



REPUBLIC OF SOMALILAND
MINISTRY OF FINANCE DEVELOPMENT

CITIZEN'S BUDGET 2020



A WORD FROM THE MINISTER



After a challenging few years, the economy of Somaliland is strengthening. The Government's policies have helped to stabilize prices at their lowest level in two years and appreciate our currency. Growth has resumed, and trade volumes are increasing – this has generated resources that have made it possible for the Government to deliver projects and services for Somaliland's citizens.

These important developments have also been enabled by successful reforms in the management of our public finances.

The 2020 budget provides further resources in support of the priorities of our citizens: maintaining our security, further strengthening our economy, and improving the delivery of education and health services. My Ministry will also introduce new initiatives to make sure Somaliland is competitive, and that taxes are made easier and fairer.

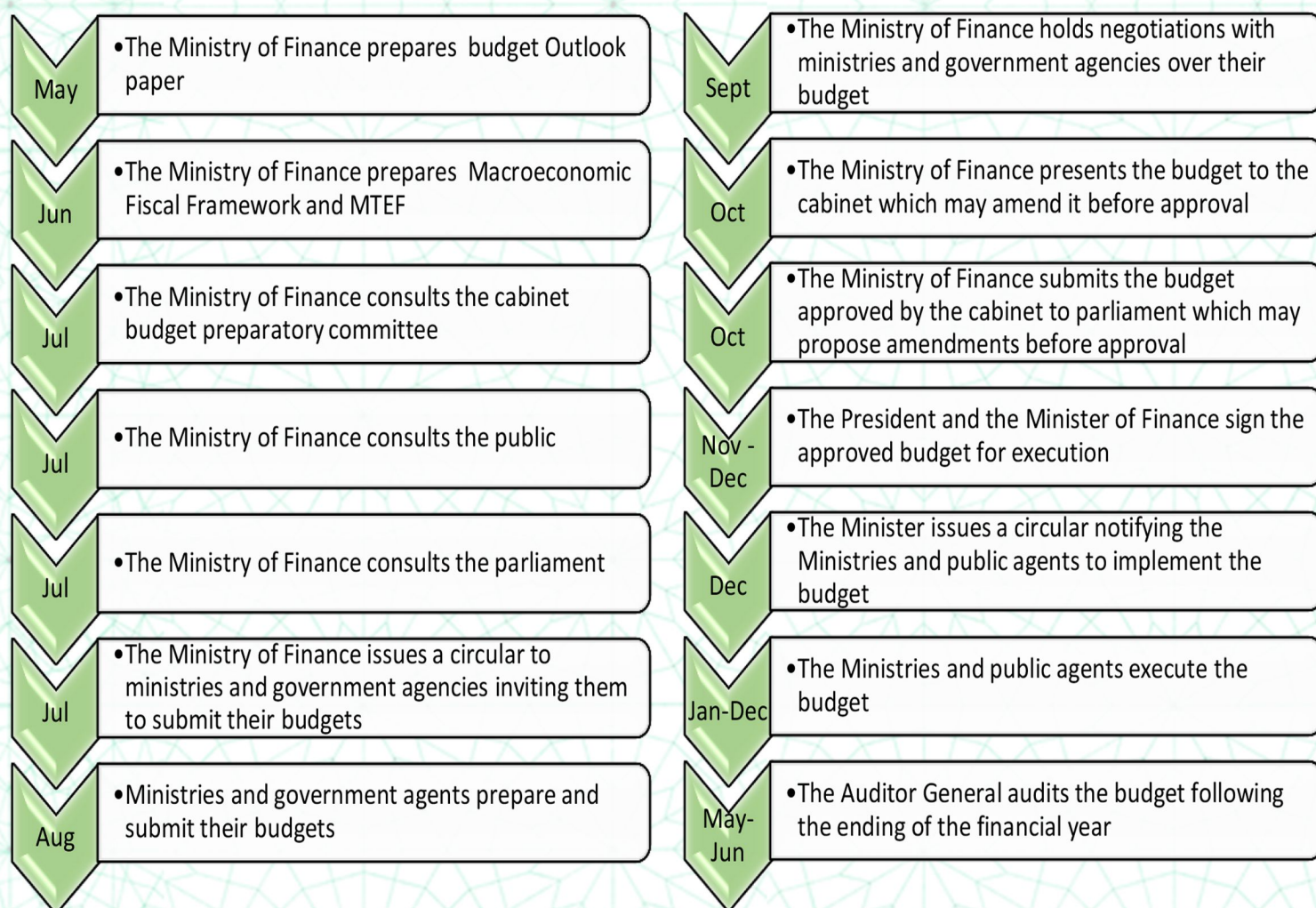
Moreover, our Government will strive to ensure that the delivery of such services is equitable and inclusive: each region and district in Somaliland will receive a fair and proportionate amount of resources, to support our shared growth as a nation. All citizens of Somaliland should be able to benefit from and participate in the delivery of our commitments. It is therefore my pleasure to introduce the Somaliland Citizen's Budget 2020 to you.

