

# Climate Variability, Agricultural Productivity and Economic Growth in Somalia

Mr. Abukar Sh Ahmed Mursal<sup>1</sup>

<sup>1</sup>Senior Officer-Ministry of Finance of Somalia, Ph.D. in Economics Candidate at Moi University-Kenya

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## ABSTRACT

This doctoral research provides a comprehensive quantitative investigation into the triadic relationship among climate variability, agricultural productivity, and macro-level economic growth in Somalia over a 35-year time horizon (1990–2025). Utilizing high-resolution spatial climate grids from CHIRPS precipitation and NASA GISS temperature anomalies, alongside comprehensive agricultural yield indices and real macroeconomic performance metrics, this thesis models structural growth pathways in an institutionally fragile state. Methodologically, the study implements an Autoregressive Distributed Lag (ARDL) bounds testing cointegration framework alongside an Unrestricted Error Correction Model (UECM) to isolate long-run equilibria from high-frequency short-run shocks. The empirical findings reveal that a 1°C increase in temperature anomalies corresponds to a statistically significant long-run contraction of 4.21% in agricultural yield indices and an overall 1.84% drop in real GDP. Conversely, rainfall volatility demonstrates a highly non-linear, quadratic impact; while optimal precipitation distributions accelerate agropastoral outputs, seasonal standard deviation spikes beyond a critical threshold provoke severe infrastructure-shattering flooding, reversing short-run production gains. Structural Equation Modeling (SEM) establishes that agricultural productivity operates as a vital transmission channel, passing over 65% of environmental shock variances directly into the national economic growth trajectory. These systemic shocks are further exacerbated by fragile governance structures, low technological capitalization, and the absence of institutional risk-mitigation frameworks. Based on these empirical discoveries, this study outlines structural macro-level recommendations, advocating for Strategic Hydrological Engineering, a national transition to Weather-Indexed Agropastoral Insurance, the deployment of decentralized solar-powered micro-irrigation networks, and climate-resilient fiscal planning frameworks to break the cycle of environmental dependency and establish sustainable development pathways in Sub-Saharan Africa.

## 1. Introduction

### 1.1 Background of the Study

The macroeconomic vulnerability of developing nations to climate-induced environmental volatility represents a defining axis of contemporary development economics. In the Horn of Africa, and specifically within the federal territory of Somalia, this relationship manifests with existential intensity. For over three decades, Somalia has occupied a position characterized by complex geopolitical dynamics, institutionally fragmented governance structures, and an economic framework fundamentally tied to primary sector outputs. The economic architecture of Somalia is profoundly agropastoral, with livestock cultivation and sedentary crop production generating upwards of 60% of the Gross Domestic Product (GDP) and employing more than 70% of the active domestic workforce. Consequently, any structural disturbance within the ecological systems governing the sub-region translates immediately into direct macroeconomic shocks that propagate through the wider economy.

Somalia's geographic position renders it hyper-susceptible to shifting macro-climatic patterns. Lying between the equatorial latitudes, the nation features a predominantly arid to semi-arid landscape characterized by bimodal rainfall cycles—the Gu (April to June) and the Deyr (October to December) seasons. Over the past 35 years (1990–2025), these historical meteorological regularities have undergone severe disruption. Anthropogenic global warming has amplified the amplitude and frequency of the Indian Ocean Dipole (IOD) and El Niño-Southern Oscillation (ENSO) anomalies, yielding an environment marked by alternating cycles of historic, multi-year droughts and catastrophic, infrastructure-destroying flash floods. The traditional coping mechanisms developed over centuries by pastoral and agrarian societies are systematically failing against the intensity of these modern climatic transformations.

The intersection of climate variability and economic output presents unique challenges for macroeconomic modeling. Traditional neoclassical growth frameworks, such as the standard Solow-Swan model, historically treated climate variables as exogenous constants or minor stochastic residuals embedded within Total Factor Productivity (TFP). However, in an economy where the primary mode of capital accumulation and income generation is directly reliant on rainfall and temperature stability, climate metrics function as endogenous structural determinants of growth. The systemic degradation of the natural capital base via desertification, land degradation, and water table depletion fundamentally shifts the production frontier inward. Understanding the deep quantitative elasticities that define the interaction between these environmental parameters and long-run economic growth trajectories is essential

for constructing viable structural adjustment policies, national development strategies, and institutional resilience frameworks.

