

Budget and Planning Department

Ministry of Finance Development

Budget and Planning Department



Annual Fiscal Report

2022

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Executive Summary

The resilience of government revenue collection has continued in 2022. Domestic revenue collection was 2.253 trillion SLSh (excl. grants and the supplementary budget). Total revenue collection was 4% or 86 billion more than in 2021 **collection**, mostly as a result of substantial increase in Somaliland's larger aforementioned revenue components. Sales taxes and livestock export taxes were major revenue sources for 2022. Livestock export tax grew by 34% (collecting an additional 17 billion SLSh in 2022) and tax on goods and services (GST), which grew by 5% (or an additional 16 billion SLSh in revenue this year). The first two months saw the lowest monthly revenue collections. Prices for commodities and energy had a negative impact on global trade in 2022. The government's fiscal policies, which included tax exemptions on key imports to help traders and combat rising costs, as well as a decrease in the importation of khat from Ethiopia, had a significant impact on revenues early in the year. Other than that, in terms of achieving revenue targets, the IRD department exceeded its collection target by 4%, or 19 billion SLSh. This is most likely due to improved efficiency in tax collection, while Customs receipts were 9% lower than expected due to disruptions in the international supply chain.

On the expenditure side, the government spent 2.4 trillion SLSh or 95% of the 2.518 trillion SLSh budget approved for 2022. This approved budget includes the 107.7 billion SLSh supplementary budget—approved in the year—in addition to the original 2.4 trillion SLSh National Budget. With respect to performance against allocation for the period (i.e., requested and accepted expenditures), the government underspent by 2.16% (i.e., -52.8 billion SLSh). At the chapter level, performance was particularly well (i.e., above 94.8% of allocated budget) for compensation of employees, Use of Goods & Services, Government Projects, Loan Repayment, Grants and Subsidy. On the other hand, spending on assets fell 16% below of the desired level. These results represent a considerable improvement over prior fiscal years and demonstrate the government's dedication to increasing the national budget's credibility and ensuring the prompt distribution of funds to the appropriate stakeholders. Excluding grants, **the fiscal balance for 2022 was -28.2 billion SLSh.**

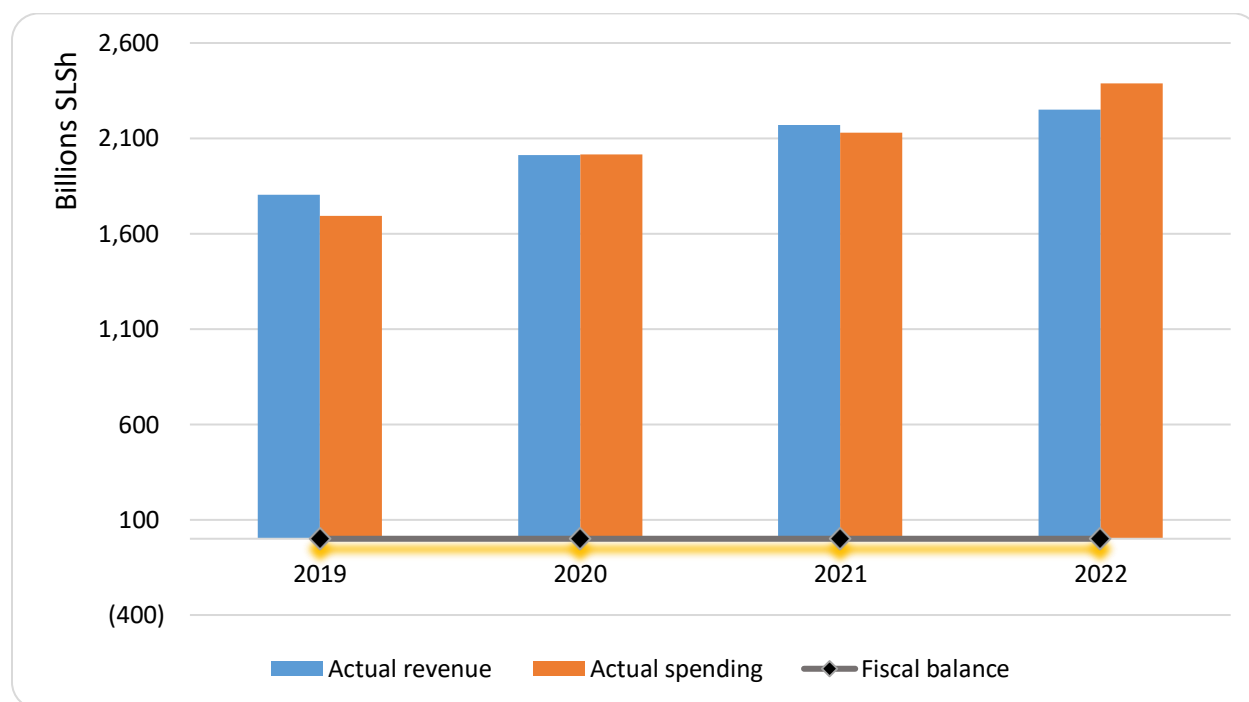
The government received 37.5 billion SLSh from the World Bank, which is 31.5% less than the approved budget for 2022. On the expenditure side, 37.5 billion SLSh were spent on the three World Bank-funded projects such as the DRM&PFM, CSSP, Biyoole and SEAP projects, which represents a -45.7% underspend. The most challenging task on these projects continues to be the acquisition of time-consuming, high-value goods and services. To improve budget execution for these projects, the government will continue to address issue.