WHAT DO WE MEAN BY BUDGET?

The Budget is the Government's annual financial plan for the nation. It shows how revenue will be raised, and how these funds will be used to address specific needs of Somaliland's citizens and economy. The budget summarizes and puts into practice the commitments of the government: it is also a tool for citizens to hold their government to account.

The budget helps the Government to prioritize the different needs of the country– whether it is strengthening the economy, maintaining the security or improving livelihoods – and make sure the responsible Ministries, departments, agencies or programmes get access to the resources they need. Development, implementing and then auditing the national budget is a process that has fifteen steps:

WHAT IS THE BUDGET PREPARATION PROCESS?



WHAT IS THE BUDGET FOR 2020?

The Government of Somaliland aims to spend 2.046 trillion SLSh in 2020 (excluding donor grants), an increase of 263.846 billion SLSh or 14.8% from the 2019 budget. The allocations of these funds among MDAs not only reflect short-term priorities but also the government's medium-term and long-term goals as specified in the National Development Plan (NDP2) and the National Vision for 2030. World Bank grants in 2020 are expected to be 45.805 billion SLSh, representing a 9.53% increase from the 41.821 billion SLSh in 2019.

HOW IS THE GOVERNMENT FUNDED AND HOW DOES IT COMPARE TO THAT OF 2019?

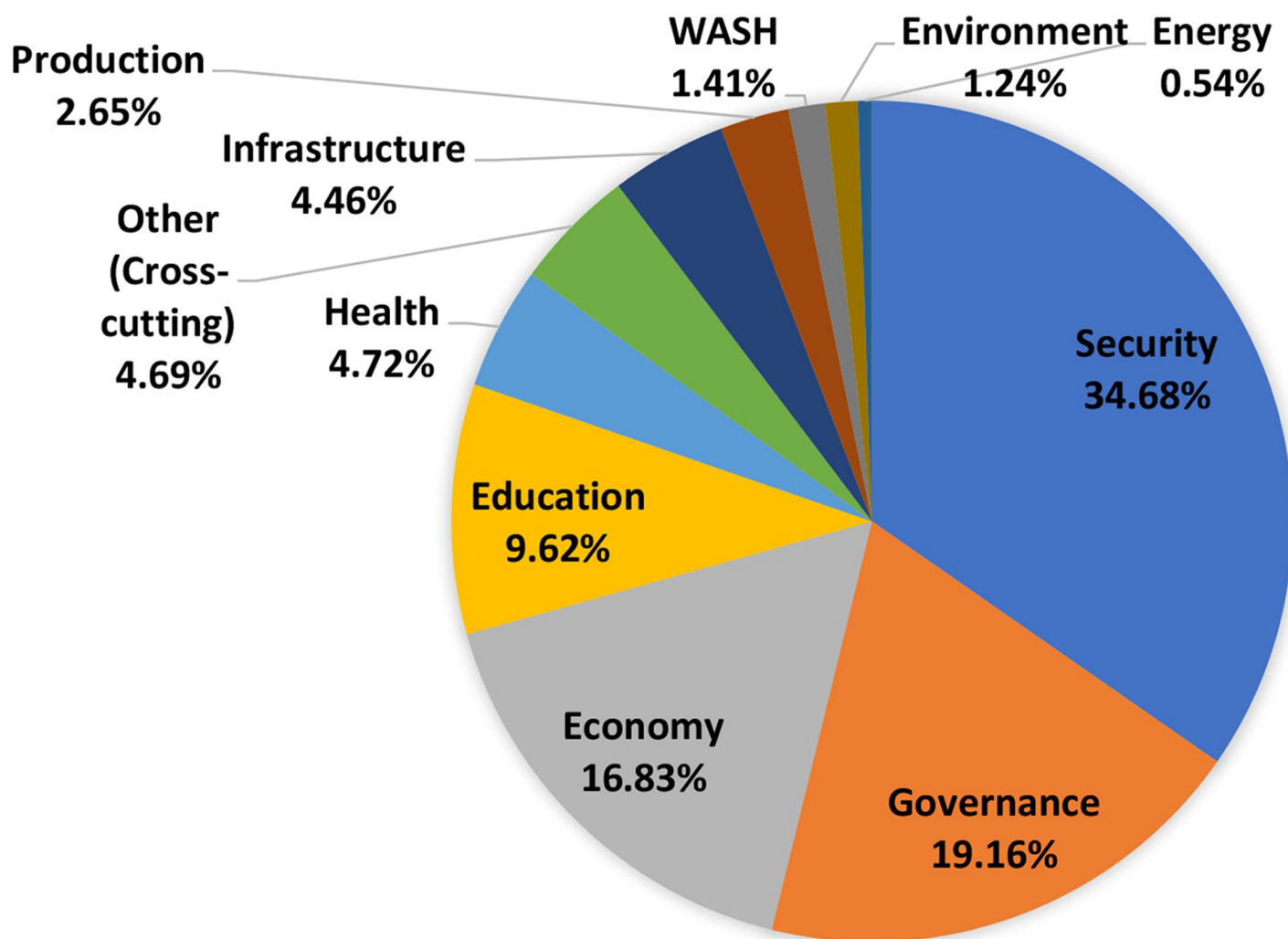
Resources to deliver the Government's plans for 2020 come from taxes and sources of revenue:

Sources of revenue	SLSh in 2019	SLSh in 2020	% Difference	% of total
Taxes on income and profits	40,952,414,628	45,366,371,939	10.78%	2.22%
Taxes on payroll and workforce	111,188,126,174	93,307,587,842	-16.08%	4.56%
Taxes on goods and services	492,425,922,802	557,278,424,539	13.17%	27.24%
Tax on international trade	809,846,028,537	989,541,311,980	22.19%	48.36%
Other taxes & revenues	327,741,967,859	360,506,303,700	10.00%	17.62%
Total national government revenues	1,782,154,460,000	2,046,000,000,000	14.80%	100.00%
Local government	255,490,228,023	326,748,574,181	27.89%	
Independent agencies	160,756,179,150	242,036,387,917	50.56%	
Donor grants	135,919,596,078	136,519,918,000	0.44%	
Total government resources	2,334,320,463,251	2,751,304,880,098	17.86%	

HOW IS THE GOVERNMENT ALLOCATING ITS RESOURCES BY SECTOR?

The 2020 budget is allocated to the priority sectors in the National Development Plan II:

Sector	SLSh in 2019	SLSh in 2020	% Difference	Share of total 2020 spending
Security	657,025,835,791	709,512,317,712	7.99%	34.68%
Governance	342,266,545,784	391,938,588,527	14.51%	19.16%
Economic	277,048,930,634	344,344,067,555	24.29%	16.83%
Education	150,270,542,188	196,847,233,514	31.00%	9.62%
Health	90,268,550,602	96,528,054,269	6.93%	4.72%
Other	85,742,250,520	96,009,113,469	11.97%	4.69%
Infrastructure	84,151,200,498	91,301,799,108	8.50%	4.46%
Production	46,411,928,957	54,254,418,603	16.90%	2.65%
WASH	17,529,490,644	28,819,080,788	64.40%	1.41%
Environment	23,569,007,846	25,371,489,002	7.65%	1.24%
Energy	7,870,176,536	11,073,837,453	40.71%	0.54%
	1,782,154,460,000	2,046,000,000,000	14.80%	100.00%



HOW IS THE GOVERNMENT SPENDING ITS BUDGET BY COST CATEGORY?