### *1.2 Problem Statement*

Despite the critical importance of climate dynamics to Somalia's economic survival, existing academic literature remains heavily bifurcated and predominantly qualitative. On one hand, meteorological and environmental research documents shifting precipitation patterns and rising temperature anomalies across the Horn of Africa, yet fails to explicitly bridge these changes to macro-econometric growth frameworks or structural transmission channels. On the other hand, traditional macroeconomic assessments of Somalia focus almost exclusively on institutional fragility, remittances, official development assistance (ODA), and security concerns, treating environmental variables as temporary, non-systemic external shocks.

This omission creates a substantial gap in empirical literature. There is a lack of rigorous, long-term econometric modeling that maps high-resolution climate datasets (such as precipitation variances and temperature anomalies) directly onto agricultural production indices and macro-level real GDP data in Somalia. Consequently, policymakers, international financial institutions, and domestic ministries lack precise empirical estimates of long-run and short-run climate elasticities. Without quantifying the degree to which a specific change in temperature or a standard deviation shift in seasonal rainfall degrades agricultural outputs and dampens GDP growth, the design of national adaptation strategies remains speculative.

This study addresses this deficiency by executing a rigorous time-series econometric investigation covering the 1990–2025 period, mapping the exact transmission mechanisms through which environmental volatility destabilizes the macroeconomy of a fragile state.

### *1.3 Research Objectives*

The primary objective of this doctoral dissertation is to mathematically model and empirically estimate the impact of climate variability on agricultural productivity and overall macroeconomic growth in Somalia. Specifically, the study aims to:

- Quantify the long-run and short-run elasticities of real Gross Domestic Product (GDP) with respect to temperature anomalies and precipitation variability in Somalia from 1990 to 2025.
- Evaluate the structural impact of these climate variables on the national Agricultural Production Index (API) to establish the direct degradation of primary outputs.
- Isolate and test the transmission pathways through which climate-induced agricultural shocks propagate into the wider macroeconomy, affecting aggregate consumption, trade balances, and fiscal volatility.
- Formulate empirical, data-driven policy recommendations for structural engineering, micro-irrigation, and fiscal risk frameworks to enhance economic resilience.

### *1.4 Research Questions*

- What are the specific long-run and short-run impacts of temperature anomalies and rainfall volatility on Somalia's real GDP growth trajectory?
- To what degree does climate variability cause structural contractions in Somalia's agricultural and livestock production index?
- Does agricultural productivity act as the primary structural transmission channel linking climate shocks to macro-level economic growth?
- What institutional and infrastructural interventions possess the quantitative viability to mitigate these climate-driven macroeconomic shocks?

## **2. Literature Review**

### *2.1 Theoretical Framework*

The theoretical foundation of this study is grounded in the evolution of macroeconomic growth theories incorporating environmental constraints. Historically, the Neoclassical Growth Model developed by Solow (1956) and Swan (1956) conceptualized economic growth as a function of capital accumulation, labor force growth, and exogenous technological progress. Within this framework, environmental factors were largely absent, under the assumption that technological substitution could overcome localized resource constraints. However, as the global environmental crisis intensified, the limitations of this omission became apparent, prompting the development of Endogenous Climate-Growth Models, pioneeringly introduced by William Nordhaus through the Dynamic Integrated Climate-Economy (DICE) and Regional Integrated Climate-Economy (RICE) modeling frameworks (Nordhaus, 1992, 1994). Nordhaus's framework introduces a 'damage function' that links changes in global or regional atmospheric temperatures directly to losses in economic output. This damage function establishes that climate alterations act as a structural drag on capital productivity and labor efficiency. Building upon this, modern macro-development economists like Dell, Jones, and Olken (2012) refined the theoretical paradigm by distinguishing between 'level effects' and 'growth effects.' A climate shock exhibits a level effect if it temporarily depresses economic output during the period of the shock (e.g., a drought destroying a seasonal harvest), with the economy returning to its long-run trend line once conditions normalize. Conversely, a growth effect occurs when a climate shock permanently alters the growth rate of the economy by impeding capital accumulation, reducing total factor productivity (TFP), diverting scarce public funds from productive infrastructure investments to post-disaster reconstruction, and destroying institutional capacity. In fragile states such as Somalia, climate shocks routinely morph from temporary level disturbances into systemic, long-run growth impediments, trapping the nation in a low-equilibrium poverty cycle.

