



# Medium-Term Fiscal Framework for FY2023

BUDGET & PLANNING DEPARTMENT

# Table of Contents

<b>LIST OF TABLES .....</b>	<b>II</b>
<b>LIST OF FIGURES.....</b>	<b>III</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>IV</b>
<b>1. INTRODUCTION.....</b>	<b>1</b>
<b>2. MACRO-FISCAL PERFORMANCE .....</b>	<b>2</b>
2.1. DOMESTIC ECONOMY .....	2
2.2. FISCAL PERFORMANCE UP TO 2021.....	5
2.3. FISCAL PERFORMANCE (JAN – JUNE 2022).....	8
2.3.1. Domestic Revenue .....	8
2.3.2. Revised 2022 Revenue Forecast .....	10
2.3.3. Expenditure excluding WB Projects .....	11
2.3.4. World Bank Funded Projects.....	14
<b>3. MEDIUM-TERM MACROECONOMIC OUTLOOK .....</b>	<b>15</b>
3.1. GROSS DOMESTIC PRODUCT (GDP).....	16
3.2. INFLATION .....	17
3.3. EXCHANGE RATE .....	18
3.4. TRADE .....	18
<b>3.4.1. Import</b> .....	<b>18</b>
<b>3.4.2. Exports</b> .....	<b>20</b>
<b>4. FISCAL OUTLOOK OVER THE MEDIUM-TERM .....</b>	<b>21</b>
<b>4.1. INITIAL REVENUE ESTIMATES FOR FY2022-2024</b> .....	<b>21</b>
4.1.1. Additional Revenue raising measures for the Medium-Term .....	22
<b>4.2. EXPENDITURE PRIORITY GUIDELINES FOR 2023 BUDGET</b> .....	<b>23</b>
<b>4.3. CEILINGS FOR THE 2023 BUDGET AND TENTATIVE ESTIMATES FOR 2024</b> .....	<b>24</b>
<b>4.4. MEASURES TO IMPROVE FISCAL MANAGEMENT AND/OR ENHANCE SERVICE DELIVERY IN THE NEXT THREE YEARS</b> .....	<b>25</b>
<b>5. APPENDIX .....</b>	<b>26</b>
<b>APPENDIX 1: REVENUE COLLECTION, JAN – JUNE 2022 (SLSH)</b> .....	<b>26</b>
<b>APPENDIX 2: AID DISBURSEMENTS BY ORGANIZATION IN 2019 &amp; 2020</b> .....	<b>28</b>
<b>APPENDIX 3: AID DISBURSEMENTS BY SECTOR IN 2019 &amp; 2020</b> .....	<b>30</b>

## List of Tables

<b>Table 1:</b> Selected macroeconomic indicators for MFF 2022-24.....	V
<b>Table 2:</b> Medium-term government collections by revenue category, optimistic scenario, in SLSh .....	V
<b>Table 3:</b> Proposed Budget ceilings by Spend Sector, SLSh .....	V
<b>Table 4:</b> Actual Revenue Collection vs Budget Forecast in SLSHs, Jan-June 2022 .....	8
<b>Table 5:</b> Estimated 2022 government revenue collections by major type, based on Jan-June actuals .....	10
<b>Table 6:</b> 2022 Supplementary Budget, SLSh.....	11
<b>Table 7:</b> Range of short-term growth forecasts for Sub-Saharan Africa from World Bank and IMF .....	16
<b>Table 8:</b> Medium-term scenarios for Somaliland’s economic growth .....	17
<b>Table 9:</b> Medium-term scenarios for price levels in Somaliland .....	18
<b>Table 10:</b> Medium-term scenarios for the growth in the total value of imports to Somaliland .....	20
<b>Table 11:</b> Medium-term scenarios for the growth of Exports .....	21
<b>Table 12:</b> Selected macroeconomic indicators for MFF 2022-24.....	21
<b>Table 13:</b> Medium-term government collections by revenue category, optimistic scenario, in SLSh .....	22
<b>Table 14:</b> Proposed Budget ceilings by Sector, SLSh .....	24

## List of Figures

<b>Figure 1:</b> GDP growth between 2013-2021, constant prices (million USD) .....	2
<b>Figure 2:</b> Total livestock heads exported per month between 2019 and 2021 (left) and share of camel, cattle and sheep/goat in total 2021 and 2022 exports (right) .....	3
<b>Figure 3:</b> Somaliland shilling exchange rate against the USD dollar, Jan 2018 - June 2022 .....	4
<b>Figure 4:</b> Monthly Inflation rate (%), Jan 2020 - Jun 2022 .....	4
<b>Figure 5:</b> Inward and Outwards Remittances, Jan 2020 - June 2022 .....	5
<b>Figure 6:</b> Revenue Performance 2014-21 – Budget Execution and Trend .....	6
<b>Figure 7:</b> Share of collections of IRD, Customs and other GOSL agencies, 2017-2021, SLSH billions .....	6
<b>Figure 8:</b> Annual Spend from the General Gvt Fund from 2014 to 2021, nominal and inflation adjusted billion SLSH (base year=2012) .....	7
<b>Figure 9:</b> Annual Fiscal summary 2014 to 2021, Billions SLSH.....	7
<b>Figure 10:</b> Top 5 over and underperforming revenue items against forecast in SLSHs, Jan—June 2022 ....	9
<b>Figure 11:</b> Total revenue collection by responsible agency (bn SLSHs), Jan—June 2022.....	9
<b>Figure 12:</b> Customs and IRD revenue composition by station and office, Jan—June 2022 .....	10
<b>Figure 13:</b> Total spending per quarter in 2019-2022, Billion SLSH .....	12
<b>Figure 14:</b> Expenditure performance (excl. WB grants) by Chapter between Jan-June 2022, Billions SLSH .....	13
<b>Figure 15:</b> Expenditure performance (excl. WB grants) by Sector between Jan-June 2022, Billion SLSH ..	13
<b>Figure 16:</b> Spending as % of budget by chapter in the first half of 2021 and 2022 .....	14
<b>Figure 17:</b> Revenue and expenditure on the WB funded projects between Jan-June 2022, Billion SLSH ..	14
<b>Figure 18:</b> Expenditure as a % of approved annual 2020 and 2021 budget .....	15
<b>Figure 19:</b> GDP growth trend and medium-term scenarios (constant prices).....	16
<b>Figure 20:</b> Inflation rate trend, Jan 2018 – June 2022.....	17
<b>Figure 21:</b> Inflation rate trend and medium-term scenarios .....	18
<b>Figure 22:</b> Imports of Goods and Services (constant 2017 prices), millions USD and YoY (%), 2012- 2021 .....	19
<b>Figure 23:</b> Trend and medium-term scenarios for the growth in the value of imports into Somaliland ...	19
<b>Figure 24:</b> Exports of Goods & Services (constant 2017 prices), millions USD and YoY (%), 2012-2021....	20
<b>Figure 25:</b> Medium-term scenarios for livestock export levy collections in Somaliland .....	21
<b>Figure 26:</b> 2022 Budget Allocation (left) and 2023 Ceilings (right) as % of Annual Budgets by Sector, SLSH .....	24

## Executive Summary

**The main objective of the current Macroeconomic and Fiscal Framework is to lay out the government's fiscal policies and priorities over the medium-term.** It starts off by providing an overview and assessment of recent macroeconomic developments and a medium-term outlook of key macroeconomic indicators. It subsequently provides three-year forecasts of revenue collections before concluding with the government's expenditure guidelines and priorities for fiscal year 2023 and the medium-term along with ceilings for each sector.

**Following a strong recovery of the Somaliland economy in 2021, recent supply shocks look set to put a dent on this.** Real GDP grew by 9.2% in 2021, the fastest growth rate observed in the last ten years—faster than most countries in the region. A strong performance from the export of livestock, a supportive diaspora, a revamp in consumer spending and investment, and targeted government fiscal policies were key contributors to this strong recovery. However, recent shocks to the economy in the first half of 2022 (i.e., Waheen Market fire, continued impact of the locust, war in Ukraine and khat export price increase from Ethiopia) have already had notable effects on fundamentals. Overall prices (namely Energy prices) are trending upward, with the annual headline inflation rate in June 2022 at 7.3%, significantly higher than the 2.7% recorded in the same period in 2021 and slightly higher than the 6.9% in June 2020. These price increases along with lower remittance inflows in the first half of 2022, are expected to subdue private spending. However, on the upside, higher livestock export (i.e., high income), expected increase in government spending compared to 2021 as stipulated in the Parliament approved annual budgets and supportive fiscal policies are expected to offset the contractionary pressures from the aforementioned shocks.

**The Government of Somaliland has in recent years seen steady improvement in the collection of revenues and expenditure—with year-on-year growth averaging at 5% since 2014.** Due to these increases, the government has consistently come closer to meeting its budgeted revenue collections targets (i.e.,  $\pm 2\%$  of target in the past three years). In relation to meeting revenue targets, overall revenue collections—excluding grants—in 2021 were particularly good, exceeding target by 2% (or a 49.6 billion SLSh surplus). On the expenditure side, spending has been slightly below target—specially in 2017 and 2018 with an 8.4% and 9.3% underspend respectively. However, in the past three years, performance has improved markedly, with an average underspend below 3%. These achievements not only reflect success with the on-going fiscal reforms (e.g., modernization of tax collections, reduction of the cost of compliance, automation of processes, etc.) but also the patriotism of Somalilanders.

**While revenue collections and expenditures in the first half of 2022 were significantly higher than those recorded in the same period last year (i.e., by 6% and 15% respectively), performance against target has slightly deteriorated.** Collections were 72.8 billion SLSh (-or 06%) below target, while spending was 160 billion SLSh (or -13%) below allocation. On the revenue side, fiscal policies introduced in the first half of the year (i.e., tax exemptions on key import products to support traders and combat rising prices) along with a reduction in khat imports from Ethiopia were the main culprits for this deficit. Based on these collection outturns, the MoFD has updated its estimates for revenue collections for the current fiscal year. Updated estimates indicate a possible deficit of up to 38 billion SLSh, equal to approximately 2% of the original budget estimate. On the expenditure side, precautionary spending and response to the Waheen Market fire led to delays in the release of funding from certain spending lines.

The Ministry has taken an optimistic outlook in drawing up the initial forecasts for Government revenue collections over the medium term. The optimistic scenario assumes a slower growth in output in the medium-term compared to the 9.2% recorded in 2021. **Forecasted collections for 2023 are 2,467 billion SLSH—approximately 4.0% higher** than the revised estimates for the current fiscal year, and reflects that the Government of Somaliland will continue its impressive year-on-year increases in revenue collections—as shown in table 2 below. The ministry will continue to monitor current trends and update assumptions based on how the key macro indicators for Somaliland evolve in the second half of the year.

**Table 1:** Selected macroeconomic indicators for MFF 2022-24

	2022 forecast	2023 forecast	2024 forecast
GDP (% annual growth, constant prices)	4.0%	5.0%	5.0%
Inflation (% CPI growth)	7.0%	6.5%	6.0%
Import growth (% increase in total value)	-3.0%	6.0%	6.0%
Exports (%)	21%	14%	14%

**Table 2:** Medium-term government collections by revenue category, optimistic scenario, in SLSH

Description	2022 Projected Estimate	2022 Revised	2023 Forecast	2024 Forecast
Income and profits	52,874,027,856	42,757,359,317	44,467,653,690	47,580,389,448
Payroll and workforce	122,276,223,424	135,338,494,717	140,752,034,506	150,604,676,921
Goods and Services	804,664,152,211	845,173,957,511	878,980,915,812	940,509,579,918
International Trade	1,185,087,774,357	1,117,301,449,747	1,161,993,507,736	1,243,333,053,278
Other Taxes	104,425,929,707	102,903,484,785	107,019,624,177	114,510,997,869
Other Revenue	141,124,786,780	128,561,577,857	133,704,040,972	143,063,323,840
<b>TOTAL</b>	<b>2,410,452,894,335</b>	<b>2,372,036,323,934</b>	<b>2,466,917,776,893</b>	<b>2,639,602,021,274</b>
<b>% Growth</b>	11%	-2%	4%	7%

Based on the Budget Policy Committee’s guidelines, the Budget and Planning department has prepared the following sectoral ceilings for the 2023 and 2024 budgets. Compared to the current budget (excl. the supplementary budget), these ceilings highlight noticeable increases in the share of the budget allocated to the Education (10%), Production (4%), Water (4%), Environment (2%) sectors.

**Table 3:** Proposed Budget ceilings by Spend Sector, SLSH

Sector	2022 Original Budget*	2023 Budget forecast	2024 Budget forecast
<b>Security</b>	878,788,036,702	841,788,036,702	900,713,199,271
<b>Administration</b>	455,329,949,430	439,001,365,591	478,826,461,182
<b>Economy</b>	327,436,960,872	327,436,960,872	350,357,548,133
<b>Education</b>	208,332,601,651	246,741,973,103	264,013,911,220
<b>Health</b>	148,080,068,154	156,580,068,154	158,445,672,925
<b>Infrastructure</b>	109,950,219,046	94,950,219,046	101,596,734,379
<b>Cross-cutting</b>	116,384,533,595	106,384,533,595	113,831,450,947
<b>Production</b>	62,305,448,134	98,676,711,076	105,584,080,851
<b>Environment</b>	34,882,128,195	49,344,960,198	52,799,107,411
<b>Water</b>	52,638,277,503	89,688,277,503	95,966,456,928
<b>Energy</b>	16,324,671,053	16,324,671,053	17,467,398,027
<b>Grand Total</b>	<b>2,410,452,894,335</b>	<b>2,466,917,776,893</b>	<b>2,639,602,021,275</b>
<b>YoY (%)</b>	15%	2%	7%

\*Excluding the supplementary budget approved in the first half of 2022

## 1. Introduction

The following macroeconomic and fiscal framework is designed to help efficiently prioritize objectives in the coming fiscal year and the medium-term based on projected resources. The main objectives of the Macroeconomic and Fiscal Framework are;

- ⇒ To lay out the government's fiscal policies and priorities over the medium-term (i.e., FY2023-2024)
- ⇒ To provide an overview and outlook of macroeconomic and fiscal indicators for the next three years
- ⇒ To ensure that domestic revenues are adequate to finance the government's recurrent spending and development priorities
- ⇒ To ensure that priorities are aligned with NDPII
- ⇒ To translate the government's priorities into the Budgets and ensure conformity of actual expenditures
- ⇒ To allow the public to monitor the implementation of the government's policies

The government's fiscal targets are guided by three thematic indicators: fiscal position, fiscal sustainability and vulnerability. They consider the fact that there needs to be enough cash inflow to finance—in a non-inflationary way—any budget deficit while reducing public debt. In addition to this, the government's fiscal policies (i.e., spending, taxes) needs to be sustainable in the medium to long-term without having to default on expenditure commitments. Finally, the government's fiscal position needs to be resilient during downturns to avoid failing to meet fiscal policy objectives.

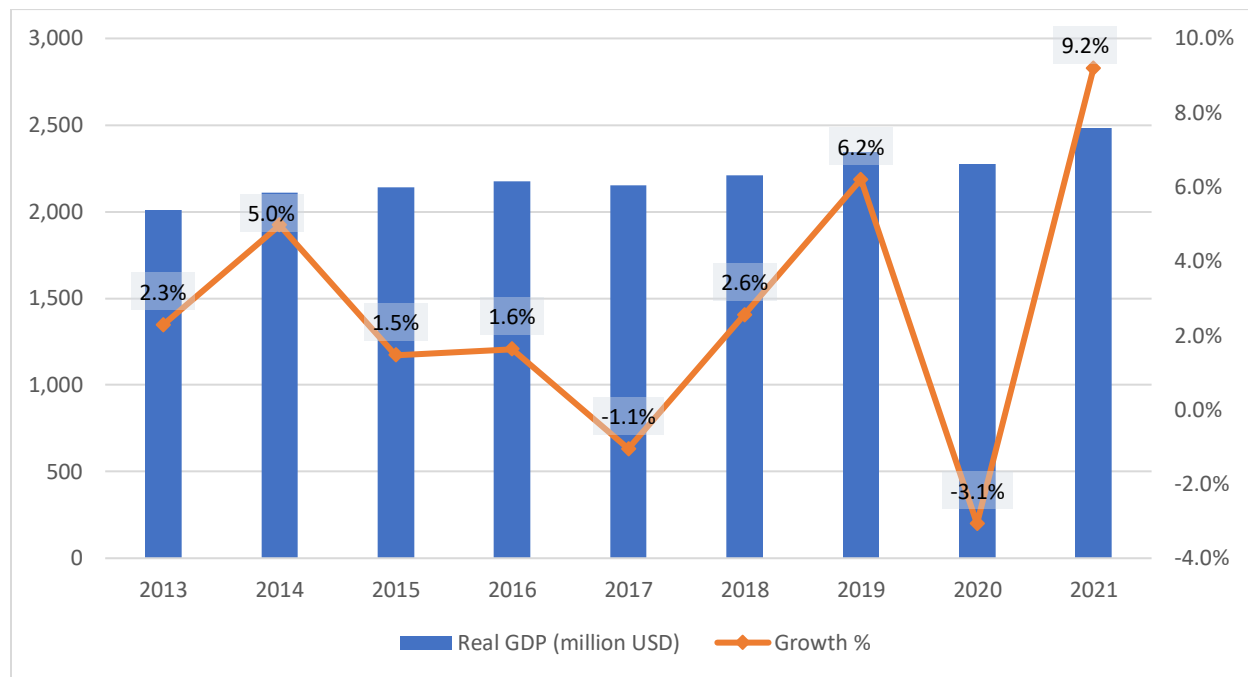
The remainder of the document is divided into three main sections. The first provides an overview and assessment of recent macroeconomic developments. The second part provides a medium-term outlook of key macroeconomic indicators, while the third part provides medium-term forecasts of revenue collections, government expenditure guidelines and priorities along with ceilings for each major spending category for FY2023-2024.

