



Annual Economic Performance Bulletin

**Macroeconomics
& Statistics Department**

2021

Ministry of Finance Development
Republic of Somaliland

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Summary

Overall prices increased at a much slower rate in the fourth quarter of 2021 compared to the first three quarters of the year. The monthly headline inflation rate increased by 0.1% in Q4 of 2021, lower than the 0.7%, 0.9% and 0.3% recorded in Q3, Q2 and Q1 respectively. However, this was significantly higher than the decreases observed in the same period last year (i.e., -0.3%). The monthly headline inflation rate increased on average by 0.5% in 2021, slightly higher than the 0.3% average in 2020. With respect to the more volatile components of the headline inflation rate, the Food Crops & Related Items inflation also increased much slower in Q4 of 2021. Furthermore, the average monthly increase in the Food Crops & Related items inflation in 2021 was 1.0%, slower than the 1.6% average recorded in 2020. The average monthly increase for the year was slightly higher than the average recorded in 2020 (i.e., 0.4% vs 0.3%). The annual headline and core inflation rates were 6.0% and 5.0%, significantly higher than the 3.5% and 2.0% recorded in 2020, respectively. The annual Food Crops and Related items inflation rate was 12.3%, lower than the 14.5% in 2020. The Energy, Fuels & Utilities inflation rate for its part was much higher than the rate recorded in 2020 (4.7% vs. 3.9%).

The exchange rate and the annual headline inflation rate have moved together fairly closer since January 2018.

The average exchange rate of the Somaliland Shilling against the USD was 8,570 in the fourth quarter of 2021—representing a 0.1% depreciation. However, the average exchange rate for the year, which was 8,510 SLSh/USD, was slightly lower than the 8,544 SLSh/USD recorded in 2020—representing a 0.4% appreciation. The Bank of Somaliland, in collaboration with the Ministry of Finance Development and relevant stakeholders, have managed to stabilize the exchange rate against the USD to very small fluctuations since March 2019. However, given an upward trend in the inflation rate, it should not be surprising to see a relatively higher increase in the exchange rate against the USD in the first half of 2022.

Remittances have been very resilient since the start of the pandemic. Both inward and outward remittances increased significantly in the fourth quarter of 2021 compared to the first three quarters. The fourth quarter inflows and outflows increased by 146% and 468% respectively compared to the 3rd quarter. The total amount remitted to Somaliland in 2021 increased by 55.4% and 142.3%, while the total amount remitted out increased by 150% and 239.7% compared to 2020 and 2019, respectively. The MoFD therefore expects both inward and outward remittances to grow next year. This is most likely due to the expected continued recovery from the Covid-19 pandemic induced contraction

The volume of livestock exported between January and December 2021 was 1,997,521—56% higher than the volume exported in 2020. Most importantly, the volume of livestock exported in 2021 exceeded the pre-pandemic level in 2019 by 5.2%, despite the cancelation of the Hajj to all non-Saudi residents. This increase was entirely driven by the volume of Sheep & Goat exported. The Ministry of Finance expects the volume of livestock exported in 2022 to exceed 2021 levels. This is based on the significant progress being made against the Covid-19 pandemic and the likelihood that a significant number of non-Saudi residents will be allowed to attend the 2022 Hajj. Using the livestock export levy as a proxy for the value of exports, the MoFD expects it to increase by 9% in 2022 compared to 2021.

The nominal value of Somaliland's imports in 2021 was approximately 38.8 trillion SLSh. This value is based on the on-going effort by the Macroeconomic Affairs & Statistics Department to re-value the data obtained from the customs Department.¹ On a quarterly basis, imports decreased by -6% in the fourth quarter, following the -28%

¹ In Somaliland, imports are valued at set prices rather than real prices by the customs department—meaning that prices are fixed in the valuation book with few changes each year. Moreover, USD quoted prices in the valuation book are revalued to SLSh through an exchange rate set by the government—which is currently 7,000 SLSh per USD. The Macroeconomic department at the MoFD is currently working to

decrease in the third quarter. On the other hand, the amount of Duty collected on these imports was 1.7 trillion SLSh, representing a significant 7.6% increase from 2020. For 2022, the MoFD currently forecasts imports to grow by 5.7%.

Passenger arrivals and departures by air have continued to recover from the lockdowns and Covid-19 pandemic.

Arrivals and departures registered in the fourth quarter of 2021 increased by +3,157 and +4,897 compared to the same periods in 2020, respectively. Between January and December, Somaliland recorded +23,635 and +32,359 more arrivals and departures compared to 2020, respectively. This increase was expected, given the easing of most travel restrictions around the world. The MoFD expects much higher arrivals and departures in 2022. However, these increases are still expected to be much lower than 2019 pre-pandemic levels, given the continued presence of the covid-19 virus.

The number of businesses registered in the fourth quarter of 2021 was 246, representing -38 fewer registrations compared to the third quarter of the year but 57 more registrations compared to the same period in 2020.

In 2021, 939 businesses were registered, 277 more than in 2020. The breakdown of these registrations by ownership type is as follows: 703 were sole proprietorships, 223 were a company, 9 were partnerships, and 4 were owned by foreigners. Moreover, 89.9% of the registrations were for businesses located in Hargeisa and 50.1% were in the professional services sector. Compared to 2019, the number of business registrations have been lower on average. However, with an expected recovery from the Covid-19 pandemic, favorable environmental conditions for the agriculture and livestock sector, and the fast progress on the Berbera corridor, significantly higher number of business registrations (particularly in the trade sector) can be expected in the next 3 years.

The resilience of government revenue collection has continued in 2021. Domestic revenue collection was 2.167 trillion SLSh (excl. grants and the carry over balance from 2020), representing a 49.6 billion SLSh or 2.3% surplus.

Key revenue items for 2021 included taxes on imports and GST, making up over 54% of total revenue between them. Despite the global pandemic, total revenue collection was 10% or 156.5 billion SLSh higher than 2020 collections, primarily due to strong performance on import tax revenues (collecting an additional 81 billion SLSh in 2021) and tax on goods and services GST, which grew by 8% (or an additional 22 billion SLSh in revenue this year). The first two months of the year saw the lowest monthly revenue collections, which was in keeping with prior trends but was exacerbated by the global slowdown following the COVID-19 pandemic and its related limitations. Other than that, revenue collection patterns remained consistent with recent years, with Customs and IRD performance rising in the third quarter. In terms of achieving revenue targets, Inland Revenue collections were 13% higher than targeted while Customs receipts were 1.1% more than expected, as a result of increased awareness to the effects of removing limitations.

On the expenditure side, the government spent 2.1 trillion SLSh or 98.3% of the 2.167 trillion SLSh budget approved for 2021.

This approved budget includes the 65.5 billion SLSh supplementary budget—approved in the first half of the year—in addition to the original 2.1 trillion SLSh National Budget. With respect to performance against allocation for the period (i.e., requested and accepted expenditures), the government underspent by 1.25% (i.e., -26.8 billion SLSh). At the chapter level, performance was particularly very well (i.e., above 98% of allocated budget) for compensation of employees, Use of Goods & Services, Government Projects, Loan Repayment, Grants and Subsidy. Spending on Assets on the other hand was 7.4% below target. These performances are a significant improvement from previous fiscal years and reflect the government's commitment

estimate the CIF value of these imports based on monthly price data collected by the MoNPD, market scanning and online research. The figures in table 3 above therefore reflects these estimates and are based on several assumptions and generalizations and should be interpreted with care. As the department refines its methodology and collects more data through interviews and surveys, the figures above might slightly change in future publications.

in enhancing the credibility of the national budget and ensuring the timely disbursement of funds to respective stakeholders.

With respect to grants from the World Bank, the government received 38.7 billion SLSh from the World Bank—-39.4% below the approved budget for 2021. On the expenditure side, 37.5 billion SLSh was spent on the three World Bank funded projects, representing a -41.3% underspend. The procurement of high value assets and services, that take time to acquire, continue to be the biggest obstacle on these projects. The government will continue to address this in order to improve budget execution on these projects. **The fiscal balance on these projects was 1.2 billion SLSh. The overall fiscal balance in 2021 was 88.4 billion SLSh (including grants). When grants are excluded, the balance was 87.2 billion SLSh.**

1. Financial Sector

1.1. Inflation

Overall prices increased at a much slower rate in the fourth quarter of 2021 compared to the first three quarters of the year. The monthly headline inflation rate increased by 0.1% in Q4 of 2021, lower than the 0.7%, 0.9% and 0.3% recorded in Q3, Q2 and Q1. However, this was significantly higher than the decreases observed in the same period last year (i.e., -0.3%). On a monthly basis, the headline inflation rate increased on average by 0.5% in 2021, slightly higher than the 0.3% average in 2020. The core inflation rate also increased by 0.1% in Q4 but averaged 0.4% in 2021 compared to the 0.2% in 2020. The annual headline and core inflation rates were 6.0% and 5.0%, significantly higher than the 3.5% and 2.0% recorded in 2020, respectively.

With respect to the more volatile components of the headline inflation rate, the Food Crops & Related Items inflation also increased much slower in Q4 of 2021 (i.e., 0.1%) compared to the first three quarters of the year and the same period last year. Furthermore, the average monthly increase in the Food Crops & Related items inflation in 2021 was 1.0%, slower than the 1.6% average recorded in 2020. The Energy, Fuels and Utilities inflation rate for its part increased at a slightly faster rate in the fourth quarter (i.e., 0.1%) compared to the third quarter but significantly slower than the 1.7% recorded in the same period in 2020. However, the average monthly increase for the year was slightly higher than the average recorded in 2020 (i.e., 0.4% vs 0.3%). The annual Food Crops and Related items inflation rate was 12.3%, significantly lower than the 14.5% in 2020. The Energy, Fuels & Utilities inflation rate for its part was much higher than the rate recorded in 2020 (4.7% vs. 3.9%).

The MoFD is currently forecasting average prices to continue increasing at a moderate rate in 2022. However, in the current context in Somaliland, both increases and decreases are likely. Inflation could increase rapidly as a result of intermittent supply chain disruptions—owing to higher container freight prices, shortages of key commodities due to instabilities in neighboring countries and further resurgences of the pandemic.

Table 1: Average Monthly inflation rate per quarter in 2020 and 2021

| | Headline | | Core | | Food crops & related items | | Energy, Fuels & Utilities | |
|----------------|-------------|-------------|-------------|-------------|----------------------------|-------------|---------------------------|-------------|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| Q1 | 0.7% | 0.3% | 0.2% | 0.2% | 4.2% | 0.7% | 0.7% | 0.9% |
| Q2 | 0.9% | 0.9% | 0.8% | 0.9% | 3.4% | 1.2% | -1.7% | 0.5% |
| Q3 | -0.1% | 0.7% | 0.2% | 0.5% | -1.8% | 1.9% | 0.3% | 0.0% |
| Q4 | -0.3% | 0.1% | -0.5% | 0.1% | 0.6% | 0.1% | 1.7% | 0.1% |
| Average | 0.3% | 0.5% | 0.2% | 0.4% | 1.6% | 1.0% | 0.3% | 0.4% |