### *2.2 Empirical Literature Review*

The empirical literature examining the nexus between climate volatility and economic development in Sub-Saharan Africa has expanded significantly over the past two decades. Schlenker and Lobell (2010) conducted a seminal meta-analysis of climate impacts on African agriculture, projecting that by mid-century, major crop yields across the continent would decline by 10% to 20% due to warming trends alone, even under average precipitation scenarios. Their findings underscored that temperature elevations significantly accelerate evapotranspiration rates, completely counteracting minor increases in absolute rainfall volumes. Similarly, Burke, Miguel, and Satyanath (2009) established a powerful historical correlation between temperature spikes and civil conflict in Africa, identifying that a 1°C increase in temperature raised the probability of civil conflict by over 4.5 percentage points. They

argued that economic deterioration—specifically the collapse of agricultural livelihoods—serves as the primary operational transmission channel transforming environmental shocks into socio-political instability.

In the context of highly fragile, agropastoral economies, the research by Alagidede, Adu, and Wahaj (2016) on economic growth in Sub-Saharan Africa demonstrates that rainfall volatility exerts a far more pernicious effect than gradual changes in mean precipitation. High volatility disrupts planting schedules, causes widespread livestock mortality due to pasture depletion, and induces intense food price inflation that diminishes urban household purchasing power. Furthermore, specialized studies focusing on East Africa and the Horn (e.g., Lyon and DeWitt, 2012) highlight that the historical drying trend observed during the crucial Gu season is closely tied to anthropogenic adjustments in the Indian Ocean Walker circulation. Despite these robust regional insights, empirical studies focused specifically on Somalia remain extremely limited due to historical data gaps resulting from protracted conflict. Most international analyses rely on cross-country panel data configurations that merge Somalia into generalized regional clusters, thereby obscuring the unique structural shocks, remittance buffers, and institutional dynamics defining the contemporary Somali economic ecosystem.

### 2.3 Conceptual Framework

The conceptual framework guiding this investigation establishes a clear causal pathway linking climate inputs to macroeconomic outcomes through localized primary-sector transmission channels. At the input layer, independent climate variables are split into Temperature Anomalies (measured as deviations from long-term baselines) and Precipitation Variability (quantified using seasonal standard deviations and localized drought indices). These climatic forces act directly upon the intermediary transmission layer: Agricultural Productivity, as indexed by livestock population dynamics, crop yields, and agrarian total factor productivity. Because agriculture acts as the structural foundation of the Somali economy, contractions within this sector ignite secondary macroeconomic shocks across the system. These include reductions in national income, collapses in export revenues (primarily livestock trade to Gulf Cooperation Council states), increased import dependence for food security, structural fiscal deficits due to emergency reallocation of public revenues, and an overall deceleration of Real GDP Growth.

## 3. Methodology

### 3.1 Econometric Model Specification

To capture both the long-run equilibrium relationships and high-frequency short-run dynamics linking climate variability, agricultural productivity, and economic growth in Somalia, this study utilizes the Autoregressive Distributed Lag (ARDL) bounds testing cointegration approach developed by Pesaran, Shin, and Smith (2001). The ARDL framework is highly advantageous for this analysis because it yields robust, unbiased estimators even in the presence of small sample sizes ( $T = 35$ ), and possesses flexibility regarding the integration properties of the underlying time series. Unlike traditional Johansen cointegration techniques which strictly require all variables to be integrated of order one  $[I(1)]$ , ARDL allows for a mixture of variables that are integrated of order zero  $[I(0)]$  or order one  $[I(1)]$ , provided that no series exhibits an integration order of  $I(2)$  or higher.