## 2. Macro-fiscal Performance

### 2.1. Domestic Economy

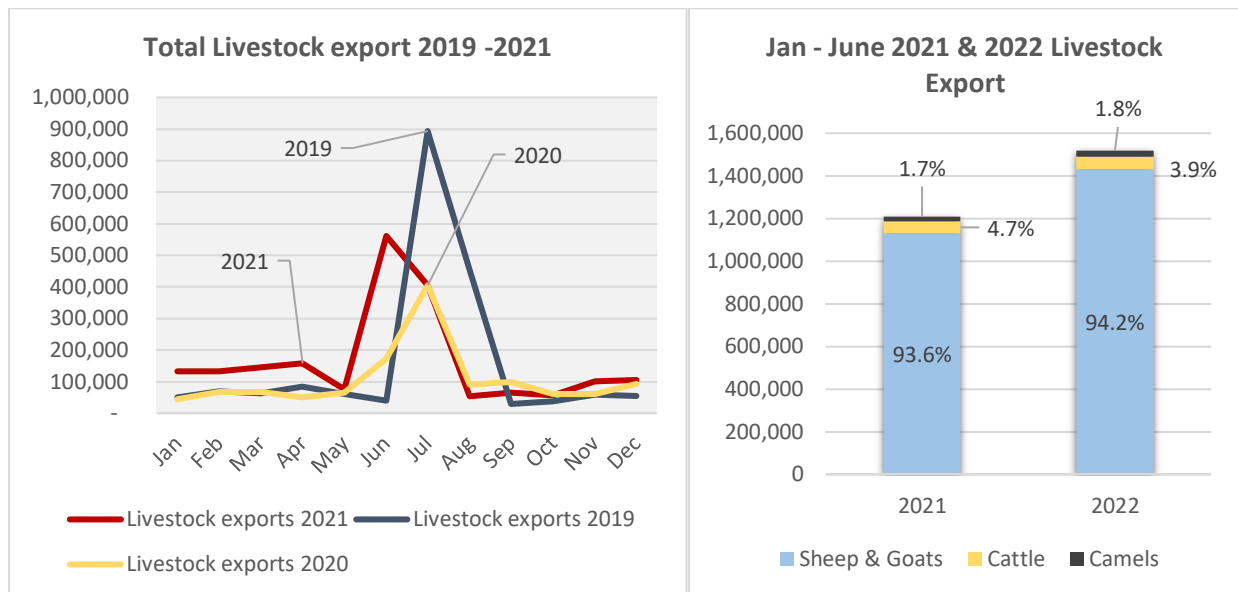
**Performance up to 2021:** The Somaliland economy is estimated to have rebounded strongly in 2021 from the Covid-19 induced contraction in 2020 as shown in figure 1 below. Real GDP grew by 9.2% in 2021, the fastest growth rate observed in the last ten years—faster than most countries in the region. A strong performance from the export of livestock, a supportive diaspora, a revamp in consumer spending and investment, and targeted government fiscal policies were key contributors to this strong recovery. Following a 33% decrease in 2020, the volume of livestock exported in 2021 increased by 56%. Most importantly, despite the cancelation of the Hajj to all non-Saudi residents, the volume of livestock exported in 2021 exceeded the pre-pandemic level in 2019 by 5.2% as shown in figure 2 (left). With respect to remittances, inward remittances increased by 55% and 142% compared to 2020 and 2019, respectively. However, remittance outflows were still higher than inflows and also increased substantially in 2021 compared to 2020 and 2019 (i.e., by 150% and 240% respectively). Private investment also resumed in 2021, with the number of business registrations increasing by 42% compared to 2020, while government spending continued to trend upward—with an improved performance on development projects.

**Figure 1:** GDP growth between 2013-2021, constant prices (million USD)





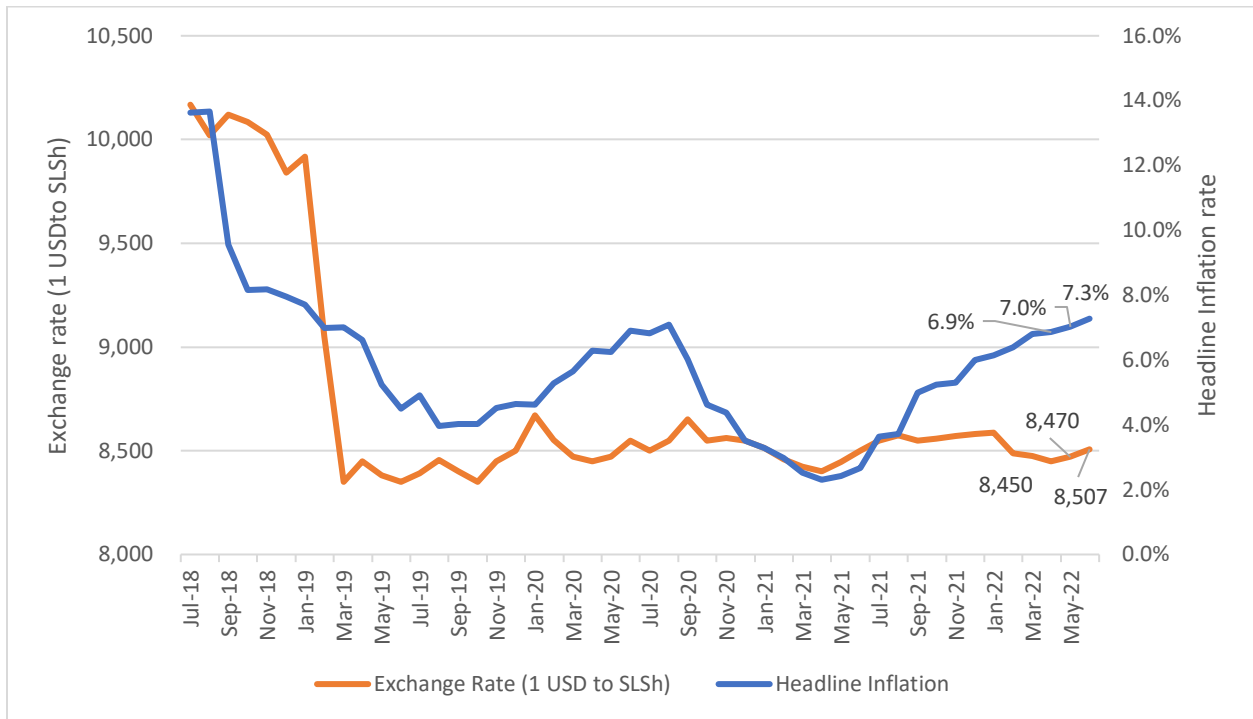
**Figure 2:** Total livestock heads exported per month between 2019 and 2021 (left) and share of camel, cattle and sheep/goat in total 2021 and 2022 exports (right)



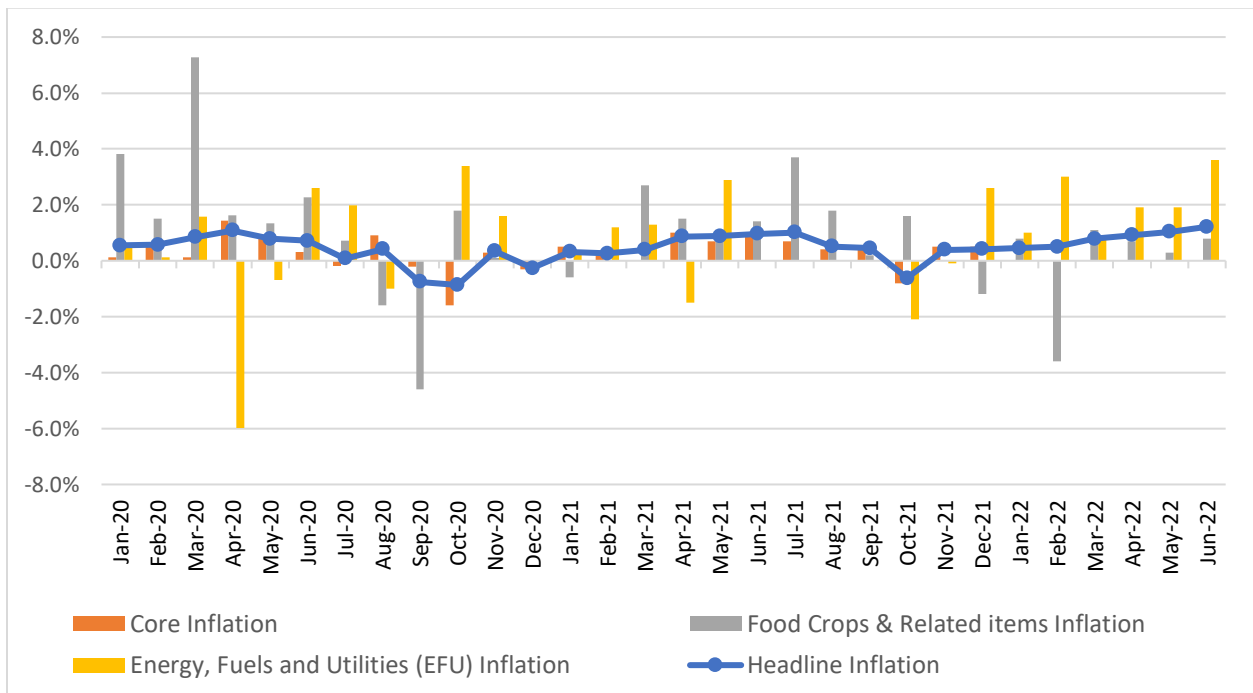
**Performance January—June 2022:** Recent supply shocks have already put a dent on the strong recovery made in 2021. The fire at the Waheen Market in April, the continued impact of the locust, the war in Ukraine and the recent increase in the price of khat export from Ethiopia have already had notable effects on fundamentals. Overall prices are trending upward, with the annual headline inflation rate in June 2022 at 7.3%, significantly higher than the 2.7% recorded in the same period in 2021 and slightly higher than the 6.9% in June 2020. This upward trend in prices predominantly comes from the increase in energy prices (e.g., spill-over effects from the war in Ukraine) as can be seen in figure 4 below. Energy, Fuels and Utilities inflation rate increased on average by 2.0% on a monthly basis in the first half of 2022, compared to the 0.7% average observed in the same period last year. Food Crops & Related items prices increased at a much slower rate—with a monthly average rate of 0.8% compared to the 1.0% recorded in the same period in 2021. While the Somaliland community (including the diaspora), the government and international partners all banded together to mitigate the impact of the Waheen market fire on businesses, the continued war in Ukraine and the recent increase in the price of Khat export from Ethiopia are likely to lead to further increases in overall prices in the second half of the year.

These current and expected future increases in average prices are likely to reduce consumer demand. Furthermore, a decrease in remittance inflows compared to 2021 is likely to lead to lower private spending compared to 2021. In the first half of 2022 as shown in figure 5, inward remittances decreased by 8% while outflows increased by a significant 33%. However, the magnitude of the effects of rising prices and lower remittances on consumer spending should be minimized (potentially offset) by higher incomes from the export of livestock. The livestock sector, one of the main sources of income for Somalilanders, looks set to continue its recovery from recent shocks. The volume of livestock exported in the first half of 2022 increased by 26% compared to the same period last year as shown in figure 2 above (right). This is a significant upside for the Somaliland economy in the face of the aforementioned supply shocks. Another upside to the economy should come from an expected increase in government spending in 2022 compared to 2021 as stipulated in the Parliament approved annual budget and from supportive fiscal policies.

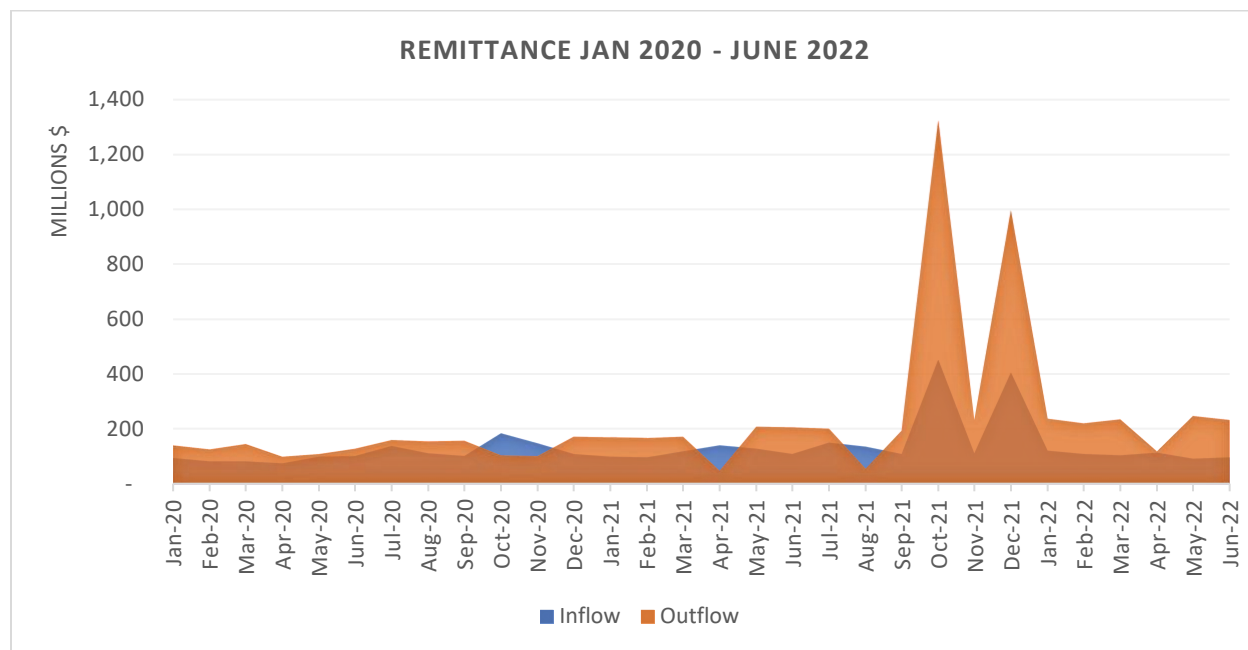
**Figure 3: Somaliland shilling exchange rate against the USD dollar, Jan 2018 - June 2022**