Source: Ministry of Planning and National Development

Figure 1: Monthly inflation rate by category

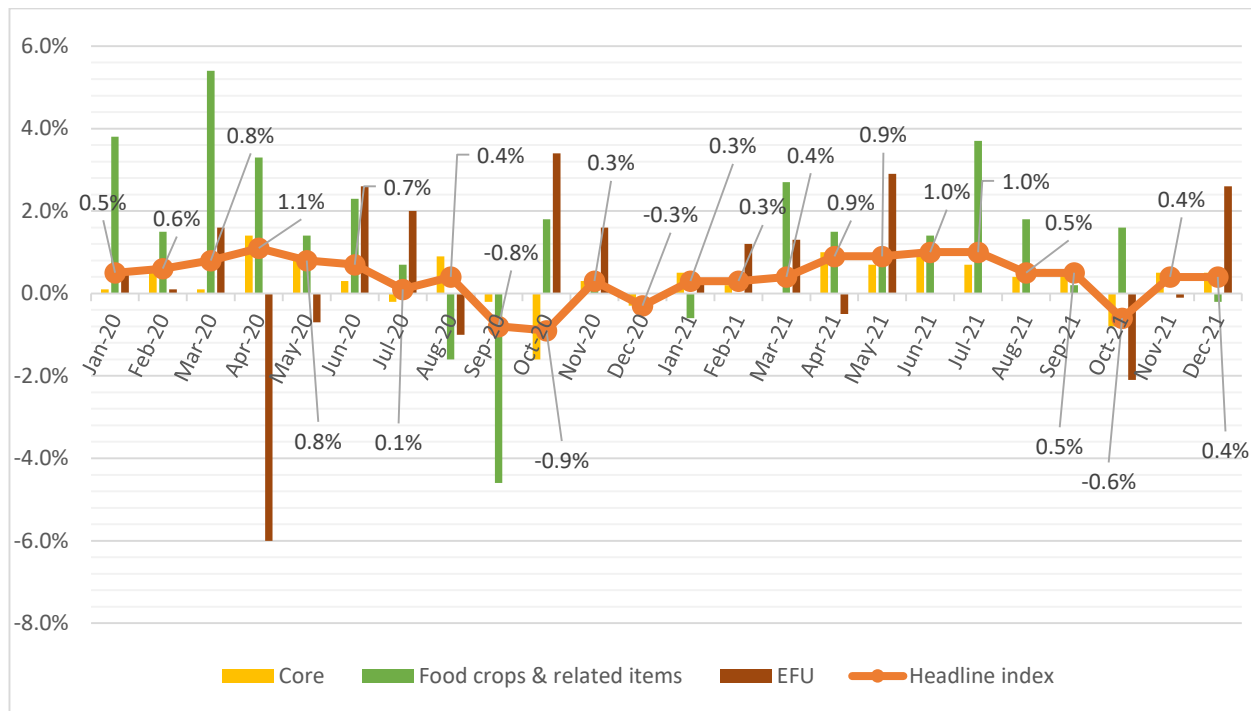
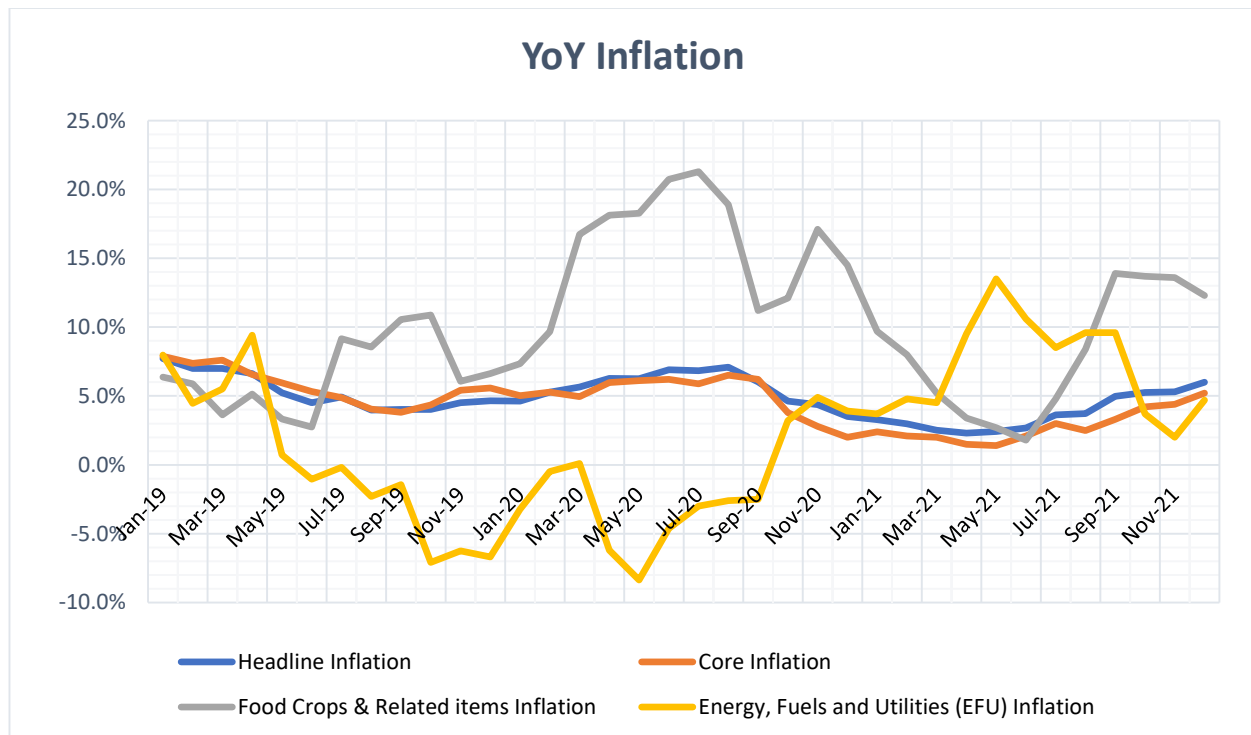


Figure 2: Annual Inflation rate by category, base year=2012



Source: Ministry of National Planning and Development

1.2. Exchange Rate

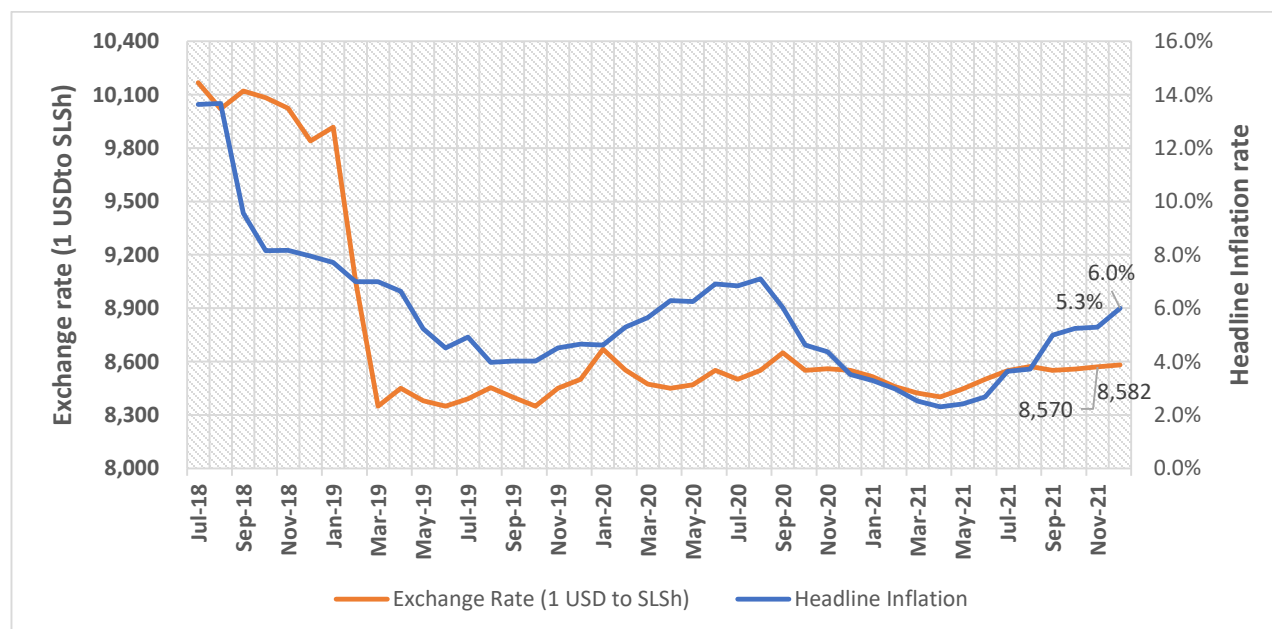
The exchange rate and the annual headline inflation rate have moved together fairly closer since January 2018 as shown in the figure below. The average exchange rate of the Somaliland Shilling against the USD was 8,520 in the fourth quarter of 2021—representing a 0.1% depreciation. However, the average exchange rate for the year, which was 8,463 SLSh/USD, was slightly lower than the 8,544 SLSh/USD recorded in 2020—representing a 0.1% appreciation. The Bank of Somaliland, in collaboration with the Ministry of Finance and relevant stakeholders, have managed to stabilize the exchange rate against the USD to very small fluctuations since March 2019. However, given the upward trend in the inflation rate, as shown in the figure below, it should not be surprising to see a relatively higher increase in the exchange rate against the USD in the first half of 2022.

Table 2: Somaliland Shillings Exchange Rate against the USD per Quarter in 2020 And 2021

| Quarters | 2020 | | 2021 | | YoY |
|----------|-------|----------|-------|----------|--------|
| | Exch | % change | Exch | % change | |
| Q1 | 8,565 | | 8,423 | | |
| Q2 | 8,490 | -0.90% | 8,401 | 0.3% | 0.50% |
| Q3 | 8,567 | 0.90% | 8,507 | -1.20% | -0.40% |
| Q4 | 8,553 | -0.20% | 8,520 | 0.20% | -0.4% |
| Average | 8,544 | | 8,463 | | -0.1% |

Source: Somaliland Central Bank

Figure 3: Exchange rate (USD to SLSh) and Headline inflation rate (%), July 2018 to Dec 2021

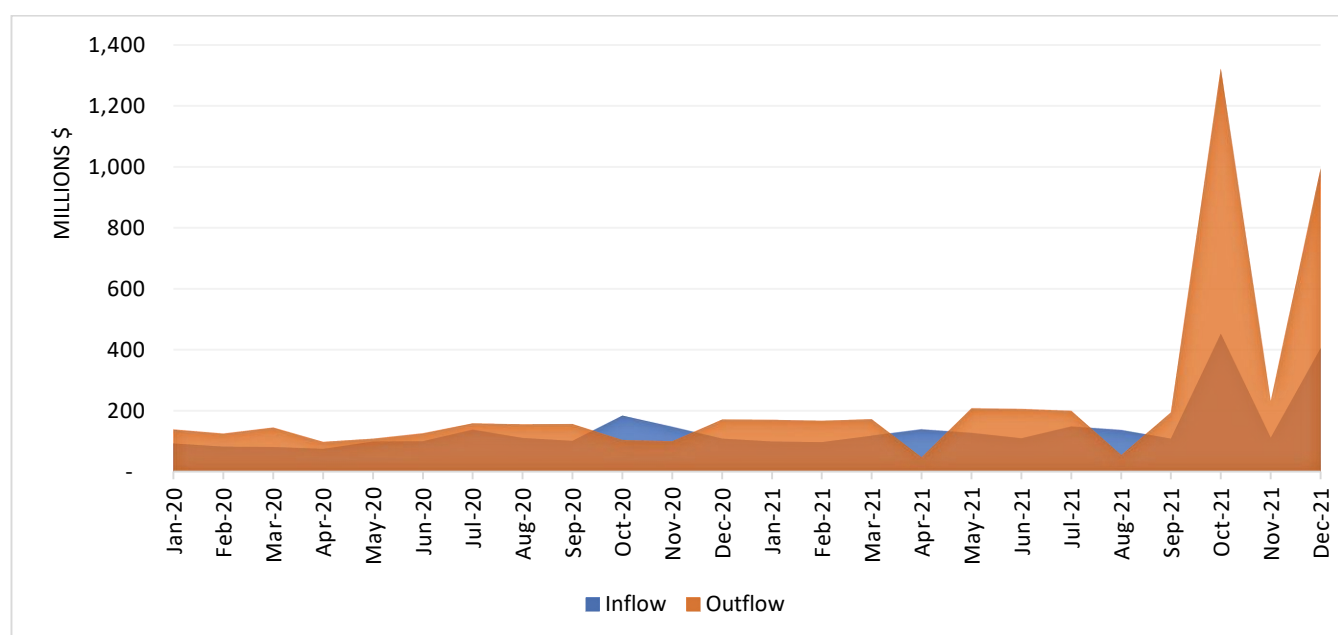


Source: Somaliland Central Bank

1.3. Remittances

According to data from the four main banks and seventeen remittance companies in Somaliland, both inward and outward remittances in the fourth quarter of 2021 increased significantly compared to the first three quarters. Fourth quarter inflows and outflows increased by 146% and 468% respectively compared to the 3rd quarter. The total amount remitted to Somaliland in 2021 increased by 55.4% and 142.3%, while the total amount remitted out increased by 150% and 239.7% compared to 2020 and 2019, respectively. As shown in the figure below, remittances have been very resilient since the start of the pandemic. The MoFD, therefore, expects both inward and outward remittances to grow next year. This is most likely due to the expected continued recovery from Covid-19 pandemic induced contraction.