Expenditure	2019	2020	% Difference	Share of total 2020 spending
Staff salaries	922,366,729,717	991,159,240,274	7.46%	48.44%
Operational cost	463,139,075,825	535,720,823,610	15.67%	26.18%
Public projects including physical assets	229,415,263,658	330,430,545,316	44.03%	16.16%
Debt	61,200,000,000	75,000,000,000	22.55%	3.67%
Contingency and national reserve fund	59,800,000,000	66,100,000,000	10.54%	3.23%
Subsidies	46,233,390,800	47,579,390,800	2.91%	2.33%
Total	1,782,154,460,000	2,046,000,000,000	14.80%	100%

WHAT ARE THE SPENDING PRIORITIES FOR 2020?

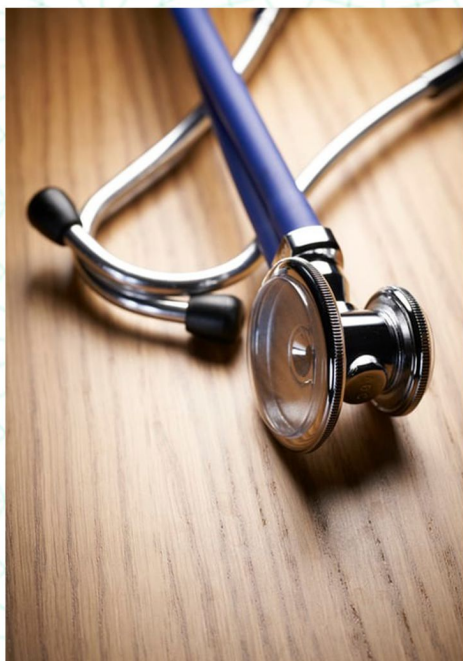
SECURITY

Maintaining security for all citizens of Somaliland remains one of the key priorities of the Government. The 2020 budget will support this by improving the wellbeing and equipment of the security forces. 709.5 billion SLSh is allocated to the Security sector, representing 34.68% of the 2020 Budget, an 8% increase compared to 2019. Important projects are:

- Construction of: an army hospital, military facilities in Ceerigaabo, 7 police stations across the regions, 3 large prisons in Boroma, Gabiley and Salaxlay, a new firefighting station in Berbera and Lascanod;
- Purchasing 15 police vehicles and 2 tow-trucks to support regional police stations' activities;
- Increasing the security personnel;
- Increasing the budget for the national Intelligence agency by 36.6% from 2019 to expand their internal and external intelligence capacity.



HEALTH



Improving the health and wellbeing of Somaliland's citizens is important for our shared prosperity. The 2020 budget prioritises enhancing the national healthcare services, in line with the National Development Plan (NDP2) and National Vision 2030. 96.5 billion SLSh is allocated to the Health sector, a 7% increase compared to 2019. Important initiatives include:

- Recruit additional medical consultants and specialist doctors
- Construct 3 health centres (2 in Hargeisa and 1 in Oog) and 9 MCH centres across the regions
- Upgrade 3 health centres in Buuhoodle, Badhan and Baligubadle and 2 MCH centres in Arabsiyo and Garbo-dadar
- Purchase 9 ambulances and health equipment—including a dialysis machine for Boroma Hospital
- Provide additional funding to support doctors and nurses in 7 TB hospitals across the regions

The Government will also assume its share of funding for health projects in Ceerigaabo and Laascaanood, supported by the Somaliland Development Fund (SDF).

EDUCATION

Better educated citizens are the backbone for a productive and prosperous nation. The 2020 budget prioritises the provision of more and better education services. 196.8 billion SLSh is allocated to the Education sector, a significant 31% increase from 2019. This will fund:

- Increased salaries for elementary and secondary teachers by 25% and recruit 300 more teachers
- Upgraded teacher training colleges
- Construct 6 schools and 3 libraries across the regions

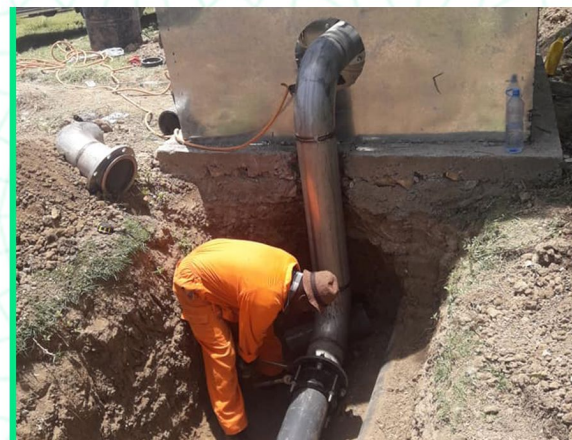
The Government will also assume its share of funding for education development projects in Dayaxa and Laascaanood, supported by the Somaliland Development Fund (SDF).