**Figure 4: Monthly Inflation rate (%), Jan 2020 - Jun 2022**



**Figure 5: Inward and Outwards Remittances, Jan 2020 - June 2022**



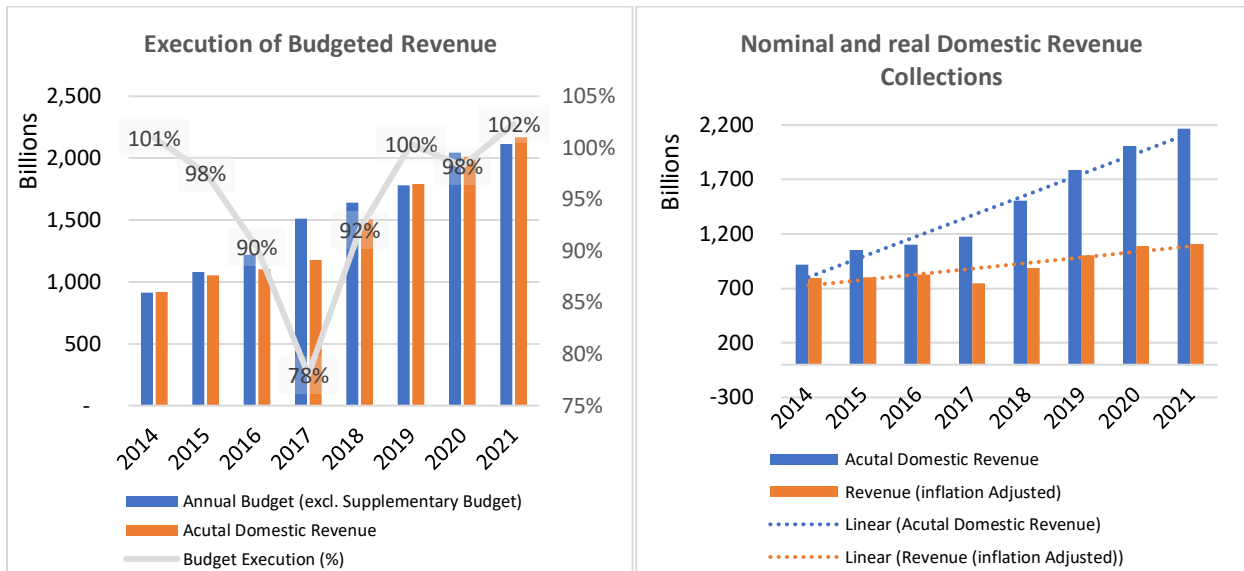
## 2.2. Fiscal Performance up to 2021

**The government of Somaliland has in recent years seen steady improvement in the collection of revenues.** As demonstrated in figure 6 below, actual collections have increased consistently year-on-year. Year-on-year real revenue growth since 2014 has on average been 5%. Due to these increases, the government has consistently come closer to meeting its budgeted revenue collections targets (i.e.,  $\pm 2\%$  of target in the past three years). In relation to meeting revenue targets, overall revenue collections—excluding grants<sup>1</sup>—in 2021 were particularly good, exceeding target by 2% (or a 49.6 billion SLSh surplus). These achievements not only reflect success with the on-going fiscal reforms (e.g., modernization of tax collections, reduction of the cost of compliance, etc.) but also the patriotism of Somalilanders.

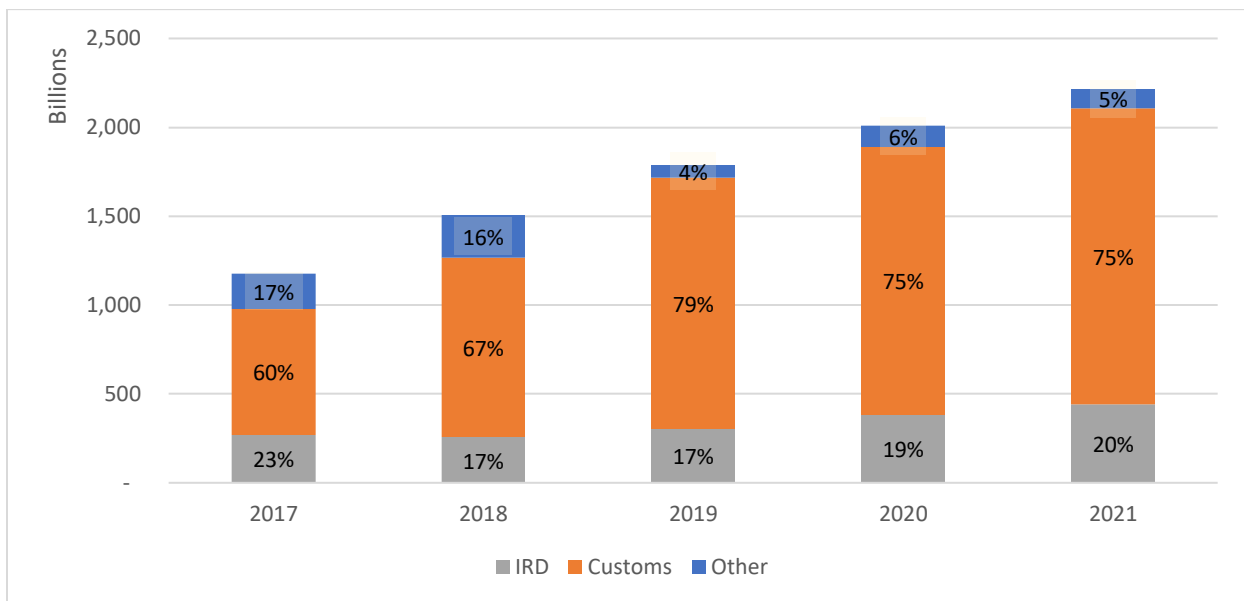
During this period of consistent revenue growth over the last decade, however, the profile of revenues has remained very steady as shown in 7 below. Revenue collections in Somaliland are largely from custom duties and a significant number of fees and levies that are collected by the Customs Department at the moment of importation—comprising on average over 70% of revenue collections. The Inland Revenue Department collects a broad range of inland taxes and fees, which amount to around 20% of revenue collections.

<sup>1</sup> However, this includes the grant received for the Talent Management program which is directly managed by the government and is not part of the three World Bank funded projects (i.e., DRM&PFM, CSSP and SEAP).

**Figure 6: Revenue Performance 2014-21 – Budget Execution and Trend**



**Figure 7: Share of collections of IRD, Customs and other GOSL agencies, 2017-2021, SLSH billions**



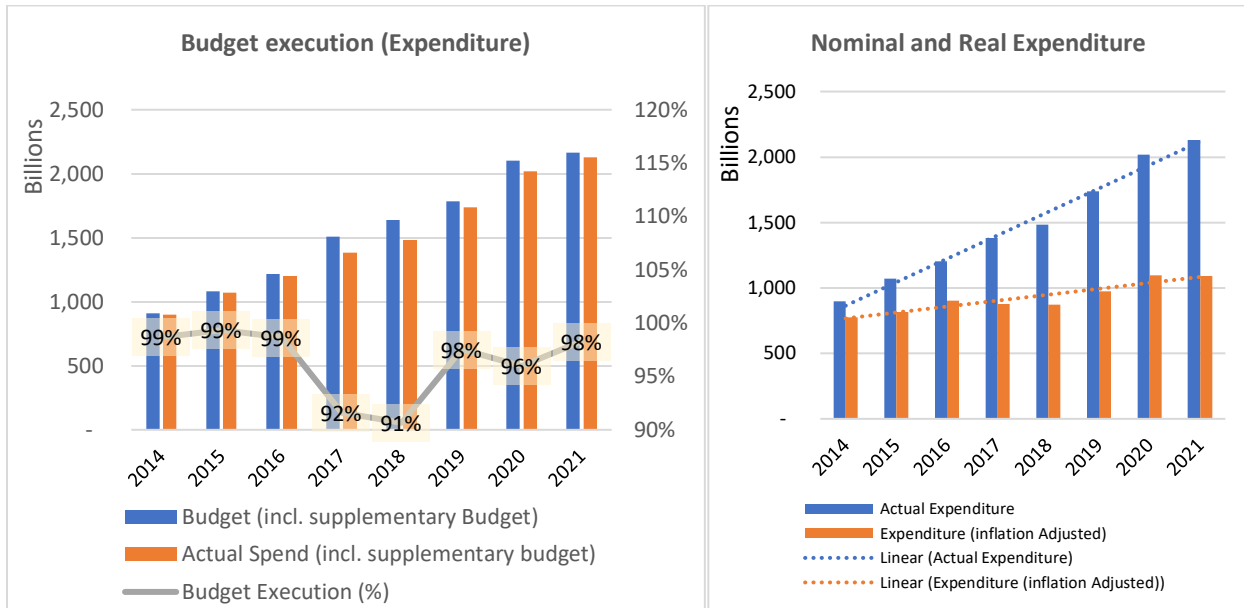
**Government spending<sup>2</sup> (excl. grants) over the past few years has mirrored the performance from the collections of revenue—increasing on average by 5%—as shown in figure 8.** With respect to performance against the Parliament approved budget, spending has been slightly below target—specially in 2017 and 2018 with an 8.4% and 9.3% underspend respectively. However, in the past three years, performance has improved markedly, with an average underspend below 3%.

The government’s annual spending pattern has also remained fairly consistent in the past few years. Spending in the first half of the year—especially in the first quarter—tends to be very low (i.e., averaging

<sup>2</sup> Spending in 2020 and 2021 include approved supplementary budgets during the year. These were approved to help mitigate the impact of the covid-19 pandemic and to support the 2021 elections, etc.

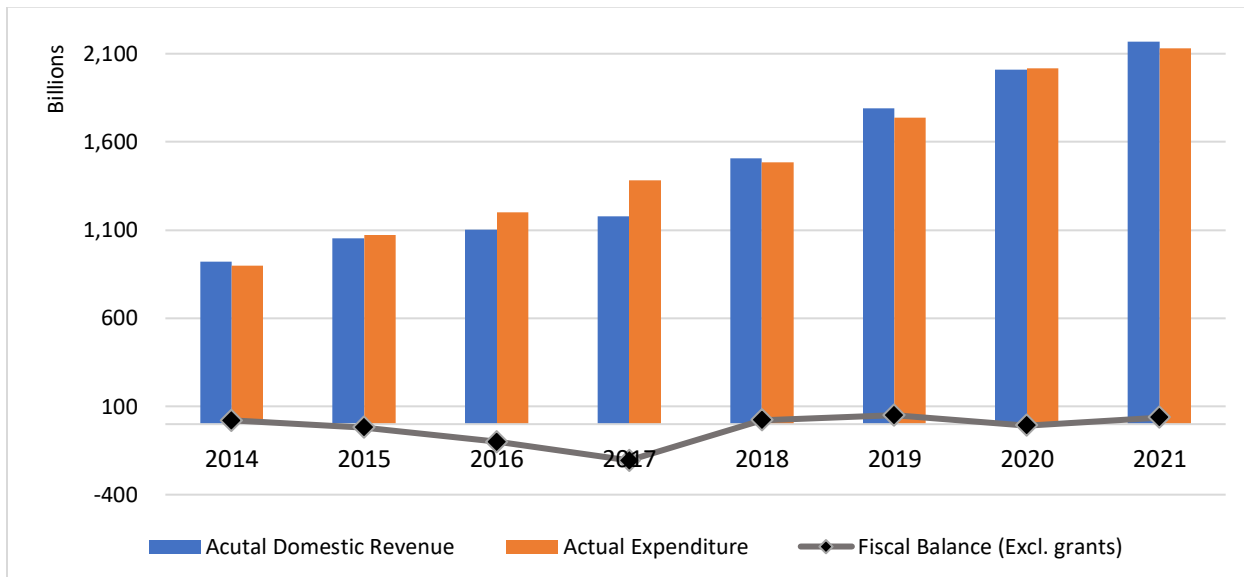
around 15%). The main reason for this is that procurement processes take a long time to conclude. Furthermore, this is usually accentuated by the government’s prudent approach to spending in which a few capital spending items are restricted in the first half of the year to safeguard the state’s fiscal health. While prudential spending (i.e., limit to spending) in the first half of the year is understandable in Somaliland’s context, underspending resulting from long procurement delays needs to be evaluated and addressed. This would facilitate the timely delivery of planned services to citizens during the year.

**Figure 8:** Annual Spend from the General Gvt Fund from 2014 to 2021, nominal and inflation adjusted billion SLSh (base year=2012)



\*The 2020 and 2021 expenditure figure include spend from the supplementary budget

**Figure 9:** Annual Fiscal summary 2014 to 2021, Billions SLSh



\*Note: expenditure in 2020 and 2021 include the supplementary budgets, while revenue does not since the fiscal balance from previous years was used for the supplementary budgets.

## 2.3. Fiscal Performance (Jan – June 2022)

### 2.3.1. Domestic Revenue

In the first half of 2022, the government of Somaliland collected 1.132 trillion SLSH, representing a 6% increase from the amount collected in the same period last year. While this continues the year-on-year increases in the past few years, collections this year have so far been noticeably below target. Domestic revenue collections were 72.8 billion SLSH (or -6%) below forecast for the period. As mentioned above, fiscal policies introduced in the first half of the year (i.e., tax exemptions on key import products to support traders and combat rising prices) along with a reduction in khat imports from Ethiopia—significantly affected collections. Figure 10 below shows the key revenue items that contributed the most to this underperformance. As can be seen, collections from taxes on imports were significantly below target (i.e., 63 billion SLSH deficit). Other underperformers include Excise on goods, vehicles, etc., Registration tax for contracts, 2% tax in Eastern Regions and Road development tax which were collectively 22.7 billion SLSH in deficit. In contrast, a few items overperformed against their targets, these include: Livestock export taxes, Penalties, Property tax registration, Ports royalty fees/income, etc.

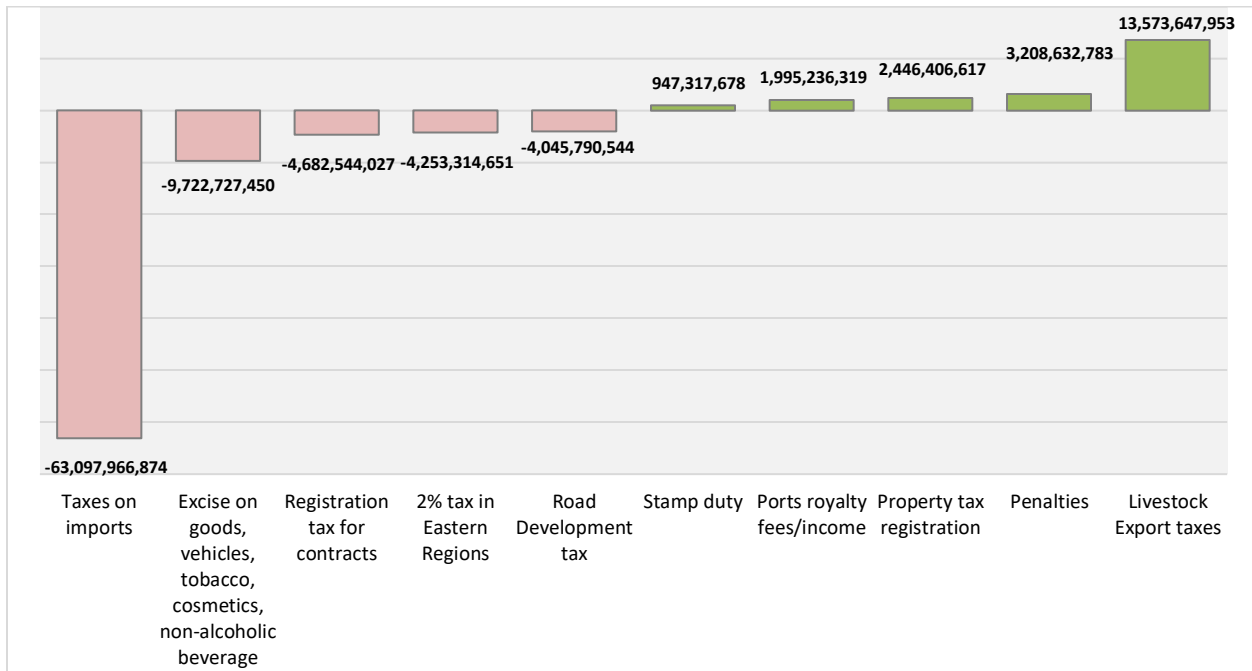
The Customs department and IRD together collected 98% of the total revenue to date—with the Customs Department alone accounting for the collection of 75% of the total. Nevertheless, Customs' collections underperformed its target by 73.6 billion SLSH (or -8%). IRD, on the other hand, collected 7.6 billion SLSH more than forecast in the first half—a 3% surplus.