Figure 4: Inflow and Outflow of Remittances in Somaliland, US\$ Millions



Source: Somaliland Central Bank

2. Fiscal Performance

2.1. Annual Fiscal Summary

The resilience of government revenue collection has continued in 2021. Domestic revenue collection was 2.167 trillion SLSh (excl. grants and the carry over balance from 2020), representing a 49.6 billion SLSh or 2.3% surplus. On the expenditure side, the government spent 2.1 trillion SLSh or 98.3% of the 2.167 trillion SLSh budget approved for 2021. This approved budget includes the 65.5 billion SLSh supplementary budget—approved in the first half of the year—in addition to the original 2.1 trillion SLSh National Budget. Moreover, the government received 38.7 billion SLSh from the World Bank and spent 37.5 billion SLSh on the WB funded Projects. The overall fiscal balance in 2021 was 88.4 billion SLSh. When grants are excluded, the balance was 87.2 billion SLSh.

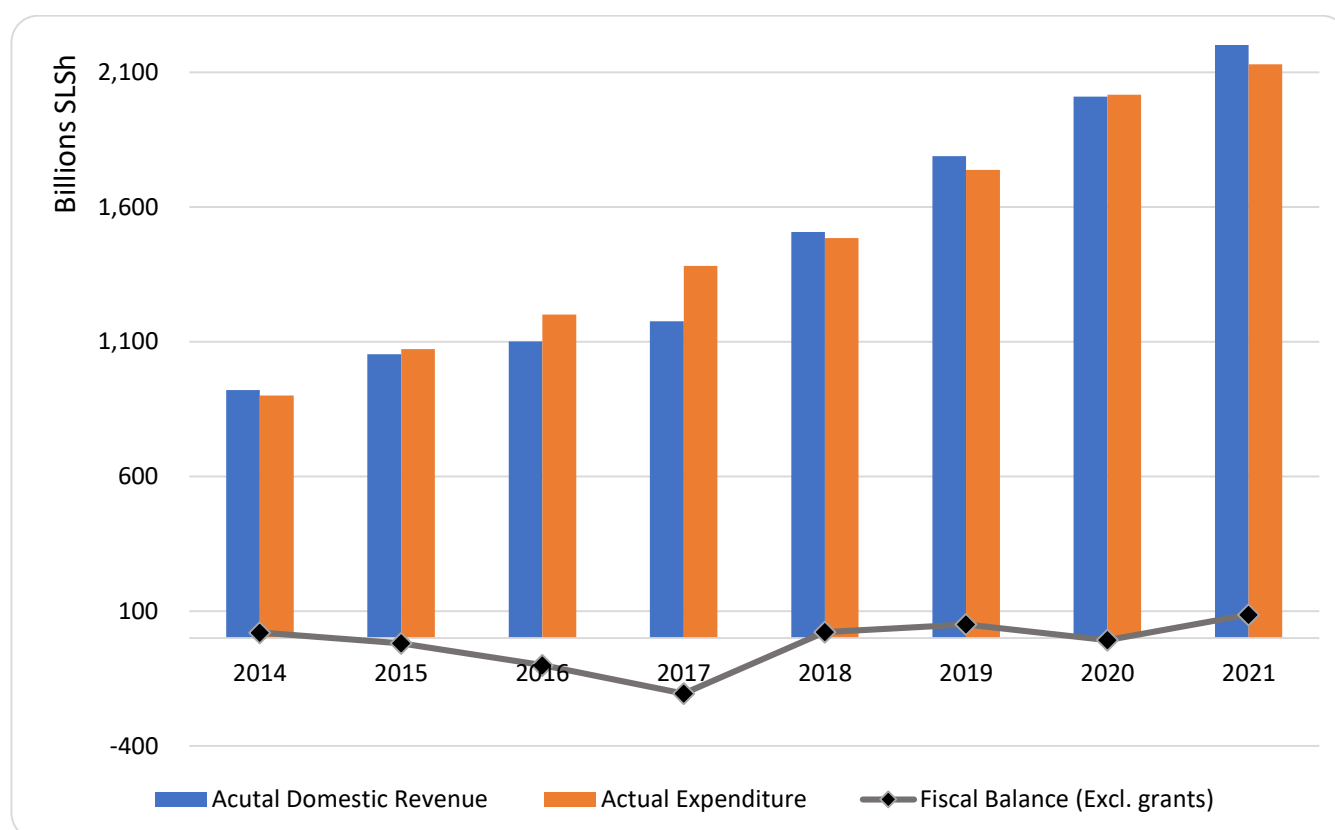
Table 3: Fiscal Summary of 2021

| | Budget | YTD Actual | Difference | Diff. % |
|----------------------------|--------------------------|--------------------------|------------------------|--------------|
| Total Revenue | 2,230,918,361,920 | 2,255,331,886,126 | 24,413,524,206 | 1.1% |
| Domestic** | 2,117,065,991,000 | 2,166,644,386,126 | 49,578,395,126 | 2.3% |
| 2020 carry over balance | 49,934,473,800 | 49,934,473,800 | 0 | 0.0% |
| WB grants | 63,917,897,120 | 38,753,026,200 | -25,164,870,920 | -39.4% |
| Total Expenditure | 2,230,918,361,920 | 2,166,947,094,934 | -63,971,266,986 | -2.9% |
| General Gvt Fund Spend | 2,167,000,464,800 | 2,129,411,851,944 | -37,588,612,856 | -1.7% |
| WP project | 63,917,897,120 | 37,535,242,990 | -26,382,654,130 | -41.3% |
| Fiscal Balance | | 88,384,791,192 | | |
| Domestic & 2020 Carry-over | | 87,167,007,982 | | |
| Grants | | 1,217,783,210 | | |

Note: the domestic revenue and expenditure from the general Gvt fund include the 65.5 billion SLSh supplementary budget. Funds for the supplementary budget came from previous years fiscal balance (50 billion SLSh) and fees from the 2021 elections (15.5 billion SLSh).

**Includes collections from fees levied on parliamentary and local government election candidates in 2021.

Figure 5: Annual Fiscal Summary, 2014 - 2021 (SLSh)



Source: MoFD's Budget & Planning and IFMIS Departments

2.2. Domestic Revenue

Key revenue items for 2021 included taxes on imports and GST, making up over 54% of total revenue between them. Despite the global pandemic, total revenue collection was 10% or 156.5 billion SLSh higher than 2020 collections, primarily due to strong performance on import tax revenues (collecting an additional 81 billion SLSh in 2021) and tax on goods and services GST, which grew by 8% (or an additional 22 billion SLSh in revenue this year). The first two months of the year saw the lowest monthly revenue collections, which was in keeping with prior trends but was exacerbated by the global slowdown, following the COVID-19 pandemic and its related limitations. Other than that, revenue collection patterns remained consistent with recent years, with Customs and IRD performance rising in the third quarter. In terms of achieving revenue targets, Inland Revenue collections were 13% higher than targeted while Customs receipts were 1.1 percent more than expected, as a result of increased awareness to the effects of removing limitations.

Figure 6: Revenue collected by responsible agencies in SLSh (billion) and % contribution to the total in 2020 & 2021

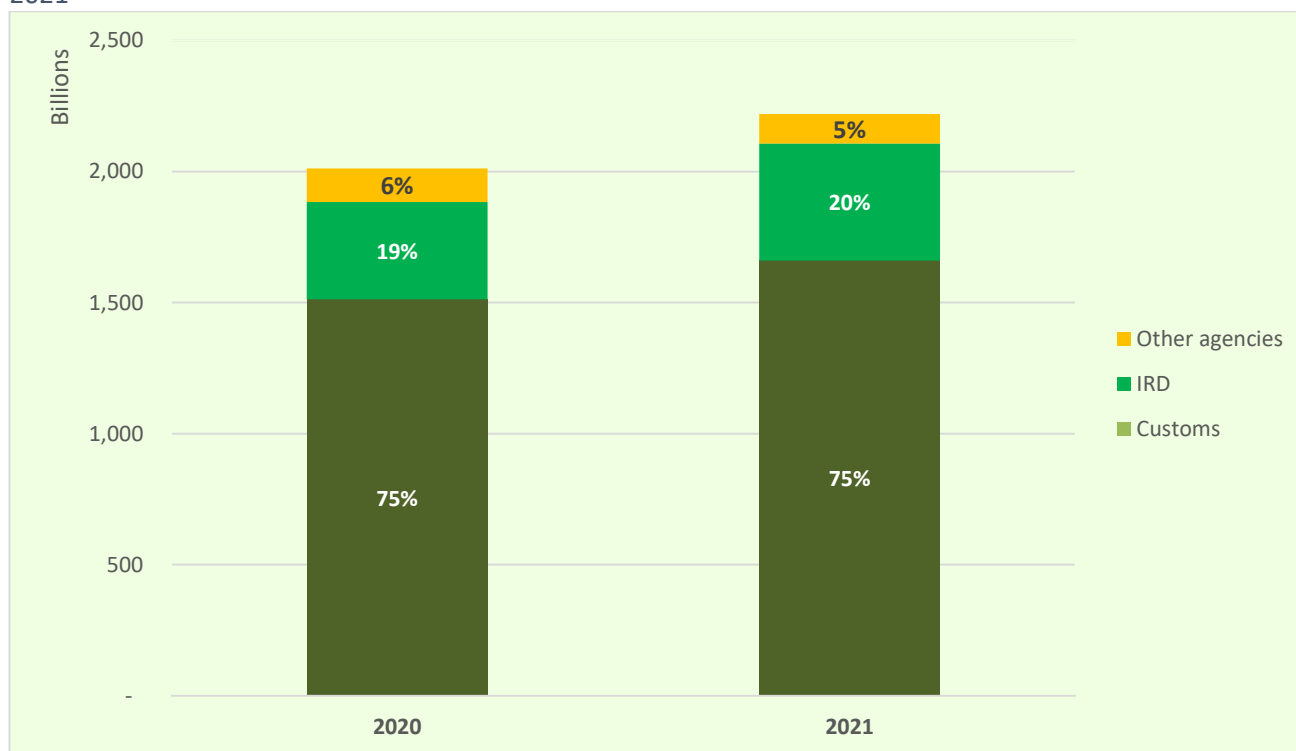
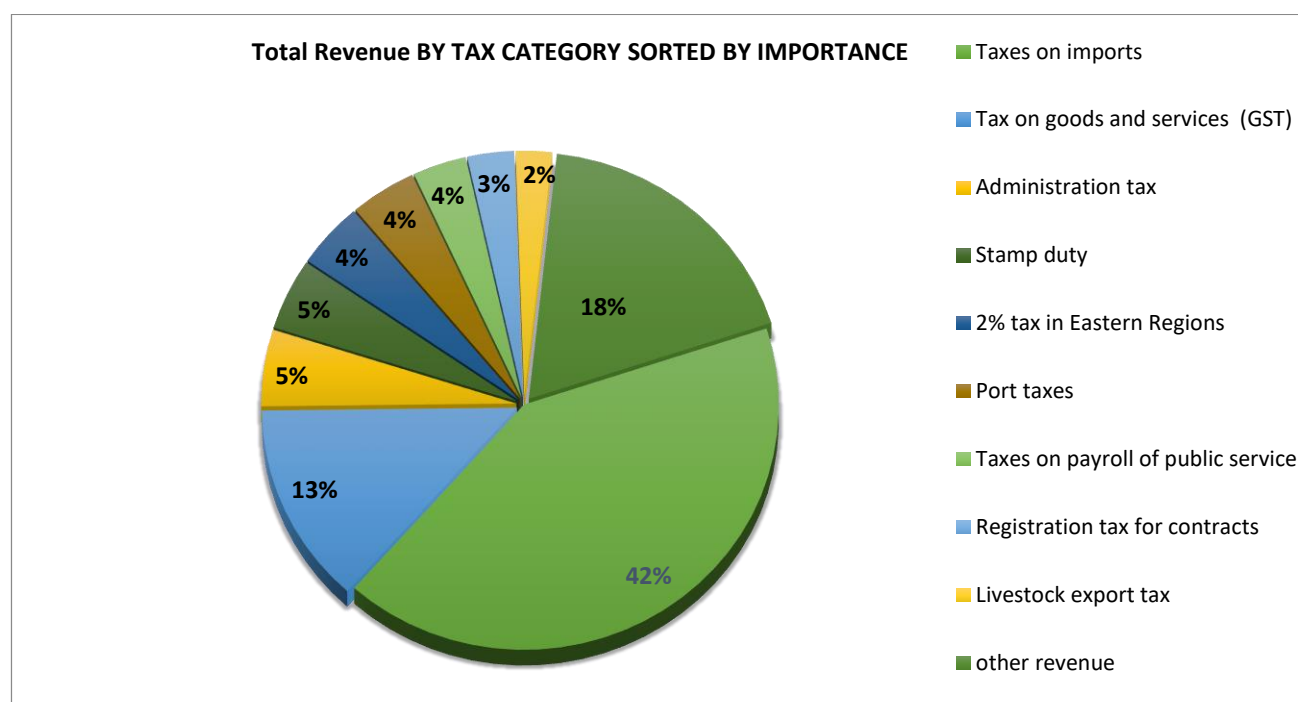


