficiently and effectively. Adopting evidence-based programming, investing in assessments to guide investment priorities, exploring non- traditional partnerships and strengthening Public- Private Partnerships, supporting knowledge and skills exchange among all stakeholders including communities.
- Optimizing leverage from new and existing opportunities. Forming new partnerships to spur trade especially within the East Africa Community and other newly joined trade areas/ zones, exploring the use of new technologies and especially intensifying investment in the agro-processing industry.
- **Policy and best practices.** Capitalizing on the achievements from pilot initiatives and actively expanding the scale of successful initiatives across the country with regard for the different ecological zone requirements and potential. Working closely with the private sector to explore new ways of partnership, financing and to encourage joint monitoring and review of projects/ initiatives. Increased accountability from all partners with regular review of designs to support adaptive programming on a regular basis. Policy environment strengthening to support the production, consumption and trade environment that realizes increased incomes at all levels, creates employment opportunities, and reduces over-reliance on one source of income.

**Results-based financing.** Exploring partnerships at the local, national and international levels where more results- oriented financing mechanisms are available, and where matching grants can be adopted. This will encourage targeted prioritization and conscious delivery of results promoting an environment of shared responsibility and shared prosperity. Such mechanisms should be explored at the community level too to encourage community ownership and responsibility in improving the production environment.





# 4

## **Partners Input into Key Opportunities**



## **Opportunities are likely to arise from the following:**

1. **Research and development (R&D).** Somalia is opening up new market opportunities for private-sector R&D firms in the agricultural sector. The growing farm-level demand for yield-increasing technologies, coupled with strategic public investments in development projects and research, presents private R&D investors in the farming and food sectors with multiple options. R&D sector investment opportunities include biotechnology, climate change research, information technology, seeds and biopesticides (among other possibilities) for improving the quality of inputs.
2. **Seeds.** Somalia's seed sector is underdeveloped and offers significant investment opportunities. The yields of cereals in Somalia have declined since the early 1990s. One of the key reasons has been a lack of investment, resulting in the absence on the market of improved varieties that are suited to Somalia's agro-climatic conditions. Sustainable seed systems will be critical to support the productivity growth and quality improvements that are required to meet the growing domestic demand, for the production of food and export products. There is a need for private-sector investments in seed multiplication, processing and distribution. Annual seed demand across southern Somalia (Hirshabelle, SWS and Jubaland) is estimated at 8,000 mt for grain seeds; however, only about 1,500 mt is currently supplied by private companies.
3. **Agrochemicals.** Somalia is modernizing its agricultural production from being primarily small-scale to large-scale commercial farming systems, especially in the inter-riverine regions having abundant suitable land and water. Demand for high-quality agrochemicals is anticipated to grow in response to the increased production scale, leading to greater crop productivity. Currently, Somalia imports 100% of all its agrochemical inputs from as far away as Asia. Major imports in this category are pesticides and fertilizers.
4. **Fertilizers.** A recent soil mapping exercise in Somalia has indicated a deficiency in significant macro- and micro- plant nutrients; hence there is a need for the increased use of nutrient products to enrich soils, such as organic and chemical-based fertilizers. Most fertilizer is imported from a variety of countries with little or no sourcing-related quality assurance. Fertilizer demand is estimated at 250,000 mt per annum with an estimated yearly increment of 5%. Fertilizer application rates are increasing: in commercial operations they average 20 kg/ha. Robust growth is anticipated following the revival of high-value agricultural commodity production. There is limited importation of fertilizers, which are valued at only about US\$ 5 million per year.
5. **Crop Protection Products (CPP).** Growing pest and disease pressures due to the changing climate are steadily reducing farm yields, so farmers are looking for new science-based and environmentally friendly solutions. The government encourages foreign investors to explore the agrochemical industry. This has potential for growth following the government's creation of a friendly and business-enabling environment to attract foreign investment in the country's agrochemical sector. This includes the recent introduction of the Agro-chemical Act, which is expected to be enacted shortly. The Act is intended to support product registration and licensing. Additionally, SARIS plans to streamline the issuance of permits to encourage foreign direct investment in the agrochemicals industry.
6. **Agricultural machinery.** As agricultural production becomes more mechanized, more and more farmers are seeking to adopt the latest farm machinery. These include farm tractors and modern irrigation systems. While the country's level of farm mechanization remains low, the revival of large commercial farms will significantly boost demand for farm machinery, including tractors, planters and combine harvesters. Somalia's current existing tractor stock is estimated to be 5,500 units. The annual demand is for 1,000 new or used tractors.