**Table 4: Actual Revenue Collection vs Budget Forecast in SLSHs, Jan-June 2022**

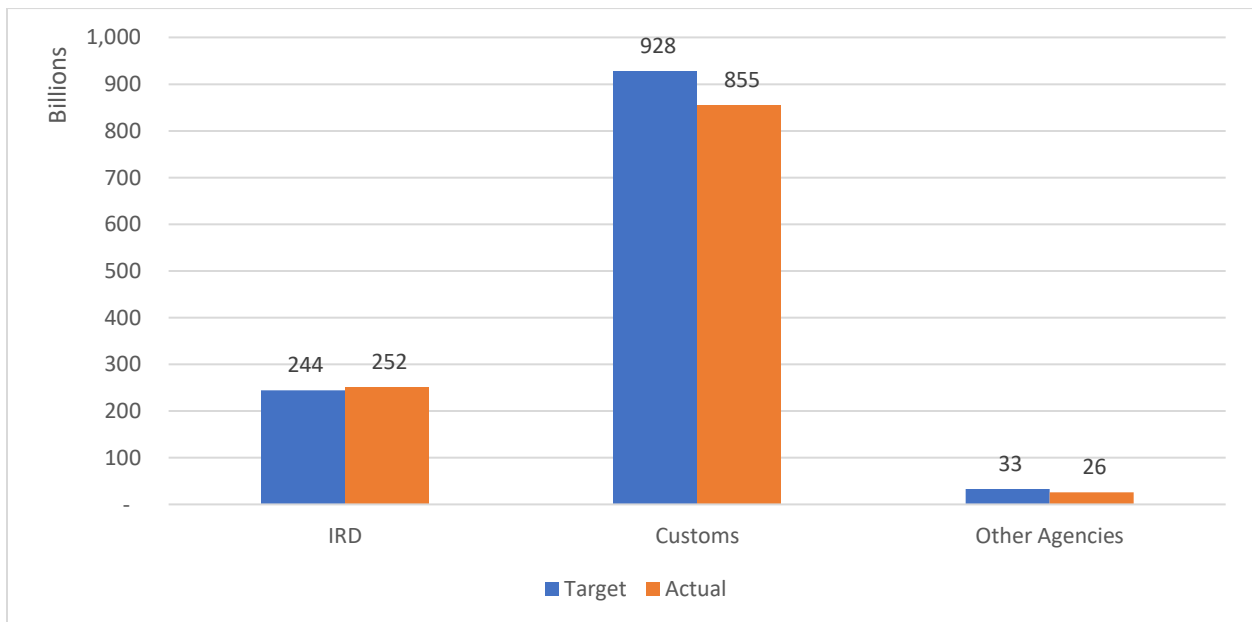
DESCRIPTION	Budget Forecast (annual)	Budget Forecast (to date)	Actual revenue collection (to date)	Difference	%
<b>Taxes</b>	<b>2,269,328,107,555</b>	<b>1,134,664,053,778</b>	<b>1,063,085,951,860</b>	<b>-71,578,101,918</b>	<b>-6%</b>
Income and profits	52,874,027,856	26,437,013,928	28,107,703,676	1,670,689,748	6%
Payroll and workforce	122,276,223,424	61,138,111,712	63,612,564,027	2,474,452,315	4%
<b>Goods and Services</b>	<b>804,664,152,211</b>	<b>402,332,076,106</b>	<b>380,884,944,267</b>	<b>-21,447,131,839</b>	<b>-5%</b>
Sales tax	307,547,982,843	153,773,991,422	152,356,210,392	-1,417,781,030	-1%
Excise	38,664,481,505	19,332,240,753	9,609,513,303	-9,722,727,450	-50%
Registration taxes	78,108,698,238	39,054,349,119	36,807,474,711	-2,246,874,408	-6%
Other taxes on G&S	380,342,989,625	190,171,494,813	182,111,745,861	-8,059,748,952	-4%
<b>International Trade</b>	<b>1,185,087,774,357</b>	<b>592,543,887,179</b>	<b>542,518,424,727</b>	<b>-50,025,462,452</b>	<b>-8%</b>
Taxes on imports	1,011,598,891,045	505,799,445,523	442,701,478,649	-63,097,966,874	-12%
Taxes on exports	70,631,134,500	35,315,567,250	50,751,109,701	15,435,542,451	44%
Port taxes	102,857,748,812	51,428,874,406	49,065,836,377	-2,363,038,029	-5%
<b>Other Taxes</b>	<b>104,425,929,707</b>	<b>52,212,964,854</b>	<b>47,962,315,163</b>	<b>-4,250,649,691</b>	<b>-8%</b>
2% tax in Eastern Regions	104,319,189,627	52,159,594,814	47,906,280,163	-4,253,314,651	-8%
Other	106,740,080	53,370,040	56,035,000	2,664,960	5%
<b>Other Revenue</b>	<b>137,274,786,780</b>	<b>68,637,393,390</b>	<b>67,265,595,513</b>	<b>-1,371,797,877</b>	<b>-2%</b>
Property Income	35,907,734,418	17,953,867,209	17,849,843,400	-104,023,809	-1%
Sales of Goods and Services	92,288,419,608	46,144,209,804	41,594,923,355	-4,549,286,449	-10%
Fines and Voluntary Transfers	9,078,632,754	4,539,316,377	7,820,828,758	3,281,512,381	72%
Transfers not classified elsewhere	3,850,000,000	1,925,000,000	2,100,000,000	175,000,000	9%
<b>TOTAL</b>	<b>2,410,452,894,335</b>	<b>1,205,226,447,168</b>	<b>1,132,451,547,373</b>	<b>-72,774,899,795</b>	<b>-6%</b>

\*Excludes Grants from the World Bank

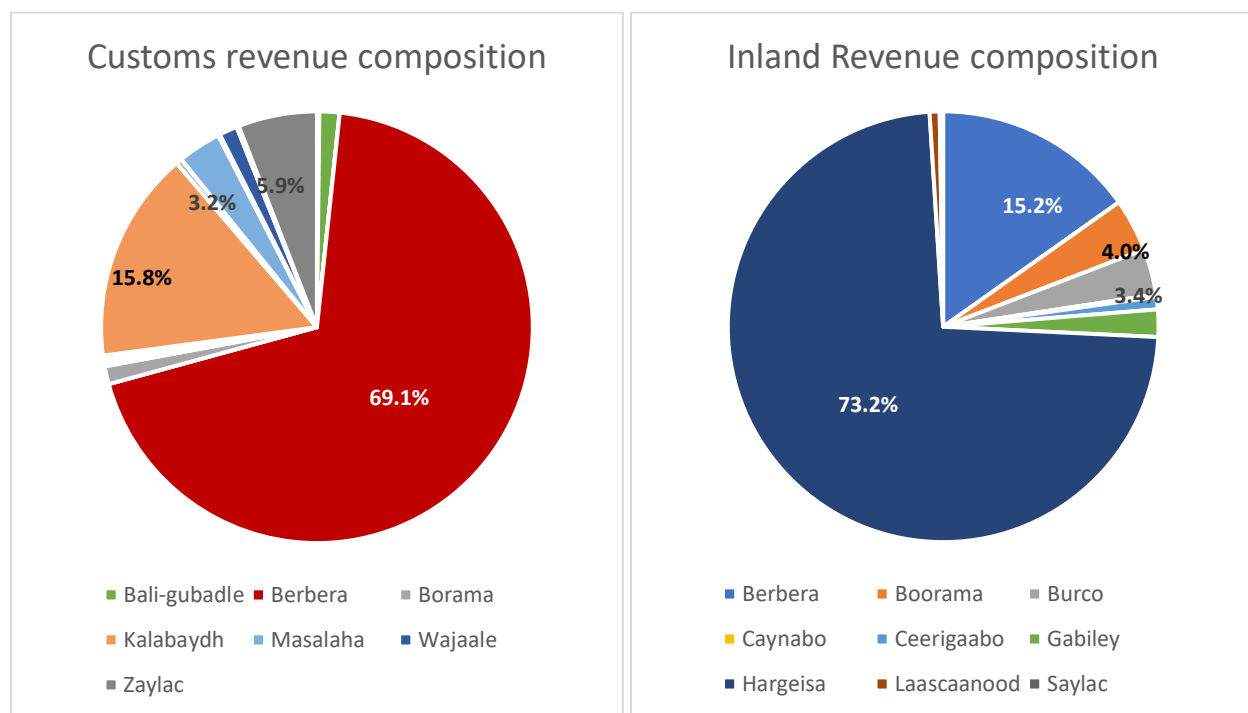
**Figure 10: Top 5 over and underperforming revenue items against forecast in SLSHs, Jan—June 2022**



**Figure 11: Total revenue collection by responsible agency (bn SLSHs), Jan—June 2022**



**Figure 12:** Customs and IRD revenue composition by station and office, Jan—June 2022



### 2.3.2. Revised 2022 Revenue Forecast

The Ministry of Finance development has updated its estimates for revenue collections for the current year, based on the actual collections between January and June. Updated estimates indicate a possible revenue deficit of up to 38 billion SLSh, equal to approximately -2% of the original budget estimate. Compared to last year’s actuals, the ministry expects an increase in gross revenue collections of up to 9%. These downward revisions are informed by the tax exemptions introduced earlier this year, the destructions of several businesses during the Waheen Market fire, the price increase on Khat export from Ethiopia, etc.

**Table 5:** Estimated 2022 government revenue collections by major type, based on Jan-June actuals

Tax/revenue types	2021 Actual	2022 approved budget estimates	Jan-June 2022 actuals	2022 full-year revised estimate
Income and profits	38,195,011,859	52,874,027,856	28,107,703,676	42,757,359,317
Payroll & workforce	122,131,139,562	122,276,223,424	63,612,564,027	135,338,494,717
Goods & services	<b>742,483,714,354</b>	804,664,152,211	<b>380,884,944,267</b>	845,173,957,511
International trade	<b>1,054,430,992,908</b>	1,185,087,774,357	<b>542,518,424,727</b>	1,117,301,449,747
Other taxes	<b>99,285,243,166</b>	104,425,929,707	<b>47,962,315,163</b>	102,903,484,785
Other revenue	<b>110,118,284,277</b>	141,124,786,780	<b>67,265,595,513</b>	128,561,577,857
<b>TOTAL REVENUE</b>	<b>2,166,644,386,126</b>	<b>2,410,452,894,335</b>	<b>1,130,351,547,373</b>	<b>2,372,036,323,934</b>



### 2.3.3. Expenditure excluding WB Projects

#### **2022 Supplementary Budget**

A supplementary budget amounting to 87.16 billion SLSH was approved in 2022 to take care of expenditures that were not factored in during budget-making. This supplementary budget resulted in a 3.6% increase in the original 2022 national budget. More specifically, the revised budget for 2022 increased from 2.410 trillion SLSH to 2.497 trillion SLSH.

The income for the supplementary budget came from balances from previous fiscal year budgets. As can be seen in table 6 below, about 83.2% of the supplementary budget was issued for the repayment of domestic loans (56.2%), to increase the national reserve fund (14.6%) and as special allowance (12.3%). With respect to the MDAs, about 73.4% of the supplementary budget was allocated to the Ministry of Finance Development. This is understandable given that the Ministry of finance is responsible for the management of the National Reserve Fund and for the repayment of domestic loans.

The increase in the National Reserve fund was to account for inflation and to contribute to the “Miskiin Kalkaal” program which supports the poor and vulnerable. As for the 10.72 billion SLSH allocated as a Special Allowance, 45% is for the Special Protection Unit of the Police Force (i.e., as risk and hardship allowance for deployment to dangerous zones), 21% is for the Council of Representatives as an increment in allowance for its honorable members, 12% is for the Ministry of Information & National Guidance as allowances for its temporary workforce, and 12% is for the Ministry of Health Development as allowances for hospital administration.

**Table 6:** 2022 Supplementary Budget, SLSH

Description	Supplementary Budget	% Share
<b>Revenue</b>	<b>87,159,700,885</b>	<b>-</b>
Fiscal balance from previous budgets	87,159,700,885	100.0%
<b>Expenditure</b>	<b>87,159,700,885</b>	<b>-</b>
Civil Service	264,401,280	0.3%
Police & Prisoners	2,027,392,000	2.3%
Other Temporary Employees	356,000,000	0.4%
Responsibility Allowance	84,000,000	0.1%
Special Allowance	10,718,652,020	12.3%
Finance Allowance	24,000,000	0.0%
Domestic Travel Costs	80,000,000	0.1%
Rent of Houses	132,600,000	0.2%
Boards, Committees, Conferences & Seminars	73,296,064	0.1%
Peace Building Expenses	170,000,000	0.2%
Food & Rations	262,080,000	0.3%
Office Stationery	125,558,500	0.1%
Petrol, Diesel & Oil Expenses	120,000,000	0.1%
Security Operations Exp.	250,000,000	0.3%
Special Expenses	1,633,600,000	1.9%
Unexpected Expenses	1,761,023,710	2.0%
Expenditure for Political Parties Registration	2,550,000,000	2.9%
Routine Maintenance of Vehicles & Engines	135,716,259	0.2%
Maintenance of Offices	170,000,000	0.2%
Budget Subsidy	1,806,140,000	2.1%
Construction of Offices, Schools & Hospitals	785,764,735	0.9%
Purchase of Vehicles & Machines	1,870,000,000	2.1%
Repayment of Domestic Loans	49,009,476,317	56.2%
National Reserve	12,750,000,000	14.6%

## January to June 2022 Spending

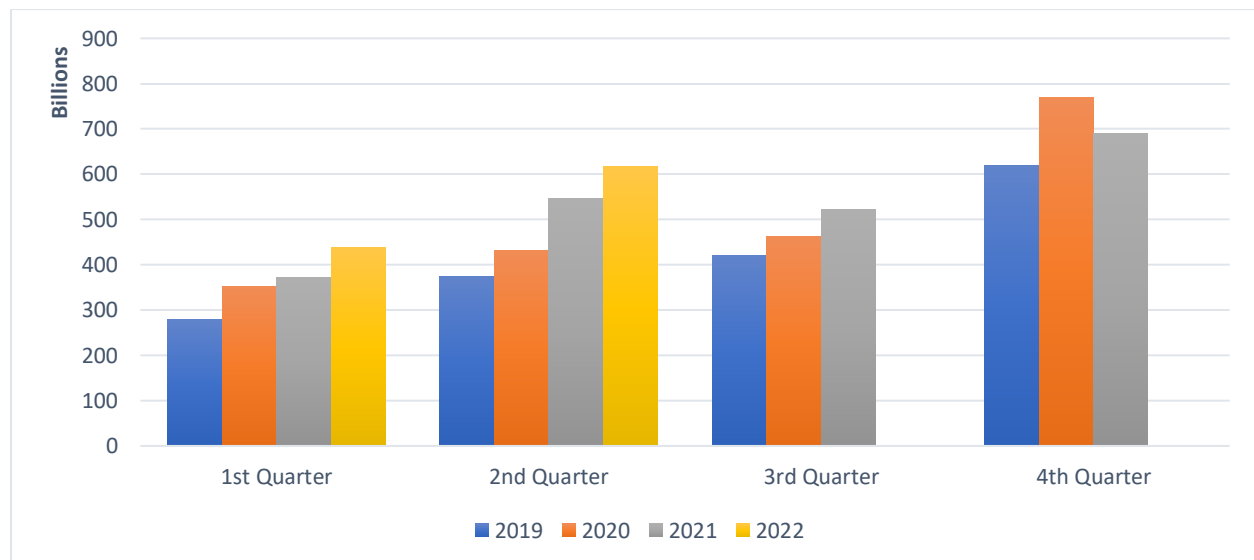
In the first half of 2022, the government spent 1.056 trillion SLSh or 42% of the total budget—representing a significant 15% increase from the 918 billion SLSh spent during the same period last year. However, compared to the allocated amount for the period (i.e., amounts requested and approved to be spent), this represents a 13% underspend or -160 billion SLSh—fairly similar to the underspend observed in the same period last year (i.e., -12% or -126 billion SLSh).

Figure 13 below shows a breakdown of the government’s spending per quarter since 2019. As can be seen, spending in the first half has been substantially higher in 2022 compared to past fiscal years. Furthermore, spending in the second quarter of 2022 was significantly higher than spending in the first quarter (i.e., by 41%)—continuing the same spending pattern as past fiscal years.