Figure 7: Composition of revenue in Somaliland by tax category, 2021

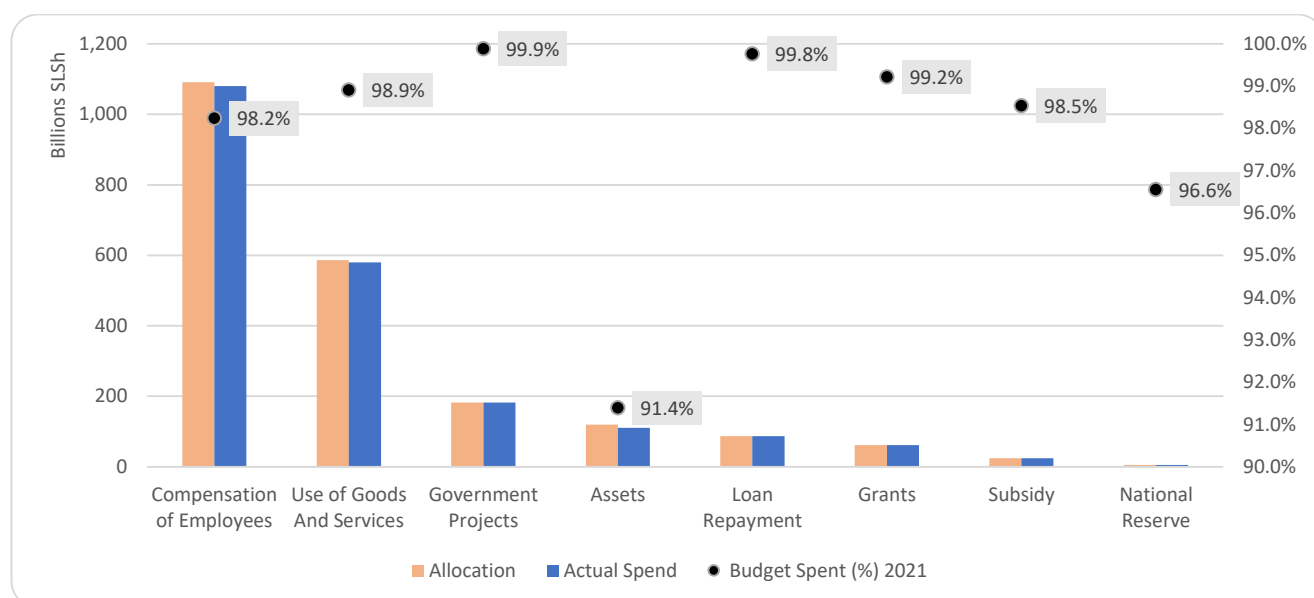


Source: MoFD's Budget & Planning and IFMIS Departments

2.3. Expenditure from the General Government Fund

On the expenditure side, the government spent 2.1 trillion SLSh or 98.3% of the 2.167 trillion SLSh budget approved for 2021. This approved budget includes the 65.5 billion SLSh supplementary budget—approved in the first half of the year—in addition to the original 2.1 trillion SLSh National Budget. With respect to performance against allocation for the period (i.e., requested and accepted expenditures), the government underspent by 1.25% (i.e., -26.8 billion SLSh). At the chapter level, performance was particularly very well (i.e., above 98% of allocated budget) for compensation of employees, Use of Goods & Services, Government Projects, Loan Repayment, Grants and Subsidy. Spending on Assets on the other hand was 7.4% below target. These performances reflects the government's commitment in improving the credibility of the national budget and ensuring the timely disbursement of funds to respective stakeholders.

Figure 8: Spend by Chapter in 2021, billions SLSh, percentages represent Actual Spend against Revised Budget

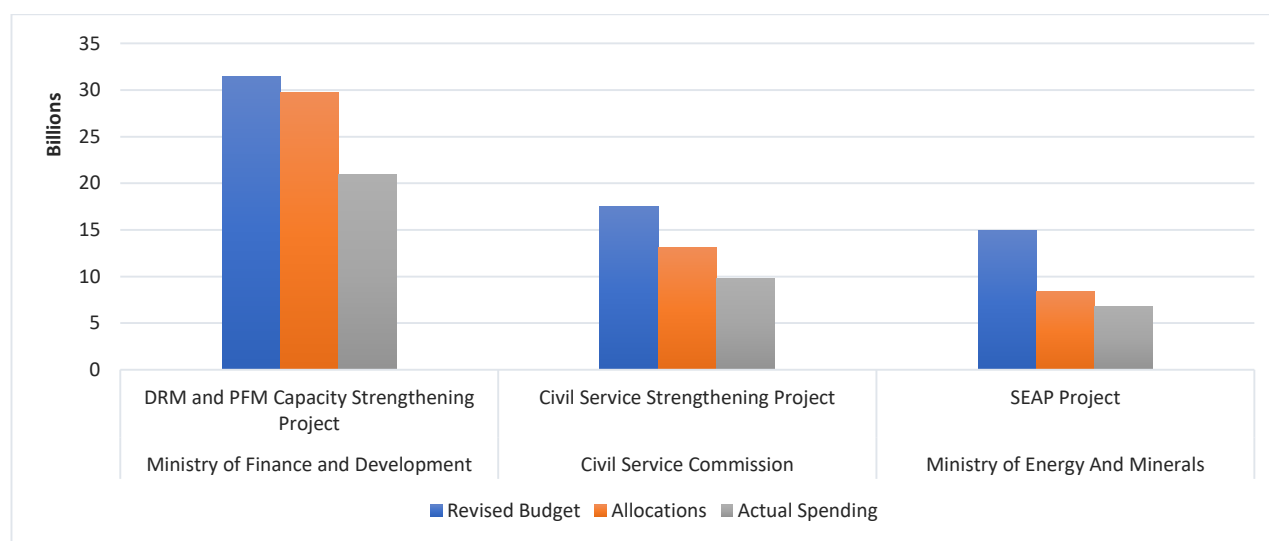


Source: MoFD's Budget & Planning and IFMIS Departments

2.4. World Bank Funded Projects

The government received 38.7 billion SLSh from the World Bank— -39.4% below the approved budget for 2021. On the expenditure side, 37.5 billion SLSh was spent on the three World Bank funded projects, representing a - 41.3% underspend. The procurement of high value assets and services, that take time to acquire, continue to be the biggest obstacle on these projects. The government will continue to address this in order to improve budget execution on these projects.

Figure 9: Spending on WB funded projects in 2021, billion SLSh



Source: MoFD's Budget & Planning Department

3. Trade and Travel

3.1. Livestock Exports

The volume of livestock exported between January and December 2021 was **1,997,971—56%** higher than the volume exported in 2020. Most importantly, the volume of livestock exported in 2021 exceeded the pre-pandemic level in 2019 by 5.2%, despite the cancelation of the Hajj to all non-Saudi residents. This increase was entirely driven by the volume of Sheep & Goat exported—which accounted for 93.5% of the total livestock exported in 2021 compared to the 86.5% in 2020. The volume of Sheep & Goat exported increased by 69% and 9.2% from 2020 and 2019, respectively. However, the volume of Cattle and Camel exported decreased by -10% and -53% compared to 2020 and by -25% and -45% compared to 2019, respectively.

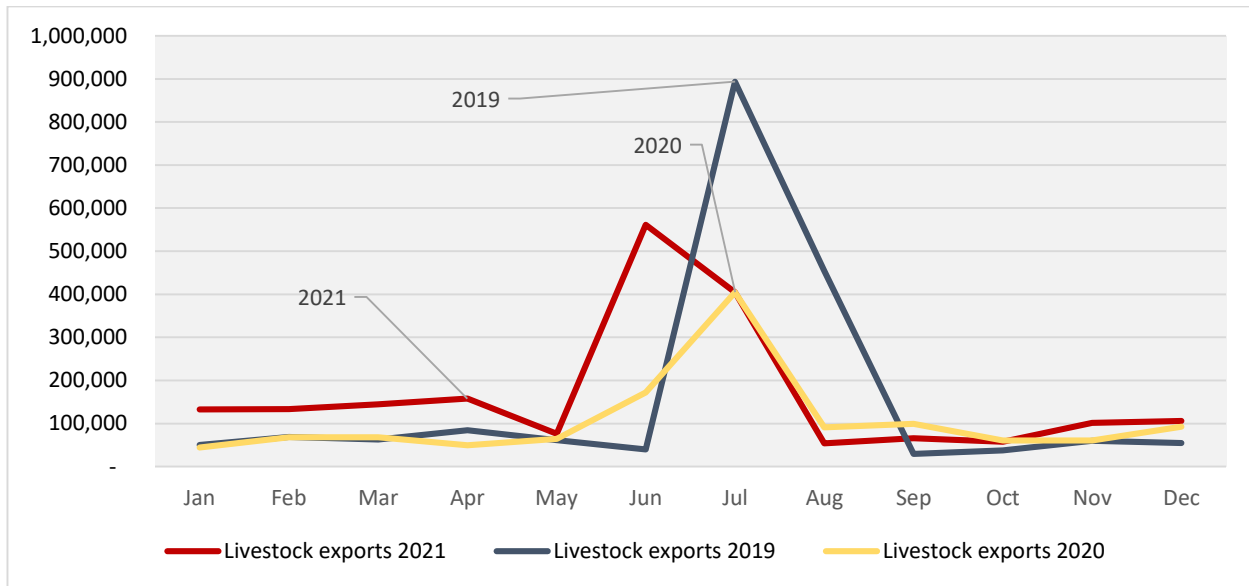
The Ministry of Finance Development expects the volume of livestock exported in 2022 to exceed 2021 levels. This is based on the significant progress being made against the Covid-19 pandemic and the likelihood that a significant number of non-Saudi residents will be allowed to attend the 2022 Hajj. Using the livestock export levy as a proxy for the value of exports, the MoFD expects it to increase by 9% in 2022 compared to 2021. However, significantly low levels of camel exports in 2022—which are of much higher value compared to Sheep & Goats and Cattle—along with a cancellation of the Hajj would dampen this expected increase.