7. Agro technology. Younger and better-skilled farmers have a greater tendency to adopt high-tech agricultural production systems. The application by modern farmers of data science and advanced modelling – as well as feeding the models with publicly available data such as weather information – shows their great interest in adopting ICT in their agribusinesses. Their demand for digital farm tools includes; farm management software, farm mapping, water management systems, climate-sensing technology, and pest and disease stress sensors connected to mobile applications.
8. Commercial cereal production- investing in staple crops. Much as with most other sectors, cereal and bean productivity per ha remains low. Underlying production constraints prevent farm output from meeting the growing market demand. The country's production is estimated to be below 50% of the demand, providing investment opportunities. With the availability of large tracts of irrigable land for cereals/beans, investment in commercial production offers a vital opportunity to supply the local market and augment exports to countries in the region where demand is high.
9. Investment in Horticulture. The horticulture sector is responsible for about 45% of agricultural GDP and is the fastest-growing agricultural subsector, recording average annual growth of 15-20%. The subsector is dominated by small-scale producers who contribute about 70% of the total output. The horticulture sub-sector predominantly serves domestic markets, with only about 2% of annual production being exported to regional and global markets.
10. Investment in oil crops such as sesame and sunflower/groundnut. Sesame is the principal oil seed crop grown for consumption and export by an estimated 150,000 to 250,000 Somali farmers, the majority of whom are smallholders owning 1 to 2.5 hectares of land. Large-scale commercial production represents only about 20% of the total. The demand for sesame seed has grown globally, primarily because of the oil's health benefits compared to imported oils. Several large enterprises export sesame to markets such as India, UAE and Turkey.
11. Agro processing. Local agro-processing is almost absent due to the lack of investment in local food manufacturing/processing facilities. Today the country annually imports processed food and food-related products valued at over US\$ 1.5 billion, which demonstrates a massive opportunity for import substitution.
12. Investment in Climate Smart Agriculture. The increased use of climate-smart irrigation technology provides a tremendous boost in many countries with poor access to the national grid, like Somalia. In addition to solar water pumps, CSA has begun to gain popularity in Somalia and includes drip irrigation, greenhouse and shade-house growing systems, hydroponic growing systems, and rainwater catchment and storage systems. The extent of CSA adoption is still low, with an average of 1-3 greenhouses and one 5-acre drip system per farmer. The early entrants have reported good returns and opportunities for growth. Across the country, approximately 400-500 ha are under greenhouse cultivation for growing tomatoes, cucumbers, eggplants and other high-value vegetables.
13. Investment in fodder production/ business. Rainfall variability and higher average temperatures also affect livestock production by reducing forage crop availability. In addition, recent changes in land use practices, including the widespread enclosure of the historically communal rangelands, overgrazing and unsustainable commercial charcoal production, have severely reduced the availability of pastures. Fodder is quickly becoming an indispensable and lucrative crop, and offers good returns for early entrants. There is excess demand at seaports and along the main livestock export trade corridors (Berbera, Basasso, Kismayu, and Mogadishu) due to the aggregation of livestock herds for fattening and/or collecting and holding for export. Livestock operations require higher per-animal weight and nutrition to maximize their sale prices, so the availability of high-quality fodder is vital.