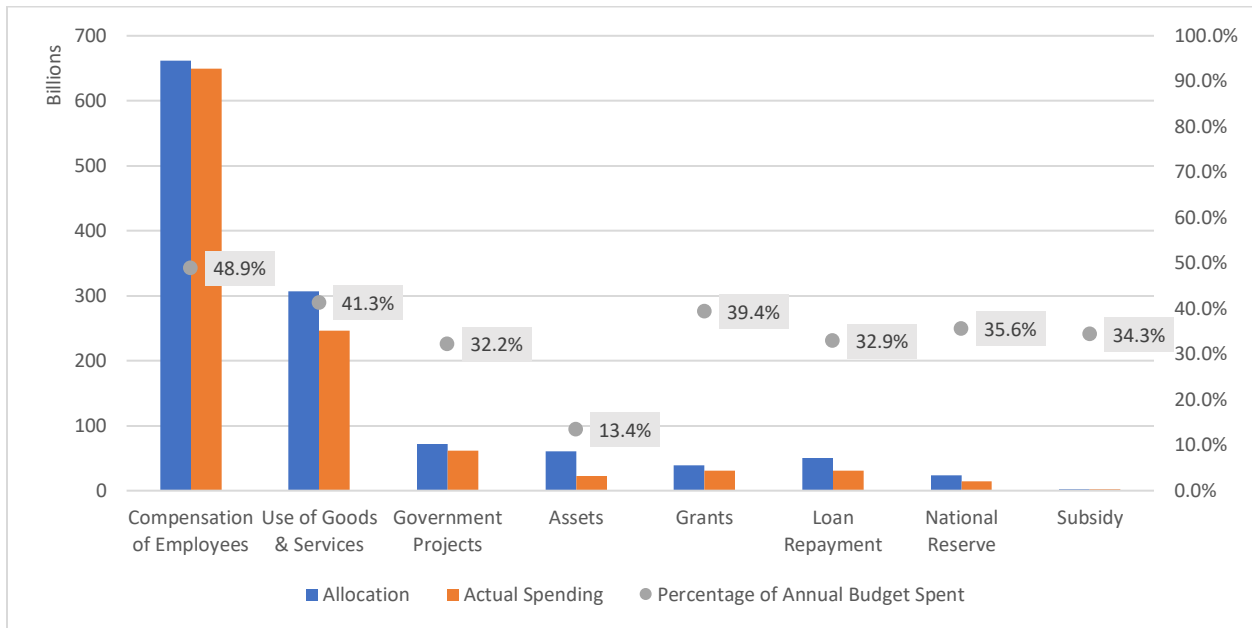
With respect to performance against allocation in the first half of the current year, spending was significantly below target across all major spending categories, with the exception of compensation of employees (-2%) and subsidy (-9%) as shown in figure 14. At the sector level, only the Security, Governance and Environment sectors had actual spending within 10% of target—with the remaining sectors (the WASH and Energy sectors in particular) spending well below their respective targets as shown in figure 15.

**Compared to the same period in 2020**, spend performance (i.e., % of budget spent) on Government Projects, Assets, Grants and Loan Repayment were lower. While this is noticeable, as shown in figure 16, it is worth noting that government fiscal operations in the first half of this year were significantly disrupted by the Fire at the Waheen Market, which required funding support from the government. Following past year trends, the government is set to see a significant uptick in spending in the second half of the current year. However, given a projected 2% deficit in revenue collection, the execution rate of the budget is not likely to improve in 2022 compared to 2021.

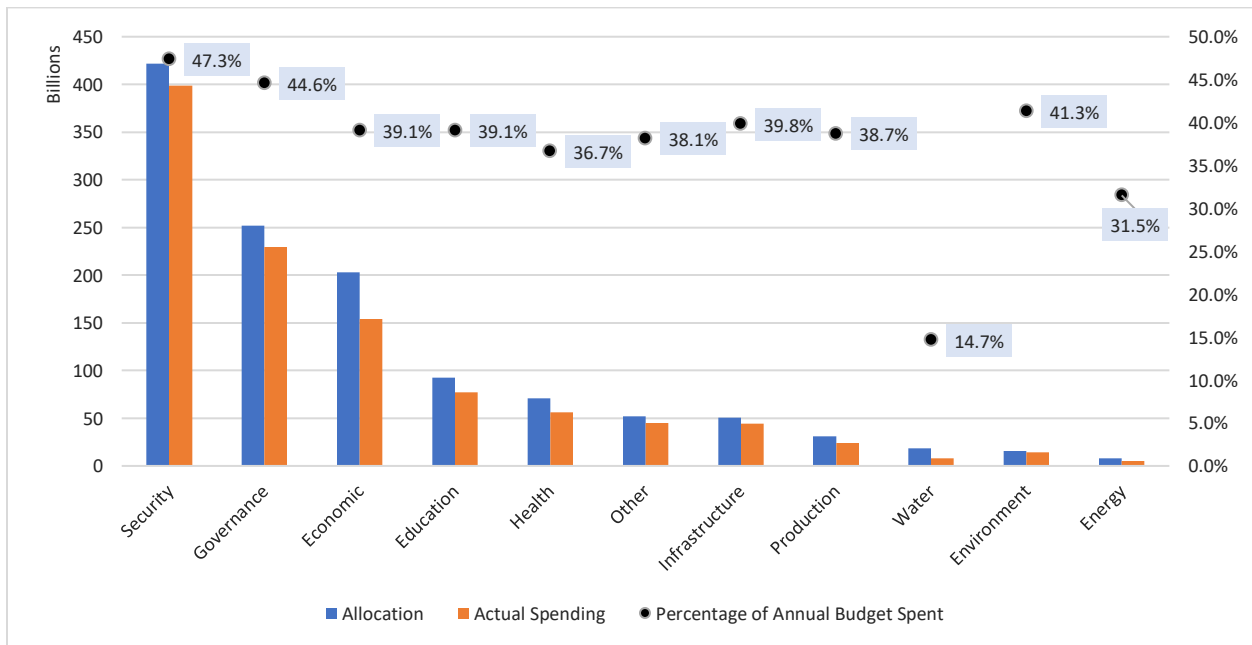
**Figure 13:** Total spending per quarter in 2019-2022, Billion SLSh



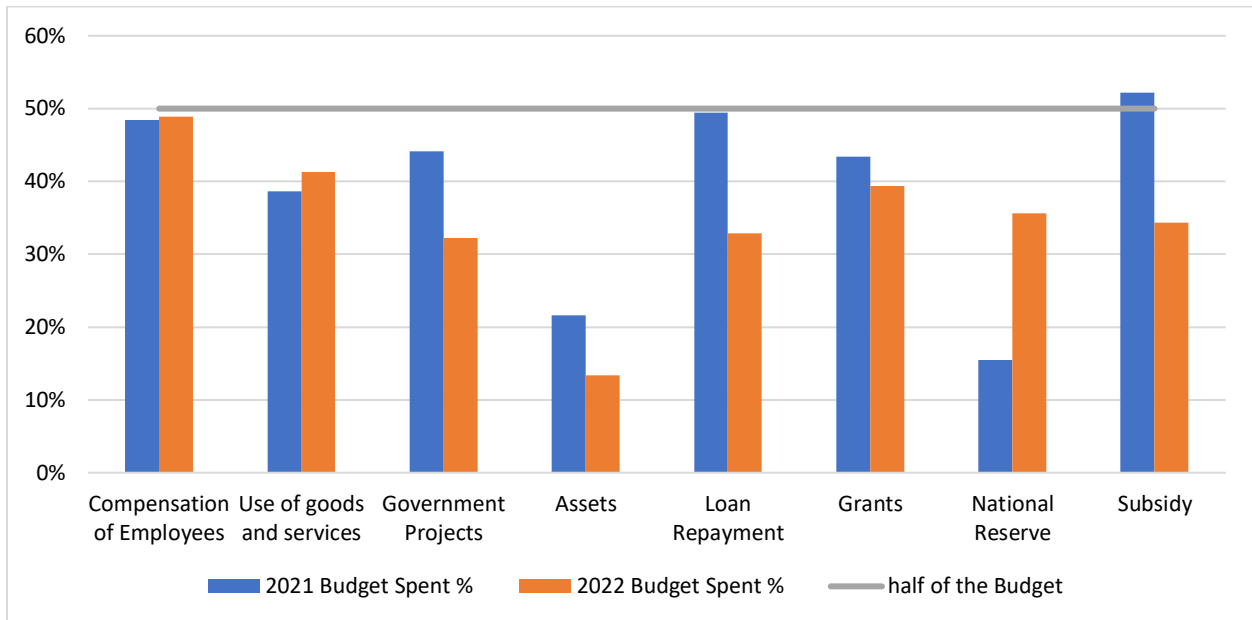
**Figure 14:** Expenditure performance (excl. WB grants) by Chapter between Jan-June 2022, Billions SLSH



**Figure 15:** Expenditure performance (excl. WB grants) by Sector between Jan-June 2022, Billion SLSH



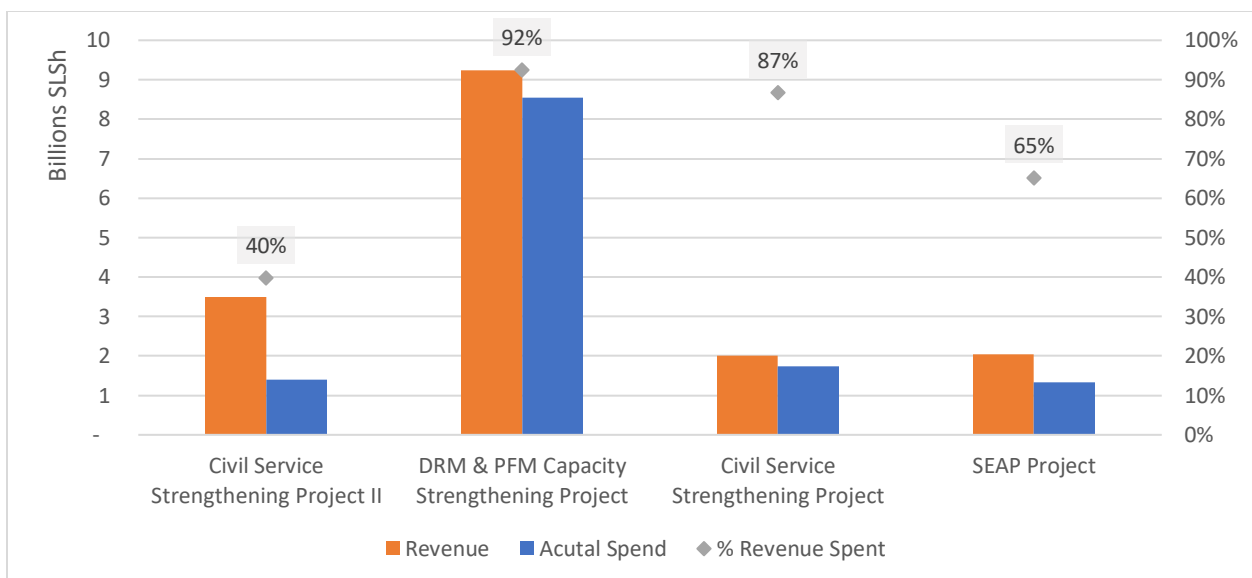
**Figure 16:** Spending as % of budget by chapter in the first half of 2021 and 2022



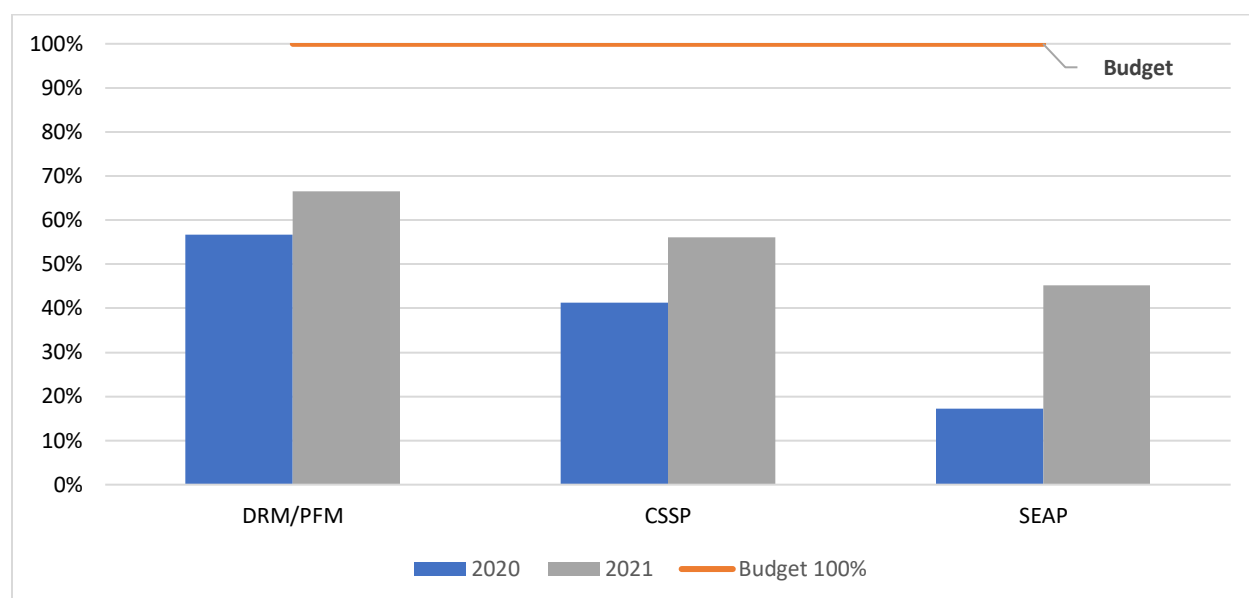
#### 2.3.4. World Bank Funded Projects

While domestic revenue mobilization and actual expenditure from the general government fund have seen significant improvements in the past few years, budget execution on the World Bank funded projects has remained well below target. In the first half of 2022, the government received 16.8 billion SLSh and spent 12.9 billion SLSh on the DRM/PFM, CSSP, CSSPII and SEAP projects—representing a 23% underspend. As shown in figure 18, low budget execution on these projects has historically been the case. High value assets and services which takes time to procure, continue to be the biggest stumbling block on these projects. Given the expected agreement over a next phase of funding from the World Bank, addressing these obstacles should be a priority in order to capitalize on this external funding.

**Figure 17:** Revenue and expenditure on the WB funded projects between Jan-June 2022, Billion SLSh



**Figure 18:** Expenditure as a % of approved annual 2020 and 2021 budget



### 3. Medium-Term Macroeconomic Outlook

**Somaliland’s revenue collections have been very resilient in the face of recent shocks as discussed earlier, with revenues exceeding target in 2021—thanks in particular to the many reforms implemented to date.** In forecasting government revenue over the medium-term, the Ministry of Finance Development considers the trend, recent developments, and outlook in the next three years for a set of core macroeconomic indicators for Somaliland.

Having recorded the fastest growth rate in the last decade in 2021, economic shocks earlier this year look set to put a dent on this. Given continued uncertainty and limited data, policymakers in Somaliland will continue to consider scenarios rather than linear forecasts. To facilitate informed planning and budgeting decisions in the near term, this section considers two scenarios for each of the key macroeconomic indicators used to forecast revenues in Somaliland. The two scenarios are defined as follows:

- An **optimistic outlook** assumes a less pronounced supply shock from the fire at the Waheen Market given the strong response from local and international donors and from targeted fiscal policies (e.g., tax exemptions). Moreover, a significant increase in livestock export and continued inflow of remittances are set to spur private consumption and investment. This, coupled with a continued increase in government spending (i.e., development spending) should collectively offset the supply shock, leading to higher output.
- A **conservative outlook** assumes that the expected increase in aggregate demand is not as pronounced but still high enough to offset the impact of the supply shock on output.

The following sub-sections review how key macroeconomic indicators develop over the medium term in light of these two scenarios.