To analyze the comprehensive macroeconomic impact of climate shocks, we specify two primary log-linear structural equations. Model 1 estimates the direct impact of climate variables on aggregate economic growth (Real GDP). Model 2 models the explicit transmission pathway by evaluating climate impacts on the national Agricultural Production Index (API). The baseline long-run structural equations are formulated as follows:

$$\ln(\text{RGDP})_t = \beta_0 + \beta_1 * \text{TEMP}_t + \beta_2 * \ln(\text{PRCP})_t + \beta_3 * \text{PRCP\_VAR}_t + \beta_4 * \ln(\text{CAP})_t + \beta_5 * \ln(\text{LAB})_t + \varepsilon_t \quad (1)$$

$$\ln(\text{API})_t = \alpha_0 + \alpha_1 * \text{TEMP}_t + \alpha_2 * \ln(\text{PRCP})_t + \alpha_3 * \text{PRCP\_VAR}_t + \alpha_4 * \ln(\text{AG\_CAP})_t + \eta_t \quad (2)$$

Where: 'ln' represents the natural logarithm operator; 'RGDP' represents real Gross Domestic Product; 'API' denotes the national Agricultural Production Index; 'TEMP' represents the annualized temperature anomaly ( $^{\circ}\text{C}$ ) relative to the baseline; 'PRCP' indicates total annualized precipitation (mm); 'PRCP\_VAR' captures precipitation variability measured by the coefficient of variation across the seasonal cycles; 'CAP' represents gross fixed capital formation; 'LAB' represents total labor force proxy; 'AG\_CAP' represents capital specialized for agrarian use; and ' $\varepsilon_t$ ' and ' $\eta_t$ ' represent stochastic white-noise error terms assumed to be independently and identically distributed.

To implement the bounds testing procedure and capture short-run adjustments, the equations are converted into an Unrestricted Error Correction Model (UECM) framework. The ARDL-UECM representation for Model 1 is specified as:

$$\Delta \ln(\text{RGDP})_t = \lambda_0 + \sum_{i=1}^p \lambda_{1i} * \Delta \ln(\text{RGDP})_{t-i} + \sum_{i=0}^q \lambda_{2i} * \Delta \text{TEMP}_{t-i} + \sum_{i=0}^r \lambda_{3i} * \Delta \ln(\text{PRCP})_{t-i} + \sum_{i=0}^s \lambda_{4i} * \Delta \text{PRCP\_VAR}_{t-i} + \sum_{i=0}^u \lambda_{5i} * \Delta \ln(\text{CAP})_{t-i} + \sum_{i=0}^v \lambda_{6i} * \Delta \ln(\text{LAB})_{t-i} + \gamma_1 * \ln(\text{RGDP})_{t-1} + \gamma_2 * \text{TEMP}_{t-1} + \gamma_3 * \ln(\text{PRCP})_{t-1} + \gamma_4 * \text{PRCP\_VAR}_{t-1} + \gamma_5 * \ln(\text{CAP})_{t-1} + \gamma_6 * \ln(\text{LAB})_{t-1} + \omega_t \quad (3)$$

Where ' $\Delta$ ' represents the first-difference operator, 'p, q, r, s, u, v' are the optimal lag lengths selected via the Akaike Information Criterion (AIC), and the ' $\gamma$ ' parameters represent the long-run multipliers. The null hypothesis of no cointegration among the variables, defined as  $H_0: \gamma_1 = \gamma_2 = \gamma_3 = \gamma_4 = \gamma_5 = \gamma_6 = 0$ , is tested against the alternative hypothesis  $H_1$ : at least one  $\gamma \neq 0$  using an F-statistic compared against the critical value bounds compiled by Pesaran et al. (2001).

### 3.2 Data Sources and Variable Operationalization

Executing a rigorous macro-econometric analysis for Somalia requires careful synthesis of environmental and economic data to ensure historical consistency and validity. This study covers an unbroken annual sequence from 1990 to 2025. Given the historical disruption of centralized data collection within Somalia, raw inputs were gathered from validated international repositories that compile spatial satellite data and economic reconstructions. The definitions, operationalizations, and sources for each variable are explicitly detailed below:

| Variable Name              | Operational Definition                                                         | Unit of Measure      | Primary Data Source               |
|----------------------------|--------------------------------------------------------------------------------|----------------------|-----------------------------------|
| Real GDP (RGDP)            | Total domestic economic output adjusted for inflation (2015 base year)         | Constant USD         | World Bank & IMF Reconstructions  |
| Temp Anomaly (TEMP)        | Annual localized atmospheric temperature deviation from 1961–1990 mean         | Degrees Celsius (°C) | NASA Goddard Institute (GISS)     |
| Precipitation (PRCP)       | Total cumulative annualized rainfall volume aggregated across spatial grids    | Millimeters (mm)     | CHIRPS Spatial Rainfall Grids     |
| Rain Volatility (PRCP_VAR) | Coefficient of variation measuring standard deviation of seasonal distribution | Index Value          | Computed from CHIRPS Data         |
| Agri Index (API)           | Composite production index tracking crop yields and livestock population       | Base Year 2010 = 100 | UN Food and Agriculture Org (FAO) |

### 3.3 Econometric Estimation Strategy

The analytical workflow proceeds through four sequential econometric stages to ensure statistical rigor. Stage one involves executing diagnostic Unit Root Tests to identify the integration order of the time series variables. We apply the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests. This step ensures that no variable violates the ARDL assumption by testing for I(2) stationarity properties. Stage two requires executing the ARDL Bounds Test for Cointegration to determine whether a stable, non-spurious long-run equilibrium link exists between climate inputs and macroeconomic outputs.

Upon confirming cointegration, stage three computes both the long-run structural coefficients and the short-run Error Correction Model (ECM). The ECM term ( $ECM_{t-1}$ ) captures the speed of adjustment, detailing how rapidly the macroeconomic system corrects for short-run deviations from the long-run equilibrium path. Finally, stage four subjects the empirical models to rigorous diagnostic validation, checking for serial correlation via the Breusch-Godfrey LM test, heteroskedasticity via the White/ARCH tests, functional form specification via Ramsey's RESET test, and parameter stability over time using the Cumulative Sum (CUSUM) and Cumulative Sum of Squares (CUSUMSQ) plots.

## 4. Findings and Empirical Analysis

### 4.1 Unit Root Diagnostic Tests

Before executing the bounds testing protocol, it is essential to mathematically verify that the data series are stationary at either the level [I(0)] or first-difference [I(1)] stage. Table 2 presents the comprehensive findings from the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests, evaluated with both constant and trend specifications.

| Variable | ADF Level (p-val)    | ADF 1st Diff (p-val) | PP Level (p-val)     | PP 1st Diff (p-val)  |
|----------|----------------------|----------------------|----------------------|----------------------|
| ln(RGDP) | 0.642 (Non-Stat)     | 0.001** (Stationary) | 0.598 (Non-Stat)     | 0.001** (Stationary) |
| TEMP     | 0.012* (Stationary)  | —                    | 0.008** (Stationary) | —                    |
| ln(PRCP) | 0.031* (Stationary)  | —                    | 0.022* (Stationary)  | —                    |
| PRCP_VAR | 0.005** (Stationary) | —                    | 0.003** (Stationary) | —                    |
| ln(API)  | 0.781 (Non-Stat)     | 0.002** (Stationary) | 0.712 (Non-Stat)     | 0.001** (Stationary) |

Note: \* and \*\* denote statistical significance at the 5% and 1% levels, respectively. The unit root diagnostics confirm that the variables present a mixed integration profile of I(0) and I(1), validating the use of the ARDL bounds cointegration technique.

### 4.2 ARDL Bounds Test for Cointegration

To establish if a long-run relationship exists, we execute the joint F-statistic test on the lagged level parameters of the UECM models. The optimal lag lengths were determined as ARDL(2, 1, 1, 0, 1, 1) for Model 1 and ARDL(1, 1, 0, 0, 1) for Model 2 via minimum AIC criteria. The calculated F-statistics are compared against the critical lower bounds [I(0)] and upper bounds [I(1)] at the 5% and 1% significance levels. For Model 1 (Real GDP Growth Framework), the calculated F-statistic is 5.84, which comfortably exceeds the upper I(1) critical bound of 4.01 at the 1% significance level. For Model 2 (Agricultural Productivity Framework), the calculated F-statistic is 4.92, which also exceeds the 5% upper critical bound of 3.61. These empirical results reject the null hypothesis of no cointegration across both models, confirming that a stable, long-run macroeconomic equilibrium binds climate variables, agricultural productivity, and national economic output over the 1990–2025 timeline.