WATER, SANITATION AND HEALTH

Access to clean drinking water is essential for the health, sanitation and hygiene of Somaliland's citizens. The 2020 budget aims to address the scarcity of water in the country. 28.8 billion SLSh is allocated to the Water, Sanitation and Hygiene sector, a significant 64% increase from 2019. Important initiatives include:

- Build 2 big dams
- Build 3 sand dams in Oodwayne, Maroodi and Awdal, as well as 3 earth dams in Sool, Sanaag and Saaxil
- Dig 2 wells in Kulaal and FiqiFuliye, and purchase a towing truck to dig the wells



ENVIRONMENT



Protecting Somaliland's environment and wildlife is important for the benefit of the current and future generation. 25.4 billion SLSh is allocated to the Environment sector in the 2020 budget, an 8% increase from 2019. Key deliverables of the sector include:

- Tree planting
- Wildlife protection
- Increase forestry guards
- Set-up a range park reserve in Bancawl and Cashuura.

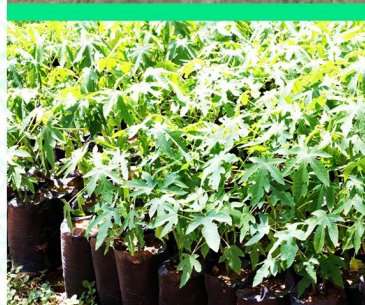
INFRASTRUCTURE

Better infrastructure, both in terms of roads and better information and communication technology, connects Somaliland's citizens and supports economic activity. The 2020 budget will prioritise on developing key infrastructure. 91.3 billion SLSh is allocated to the Infrastructure sector, an 8.5% increase from 2019. Important projects are:

- Working on the Erigavo road development project, as well as the Odweyne/Burco and other bridges along the Erigavo road
- Introducing e-Government
- Establishing ICT centres
- Supporting the interconnection between telecoms operators
- Purchase of a tugboat for the Berbera port to improve the efficiency of the port



PRODUCTION



Somaliland's economy holds many opportunities for growth. The 2020 budget prioritizes the strengthening of key productive sectors, notably agriculture, livestock and fisheries. 54.3 billion SLSh is allocated to the Production sector, a 16.9% increase from 2019. Key initiatives are:

- Agriculture projects in Beer, Waajaale and Odweyne to grow maize, sorghum, sesame and other vegetables
- Seed production to help provide farmers with the best seeds
- Agricultural extension to help increase farmers production output
- Plant protection project against insects and other pests
- Livestock breeding to improve and expand knowledge on livestock reproduction, as well as livestock vaccination and livestock fattening in Qoolcaday and Aroori
- Livestock restocking project to respond to the effect of the 2017 drought and problems faced by nomadic herdsmen—around 500 families will be given 20 heads of Sheep & Goats
- Construction of fishing centers and storage freezers
- Purchase of fishing boats (1 boat will be allocated to Berbera Fishing University while other small fishing lashes will be given to fishers) and fishing equipment

SPECIAL PRIORITIES OF THE GOVERNMENT

YOUTH DEVELOPMENT & JOB CREATION

One of Somaliland's most valuable assets is its young and talented population. Offering young Somalilanders opportunities to contribute to building the economy is a priority for the Government. The 2020 budget includes specific projects to promote youth development and job creation, including:

- Employing 2,000 National Service graduates
- Contributing 2,000,000,000 SLSh to the Youth development fund
- Expanding and improving job centers
- Constructing football grounds in Caynabo, Oodweyne, Baligubadle and completing the construction of the Erigabo field



INDUSTRIAL ZONE

- Creating an industrial zone to help meet land acquisition needs and reduce start-up costs for industries.

RECOGNITION

Somaliland strives to be recognized as an independent and internationally recognized nation. 23 billion SLSh has been allocated to support the pursuit of recognition.