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Table 1: 2022 Fiscal Summary, SLSh

	Budget	YTD Actual	Difference	Diff. %
Total Revenue	2,607,175,394,950	2,416,385,977,898	-190,789,417,052	-7.32%
Domestic**	2,410,452,894,335	2,253,333,493,723	-157,119,400,612	-6.52%
Supplementary Budget	107,704,700,885	107,704,700,885	0	0.00%
WB Projects	69,123,738,410	37,536,622,900	-31,587,115,510	-45.70%
JPLG Project	19,894,061,320	17,811,160,390	-2,082,900,930	-10.47%
Total Expenditure	2,607,175,394,950	2,429,973,324,459	-177,202,070,491	-6.80%
General Gvt Fund Spend	2,518,157,595,220	2,389,240,549,999	-128,917,045,221	-5.12%
WB Projects	69,123,738,410	31,411,877,070	-37,711,861,340	-54.56%
JPLG Project	19,894,061,320	9,320,897,390	-10,573,163,930	-53.15%
Fiscal Balance		-13,587,346,561		
Domestic		-28,202,355,391		
Grants (WB & JPLG)		14,615,008,830		

Figure 1: Annual Fiscal Summary, 2019 - 2022 (SLSh)

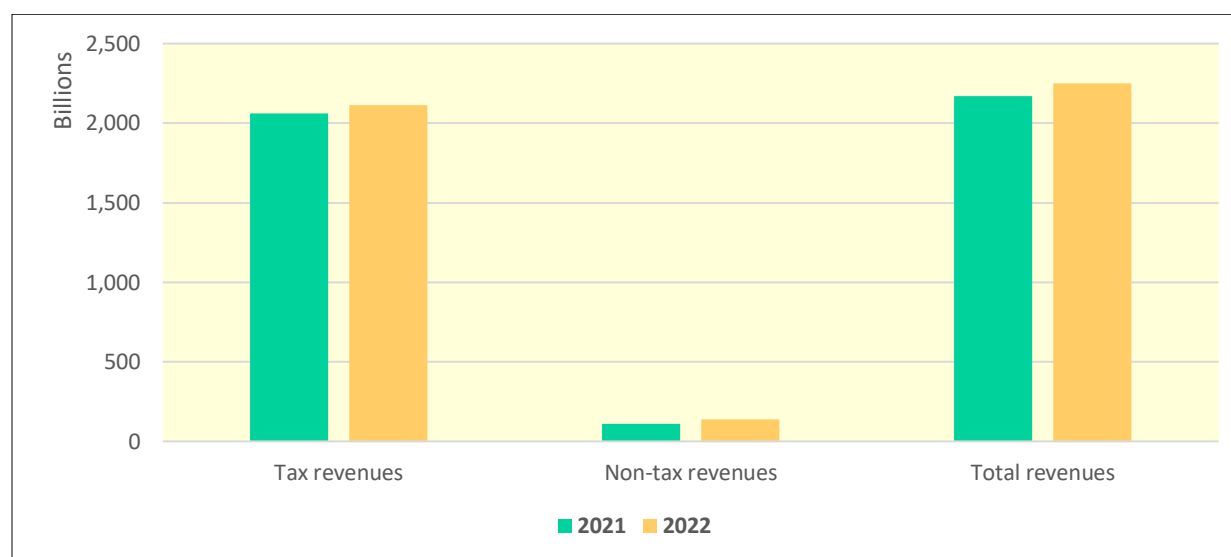


A. Revenue

1. Composition of 2022 Revenue

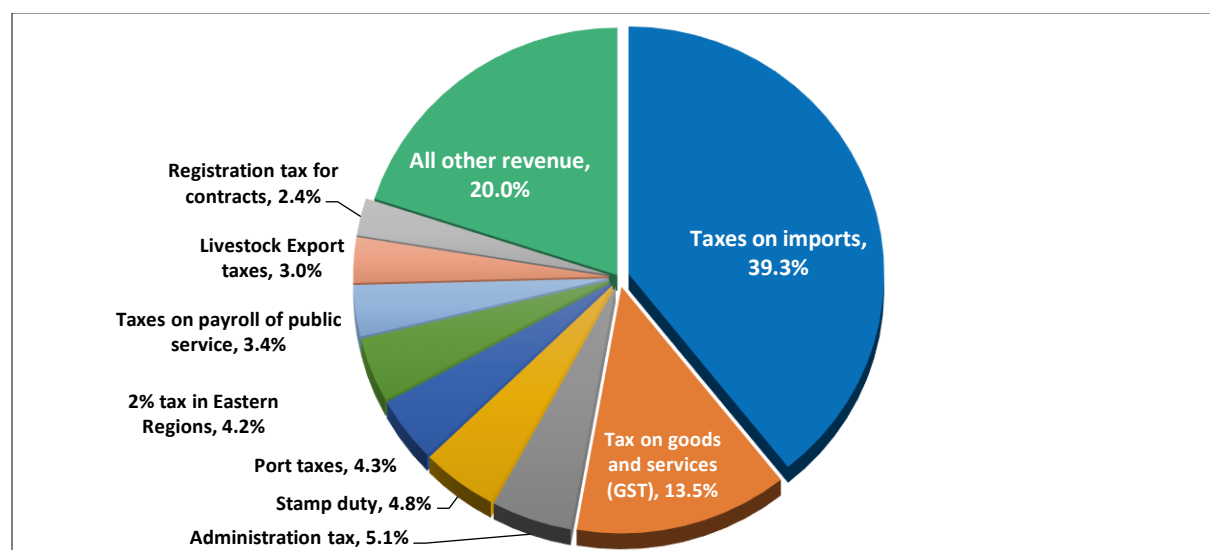
In 2022, total revenue collected in Somaliland was 2.253 trillion SLSH. This is an increase of 4% or (86 billion SLSH) compared to 2021, where 2.166 trillion SLSH was collected. Revenue in 2022 was composed of 2.113 trillion SLSH of tax revenue (94%) and 137 billion SLSH of non-tax revenue (6%). Compared to 2021, non-tax revenue grew by 25%, while tax revenue grew by 3%. Both increases demonstrate the Government of Somaliland's continued efforts towards improving domestic revenue mobilisation.

Figure 2: Tax and Non-Tax collection, 2021 & 2022 (SLSH billion)