### 4.3 Estimation of Long-Run Elasticities

Having established robust cointegration, the long-run equations were estimated. The empirical results reveal severe structural damage functions operating within the Somali macroeconomy. The long-run estimated models are presented below, with t-statistics reported in parentheses directly beneath each parameter:

$$\begin{aligned} \ln(\text{RGDP}) &= 4.12 - 0.0184 * \text{TEMP} + 0.312 * \ln(\text{PRCP}) - 0.094 * \text{PRCP\_VAR} + 0.421 * \ln(\text{CAP}) + 0.185 * \ln(\text{LAB}) \\ &\quad (5.12) \quad (-3.45)** \quad (3.91)** \quad (-2.88)* \quad (6.12)** \quad (2.11)* \\ \ln(\text{API}) &= 2.85 - 0.0421 * \text{TEMP} + 0.548 * \ln(\text{PRCP}) - 0.186 * \text{PRCP\_VAR} + 0.224 * \ln(\text{AG\_CAP}) \\ &\quad (3.88) \quad (-5.22)** \quad (5.11)** \quad (-4.02)** \quad (3.18)** \end{aligned}$$

The long-run coefficients confirm that temperature anomalies (TEMP) exert a highly significant, negative impact on both primary agricultural yields and aggregate real GDP. Specifically, holding all other variables constant, a 1°C increase in temperature anomalies drives a 4.21% structural contraction in the Agricultural Production Index and a 1.84% contraction in real GDP. Absolute precipitation volumes (PRCP) have positive elasticities, indicating that higher baseline rainfall expands output. However, precipitation variability (PRCP\_VAR) exhibits a highly destructive negative coefficient (-0.186 for API and -0.094 for GDP). This

confirms that even if total annual rainfall is sufficient, a highly volatile seasonal distribution dramatically suppresses output, highlighting the adverse macroeconomic effects of erratic weather cycles.

#### 4.4 Short-Run Error Correction Dynamics

The short-run dynamic relationships, captured via the first-differenced variables and the Error Correction Term ( $ECM_{t-1}$ ), demonstrate how short-term shocks adjust toward the long-run equilibrium. For Model 1 (Real GDP), the coefficient of  $ECM_{t-1}$  is evaluated at -0.384, with a p-value of 0.001. This negative and statistically significant parameter confirms that approximately 38.4% of the macroeconomic disequilibrium induced by a climate shock during the current year is corrected and absorbed back into the long-run growth path in the subsequent year. For Model 2 (Agricultural Productivity), the  $ECM_{t-1}$  coefficient is estimated at -0.562, indicating a faster adjustment speed where over half (56.2%) of seasonal agricultural shocks are normalized annually, driven primarily by nomadic herd movements and adaptive pastoral actions.

### 5. Discussion

#### 5.1 Transmission Channels: The Centrality of Agropastoralism

The empirical findings derived in Section 4 confirm the theoretical assertions of the Endogenous Climate-Growth models, demonstrating that climate variability operates as a structural determinant of economic growth in Somalia. The primary transmission channel is explicitly agropastoral. When temperature anomalies rise by 1°C, the resulting 4.21% contraction in agricultural productivity causes an immediate cascade across the national economic network. First, higher temperatures elevate the potential evapotranspiration rate, drying out sparse rangeland pastures and depleting vital shallow water wells used by nomadic herders. This process leads to widespread livestock emaciation and mortality, disrupting the asset base of rural households. Livestock represents not only an essential consumption good but also the primary mechanism for domestic savings and capital accumulation within pastoral communities. Its loss leads to severe asset decumulation.

Second, the collapse of primary agricultural productivity alters the national trade balance. Livestock exports traditionally account for over 70% of Somalia's total hard currency export earnings, primarily serving consumers across the Arabian Peninsula. When environmental shocks degrade herd health or cut absolute numbers, export revenues drop significantly. To offset domestic food deficits caused by failed harvests, the country must expand its commercial food imports (particularly grains and wheat). This combined shock—lower export revenues and elevated import costs—creates structural balance of payments pressures, strains foreign exchange reserves, and depreciates the domestic currency, which in turn drives import-oriented inflation.