### 3.1. Gross domestic product (GDP)

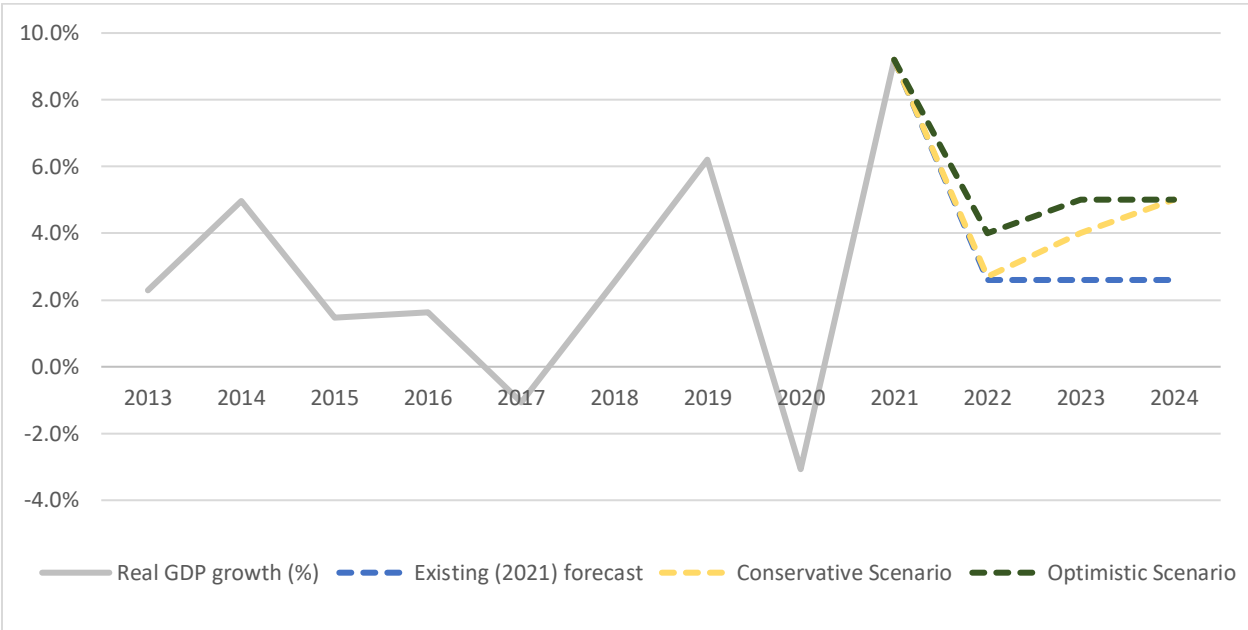
In light of the lingering impacts of the covid-19 pandemic and the war in Ukraine, recent growth updates from the International Monetary Fund and the World Bank show downward revisions on growth prospects for the medium-term. Whereas the World Bank and the IMF estimates vary to some degree, they are consistent in their expectation that African economies in general will see a slowdown in growth in 2022 and 2023 following a fairly strong recovery in 2021 – as shown in Table 7 below. Sub-Saharan African economies are expected to grow by 3.7-3.8% in 2022 and by 3.8-4.0% in 2023, slower than the estimated 4.2-4.5% growth rate in 2021.

**Table 7:** Range of short-term growth forecasts for Sub-Saharan Africa from World Bank and IMF

	2020	2021e	2022f	2023f
World Bank	-2.0%	4.2%	3.7%	3.8%
IMF	-1.7%	4.5%	3.8%	4.0%

The latest GDP figures from the Ministry of National Planning & Development indicate a strong recovery of the Somaliland economy in 2021 at 9.2%, up from the -3.2% contraction in 2020. Based on these and current outturns, the Ministry of Finance projects a slower growth in output in the medium-term. Under an optimistic scenario, growth in 2022 is projected at 4% before increasing to 5% in 2023 and 2024; while under a conservative scenario, growth slows to 2.7% in 2022, before rising to 4% and 5% in 2023 and 2024, respectively.

**Figure 19:** GDP growth trend and medium-term scenarios (constant prices)



**Table 8:** Medium-term scenarios for Somaliland’s economic growth

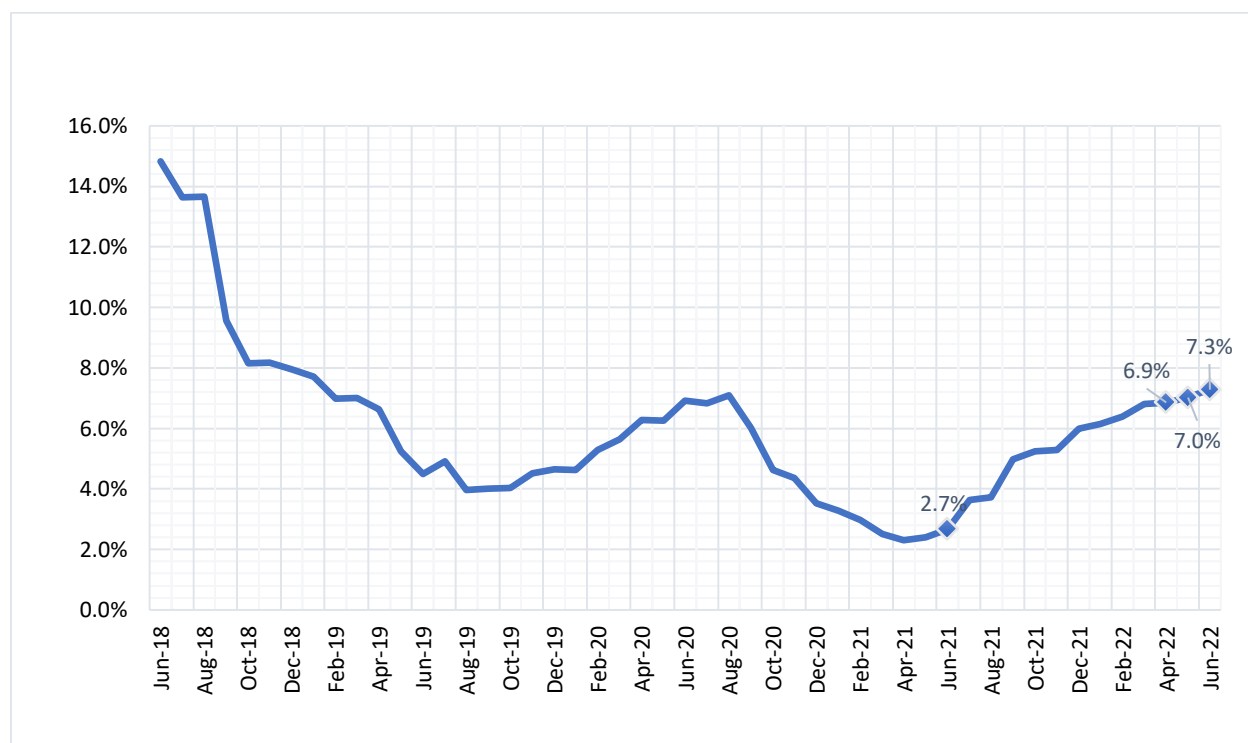
Scenarios		2019a	2020a	2021a	2022f	2023f	2024f
Existing forecast					2.6%	2.6%	2.6%
Scenario 1 (optimistic)	GDP (USD m)	2,346	2,274	2,483	2,550	2,652	2,785
	GDP growth (%)	6.2%	-3.1%	9.2%	4.0%	5.0%	5.0%
Scenario 2 (conservative)	GDP (USD m)	2,346	2,274	2,483	2,583	2,712	2,847
	GDP growth (%)	6.2%	-3.1%	9.2%	2.7%	4.0%	5.0%

Source: MoNPD data, MOFD estimates

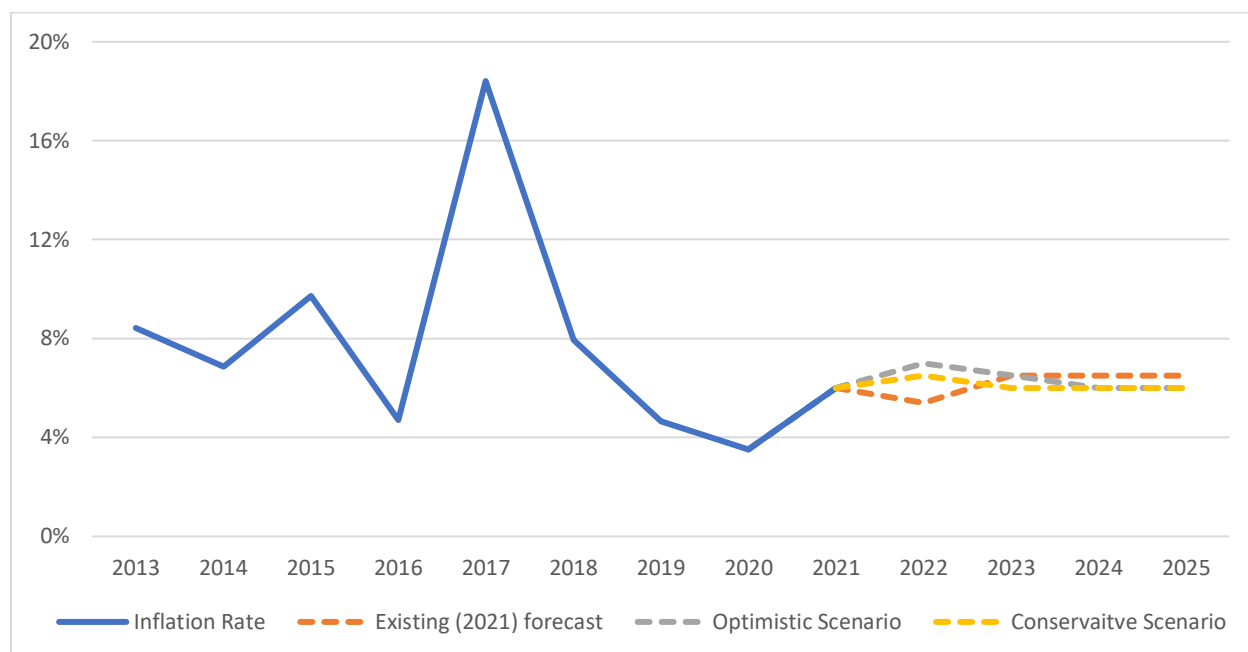
### 3.2. Inflation

Average prices in Somaliland have been trending upward since June 2021, averaging around 5.8% year-on-year as shown in figure 20, to a recent level of 7.3% in June 2022. The recent spike in average prices—namely energy prices—are spill-over effects of the war in Ukraine and to some extent an impact of the Waheen Market fire in Hargeisa. These high price levels are expected to linger in the current context in Somaliland, with the MoFD projecting a 7% inflation rate under the optimistic scenario, before slowing to 6.5% and 6.0% in 2023 and 2024, respectively. Under the conservative scenario, average prices are expected to increase at a slightly slower rate in 2022 by 6.5% and then by 6.0% in 2023 and 2024.

**Figure 20:** Inflation rate trend, Jan 2018 – June 2022



**Figure 21:** Inflation rate trend and medium-term scenarios



**Table 9:** Medium-term scenarios for price levels in Somaliland

Scenarios	2020a	2021a	2022f	2023f	2024f
<b>Existing forecast</b>			<b>5.4%</b>	<b>6.5%</b>	<b>6.5%</b>
<b>Scenario 1 (optimistic)</b>	3.5%	6.0%	7.0%	6.5%	6.0%
<b>Scenario 2 (conservative)</b>	3.5%	6.0%	6.5%	6.0%	6.0%

\* a = actual, f = forecasted

### 3.3. Exchange rate

Though the exchange rate of the Somaliland Shilling (SLSh) to the United States dollar (USD) has remained remarkably stable since early 2018, there continues to be a difference between the rate used by the Government to develop the budget and convert various prices (currently at 7,000 SLSh to 1 USD), and the market exchange rate (currently at approximately 8,500 SLSh to 1 USD). In recent years, the Government and Bank of Somaliland have not only successfully appreciated the currency, but sought to gradually close the gap between the official and parallel market rates. The exchange rate continues to have a close relationship with the inflation rate: a higher target or ‘budget’ rate set by the Government or Bank will likely lead to higher price levels. The market exchange rate is currently forecast at 8,500 SLSh/USD as set by the Bank of Somaliland—with small depreciations expected given the upward trend in the inflation rate.

### 3.4. Trade

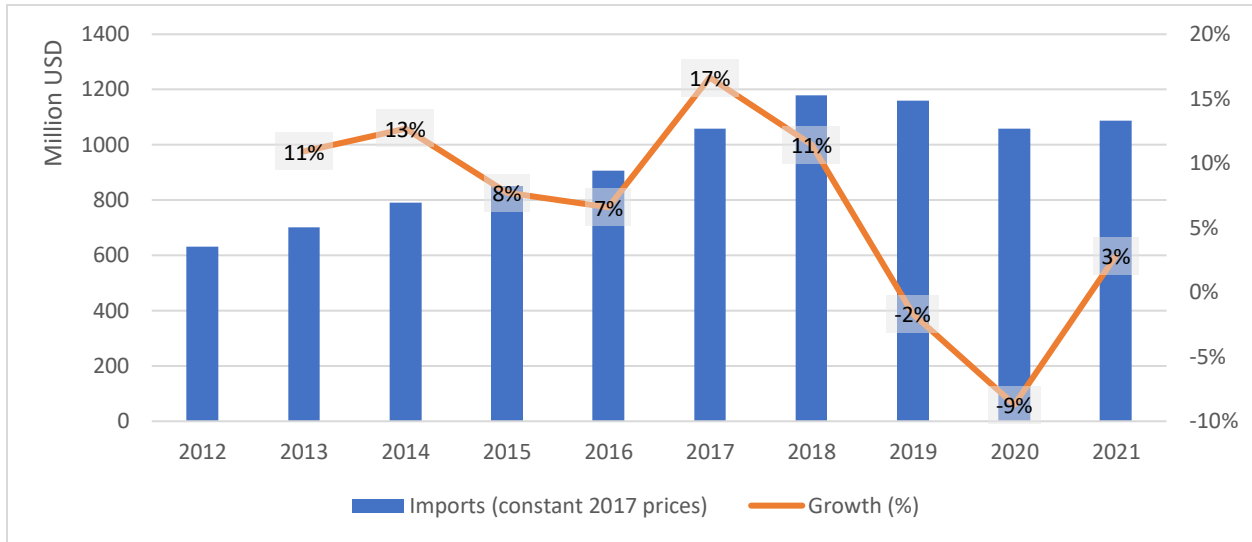
#### 3.4.1. Import

Following decreases in the real value of imports in 2019 and 2020 by 2% and 9% respectively, imports grew by 3% in 2021. Developing suitable estimates for the growth of imports is however not straightforward: the quality and availability of trade statistics in Somaliland is still low. The Ministry

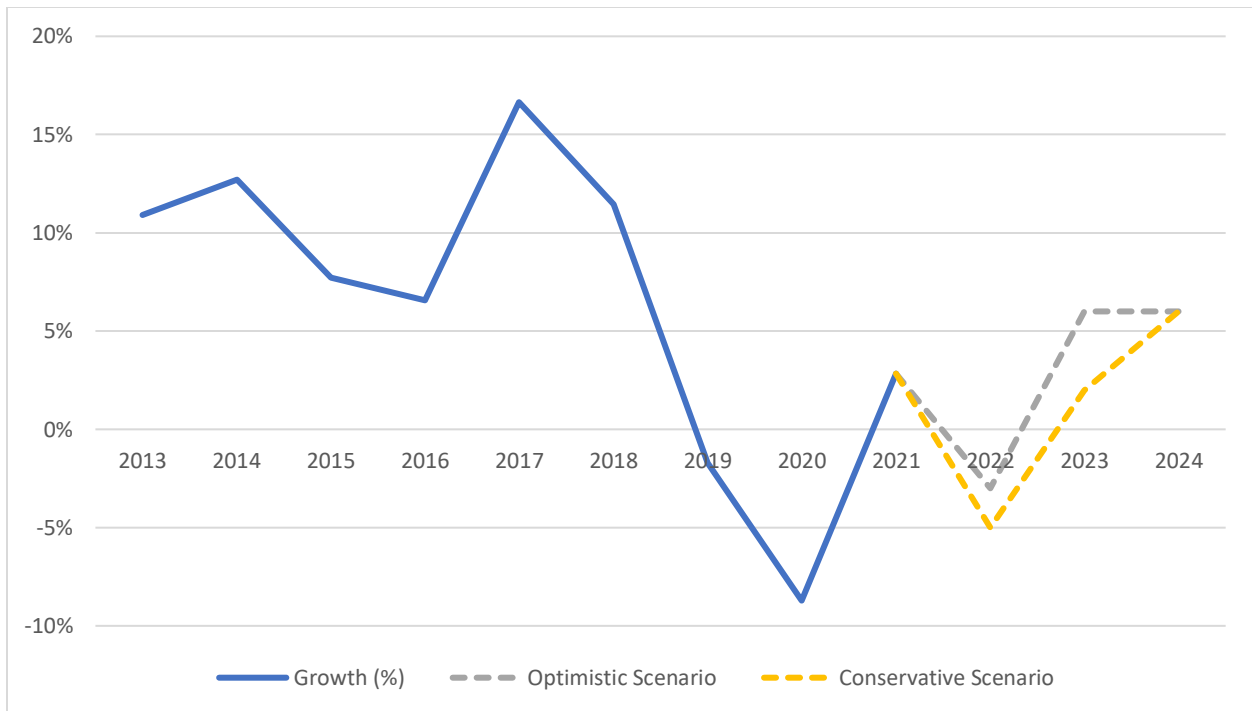


expects that the reported value of total imports to decrease in 2022. This is mainly informed by the recent increase in the price of khat export from Ethiopia which has so far resulted in significantly less khat imports. While the need to replace the goods lost during the Waheen Market fire is expected to increase import demand, higher prices of imported goods should offset this. In the optimistic scenario, imports are forecast to decrease by 3% in 2022, before growing at trend level in the medium-term, around 6%. In the conservative scenario, higher cost of imports is projected to decrease imports by 5% in 2022, before growing in 2023 and 2024 by 2% and 6% respectively.