The largest sources of government revenue for Somaliland in 2022 were taxes on imports, taxes on goods & services and administration taxes. Together, these taxes account for over 59% of total collections. Taxes on imports account for 39.3% (883 billion SLSH) of total revenue; Somaliland remains largely dependent on imports of goods, while exports remain small. The second largest component of revenue, the tax on goods and services (GST), make up 13.5 % (304 billion SLSH) of total revenue. Collections were marginally greater (5%) than 2021 collections, thought to be linked to international trade disruption. The third largest item, revenue from administration tax, accounts for 5.1% (114 billion SLSH) of total revenue. All other revenue items make up the remaining 42.1% (950 billion SLSH) of total revenue. Compared to previous years, the revenue's composition has generally remained the same. Tax on livestock exports, which grew from 2.3% of total in 2021 to 3% of total in 2022 as a result of measures taken to stop illegal and contraband trade, is among the most significant differences when compared to the collection in 2021. However, imports decreased from 42 to 39.2 percent of the total. similarly, excise tax collection on goods decreased as a percentage of the total. Trade restrictions are the main cause of these falling contributions.

Figure 3: Composition of revenue in Somaliland by tax category, 2022



Across the top five revenue earning items, collection has generally increased across 2022, with the exception of import duty, as shown in Table 3 below.