ELECTION

Government is committed to promoting free and fair elections. The 2020 budget will support preparations for the next elections. 28 billion SLSh is allocated for these preparations.



WHAT IS THE TAX POLICY OF THE GOVERNMENT IN MOBILISING RESOURCES IN 2020?

The Government is committed to reducing our dependence on taxes on imports and exports, and on small fees and charges: continuing to increase duties, tariffs and small charges is not sustainable, and increases prices for Somaliland's citizens.

The Ministry of Finance Development will take several measures in 2020 to increase the amount of revenues raised from core taxes. Core taxes for the government are:

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Key domestic taxes	What is taxed?	Tax rate
Business income tax	Taxable income, meaning gross profit plus income from property, investment or other sources, minus expenses and losses.	Annual, 10%
Employment income tax (payroll tax)	Income from employment, including cash payments.	Monthly, 6%
Goods and services tax (GST)	Goods and Services (e.g. manufactured or imported goods, provision of electricity, telecommunications, hotels, restaurants, international transport and travel services).	5%
Rental income tax	Income from the rent (lease) of immovable properties in Somaliland by individuals.	Annual, 10%

Improvements will be made in the administration of these taxes in 2020. Particular attention will be given to collect business income taxes more fairly, more effectively and more transparently. Instead of raising trade taxes, Government will invest in ways to make customs more secure and efficient, to better facilitate trade to and from Somaliland.

The Ministry of Finance Development will work to inform taxpayers and traders as best as possible about their rights and obligations and consult with businesses about any changes to tax and customs.

HOW WILL WE BETTER MANAGE PUBLIC FUNDS?

Better oversight of Government funds is critical to deliver on the priorities in the budget. To support this, the Ministry of Finance Development is rolling out the Somaliland Financial Management Information System (SLFMIS) to all Government agencies, to better monitor and report on their budgets. After successful tests, Government will also be making civil servant salary payments more efficient by introducing automatic salary payments in 2020.

Somaliland needs to be better prepared for unexpected shocks, like the droughts and cyclones that have affected us in recent years. The Government will establish a Contingency Fund to help prepare for and manage such shocks, with an initial contribution of 5 billion SLSh. We will add 1% of the budget into this fund each following year.

APPLICATION OF EXCISE TAXES

Excise taxes are duties on manufactured goods and imported luxury and harmful products. These taxes will be introduced on the duty-paid value of imports of the following goods from 1st January 2020.

Goods to be taxed	Excise tax rate
Tobacco and tobacco products, including cigars, cigarettes, smoking and chewing tobacco	
Cosmetics and cosmetic aids, including perfumes, eye shadow and nail polish	
Non-alcoholic beverages, including fruit and vegetable juices, energy drinks, carbonated soft drinks and malt drinks	
Luxury vehicles, meaning private passenger automobiles with an engine capacity of 4000cc or above, or with a value of USD 20,000 or above	
Jewellery, precious stones and metals, including also watches	

EXCHANGE RATE ADJUSTMENT

Government will increase the exchange rate applied for imported khat from 6000 to 7000 SLSh per US dollar to match the rate applied to other imported goods

MAKING TAXES EASIER TO PAY

The Ministry of Finance Development will aim to make it easier for taxpayers to file and pay their taxes in 2020. Systems for paying via mobile money or e-payment are being developed so that taxpayers can file their taxes digitally using their Taxpayer Identification Numbers (TIN). In 2020, the Ministry of Finance Development will also aim to ensure that citizens and businesses are not charged illegal fees and services.

Several improvements have already been made: taxpayers can self-assess for several taxes – including the payroll, goods and services and rental income taxes – making it easier to file returns. Traders can also declare their imports more easily. The Ministry has also developed and published detailed regulations to guide taxpayers and traders.

Taxpayers who are fully registered with a Taxpayer Identification Number (TIN) receive better service, support and advice. Businesses will need a TIN to receive tax clearance; to tender for Government contracts and get paid for providing goods and services to Government; to renew their licenses and registrations; and to import and export goods to and from Somaliland.

For any questions or support on how to comply, taxpayers can call the new tax hotline at 3535 or visit the tax help and information desk. Advice on how to comply can also be found on the Ministry of Finance Development website.



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