Table 4: Monthly and quarterly livestock export in 2019, 2020 and 2021

| Months | 2019 | 2020 | 2021 | YoY Change |
|--------------|------------------|------------------|------------------|------------|
| Jan | 50,292 | 44,492 | 132,834 | 199% |
| Feb | 68,750 | 68,317 | 133,727 | 96% |
| Mar | 62,667 | 68,530 | 144,969 | 112% |
| Apr | 84,853 | 49,956 | 158,053 | 216% |
| May | 61,328 | 64,573 | 76,369 | 18% |
| Jun | 39,953 | 172,441 | 561,382 | 226% |
| Jul | 893,599 | 404,996 | 404,699 | -0.1% |
| Aug | 454,654 | 91,272 | 54,047 | -41% |
| Sep | 29,675 | 99,593 | 66,324 | -33% |
| Oct | 37,499 | 60,459 | 57,823 | -4% |
| Nov | 59,947 | 60,678 | 101,758 | 68% |
| Dec | 55,214 | 92,590 | 105,986 | 15% |
| Total | 1,900,450 | 1,279,917 | 1,997,971 | 56% |
| Q1 | 181,709 | 181,339 | 411,530 | 127% |
| Q2 | 186,134 | 286,970 | 795,804 | 177% |
| Q3 | 1,377,928 | 595,861 | 525,070 | -12% |
| Q4 | 152,660 | 213,727 | 265,567 | 24% |
| Total | 1,900,450 | 1,279,917 | 1,997,971 | 56% |

Source: MOFD/ Customs Department

Figure 10: Total Livestock Export per Month Since 2019

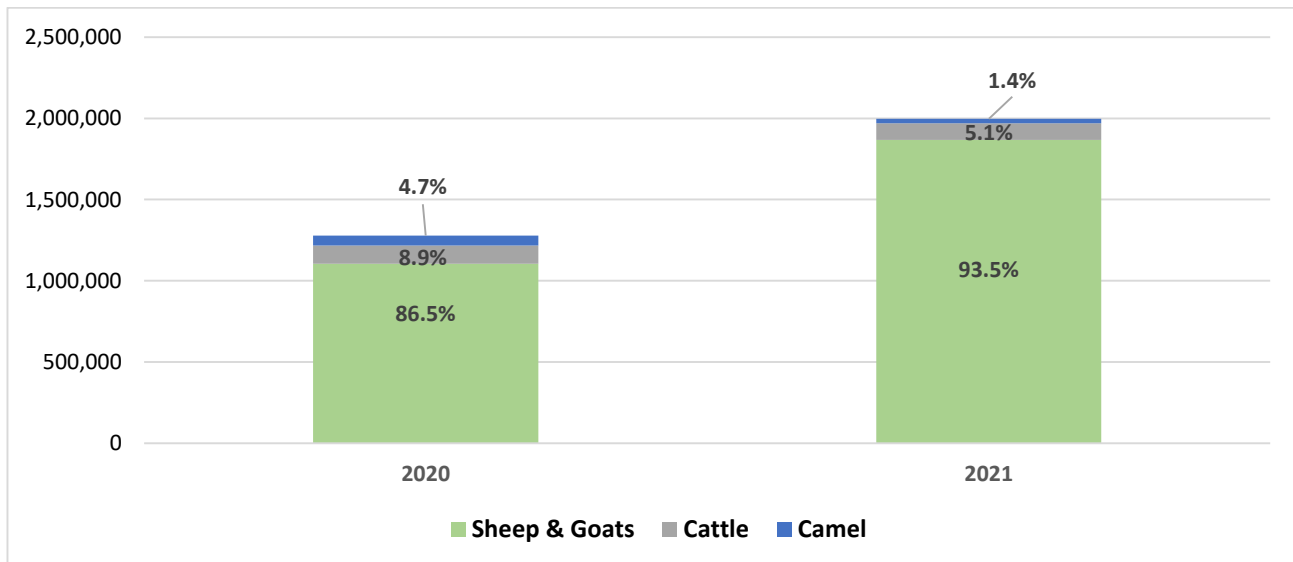


Source: MOFD/ Customs Department

Table 5: Livestock export in 2020 and 2021

| Livestock Exports | Units | 2020 | 2021 | Difference | YoY Change (%) |
|-------------------------------|--------------|------------------|------------------|----------------|----------------|
| Camels | Heads | 59,734 | 27,960 | -31,774 | -53% |
| Cattle | Heads | 113,109 | 102,346 | -10,763 | -10% |
| Sheep & Goats | Heads | 1,105,054 | 1,867,665 | 762,611 | 69% |
| Total Livestock Export | Heads | 1,277,897 | 1,997,971 | 720,074 | 56% |

Figure 11: Composition of livestock export in 2020 and 2021



Source: MOFD/ Customs Department

3.2. Imports²

The nominal value of Somaliland's imports in 2021 was approximately 22.8 trillion SLSh. This value is based on the on-going effort by the Macroeconomic Affairs & Statistics department to re-value the data obtained from the customs departments.² On a quarterly basis, imports decreased by -2% in the fourth quarter, following the 3% increase in the third quarter. On the other hand, the amount of Duty collected on these imports was 1.7 trillion SLSh, representing a significant 7.6% increase from 2020. Table 6 below shows Quarterly and monthly imports by value and duty in 2021. For 2022, the MoFD currently forecasts imports to grow by **5.7%**.

Table 6-1: Import Value (re-valued) and Duty, Jan - Dec 2021 (SLSh) -- Quarterly Basis

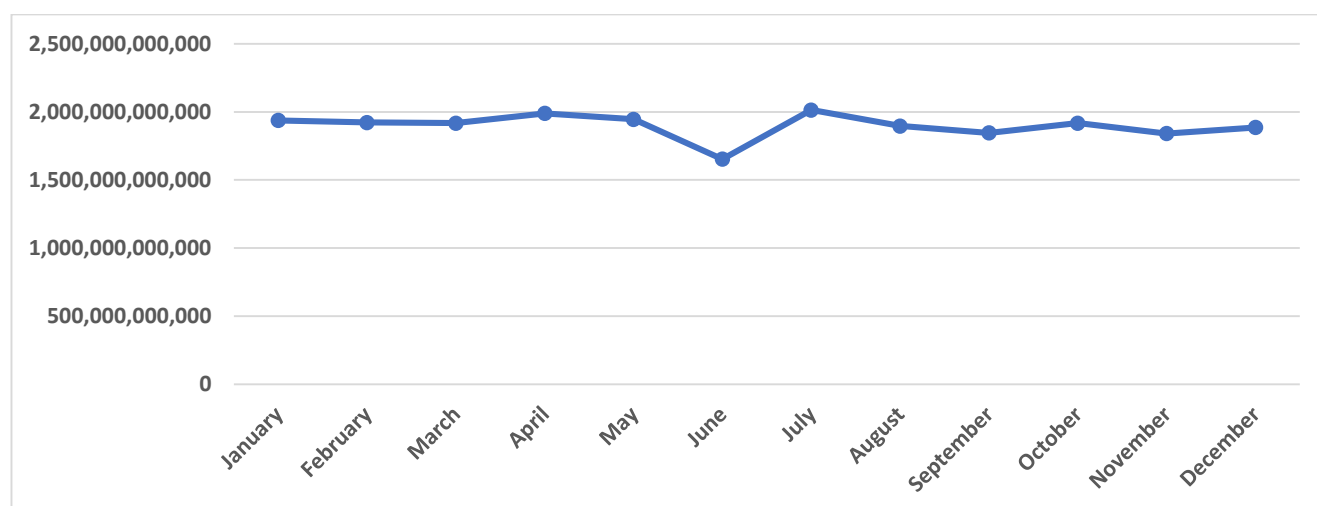
| Quarter | Value* | % Change | Duty | % change |
|--------------|---------------------------|----------|--------------------------|----------|
| Q1 | 5,776,800,953,043 | - | 420,161,364,402 | - |
| Q2 | 5,588,714,366,885 | -3% | 400,013,625,627 | -5% |
| Q3 | 5,756,987,000,238 | 3% | 429,155,807,439 | 7% |
| Q4 | 5,643,526,430,258 | -2% | 430,659,506,587 | 0.40% |
| Total | 22,766,028,750,424 | | 1,679,990,304,055 | |

Table 6-2: Import Value (re-valued) and Duty, Jan - Dec 2021 (SLSh)-Monthly Basis

| | Value | MoM % | Duty | MoM % |
|--------------|---------------------------|-------|--------------------------|--------|
| Jan-21 | 1,937,769,206,276 | | 134,695,275,380 | |
| Feb-21 | 1,921,999,662,356 | -1% | 132,156,984,461 | -1.9% |
| Mar-21 | 1,917,032,084,411 | 0% | 153,309,104,561 | 16.0% |
| Apr-21 | 1,989,771,037,671 | 4% | 125,690,212,404 | -18.0% |
| May-21 | 1,945,740,307,486 | -2% | 124,745,440,854 | -0.8% |
| Jun-21 | 1,653,203,021,728 | -15% | 149,577,972,369 | 19.9% |
| Jul-21 | 2,014,112,335,924 | 22% | 135,744,180,413 | -9.2% |
| Aug-21 | 1,896,598,357,944 | -6% | 147,009,735,667 | 8.3% |
| Sep-21 | 1,846,276,306,370 | -3% | 146,401,891,359 | -0.4% |
| Oct-21 | 1,917,383,896,474 | 4% | 142,182,110,558 | -2.9% |
| Nov-21 | 1,840,763,923,073 | -4% | 141,195,552,418 | -0.7% |
| Dec-21 | 1,885,378,610,711 | 2% | 147,281,843,611 | 4.3% |
| Total | 22,766,028,750,424 | | 1,679,990,304,055 | |

² In Somaliland, imports are valued at set prices rather than real prices by the customs department—meaning that prices are fixed in the valuation book with few changes each year. Moreover, USD quoted prices in the valuation book are revalued to SLSh through an exchange rate set by the government—which is currently 7,000 SLSh per USD. The Macroeconomic department at the MoFD is currently working to estimate the CIF value of these imports based on monthly price data collected by the MoNPD, market scanning and online research. The figures in table 6 above therefore reflect these estimates and are based on several assumptions and generalizations and should be interpreted with care. As the department refines its methodology and collects more data through interviews and surveys, the figures above might slightly change in future publications.

Figure 12: Import Value, Jan – Dec 2021 (billions SLSh)



Source: MOFD/ Customs Department

3.3. Number of Containers and Ships Arriving at the Berbera Port

In the fourth quarter of 2021, Somaliland has registered 10,204 container arrivals at the Berbera port, representing a significant (-583 and -2,029) decrease from the third quarter of 2021 and the same period in 2020. The total containers registered for the year was 43,006, a significant decrease from 2020 (-4,726). This decrease was observed in the second, third and fourth quarter of the year and is currently being attributed to the significant increase in container freight costs in March 2021. For example, the 20ft container freight cost is said to have increased from \$3,000 to around \$7,000. This is expected to have led some traders to alter their trading and shipping preferences/methods.

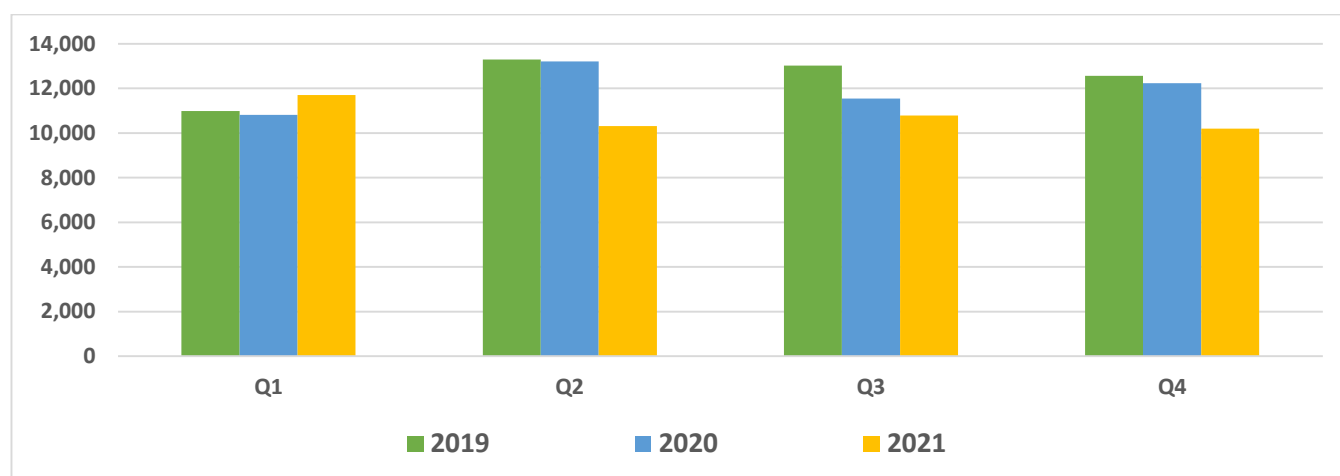
Table 7: Number of Containers and Ships/Vessels at the Berbera Port per quarter in 2020 and 2021

| | Containers | | | | Ships/Vessels | | | |
|-------|------------|--------|------------|----------|---------------|------|------------|---------|
| | 2020 | 2021 | Difference | % Change | 2020 | 2021 | Difference | %Change |
| Q1 | 10,813 | 11,704 | 891 | 8% | 99 | 129 | 30 | 30% |
| Q2 | 13,204 | 10,311 | -2,893 | -22% | 89 | 127 | 38 | 43% |
| Q3 | 11,482 | 10,787 | -695 | -6% | 71 | 94 | 23 | 34% |
| Q4 | 12,233 | 10,204 | -2,029 | -17% | 97 | 133 | 36 | 37% |
| Total | 47,732 | 43,006 | -4,726 | -10% | 356 | 483 | 127 | 36% |