**Figure 22:** Imports of Goods and Services (constant 2017 prices), millions USD and YoY (%), 2012- 2021



**Figure 23:** Trend and medium-term scenarios for the growth in the value of imports into Somaliland



**Table 10:** Medium-term scenarios for the growth in the total value of imports to Somaliland

Scenario	2019a	2020a	2021a	2022f	2023f	2024f
<b>Growth (%)</b>	-2%	-9%	3%			
<b>Scenario 1 (optimistic)</b>				-3.0%	6.0%	6.0%
<b>Scenario 2 (conservative)</b>				-5.0%	2.0%	6.0%

\* a = actual, f = forecasted

### 3.4.2. Exports

Based on estimations from the Ministry of National Planning and Development, the growth rate of Somaliland’s total exports (real value) has mirrored the growth rate in the volume of livestock exports as shown in figure 24 below. For example, recent figures for the export of goods and services from Somaliland decreased by 23% in 2020 before increasing by 28% in 2021. On the other hand, the volume of livestock exports decreased by 33% in 2020 before increasing by 56% in 2021. Based on this strong correlation, trends in the volume of livestock exports up to June 2022 along with recent developments (i.e., the resumption of the Hajj) are used to forecast total exports for the medium-term. Under an optimistic scenario, the MoFD projects a 21% increase in exports in 2022, before returning to trend at 14%<sup>3</sup> in 2023 and 2024. Under a conservative scenario, exports are projected to grow at trend level in the medium-term.

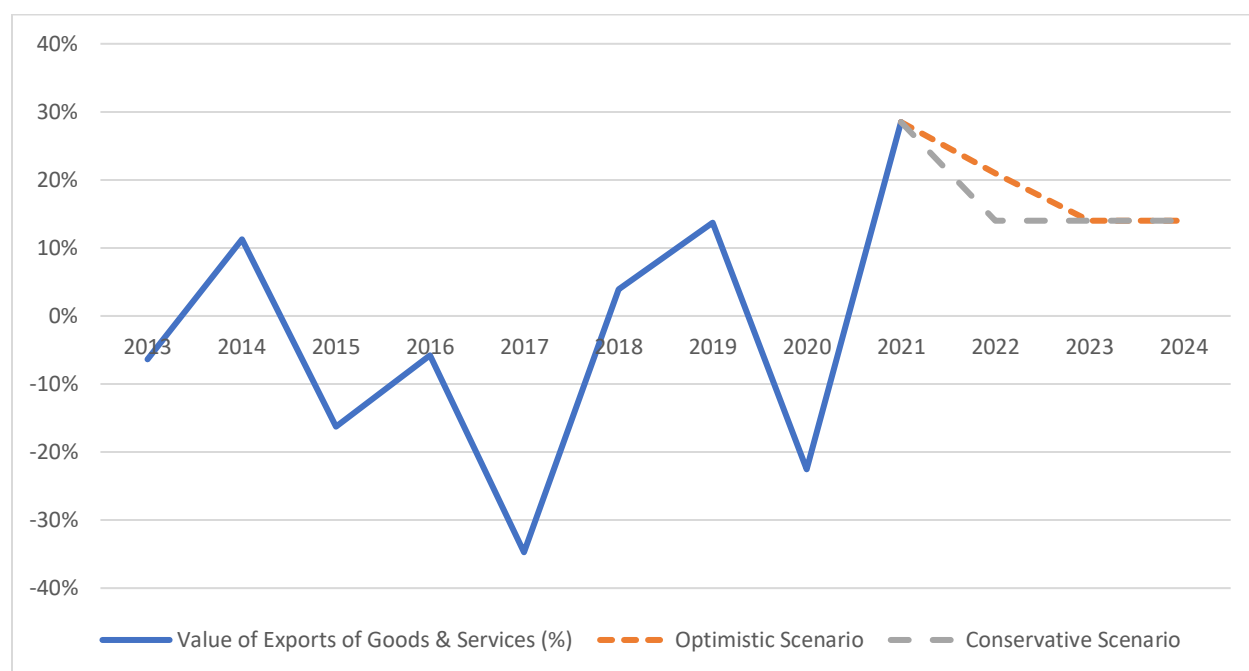
**Figure 24:** Exports of Goods & Services (constant 2017 prices), millions USD and YoY (%), 2012-2021



Source: Data from the MoNPD’s 2021 GDP report

<sup>3</sup> Trend excludes outliers (e.g., cancellation of the hajj in 2020 to non-Saudi residents, livestock export ban in 2017, etc.).

**Figure 25:** Medium-term scenarios for livestock export levy collections in Somaliland



**Table 11:** Medium-term scenarios for the growth of Exports

Scenario	2019a	2020a	2021a	2022f	2023f	2024f
<b>Growth (%)</b>	14%	-23%	28%			
<b>Scenario 1 (optimistic)</b>				21%	14%	14%
<b>Scenario 2 (conservative)</b>				14%	14%	14%

## 4. Fiscal Outlook over the Medium-term

### 4.1. Initial Revenue estimates for FY2022-2024

**The Ministry has taken an optimistic outlook in drawing up the initial forecasts for Government revenue collections over the medium term.** Officials have largely used the indicators under Scenario 1 outlined in Section 3 above. The macroeconomic indicators selected for the 2022-24 Medium-term Fiscal Framework are summarized in Table 12 below.

**Table 12:** Selected macroeconomic indicators for MFF 2022-24

	2022 forecast	2023 forecast	2024 forecast
<b>GDP (% annual growth, constant prices)</b>	4.0%	5.0%	5.0%
<b>Inflation (% CPI growth)</b>	7.0%	6.5%	6.0%
<b>Import growth (% increase in total value)</b>	-3.0%	6.0%	6.0%
<b>Exports (%)</b>	21%	14%	14%

**Based on the selected macroeconomic parameters above, forecasted collections for 2023 are 2,467 billion SLSh, as per the table below. This is approximately 4% higher than the revised estimates for the**

current fiscal year, and reflects that the Government of Somaliland will continue its impressive year-on-year increases in revenue collections. Current trends and scenarios will continue to be monitored, and assumptions updated based on how the key macro indicators for Somaliland evolve during 2022. Notably, the two scenarios will be reviewed in detail following the reporting of August trade and revenue data – this will indicate the extent to which livestock exports and imports have or have not materialized and give a clearer picture of estimated revenues for 2022 as well as prospects for 2023 and beyond.

**Table 13:** Medium-term government collections by revenue category, optimistic scenario, in SLSh

Description	2022 Projected Estimate	2022 Revised	2023 Forecast	2024 Forecast
Income and profits	52,874,027,856	42,757,359,317	44,467,653,690	47,580,389,448
Payroll and workforce	122,276,223,424	135,338,494,717	140,752,034,506	150,604,676,921
Goods and Services	804,664,152,211	845,173,957,511	878,980,915,812	940,509,579,918
International Trade	1,185,087,774,357	1,117,301,449,747	1,161,993,507,736	1,243,333,053,278
Other Taxes	104,425,929,707	102,903,484,785	107,019,624,177	114,510,997,869
Other Revenue	141,124,786,780	128,561,577,857	133,704,040,972	143,063,323,840
<b>TOTAL</b>	<b>2,410,452,894,335</b>	<b>2,372,036,323,934</b>	<b>2,466,917,776,893</b>	<b>2,639,602,021,274</b>
<b>% Growth</b>	11%	-2%	4%	7%

*\*Excludes grants from the World Bank.*

#### 4.1.1. Additional Revenue raising measures for the Medium-Term

Most provisions of the Revenue Act 2016 have at present been introduced. Revenue collections and compliance are gradually improving, notably for core domestic taxes. The scope for expanding the tax base is limited: most taxes are already being collected, and the Ministry is aware that introducing further taxes, or increasing rates from their current low rates, will disproportionately increase the tax burden on vulnerable citizens and businesses, at a time when livelihoods are recovering from the effects of the COVID-19 pandemic, Waheen Market fire and inflationary pressures. **The greatest scope for revenue gains continues to be improving taxpayer compliance, both voluntary and enforced.**

With the revenue-to-GDP ratio expected to reach 11% by the end of 2023, and only breach the recommended 14% threshold sometime in the 2030's, further reforms are needed in order to sustainably and equitably grow revenue collections in coming years. Of the seven strategic targets noted in the Tax Policy Strategy 2021-25, it is proposed to **focus on reducing the compliance burden; improving citizens' perceptions of tax, and creating a sound and buoyant tax system in 2023**. A few targeted measures are being explored to improve and increase collections in 2023, in a way that will support the most vulnerable citizens and businesses. These include:

1. Improving the tax compliance and enforcement;
2. Improving the collections through broadening the base of taxpayers and Implementing the Withholding Tax;
3. Enforcing monthly filing for the employment income and Goods and Services Taxes;
4. Strengthening and supporting the enlargement strategy of the customs collections especially the eastern regions;
5. Utilizing the newly elected councils to strengthen the IRD taxes collected by Local governments;

6. Using the head counting registration system to increase business, payroll and rentals income tax collections;
7. Implementing the enacted penalties and stamp duties (With tickets) and ensuring that each IRD office meets its revenue collection targets.
8. Implementing Goods and Services Taxes in factories productions,
9. Installing GST (Goods and Services Tax) devices in medium and large business establishments, telecoms, electricity etc. to collect goods and services tax (GST) at the point of sale;
10. Implementing amended Revenue Act provisions and enforcing the tax laws fully.

#### 4.2. Expenditure Priority guidelines for 2023 Budget

While awaiting the upcoming NDPIII, the government will continue to prioritize the following nine objectives in the budgets for the coming years.

1. Encouraging employment, particularly of young people;
2. Promoting domestic food production;
3. Protecting local industries;
4. Improving balance of payments;
5. Stabilizing prices and foreign exchange;
6. Ensuring security and justice;
7. Ensuring free and fair elections;
8. Improving access to basic social services – water, health & education;
9. Protecting the environment.

In addition to these broad objectives, the following expenditures have been identified as priorities in the 2023 budget.

<b>WASH</b>
-------------

37 billion SLSh to be allocated to the WASH sector to fund water projects and to increase the share of the annual budget allocated to the sector by 2% (i.e., from 2% to 4%)
--

<b>PRODUCTION</b>
-------------------

36 billion SLSh to be allocated to the Production sector to fund food production projects and to increase the share of the annual budget allocated to the sector by 1% (i.e., from 3% to 4%)
--

<b>EDUCATION</b>
------------------

38 billion SLSh to be allocated to the education sector to fund vocational schools and to increase the sector's share of the annual budget by 1% (i.e., from 9% to 10%).
--

<b>ENVIRONMENT</b>
--------------------

14 billion SLSh to be allocated to the environment sector for the maintenance of seasonal range reserves and for reforestation
--

<b>CONTINGENCY FUND</b>
-------------------------

26.2 billion SLSh to be transferred to the contingency fund and ensure its share of the budget is 2% in 2023
--

<b>JUDICIARY</b>
------------------

5 billion SLSh to be allocated to support judicial agencies (e.g., lower courts) in procuring office equipment and vehicles.
--

While investment priorities are set to remain unchanged, the short-term focus (i.e., in the remainder of 2022 and 2023) should be in improving the performance of spending (i.e., by better targeting and allocating resources) in meeting citizen’s needs within the required timeframe.

### 4.3. Ceilings for the 2023 budget and tentative estimates for 2024

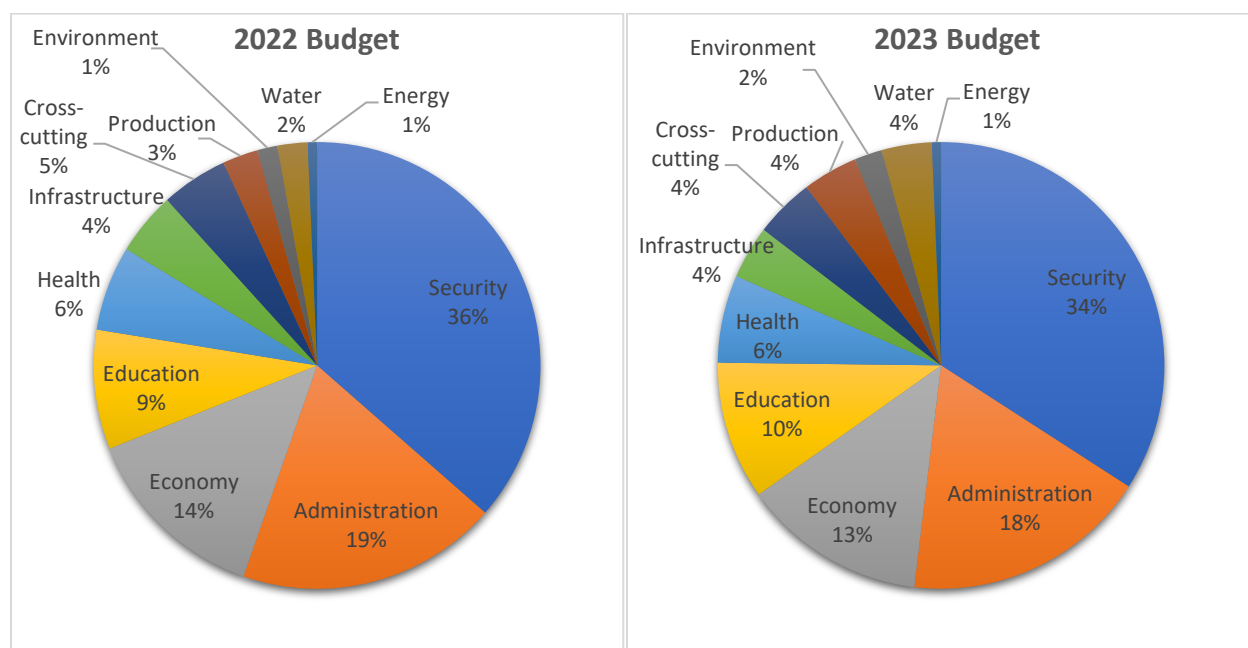
Based on the Budget Policy Committee’s guidelines, the Budget and Planning department has prepared the following sectoral ceilings for the 2023 and 2024 budgets. Compared to the current budget (excl. the supplementary budget), these ceilings highlight noticeable increases in the budget allocated to the Wash, Environment, Education, and Production sectors.

**Table 14:** Proposed Budget ceilings by Sector, SLSH

Sector	2022 Original Budget*	2023 Budget forecast	2024 Budget forecast
<b>Security</b>	878,788,036,702	841,788,036,702	900,713,199,271
<b>Administration</b>	455,329,949,430	439,001,365,591	478,826,461,182
<b>Economy</b>	327,436,960,872	327,436,960,872	350,357,548,133
<b>Education</b>	208,332,601,651	246,741,973,103	264,013,911,220
<b>Health</b>	148,080,068,154	156,580,068,154	158,445,672,925
<b>Infrastructure</b>	109,950,219,046	94,950,219,046	101,596,734,379
<b>Cross-cutting</b>	116,384,533,595	106,384,533,595	113,831,450,947
<b>Production</b>	62,305,448,134	98,676,711,076	105,584,080,851
<b>Environment</b>	34,882,128,195	49,344,960,198	52,799,107,411
<b>Water</b>	52,638,277,503	89,688,277,503	95,966,456,928
<b>Energy</b>	16,324,671,053	16,324,671,053	17,467,398,027
<b>Grand Total</b>	<b>2,410,452,894,335</b>	<b>2,466,917,776,893</b>	<b>2,639,602,021,275</b>
<b>YoY (%)</b>	15%	2%	7%

\*Excluding the supplementary budget approved in the first half of 2022

**Figure 26:** 2022 Budget Allocation (left) and 2023 Ceilings (right) as % of Annual Budgets by Sector, SLSH



#### 4.4. Measures to improve fiscal management and/or enhance service delivery in the next three years

The Ministry of Finance Development continues to make progress with its reform agenda. Key measures currently in the pipeline include:

##### **a) Cash Management Policy (CMP) and the Treasury single account (TSA)**

A TSA framework has been conceptualized and designed by the Accountant General's Office that will be operationalized alongside the Cash Management Policy in the next three years. The Cash Management policy and the TSA are complementary in that they help the government efficiently manage financial inflows and outflows. The CMP will ensure that the MoFD is using the most economical and effective cash flow techniques in financing government operations. The TSA on the other hand will consolidate all the government's cash balances into a single account at the Bank of Somaliland. This will allow the ministry to have a clear view and understanding of the government's cash inflows and outflows and in the process, help minimize the volume of idle balances in the banking system.