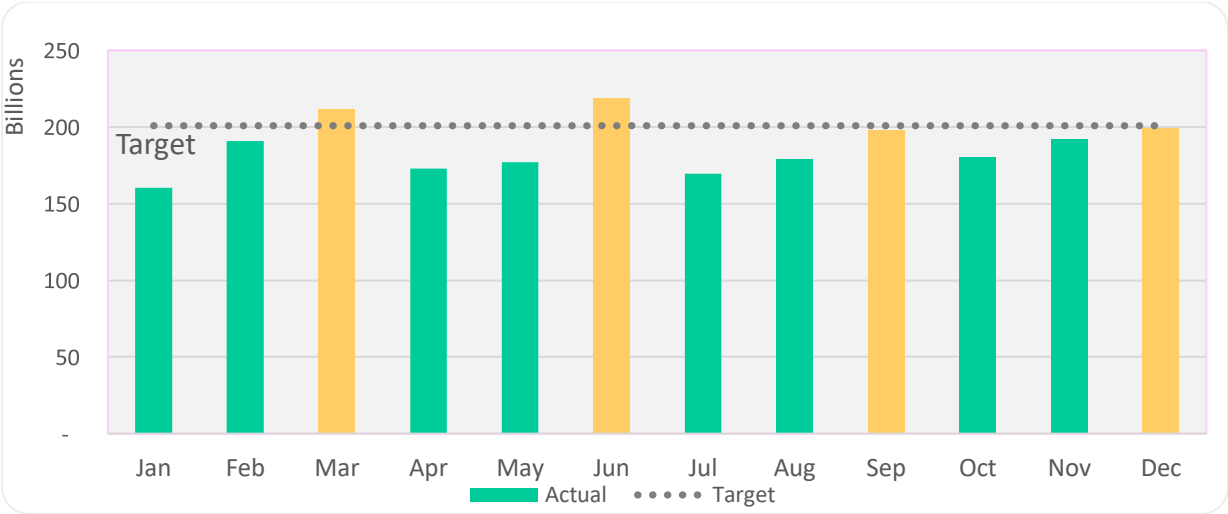
Table 2: 2021 and 2022 revenue collection, top five revenue items

Description	2021 Collection	2022 Collection	Difference (SLSH)	(%)
Taxes on imports	905,579,859,239	883,725,074,014	-21,854,785,225	-2%
Tax on goods and services (GST)	289,472,818,394	304,155,872,272	14,683,053,878	5%
Administration tax	109,306,993,133	114,847,952,542	5,540,959,409	5%
Stamp duty	102,201,798,739	108,469,163,775	6,267,365,036	6%
Port taxes	90,302,630,056	95,962,851,952	5,660,221,896	6%

2. Revenue Collections by Month

Revenue collection was somewhat variable across 2022, particularly during the months of March and June due to the increase collection of import, business income and quarterly instalment payment of port rental fees. In the first half of 2022, collections were on average 6% below monthly targets, before increasing in the second part of the year. Collections grew on average by 7% per month between July and December 2022, and were on average 7% below target. As expected, the strongest performing month was December (SLSH 218 billion, with a close to 24% growth month on month increase). This bump in revenue was due to livestock export tax during Haj (20bn), increased Business income and additional revenue from import and quarterly payment for port rental fees. The first quarter of the year also saw sustained strong revenue collections, with significant increases in March, the second highest performing month, and December, the third highest performing month. The lowest monthly revenue was collected in January (SLSH 160 billion, 25% below monthly collection targets).

Figure 4: Monthly revenue collection, total revenue 2022 (SLSH billion)



According to Figure 5, which compares 2021 and 2022, monthly revenue collection in 2022 was, on average, 4% greater than in 2021. Revenue collections were lower in January, April, May and July, linked to the impacts of the Import duties, the primary source of revenue of Somaliland, have decreased as a result of both inflation and trade restrictions in April/May, and the “Hargeisa Great Fire “was the second cause of the decline in 2022 government collection. As the two largest revenue items, the monthly trends for revenue from sales tax largely mirror the overall monthly revenue trend (see Figures 6). For GST, January and May were low-performing months. Similarly, July to October were the strongest performing months for tax on goods and services. For comparing the previous years, GST has shown 49% upward trend for the last five years from 2018 to 2022. This is attributed to domestic revenue expansion initiatives that are part of Revenue Act.

