Macroeconomic Modeling Workshop (Summary Report)

World Bank Economic Policy Global Practice Mission to Somalia
May 26 – May 29, 2025

The World Bank team from the Economic Policy Global Practice conducted a technical assistance mission to Somalia. The mission was held in close collaboration with representatives from the Macroeconomic working Group, Ministry of Finance, Central Bank of Somalia, and members of the Economic Council of Somalia. The primary objective of the workshop was to provide hands-on training and capacity building on macroeconomic modelling using the customized Somalia version of the World Bank's Macroeconomic Framework Model (MFMod).

The training began with an overview of key macroeconomic concepts essential for understanding and using MFMod effectively. This included sessions on national income accounts, fiscal accounts, and the balance of payments (BOP), with a particular focus on how these are represented and linked within the MFMod framework.

Participants were introduced to the theoretical underpinnings of MFMod, including its treatment of aggregate demand using the GDP expenditure approach, potential output and supply-side modeling, labor market dynamics, fiscal accounting, and the external sector. The training emphasized how these components interact within a general equilibrium framework.

A key part of the Training was dedicated to practical sessions where participants used the **Somalia-specific MFMod tool** to build baseline forecasts. These sessions allowed the Somalia team to simulate the macroeconomic path under current policies, using the model to identify assumptions, calibrate inputs, and interpret outputs.

Participants were then guided through a series of scenario analyses. These included domestic policy shocks such as an increase in the sales tax and a boost in government investment, as well as external shocks such as a spike in oil prices and adverse developments among key trade partners. Through these exercises, participants learned how to assess the macroeconomic impact of various policy and external developments using the MFMod structure.

The mission also involved discussions on the challenges and opportunities related to macroeconomic data availability for Somalia. The World Bank team provided guidance on sourcing and reconciling data from international databases to support consistent forecasting and policy analysis.

In addition to model training, the team discussed the **Macro Poverty Outlook** (MPO) for Somalia, highlighting its role in framing macroeconomic and poverty trends and its importance as a World Bank product. Finally, the workshop included a session on climate change and macroeconomic modeling. Using the World Bank's Country Climate and Development Report (CCDR) for Somalia as a starting point, the team explored how MFMod can be used to simulate mitigation and adaptation policies within the broader economic framework.

Overall, the World Bank mission contributed significantly to strengthening Somalia's institutional capacity in macroeconomic forecasting and policy scenario analysis. The engagement fostered technical dialogue and provided a foundation for ongoing collaboration around the use of MFMod to inform macroeconomic planning, budgeting, and long-term development strategy in Somalia.

Somalia MFMSA Training participants

program **Agenda - May 26 - 29**

	Monday	Tuesday	Wednesday	Thursday
9.00am – 10.30am	EViews and MFMSA installation Front End Review	Review of exog vs endog Review of potential – including subcomponent estimation	Forecasting using the front end – endogenous variables	Running policy simulations (TFP shock, oil price shock, interest rate shock)
10.30am – 11.00am	**Coffee break**			**Coffee break**
11.00am – 12.30pm	Equation functional Form (ECM) Review of key equations	Forecasting using the front end – setting up the exogenous assumptions	Forecasting using the front end – sense checking the forecasts	Climate damages - theory
12.30pm – 1.30pm	**Lunch**			**Lunch**
1.30pm – 3.00pm	Fiscal block Model linkages	Forecasting using the front end – matching government expenditure forecasts	Running policy simulations (TFP shock, oil price shock, interest rate shock)	Climate damages - inputs Climate damages – running scenarios in the front end
3.00pm – 3.30pm	**Coffee break**			**Coffee break**
3.30pm – 5.00pm	Scenario analysis exercise (fiscal policy shock)	Review model linkages of inputs so far	MTI engagement with the GoS: CPIA, CCDR, MPO & Economic Update	Natural capital data requirements Next steps