##### **b) Introducing Performance and Program-Based Budgeting (PPBB)**

The MoFD is currently laying the groundwork for the gradual transition to program and performance-based budgeting. Performance and program-based budgeting will ensure that budget information and decisions are structured around the objectives that the government wants to achieve rather than for line item—as is currently the case. Furthermore, spending allocations will be made based on the results that can/should be achieved, using performance data and information to track this. Introducing PPBB will help decision makers allocate resources to priority objectives (e.g., based on key NDPII sectors) and compare costs and benefits of funding different priorities. This will ensure that funding is directed towards programs that will generate the highest social-economic return to investment; it will improve the effectiveness and efficiency of service delivery and will enhance project ownership and accountability.

## 5. Appendix

### Appendix 1: Revenue collection, Jan – June 2022 (SLSh)

CODE	DESCRIPTION	Budget Forecast (annual)	Budget Forecast (to date)	Actual revenue collection (to date)	Difference	%
1110105	Tax on housing benefits	17,265,335,995	8,632,667,998	9,702,672,082	1,070,004,085	12%
1110201	Tax on business income	35,443,184,694	17,721,592,347	18,290,142,472	568,550,125	3%
1110203	Withholding Tax (corporations & other enterprises)	165,507,167	82,753,584	114,889,122	32,135,539	39%
1120101	Taxes on payroll of civilian workers	45,884,717,701	22,942,358,851	23,605,291,838	662,932,988	3%
1120102	Taxes on payroll of public service	72,164,945,004	36,082,472,502	36,395,248,250	312,775,748	1%
1120103	Taxes on payroll of Local Governments employees	2,259,571,428	1,129,785,714	2,316,760,284	1,186,974,570	105%
1120104	Taxes on payroll of Enterprises employees	1,966,989,291	983,494,646	1,295,263,655	311,769,010	32%
1140301	Tax on goods and services (GST)	307,547,982,843	153,773,991,422	152,356,210,392	-1,417,781,030	-1%
1140501	Excise on goods, vehicles, tobacco, cosmetics, non-alcoholic beverage	38,664,481,505	19,332,240,753	9,609,513,303	-9,722,727,450	-50%
1140804	Landing fees	4,287,352,892	2,143,676,446	2,839,585,000	695,908,554	32%
1140805	Airport service charges	794,089,554	397,044,777	527,156,000	130,111,223	33%
1140806	Advertisement income	2,387,845,231	1,193,922,616	659,676,117	-534,246,499	-45%
1140807	Other income from Posts & Telecom.	7,507,049,287	3,753,524,644	3,865,750,000	112,225,357	3%
1140808	Business licenses & permits	20,192,489,136	10,096,244,568	7,808,922,496	-2,287,322,072	-23%
1140809	Work Permits (for foreigners)	2,142,948,981	1,071,474,491	2,183,300,000	1,111,825,510	104%
1140813	Agricultural licenses	230,691,295	115,345,648	93,340,975	-22,004,673	-19%
1140814	Fisheries licences/fees	2,085,630,931	1,042,815,466	775,897,000	-266,918,466	-26%
1140815	Mining licenses/permits	1,074,009,762	537,004,881	372,444,370	-164,560,511	-31%
1140816	Property tax registration	22,511,962,339	11,255,981,170	13,702,387,786	2,446,406,617	22%
1140817	Registration tax in ships and boats	243,673,996	121,836,998	111,100,000	-10,736,998	-9%
1140818	Registration tax for contracts	55,353,061,903	27,676,530,952	22,993,986,925	-4,682,544,027	-17%
1140819	Income permits for use of coastal waters	0	0	0	0	0%
1140820	Livestock holding ground fees	612,900,925	306,450,463	101,338,041	-205,112,422	-67%
1140821	Administration tax	118,127,060,845	59,063,530,423	57,638,751,539	-1,424,778,884	-2%
1140822	Ports royalty fees/income	38,712,390,436	19,356,195,218	21,351,431,537	1,995,236,319	10%
1140902	Stamp duty	100,469,035,771	50,234,517,886	52,012,989,446	1,778,471,560	4%
1140903	Income from stamps	1,734,478,082	867,239,041	735,074,104	-132,164,937	-15%
1140904	Road tax	8,515,393,720	4,257,696,860	4,268,134,000	10,437,140	0%
1140905	Road Development tax	19,394,101,087	9,697,050,544	5,651,260,000	-4,045,790,544	-42%
1140906	Fuel tax (levy)	32,207,790,851	16,103,895,426	14,499,125,765	-1,604,769,661	-10%
1140907	Road tax / levy	1,345,134,244	672,567,122	626,523,000	-46,044,122	-7%
1140908	Levy on fuel (entering the country overland)	3,216,325,657	1,608,162,829	893,788,000	-714,374,829	-44%
1140910	Other tax arrears	325,734,314	162,867,157	205,614,946	42,747,789	26%
1140911	Livestock export levy	9,791,766,666	4,895,883,333	6,235,993,000	1,340,109,667	27%
1140912	Tax on transport licenses	523,247,782	261,623,891	289,847,290	28,223,399	11%
1140909	Levy on khat imports	14,457,288,842	7,228,644,421	4,711,796,235	-2,516,848,186	-35%



1150101	Taxes on imports	1,011,598,891,045	505,799,445,523	442,701,478,649	-63,097,966,874	-12%
1150201	Taxes on exports	859,147,740	429,573,870	951,358,701	521,784,831	121%
1150202	Livestock Export taxes	59,980,220,094	29,990,110,047	43,563,758,000	13,573,647,953	45%
1150601	Port taxes	102,857,748,812	51,428,874,406	49,065,836,377	-2,363,038,029	-5%
1160101	Miscellaneous taxes	106,740,080	53,370,040	56,035,000	2,664,960	5%
1160201	2% tax in Eastern Regions	104,319,189,627	52,159,594,814	47,906,280,163	-4,253,314,651	-8%
1310101	Current grants from foreign governments	0	0	0	0	0%
1320101	Current grants from international institutions	3,850,000,000	1,925,000,000	2,509,435,604	584,435,604	30%
1330201	Income from local government supplement	0	0	0	0	0%
1415001	Port rental fee	35,000,000,000	17,500,000,000	17,500,000,000	0	0%
1415002	Income from rent-houses \$ stores	352,101,347	176,050,674	224,542,000	48,491,327	28%
1415004	Berbera oil terminal rent	0	0	0	0	0%
1420104	Income from sales of national resources	519,395,081	259,697,541	122,151,400	-137,546,141	-53%
1420105	Income from sale of real estate	36,237,990	18,118,995	3,150,000	-14,968,995	-83%
1420201	Court earnings	4,746,387,738	2,373,193,869	3,007,881,325	634,687,456	27%
1420202	Income from public Notaries	419,373,753	209,686,877	239,888,000	30,201,124	14%
1420203	Health Provisions licenses	654,085,000	327,042,500	279,710,000	-47,332,500	-14%
1420204	inspection of foods and goods	2,800,000,000	1,400,000,000	0	-1,400,000,000	-100%
1420205	0	800,000,000	400,000,000	378,000,000	-22,000,000	-6%
1420206	Passport sales fee	1,577,143,200	788,571,600	1,209,880,000	421,308,400	53%
1420207	Entry fee at airport (foreigners)	20,269,868,813	10,134,934,407	10,846,502,500	711,568,094	7%
1420208	Income from inspection of Covid-19	19,723,675,536	9,861,837,768	6,270,131,530	-3,591,706,238	-36%
1420209	Transit tax	5,107,049,199	2,553,524,600	1,651,321,000	-902,203,600	-35%
1420210	Income from vehicles license plate No.	15,499,680,577	7,749,840,289	6,052,440,000	-1,697,400,289	-22%
1420211	Driving licenses	3,250,116,351	1,625,058,176	1,928,630,000	303,571,825	19%
1420212	International and Local organization licenses	710,000,000	355,000,000	585,730,000	230,730,000	65%
1420213	Entrance/exit fee for national passport	23,795,220	11,897,610	18,210,000	6,312,390	53%
1420214	Visas for foreign passports	7,500,000,000	3,750,000,000	4,573,429,000	823,429,000	22%
1420215	Airport parking	0	0	0	0	0%
1420216	Vehicle registration	7,499,804,033	3,749,902,017	3,084,150,000	-665,752,017	-18%
1420217	Embarcation fees for foreigners	271,694,547	135,847,274	209,930,000	74,082,727	55%
1420218	Navigation fee	1,435,745,641	717,872,821	1,259,090,000	541,217,180	75%
1430101	Prison sentences buying	489,880,804	244,940,402	317,820,000	72,879,598	30%
1430102	Penalties	8,588,751,950	4,294,375,975	7,503,008,758	3,208,632,783	75%
	<b>TOTAL</b>	<b>2,410,452,894,335</b>	<b>1,205,226,447,168</b>	<b>1,132,451,547,373</b>	<b>(72,774,899,795)</b>	<b>-6%</b>

## Appendix 2: Aid Disbursements by Organization in 2019 & 2020

<b>Organization</b>	<b>2019</b>	<b>2020</b>	<b>YoY %</b>	<b>Share of 2020</b>
<i>Care International Somaliland</i>	14,513,983	14,973,686	3%	15%
<i>Save the Children International (SCI)</i>	11,105,773	11,433,440	3%	11%
<i>World Vision International</i>	11,969,820	8,288,491	-31%	8%
<i>Norwegian Refugee Council - NRC</i>		7,418,243		7%
<i>Trademark</i>	7,330,000	5,912,000	-19%	6%
<i>Oxfam Novib</i>	3,663,087	4,910,940	34%	5%
<i>SRCS Somaliland</i>	4,004,764	4,309,351	8%	4%
<i>Médecins Sans Frontières</i>	2,342,668	3,879,569	66%	4%
<i>Agency for Technical Cooperation &amp; Development (ACTED)</i>	4,332,000	3,358,316	-22%	3%
<i>RTI International (GEEL)</i>		3,175,833		3%
<i>Danish Refugee Council (DRC)</i>	2,606,979	2,841,732	9%	3%
<i>Concern Worldwide</i>	3,899,687	2,826,249	-28%	3%
<i>One Earth Foundation</i>		2,456,713		2%
<i>WELTHUNGERHILFE (WHH)</i>	2,400,243	2,394,321	0%	2%
<i>SOS Children's Villages Somaliland</i>	1,563,309	2,106,184	35%	2%
<i>Nordic International Support Foundation</i>	348,000	1,726,922	396%	2%
<i>Qatar Charity</i>	923,933	1,600,000	73%	2%
<i>The Pharo Foundation</i>	1,372,723	1,540,413	12%	2%
<i>AL-Maktoum Foundation</i>	3,021,236	1,500,000	-50%	1%
<i>ALIGHT - formerly American Refugee Committee</i>	1,628,691	1,479,509	-9%	1%
<i>The Development Fund of Norway</i>	1,572,135	1,395,701	-11%	1%
<i>Action Aid International Somaliland</i>	1,519,563	1,210,530	-20%	1%
<i>Islamic Relief Worldwide</i>	1,495,925	1,043,839	-30%	1%
<i>International Solidarity Foundation</i>	779,779	1,017,606	30%	1%
<i>Handicap International</i>	410,000	753,350	84%	1%
<i>Pact</i>	700,000	700,000	0%	1%
<i>International NGO Safety Organization</i>	674,015	674,015	0%	1%
<i>PLAN International Inc.</i>	442,000	656,145	48%	1%
<i>Veterinaries sans Frontières Germany (VSF-G)</i>	959,864	575,000	-40%	1%
<i>Mines Advisory Group</i>	213,858	515,751	141%	1%
<i>Terre Solidali Onlus</i>	1,511,200	473,684	-69%	0%
<i>Cheetah Conservation Fund</i>	259,475	405,861	56%	0%
<i>Tropical Health &amp; Education Trust</i>	377,024	377,024	0%	0%
<i>Direct Aid Society</i>	347,724	322,460	-7%	0%

<i>Physicians for Social Responsibility Finland</i>	202,594	259,497	28%	0%
<i>Finn Church Aid (FCA)</i>	524,118	254,028	-52%	0%
<i>Hadia Medical Swiss</i>	170,000	250,000	47%	0%
<i>Gruppo per le Relazioni Transculturali (GRT)</i>	257,804	246,970	-4%	0%
<i>Al-Khair Foundation</i>		228,639		0%
<i>BBC Media Action</i>	311,817	201,234	-35%	0%
<i>Somali Fairfishing</i>		200,000		0%
<i>SPARK</i>	739,281	184,617	-75%	0%
<i>PYM Aid</i>	193,050	175,607	-9%	0%
<i>Local Initiatives for Education</i>		150,000		0%
<i>Mercy Corps</i>	563,695	140,004	-75%	0%
<i>International Aid Service (IAS)</i>	155,352	127,981	-18%	0%
<i>Tearfund Germany</i>	343,238	117,878	-66%	0%
<i>American Relief Agency for the Horn of Africa (ARAHA)</i>		99,817		0%
<i>Adventist Development and Relief Agency (ADRA)</i>	1,917,366	83,873	-96%	0%
<i>Africa Educational Trust (AET)</i>	105,600	69,296	-34%	0%
<i>Innovative Humanitarian Solution</i>		30,274		0%
<i>Somaliland Biodiversity Foundation</i>	52,790	29,965	-43%	0%
<i>Rift Valley</i>		11,990		0%
<i>Cooperazione Internazionale</i>	443,041		-100%	0%
<i>Health Poverty Action</i>	5,892,798		-100%	0%
<i>M.ALXADITH</i>	24,000		-100%	0%
<i>Mercy USA for Aid &amp; Development</i>	279,275		-100%	0%
<i>Munazzamat Aldawa Alislamiyya</i>	501,585		-100%	0%
<i>Pastoral &amp; Environmental Network in the Horn of Africa (PENHA)</i>	622,722		-100%	0%
<i>Population Services International - PSI</i>	4,064,443		-100%	0%
<i>Relief International</i>	1,682,414		-100%	0%
<i>Safeworld</i>	539,804		-100%	0%
<i>The Halo Trust</i>	4,574,168		-100%	0%
<i>VNG - International</i>	249,030		-100%	0%
<b>Grand Total</b>	<b>112,699,444</b>	<b>101,114,547</b>	<b>-10%</b>	<b>100%</b>

### Appendix 3: Aid disbursements by sector in 2019 & 2020

<i>Sector</i>	<i>2019</i>	<i>2020</i>	<i>YoY %</i>	<i>Share of 2020</i>	
<i>Economy</i>	\$25,834,330.46	\$30,185,935.79	17%	17%	30%
<i>Education</i>	\$19,490,490.74	\$16,829,066.73	-14%	17%	17%
<i>Health</i>	\$23,459,089.67	\$15,817,408.29	-33%	16%	16%
<i>Other Sectors</i>	\$13,537,163.58	\$12,773,921.90	-6%	13%	13%
<i>Infrastructure</i>	\$7,921,131.76	\$9,637,815.07	22%	10%	10%
<i>Water</i>	\$7,651,637.21	\$6,302,866.83	-18%	6%	6%
<i>Governance</i>	\$7,863,613.37	\$4,229,636.25	-46%	4%	4%
<i>Environment</i>	\$5,849,213.94	\$2,892,163.38	-51%	3%	3%
<i>Production</i>	\$1,092,772.99	\$2,445,732.68	124%	2%	2%
<b><i>Grand Total</i></b>	<b>\$112,699,443.72</b>	<b>\$101,114,546.93</b>	<b>-10%</b>	<b>100%</b>	<b>100%</b>