Figure 5: Monthly revenue collection, total revenue 2021 and 2022 (SLSH billion)

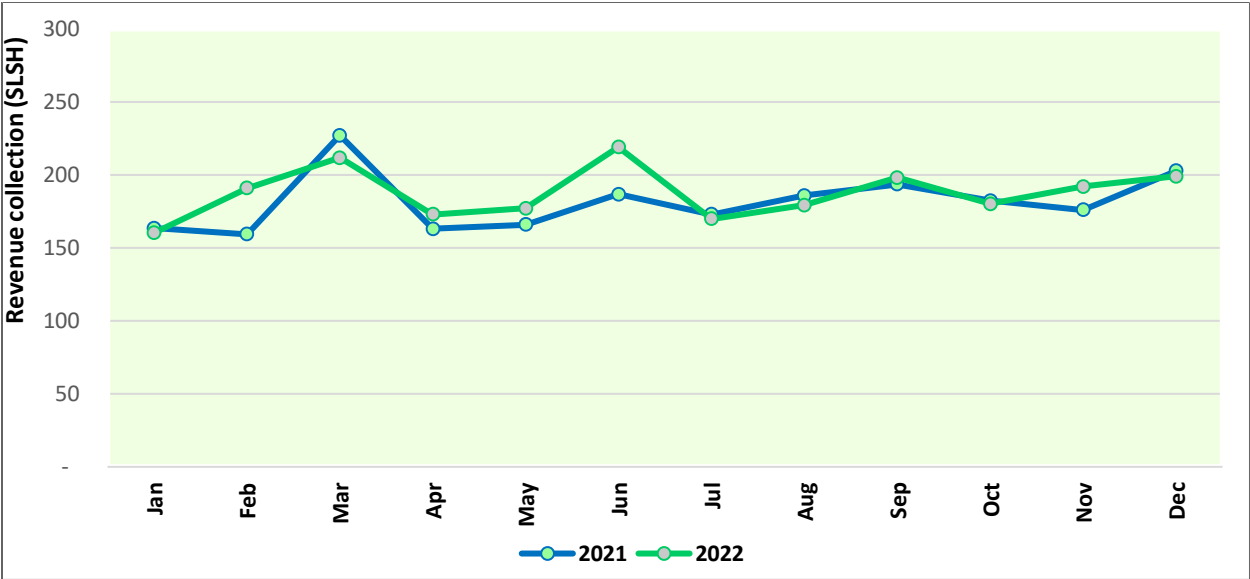
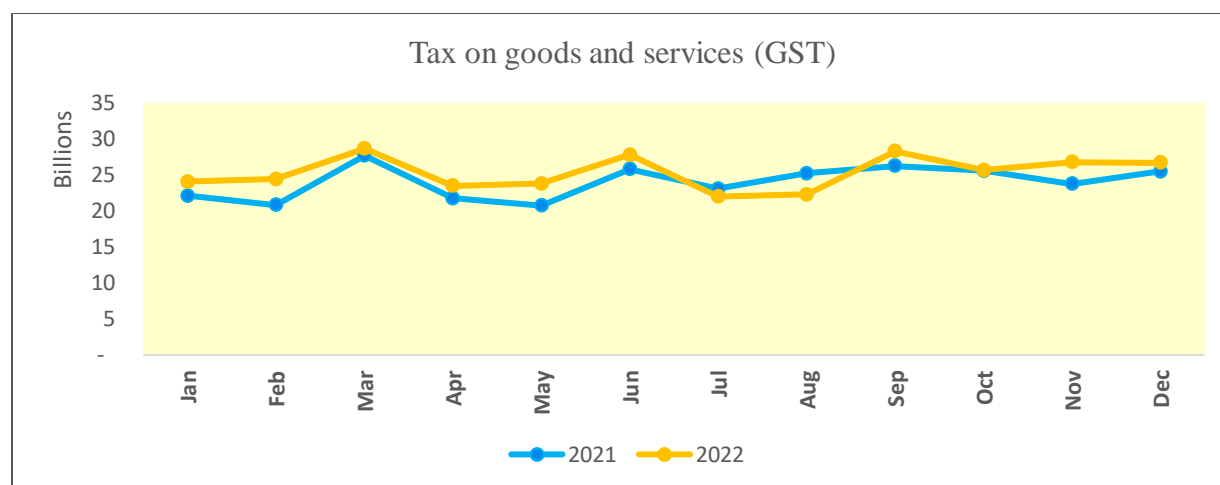