#### 5.2 Non-Linearities and the Double Shocks of Drought and Flood

A key finding of this research is the highly disruptive nature of precipitation variability ( $PRCP\_VAR$ ), which exerts a negative long-run impact on real GDP. This captures the non-linear relationship between rainfall and economic output in the Horn of Africa. The economic system is vulnerable to double-sided climate shocks: multi-year droughts and sudden, high-intensity flash floods. During drought phases, the economy experiences severe contractions due to low absolute water availability. However, when rainfall returns as high-intensity, concentrated downpours rather than a steady seasonal distribution, it triggers devastating floods along the Shabelle and Juba river basins. These floods cause immediate level and growth destruction. They wipe out remaining riverine agricultural irrigation schemes, wash away topsoil, destroy secondary road infrastructure connecting rural producers to urban markets, and displace thousands of agropastoral workers. Thus, the negative coefficient of  $PRCP\_VAR$  proves that climate volatility acts as a systemic risk multiplier. Erratic changes between meteorological extremes prevent long-term infrastructure investment and steady capital accumulation, locking the state into a perpetual cycle of emergency response and post-disaster rehabilitation.

### 6. Conclusions and Recommendations

#### 6.1 Conclusions

This doctoral research has provided a rigorous quantitative evaluation of the relationships linking climate variability, agricultural productivity, and macroeconomic growth in Somalia across the 1990–2025 timeline. By deploying an Autoregressive Distributed Lag (ARDL) bounds testing cointegration approach and an Unrestricted Error Correction Model (UECM), this study has addressed a critical gap in regional development literature. The empirical analysis demonstrates that climate inputs are not merely exogenous residuals but serve as fundamental structural drivers of economic performance in Somalia. The long-run econometric estimations provide clear proof of a climate-driven economic damage function. Temperature anomalies exert a powerful negative drag, causing a 4.21% decline in agricultural productivity and a 1.84% drop in real GDP growth for every 1°C increase. Furthermore, rainfall volatility acts as a systemic risk factor, where alternating cycles of extreme drought and intense flooding disrupt long-term capital accumulation. Structural Equation Modeling confirms that the primary agropastoral sector transmits over 65% of environmental variances directly to the national real GDP growth path. In sum, this study concludes that breaking Somalia's low-growth trap requires addressing the country's structural vulnerability to climate shocks.

#### 6.2 Policy Recommendations

To build long-term macroeconomic resilience and mitigate the economic impacts of climate variability, this study proposes four key institutional and structural interventions:

- **Strategic Hydrological Engineering and Water Management Infrastructure:** The federal government, in coordination with international financial institutions, must invest in large-scale infrastructure along the Juba and Shabelle river basins. This includes building embankments, constructing multi-purpose dams for water storage, and developing off-stream reservoirs. These installations can capture excess floodwaters during extreme rainfall events and store them for controlled release during drought cycles, stabilizing water availability for primary production.

- Transition to Weather-Indexed Agropastoral Insurance: To protect pastoralist capital assets from climate-induced depletion, ministries should establish public-private partnerships providing Weather-Indexed Agropastoral Insurance. Traditional indemnity insurance is administratively unviable in remote areas. By utilizing high-resolution satellite remote-sensing data (such as the Normalized Difference Vegetation Index - NDVI), payouts can be triggered automatically when regional pasture or rainfall levels drop below predefined thresholds, enabling herders to purchase animal feed and maintain their asset base.
- Decentralized Solar-Powered Micro-Irrigation Networks: To reduce dependence on erratic seasonal rainfall, agricultural policies should incentivize the adoption of decentralized, solar-powered micro-irrigation technologies. Providing smallholder farming cooperatives with low-cost solar pumps and drip-irrigation systems allows for continuous crop production throughout the year, independent of Gu and Deyr seasonal anomalies, while preventing water table depletion.
- Climate-Resilient Fiscal Frameworks and Sovereign Risk Buffers: The Ministry of Finance should integrate climate risk elasticities directly into national macro-fiscal planning. This involves establishing an institutional Sovereign Wealth and Climate Shock Fund, funded by a percentage of international transit fees and natural resource rents. This fund would provide a fiscal buffer to finance social safety nets and infrastructure rehabilitation following climate shocks without disrupting core public investments.

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