Table 8: Number of Ships/Vessels at the Berbera Port per quarter in 2020 and 2021

| Vessel Type | 2020 | 2021 | Difference | %Change |
|-------------|------|------|------------|---------|
| BULK FOOD | 94 | 63 | -31 | -33% |
| CONTAINERS | 112 | 75 | -37 | -33% |
| DOON | 63 | 156 | 93 | 148% |
| FUEL | 27 | 135 | 108 | 400% |
| BULK CARGO | 31 | 16 | -15 | -48% |
| OTHERS | 14 | 24 | 10 | 71% |
| WFP | 15 | 14 | -1 | -7% |
| Total | 356 | 483 | 127 | 36% |

Figure 13: Number of Containers at the Berbera Port per quarter in 2019, 2020 and 2021



Source: MOFD/ Customs Department

3.4. Number of Passengers Arriving and Departing by Air

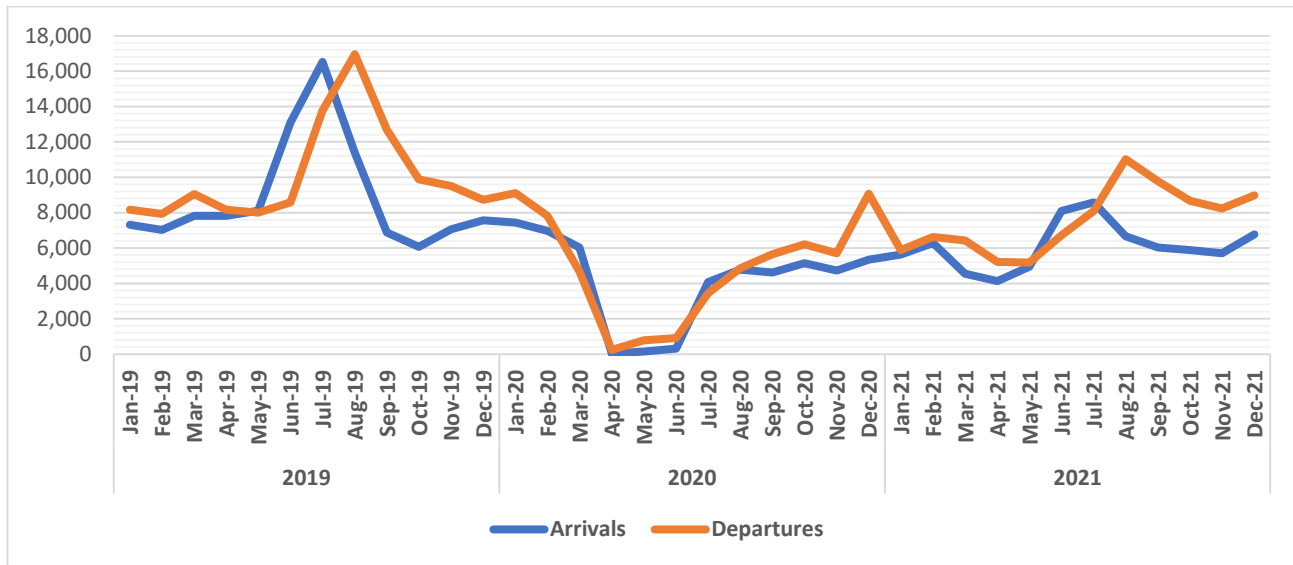
Passenger arrivals and departures by air have continued to recover from the lockdowns of Covid-19 pandemic as shown in the figure below. Arrivals and departures registered in the fourth quarter of 2021 increased by +3,157 and +4,897 compared to the same periods in 2020, respectively. This increase was expected, given the easing of most travel restrictions around the world. Despite lower travel numbers in the first quarter, the significant increases in the second, third and fourth quarters means that in 2021, Somaliland recorded +23,635 and +32,359 more arrivals and departures compared to 2020, respectively. The MoFD expects much higher arrivals and departures in 2022. However, these increases are still expected to be much lower than 2019 pre-pandemic levels, given the continued presence of the covid-19 virus.

Table 9: Number of Passengers That Arrived and Departed by Air per Quarter in 2020 And 2021

| ARRIVALS | | | | | DEPARTURES | | | |
|--------------|---------------|---------------|---------------|------------|---------------|---------------|---------------|------------|
| | 2020 | 2021 | Difference | YoY (%) | 2020 | 2021 | Difference | YoY (%) |
| Q1 | 20,440 | 16,444 | -3,996 | -20% | 21,598 | 18,922 | -2,676 | -12% |
| Q2 | 488 | 17,158 | 16,670 | 3416% | 1,924 | 17,115 | 15,191 | 790% |
| Q3 | 13,468 | 21,272 | 7,804 | 58% | 13,933 | 28,880 | 14,947 | 107% |
| Q4 | 15,193 | 18,350 | 3,157 | 21% | 20,974 | 25,871 | 4,897 | 23% |
| Total | 49,589 | 73,224 | 23,635 | 48% | 58,429 | 90,788 | 32,359 | 55% |

Source: Somaliland Immigration Agency

Figure 14: Number of Passengers that arrived and departed by Air per month from 2019 to 2021

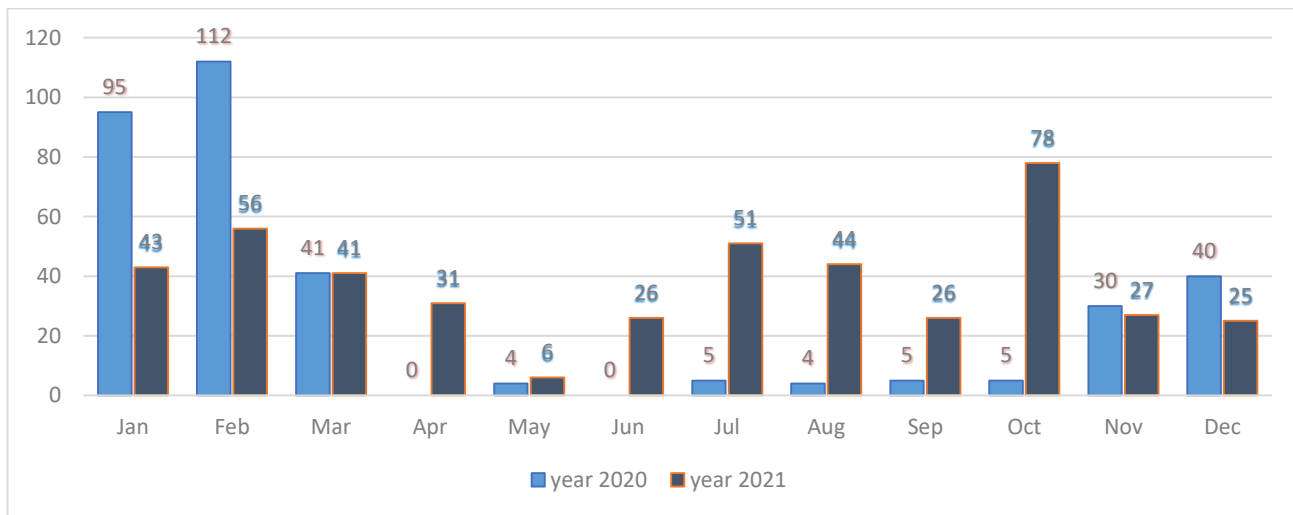


Source: Somaliland Immigration Agency

3.4.1. Tourism

In the fourth quarter of 2021, there were 130 tourists recorded by the MoTIT, representing a 7% increase from the 121 registered in the third quarter and the 75 in the same period in 2020. The total number of tourists recorded in 2021 was 463 compared to the 340 in 2020—representing an increase of 123. As shown in the figure below, the number of recorded tourists in Somaliland continues to be much lower than pre-pandemic levels. This is reflective of the unprecedented impact of the Covid-19 pandemic around the world. The number of tourists was particularly high in the first three months of 2020 before the introduction of social and travel restrictions led to a significant decrease in the subsequent months. With countries continuing to battle with new strains of the virus and the unlikely scenario of covid-19 mitigating measures being entirely lifted in 2022, Somaliland is unlikely to see significant increases in tourism in 2022.

Figure 15: Number of Tourists per month in 2020 and 2021



Source: Ministry of Trade, Industry and Tourism

4. Investment and Construction

The number of business registrations and business licenses issued are used to gauge investment in Somaliland. On their own, these are far from perfect proxies. The Macroeconomic Affairs & Statistics Department of the MoFD is working closely with other public and private institutions to collect—and in some cases start tracking—additional variables that collectively, will provide a better picture of investment in Somaliland.

4.1. Number of Business Registrations³

In the fourth quarter of 2021, the MoTIT registered 246 businesses, representing -38 fewer registrations compared to the third quarter of the year but 57 more registrations compared to the same period in 2020. In 2021, 939 businesses were registered, 277 more than in 2020. The breakdown of these registrations by ownership type is as follows: 703 were sole proprietorships, 223 were a company, 9 were partnerships, and 4 were owned by foreigners as shown in figure 15 (right). Figure 15 (left) and figure 16 shows the breakdown of the registrations by location and business type. As can be seen in table 10, 89.9% of the registrations in 2021 were for Hargeisa and 50.1% of the registrations were in the professional services sector.

Figure 17 on the other hand, shows that the number of registrations has been higher on average since January 2021 compared to 2020. However, with an expected recovery from the Covid-19 pandemic, favorable environmental conditions for the agriculture and livestock sector, and the fast progress on the Berbera corridor, significantly higher number of business registrations (particularly in the trade sector) can be expected in the next 3 years.

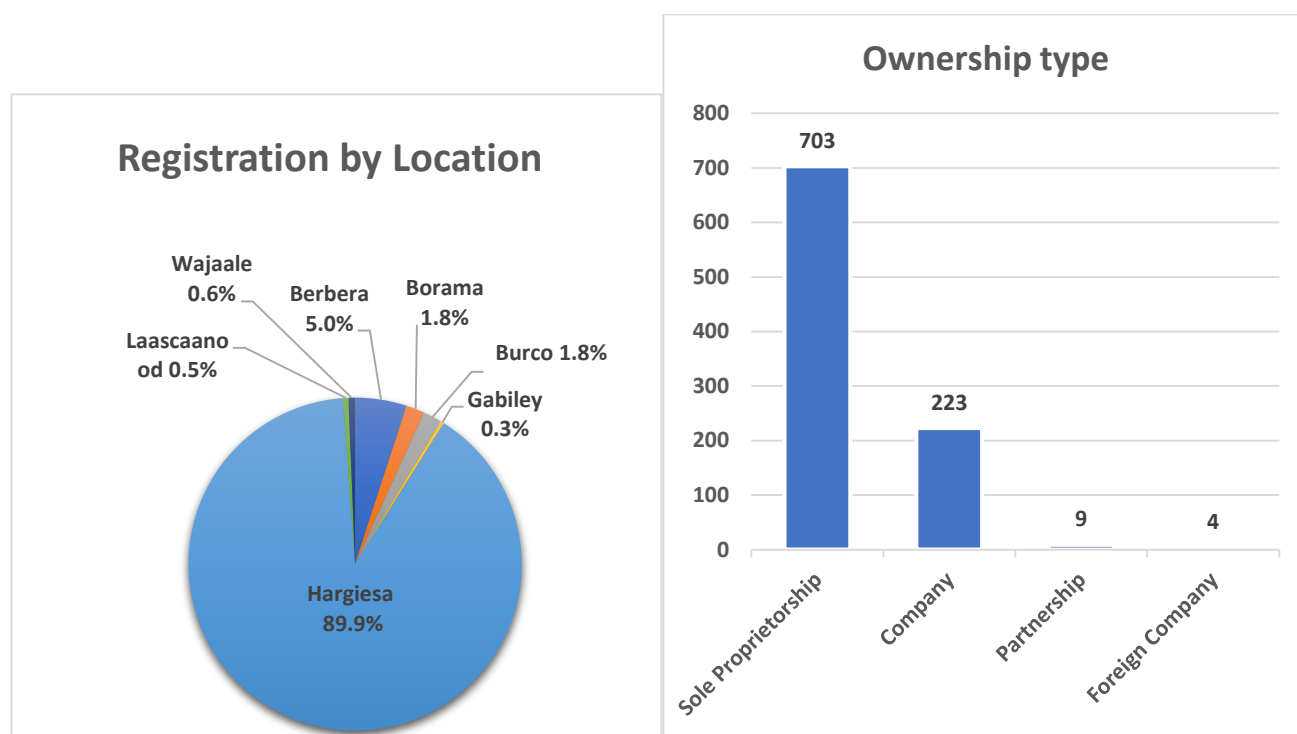
Table 10: Number of Registrations by type of Business, 2020 and 2021

| Type of Business | Registrations in 2020 | Registrations in 2021 | Difference | % Change |
|-------------------------|-----------------------|-----------------------|------------|------------|
| Professional Service | 326 | 470 | 144 | 44% |
| Import | 165 | 218 | 53 | 32% |
| Wholesaler | 46 | 50 | 4 | 9% |
| Clearing and forwarding | 35 | 81 | 46 | 131% |
| Import & Export | 24 | 49 | 25 | 104% |
| Other | 22 | 0 | -22 | -100% |
| Export | 21 | 18 | -3 | -14% |
| Industries | 15 | 31 | 16 | 107% |
| Shipping agents | 4 | 19 | 15 | 375% |
| Fuel importation | 3 | 3 | 0 | 0% |
| Mineral exploration | 1 | 0 | -1 | -100% |
| Remittance | 0 | 0 | 0 | 0 |
| Grand Total | 662 | 939 | 277 | 42% |

Source: Ministry of Trade, Industry and Tourism

³ Note that registrations do not necessarily mean that businesses were set-up and/or have started operations. It can be that registrations were made in this quarter, but the actual investment will occur later during the year or next year (i.e. operations will start next year). Furthermore, this only reflects registrations in the formal sector and does not account for the informal sector. Moreover, potential business closures are not reflected by these figures.