14. Investment in meat export by enhancing and expanding the existing modern and large-scale slaughterhouses throughout the country and constructing new facilities. To rejuvenate this industry, support is required in putting in place the necessary Sanitary and phytosanitary (SPS) measures, meat/food safety regulations, and Hazard Analysis Critical Control Point (HACCP) procedures to ensure the optimal standards within the facilities and throughout the value chain. Considering the potential demand of meat throughout the world and recent interests in Somali meat (the Kingdom of Saudi Arabia authorized importation of Somali meat in 2022), Somali government and private sectors need technical support to effectively negotiate with the interested bodies and countries to unlock such potential markets.
15. Investment in commercial fishing ports to be built in two locations allowing the secure docking, unloading and mooring of larger fishing vessels (longer than 20 metres) thereby by allowing fish caught in the offshore zones to be landed and processed in Somalia. At present Somalia sees little benefit of the offshore fishery with revenues from licensing only accruing to the national treasury and not generating any spin off benefits. Each fishing port costs 10 USD Million from feasibility through to construction with costs quite high as facilities may need to be built on the exposed Indian Ocean coast.
16. Investment in smaller, more sheltered landing sites, fishing jetties will provide a safe and secure moorings environment where fish can be landed in a hygienic fashion under controlled conditions.
17. Construction of landing sites with rehabilitation of connecting roads to open up local markets. This will facilitate the transport of fresh fish from the coastal location to inland market towns or processing centres.



18. Exploitation of new markets will provide the necessary demand driver on which private investment can be leveraged but the public sector (or projects) may need to make a substantial investment in capacity and institutional strengthening if the new markets are to be exploited. Given the relatively small and informal private sector in fisheries in Somalia, the public actors may be expected to take a lead in investigating opportunities in new markets and support to trade missions and long term overseas courses for Somalia nationals are important components of that investment.
19. Public investments must be made in the training and education sector to build capacity in both technical skills and longer term fisheries research and management competencies among the Somali population. One or more technical and vocational schools focusing on fisheries needs to be established.
20. Local and foreign investments particularly around the newly constructed ports and jetties. For example, investment in fish processing plants (whether for fresh export market or the tuna canning sector) using the fish caught and landed by foreign and domestic vessels targeting the migratory tuna stocks in Somali EEZ; fuel efficient cold storage facilities are rarely cost effective unless they also combine fish processing to lucrative export market but may be feasible and profitable as part of an integrated investment; joint venture partnerships with international fishing companies will be encouraged with Somali and foreign investors combining resources , access, skills and contacts to build a successful business model.
21. Policy level investments. For the above investments to be successful, the Somali authorities need to complete a legal and policy framework particular in establishing a competent Authority for fisheries to certify, lead and develop the access of Somali products to lucrative international markets.

## **Realising these opportunities will require:**

1. Doubling agricultural production and productivity with state-of-the-art, climate-adapted crop, livestock and aquaculture technology and advisory services.
2. Support research and development for a pipeline of climate resilient agricultural technologies through partnership with key stakeholders from the Public, private institutions including academia.
3. Leverage the private sector and unlock more private sector investment in major agricultural value chains for value addition, market development and trade competitiveness.
4. Form more trade alliances with other governments to facilitate opening up of external markets, investing in more bilateral and multilateral treaty negotiations.
5. Build an alliance of financial sector players to finance agriculture and food investments.
6. Develop necessary infrastructure and logistics with Special Agro-Industrial Processing Zones, fish and meat processing zones to build markets and competitive food and agriculture value chains.
7. Setting of benchmarks in trade volumes as well as quality of produce to support buy-in and further investments into primary value chains and to stimulate the environment for higher rents- from commodities traded.

8. Develop markets, trade and policy frameworks and incentives needed for competitive food and agricultural food supply systems within the context of the African Continental Free Trade Area, the East Africa Community trade area, COMESA, among others.
9. Strengthening formal financial institutions while establishing opportunities to promote access to finance form smallholder farmers in rural hard-to-reach areas.
10. Investing in education and skill enhancement for women and young people while equipping them with infrastructure to revolutionize production across key value chains. Digital transformation in the agriculture sector is likely to spur rural development which is needed to spark an increase in production.