Figure 16: Business registration by Location (left) and Ownership Type (right) in 2021



Source: Ministry of Trade, Industry and Tourism

Figure 17: Business registrations by Business type in 2021

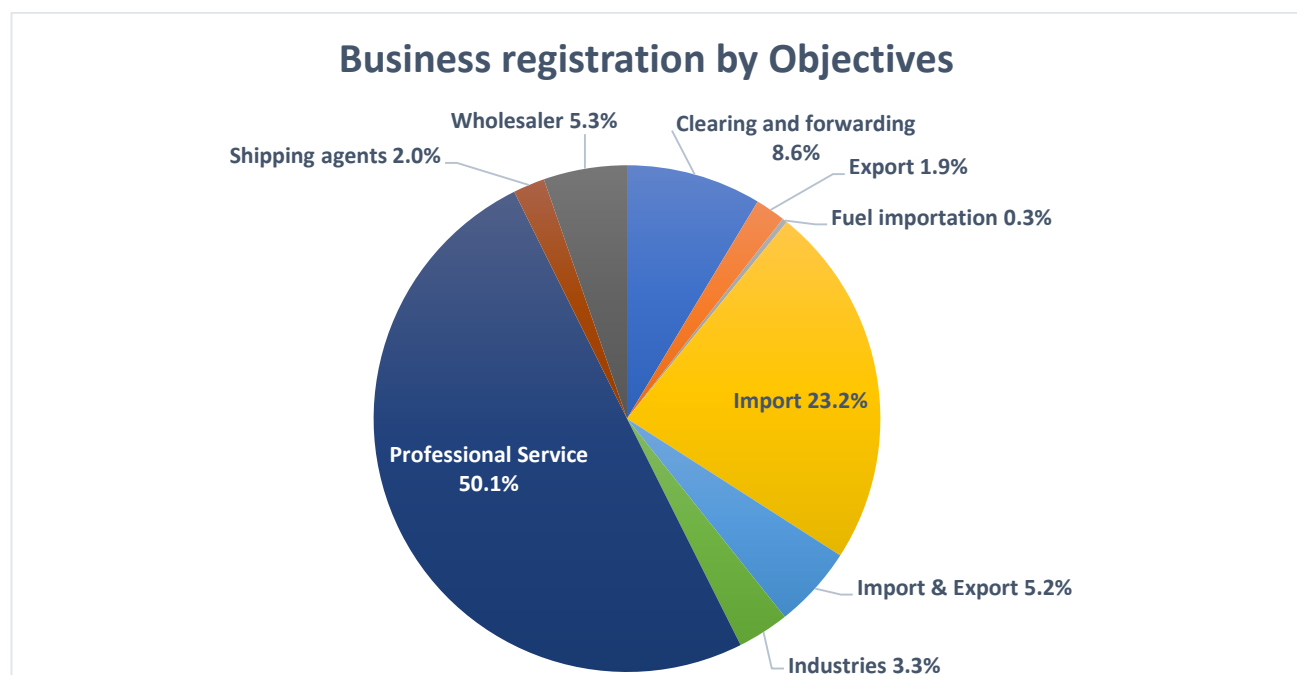
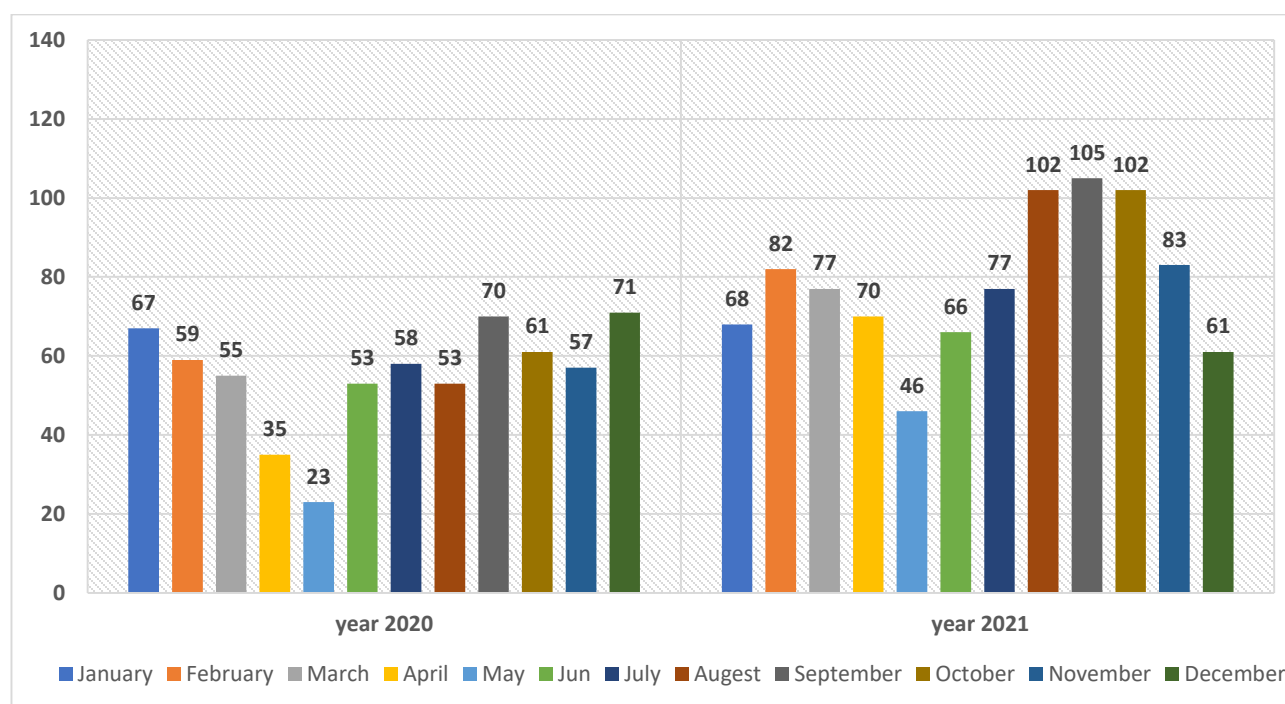


Figure 18: Number of Business registrations per month, 2020-2021



Source: Ministry of Trade, Industry and Tourism

4.2. Number of Business Licenses Issued

In the fourth quarter of 2021, there were 287⁴ new and 178 renewed business licenses issued by the MoTIT, representing an increase of 72 new licenses but a decrease of -18 renewed licenses to the same periods in 2020, respectively. In 2021, there were 1,004 new licenses and 756 renewed licenses, representing significant increases from the same periods in 2020 (+271 & +90 respectively). Between January and December 2021, 83% of issued licenses—both new and renewed—were to sole proprietorships while 17% were to partnership type businesses. As mentioned above, business licenses and business registrations on their own, do not say much about the state of investment in Somaliland. However, an inference on the spatial dispersion of businesses in the formal sector and their distribution by objective can safely be made. Hargeisa—not surprisingly—houses most of the businesses while the general trading and services sectors accounts for most of those ventures.

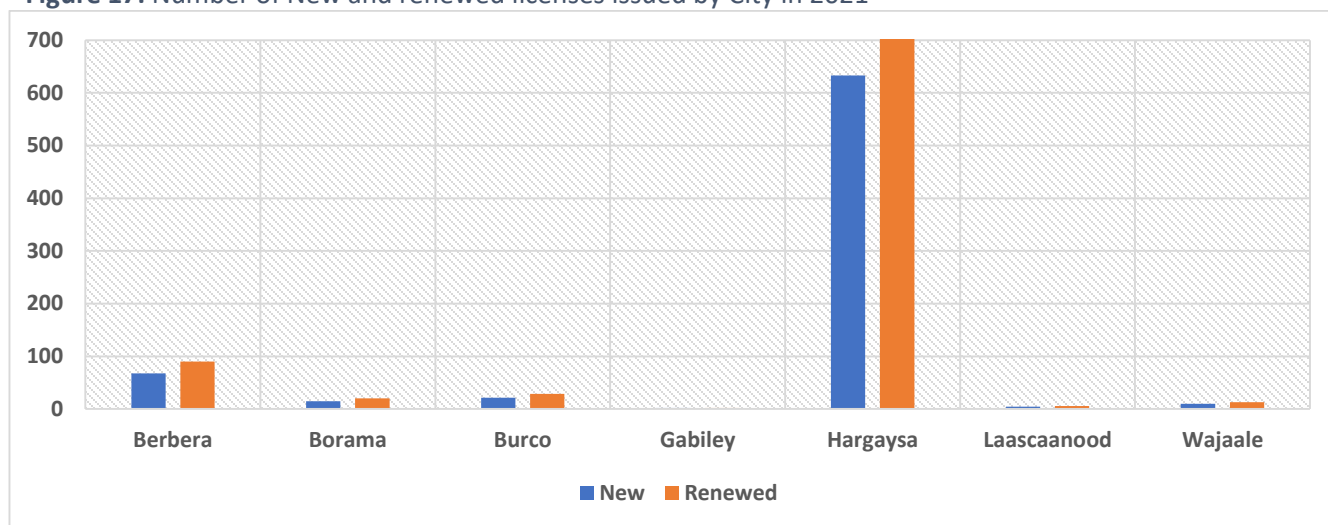
Table 11: Number of New and Renewed Licenses in 2020 and 2021

| Quarter | Renewed | | | New | | | % Change |
|--------------|------------|------------|------------|------------|--------------|------------|-----------|
| | 2020 | 2021 | Difference | 2020 | 2021 | Difference | |
| Q1 | 100 | 134 | 34 | 217 | 224 | 7 | 67% |
| Q2 | 140 | 170 | 30 | 113 | 189 | 76 | 62% |
| Q3 | 230 | 274 | 44 | 188 | 304 | 116 | 33% |
| Q4 | 196 | 178 | -18 | 215 | 287 | 72 | 37% |
| Total | 666 | 756 | 90 | 733 | 1,004 | 271 | 3% |

Source: Ministry of Trade, Industry and Tourism

⁴ Considering the 246 business registrations in the second quarter of 2021, the 287 new business licenses issued shows that, for various reasons, business registrations and license issuances do not always occur in the same month.

Figure 17: Number of New and renewed licenses issued by City in 2021

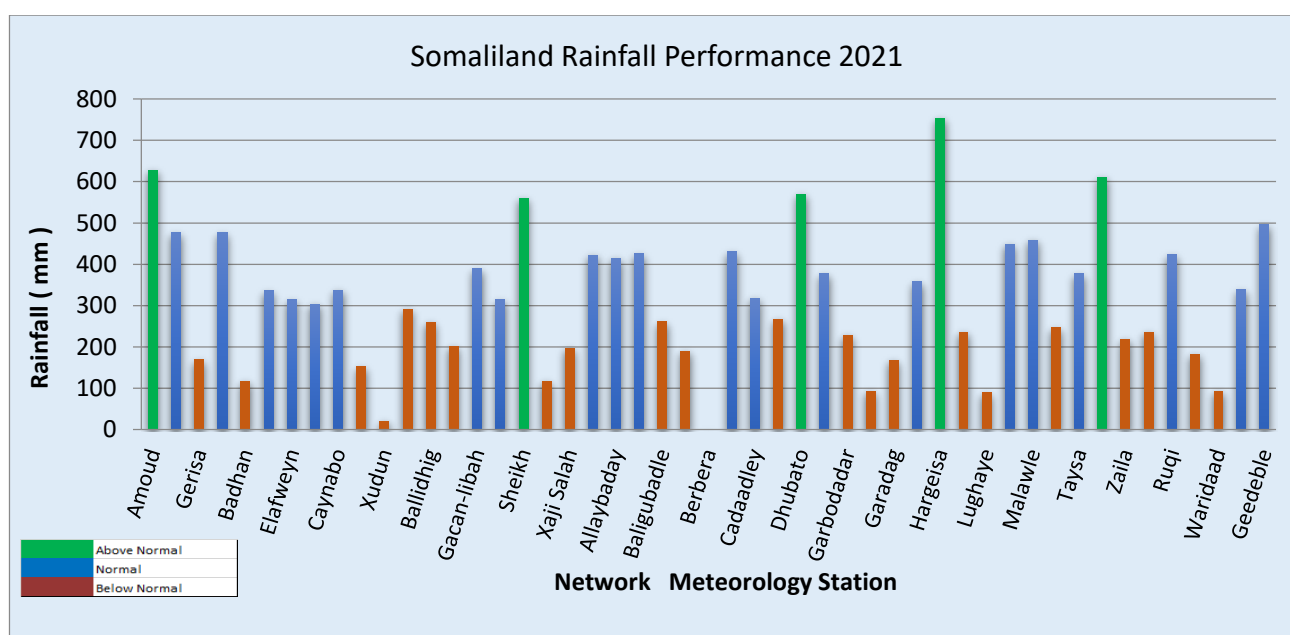


Source: Ministry of Trade, Industry and Tourism

5. The Environment—Precipitation

Following a dry first 3 months (i.e., no rainfall), majority of Somaliland cities received enough rain to prevent drought—as shown in the figure below, 21 out of 49 cities received normal levels of rainfall, while 5 cities—including Hargeisa—received above normal levels of rain. This is a significant benefit for Somaliland’s economy, namely for the agricultural and livestock sectors. However, the prolonged presence of desert locusts in Somaliland is likely to be a major drawback.

Figure 19: Amount of rainfall registered in Somaliland by location (mm)



Source: Somaliland Ministry of Agriculture

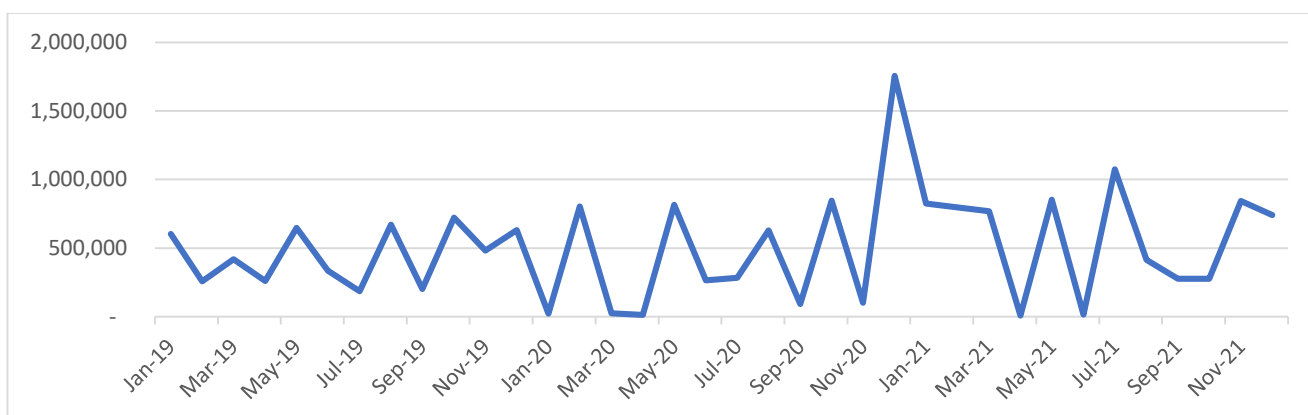
6. Appendices

Appendix 1: YoY and MoM headline, Core, Food Crops & Related Items, EFU inflation, Base year=2012

| Month | Headline Inflation | | Core inflation | | Food & Crops | | Energy, Fuels and Utilities (EFU) | |
|--------|--------------------|-------|----------------|-------|--------------|-------|-----------------------------------|-------|
| | YoY | MoM | YoY | MoM | YoY | MoM | YoY | MoM |
| Jan-20 | 4.6% | 0.5% | 5.0% | 0.1% | 7.4% | 3.8% | -3.2% | 0.5% |
| Feb-20 | 5.3% | 0.6% | 5.3% | 0.5% | 9.7% | 1.5% | -0.5% | 0.1% |
| Mar-20 | 6.0% | 1.1% | 5.0% | 0.1% | 16.7% | 7.3% | 0.1% | 1.6% |
| Apr-20 | 6.3% | 1.1% | 6.0% | 1.4% | 18.1% | 1.6% | -6.2% | -6.0% |
| May-20 | 6.2% | 0.8% | 6.1% | 0.8% | 18.3% | 1.3% | -8.4% | -0.7% |
| Jun-20 | 6.9% | 0.7% | 6.2% | 0.3% | 20.7% | 2.3% | -4.6% | 2.6% |
| Jul-20 | 6.8% | 0.1% | 6.0% | 0.0% | 21.3% | 0.7% | -3.0% | 2.0% |
| Aug-20 | 7.1% | 0.4% | 6.5% | 0.9% | 18.9% | -1.6% | -2.6% | -1.0% |
| Sep-20 | 6.0% | -0.8% | 6.2% | -0.2% | 11.2% | -4.6% | -2.5% | 0.0% |
| Oct-20 | 4.6% | -0.9% | 3.8% | -1.6% | 12.1% | 1.80% | 3.20% | 3.4% |
| Nov-20 | 4.4% | 0.3% | 2.8% | 0.3% | 17.1% | 0.10% | 4.90% | 1.6% |
| Dec-20 | 3.5% | -0.3% | 2.0% | -0.3% | 14.5% | 0.0% | 3.90% | 0.0% |
| Jan-21 | 3.5% | 0.3% | 2.4% | 0.5% | 9.7% | -0.6% | 3.7% | 0.3% |
| Feb-21 | 3.0% | 0.3% | 2.1% | 0.2% | 8.0% | 0.0% | 4.8% | 1.2% |
| Mar-21 | 2.5% | 0.4% | 2.0% | 0.0% | 5.2% | 2.7% | 4.5% | 1.3% |
| Apr-21 | 2.3% | 0.9% | 1.5% | 1.0% | 3.4% | 1.5% | 9.5% | -0.5% |
| May-21 | 2.4% | 0.9% | 1.5% | 0.7% | 2.7% | 0.7% | 13.5% | 2.9% |
| Jun-21 | 2.7% | 1.0% | 2.1% | 1.0% | 1.8% | 1.4% | 10.6% | 0.0% |
| Jul-21 | 3.6% | 1.0% | 3.0% | 0.7% | 4.8% | 3.7% | 8.5% | 0.0% |
| Aug-21 | 3.7% | 0.5% | 2.5% | 0.4% | 8.4% | 1.8% | 9.6% | 0.0% |
| Sep-21 | 5.0% | 0.5% | 3.3% | 0.5% | 13.9% | 0.2% | 9.6% | 0.0% |
| Oct-21 | 5.2% | -0.6% | 4.1% | -0.8% | 13.7% | 1.6% | 3.7% | -2.1% |
| Nov-21 | 5.3% | 0.4% | 4.4% | 0.5% | 13.6% | 0.0% | 2.0% | -0.1% |
| Dec-21 | 6.0% | -0.4% | 5.2% | -0.5% | 12.3% | -1.2% | 4.7% | 2.6% |

Appendix 2: Volume of cement (No. of bags) imported in Somaliland per month, Jan 2019 – Dec 2021

The number of cement bags imported is expected to reflect the level of construction going on in Somaliland. While the average annual volume of cement imported was fairly constant in 2019 and the first eleven months of 2020, it has since been much higher on average since December 2020. In 2021, Somaliland imported 6.9 million bags of cement, representing a significant 22% and 27% increase from the amount recorded in the same period in 2020 and 2019, respectively. While this possibly suggests an upward trend in the level of construction, additional variables are needed in order to obtain a more holistic picture of construction projects and hence investment in the country. The Macroeconomic department of the MoFD is currently working with local governments and the ministry of public works to obtain data on building and construction permits, etc. in order to better report on the level of investment in Somaliland.



Appendix 3: Actual revenue collection compared to the budget targets, 2021

The Ministry of Finance Development sets revenue collection targets for each revenue item and for the Customs and IRD stations and offices. In 2021, the overall target for revenue was 2.230 trillion SLSH, including grants from the World Bank, while 2.167 trillion SLSH, excluding grants from the World Bank. As this report is focusing on the performance of domestic revenue collection in 2021, grants from the World Bank will be excluded in this analysis. Overall revenue collection in 2021 was 2.216 trillion SLSH, above the total collection target by SLSH 49.7 billion. Table 13 provides a summary of the actual performance of the major revenue categories for 2021, compared to their revenue targets. Tax revenue collections for 2021 were 3% (51 billion SLSH) above their target, while non-tax revenues saw a 1% (400 million SLSH) deficit.

| DESCRIPTION | Budget Forecast (annual) | Actual revenue collection (to date) | Difference | % |
|------------------------------------|-----------------------------|--|------------------------|-------------|
| Taxes | 2,004,776,629,441 | 2,056,526,101,849 | 51,749,472,408 | 3% |
| Income and profits | 38,597,928,345 | 38,195,011,859 | -402,916,486 | -1% |
| Payroll and workforce | 104,627,873,889 | 122,131,139,562 | 17,503,265,673 | 17% |
| Goods and Services | 709,219,686,275 | 742,483,714,354 | 33,264,028,079 | 5% |
| Sales tax | 283,206,571,401 | 289,472,818,394 | 6,266,246,993 | 2% |
| Excise | 22,986,356,931 | 18,731,227,242 | -4,255,129,689 | -19% |
| Registration taxes | 69,839,527,980 | 87,732,921,805 | 17,893,393,825 | 26% |
| Other taxes on G&S | 333,187,229,964 | 346,546,746,913 | 13,359,516,949 | 4% |
| International Trade | 1,060,064,260,762 | 1,054,430,992,908 | -5,633,267,854 | -1% |
| Taxes on imports | 898,232,053,322 | 905,579,859,239 | 7,347,805,917 | 1% |
| Taxes on exports | 65,047,134,764 | 58,548,503,613 | -6,498,631,151 | -10% |
| Port taxes | 96,785,072,675 | 90,302,630,056 | -6,482,442,619 | -7% |
| Other Taxes | 92,266,880,171 | 99,285,243,166 | 7,018,362,995 | 8% |
| 2% tax in Eastern Regions | 91,622,171,648 | 94,203,053,024 | 2,580,881,376 | 3% |
| Other | 644,708,523 | 5,082,190,142 | 4,437,481,619 | 688% |
| Other Revenue | 112,289,361,559 | 110,118,368,277 | -420,909,282 | 0% |
| Property Income | 38,754,388,656 | 35,926,122,679 | -2,828,265,977 | -7% |
| Sales of Goods and Services | 60,777,729,668 | 65,395,839,501 | 4,618,109,833 | 8% |
| Fines and Voluntary Transfers | 9,257,243,235 | 7,046,490,097 | -2,210,753,138 | -24% |
| Transfers not classified elsewhere | 3,500,000,000 | 1,749,832,000 | -1,750,084,000 | -50% |
| Fiscal balance | 49,934,473,800 | 49,934,473,800 | 0 | 0% |
| TOTAL | 2,167,000,464,800 | 2,216,578,859,928 | 49,578,479,126 | 2% |
| Grants | 63,917,987,120 | 38,753,026,200 | -28,132,821,780 | -42% |
| TOTAL | 2,230,918,451,920 | 2,255,331,970,126 | 23,195,741,346 | 1% |



Ministry of Finance Development
Republic of Somaliland