5

## A call to action

# Key priorities and outstanding investment needs:

Somalia offers opportunities to invest in its farming sector as it is currently heavily import-dependent on food, including raw sugar (14%), rice (5.8%), wheat (3.9%), pasta (3%) and other food related products. Export promotion and increased investment in domestic supply chain development would be attractive for investors. Specifically, SomInvest identified investments in primary high value cereals, pulses, oil seeds, fruits and vegetable crops which have a huge potential of generating high rates of return.

## Farming Sector Investment Priorities:

### A. Productive Infrastructure including irrigation schemes development

- Establishment of agricultural processing zones and industrial parks to add value to farm produce including the phytosanitary and health regularity control facilities to ensure that agricultural commodities are up to standard before exports;
- Irrigation and market infrastructure development and management.

### B. Value chain and agribusiness development including access to finance

- Maize, Sorghum, Rice, Date palm, Cowpea and horticulture crops value chain development to strengthen production and processing investment including related policies;
- Expansion of rural credit and microfinance services for agriculture;

### C. Agricultural Research and Extension Services

- Strengthen Somalia Agriculture Research Institute for market-oriented extension, greenhouse investment and Research Services in Somalia;
- Capacity building of government institutions and staff.

## Livestock Sector Investment Priorities:

### A. Strengthening key livestock value chains and markets by focusing on:

- Establishment of dairy collection and processing centres countywide
- Investments in the poultry industry
- Establishment of modern slaughter house that meets the international standards to ensure chilled meat are up to standard before exports instead of live animals excluding Hajj/Pilgrims months;
- Investing in leather processing and the manufacture of leather products.

### B. Enhancing Animal Feed resources

- Commercialization of fodder locally while tapping into regional markets
- Establishment of animal feed processing plants
- Establishment and effective management of grazing resources/reserves

C. Strengthening Somalia Animal Health System and Service Delivery through capacity strengthening of government at all levels

- Policy reforms and formulation to create an enabling environment
- Strengthening Animal Health System and Service Delivery to develop and implement conducive policies.
- Establish self-sustaining animal health services delivery by strengthening institutional capacity, health inspection and certification, improve veterinary supply chain facilities, risk based animal health interventions, training

## **Fisheries Sector Priorities**

A. Investment in productive infrastructure

- Increase the number of fishing ports, fishing jetties, fish processing plants and canneries

B. Support policy reform and new policies for a conducive production and fish trading environment

- Strengthening the capacity of the government to formulate and implement conducive policies
- Capacity building of local communities and the private sector to encourage their active participation in high- potential fish value chains such as tuna.

## **Potential Investment partners:**

- Government ministries at the federal member and state levels
- The diaspora community
- The World Bank
- The African Development Bank
- United Nations
- Private sector investment partners
- European Union, United States government, The United Kingdom government, and other governments
- The Private Infrastructure Development Group (PIDG)
- The Public-Private Infrastructure Advisory Facility (PPIAF)
- World Bank Global Infrastructure Facility (GIF)
- African Investment Facility (AIF)
- Global Environmental Facility (GEF)





# 6

## Implementation

# Coordination and Oversight

## **In-country coordination and oversight will be supported by existing structures.**

Coordination works best when the government is the lead, the government is provided with capacity to lead, and there are sufficient funds available to support necessary consultation processes. Post Dakar II summit, the Federal Government of Somalia commits to accelerate actions and implementation of the Compact through development of a robust road map with the transition from the Compact commitments to implementation through programmes and projects as outlined below. The road map will assign specific targets, identify programmes and projects, fine-tune financing requirements, and monitoring and reporting timelines under the coordination of the Minister of Agriculture and Irrigation. The process will involve an inclusive and consultative process that will ensure strategic dialogue within government at both federal and state levels, with the private sector, public financiers and development partners. This process is envisioned to commence immediately after the summit until the end of first quarter of 2023.

## January 2023: Dakar 2 Summit

**Government of Somalia signs the Food and Agriculture Delivery Compact:** The Compact includes express commitment by the Ministry of Finance on public resources to be assigned to financing implementation of the Compact and signed commitments from the private sector and development partners on the financing of the Compact. At the Apex, the President will commit to overall delivery of the Compact and participate in the Presidential High Level Council for Food and Agriculture Delivery Compacts to drive action and deliver results at scale to meet the set targets.

## Year 1: 2023:

**Establishment of the internal governance structures:** The governance structure that reinforces the aspirations of the country to reduce poverty and achieve economic self-sufficiency will be based on the existing Council of Ministers responsible for the NDP 9, Pillar 4 on Economic Growth Based on the Self Sufficiency Model. The pillar is mandated to ensure that 'the Government is committed to achieving tangible results in economic growth, production, marketing, job creation, investment promotion, and trade while boosting innovation, entrepreneurship, and investment and prioritizing career development and youth-oriented job creation initiatives'. The implementation of the Compact will be coordinated through this structure which includes among others the Ministries of Agriculture and Irrigation, Finance, Planning, Livestock and Fisheries. Promote enabling environment in farming, livestock and fisheries sectors: The government takes necessary action to create an enabling policy environment for private sector and development partners to drive the formulation of the actual programmes and projects with specific work plans and budgets. The enabling environment will incorporate concrete incentives across board to encourage participation of the private sector. Reinforcement of current policy reform initiatives and strengthening of the whole regulatory framework with the objective of ensuring that the government is facilitating a conducive environment for investments and private sector and development partners' investments.

Capacity and skills enhancement for both public sector and the private sector: This is needed to reorient approaches incorporating digital innovations and modernization of farming. Strengthening the capacity of the government to formulate and implement conducive policies and capacity building of local communities and the private sector to encourage their active participation in high- potential value chains. Concurrently, also generate the necessary evidence and analysis for the selected value chains. Prioritize investments into the key drivers or enablers for value chain development (as necessary conditions): This will involve the prioritization of investments into infrastructural development, extension and research development, high-tech agricultural production systems, fertilizers, seeds and agrochemicals.

## Year 2-5 to 2027:

Actualization of the implementation plans and agreements drawn in the first year.

**Accountability and monitoring of Compact Implementation:** For the implementation of the compact two sided accountability will be demanded from both the government and financiers. Compact obligations will be agreed from the onset and midterm reviews will inform any areas for enhancements. The inter-ministerial task force for implementation will monitor and report on progress to Pillar 4 and enable adaptive programming.

**Resource Mobilization:** The compact resource requirements are estimated at USD 563 million from which a defined amount will be committed during the Dakar summit. The Federal Government of Somalia will put in place a resource mobilization strategy to cover the funding gap. The Ministry of Agriculture and finance will undertake annual budget and progress reviews and work with partners such as the UN Agencies and IFIs to encourage donors and other funding entities to make available the funds needed to implement the compact. Efforts will be made to leverage technical expertise to support productive sector investments appropriate for concessional financing through IFIs.





# 7

## **Declaration from Government and Partners**

His Excellency the President of Somalia, Hassan Sheikh Mahmoud has publicly declared Food Security as a national priority for Somalia. He also placed emphasis on the importance of food security at the 2022 UN General Assembly and said, “FOOD SECURITY IS NATIONAL SECURITY”. Equally, the Prime Minister of Somalia, His Excellency Hamza Barre is committed to support all efforts towards achievement of “self-sufficiency” in food production. Both high level offices remain keen to work with all investment partners to promote sustainable development across the productive sectors. These efforts and level of commitment will catalyze achievement of the goals and objectives set in this Compact.

To meet investment targets set here-in, the following budget requirements will need to be met:

- **Partner 1:** will invest USD 290 Million and thereby support crop/farming sector investment for infrastructure and irrigation scheme development; Agricultural Research and Extension Services; and Value chain and agribusiness development including access to finance, production components and mechanization.
- **Partner 2:** will invest USD 163 Million and thereby support livestock sector investment for strengthening key livestock value chains and markets; enhancing animal feed resources; and strengthening Somalia Animal Health System and Service Delivery.
- **Partner 3:** will invest USD 100 Million and thereby support fisheries sector investment to strengthen fishery Sector value chain facilities, market infrastructure (including access roads) and services (fishing ports, fishing jetties, vocational schools, fish processing plants or canneries, support to policy environment strengthening and capacity building of the government).







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