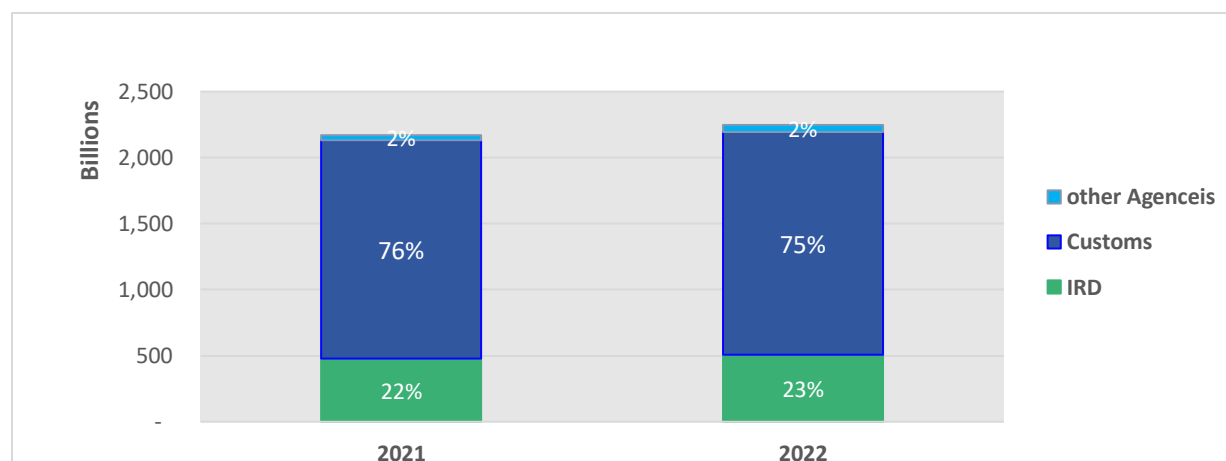
Figure 6: Monthly revenue collection for (sales tax, 2021 and 2022



3. Collections by Agency

The two major revenue collecting authorities in Somaliland are the Ministry of Finance Development's Customs and Inland Revenue (IRD) departments. In 2022, Customs collected 75% (1.7 trillion SLSH) of revenues and IRD collected 23% (506 billion SLSH) of total revenue; other agencies are responsible for the remaining 2%. As shown in Figure 8, compared to 2021, IRD has gained a slightly larger share of revenue in 2022, compared to 22% (471 billion SLSH) of revenues in 2021, while Customs saw their overall share decrease by 1 percentage points. Despite the reduction in share, Customs revenue collection still grew by 2% (35 billion SLSH) between 2021 and 2022, while revenue collection by IRD increased by 6% (28 billion SLSH) across the period.

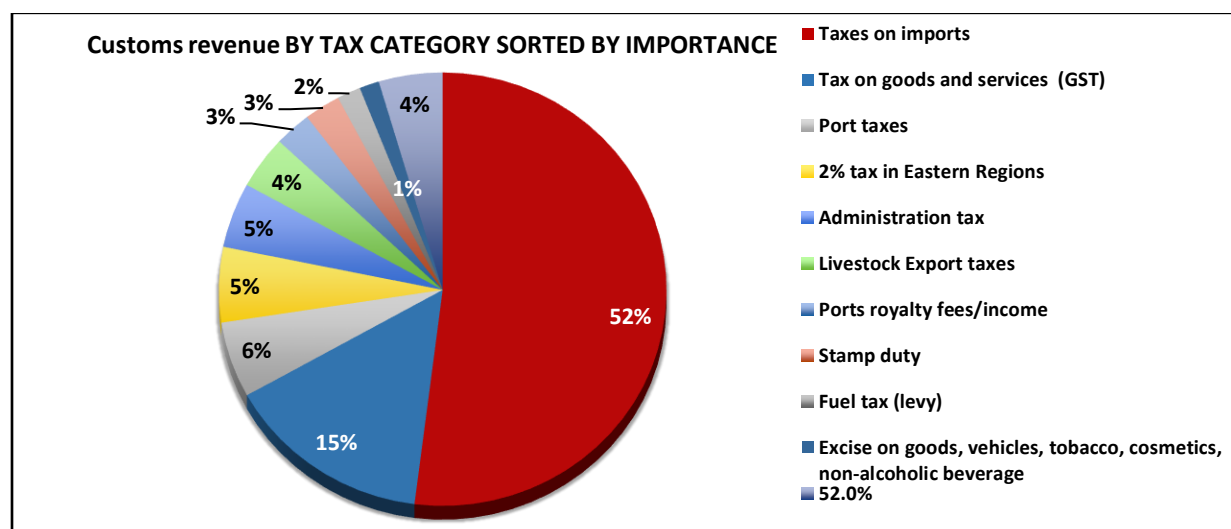
Figure 7: Revenue collected by responsible agencies in SLSH (billion) and % contribution to the total in 2021 & 2022



The two largest revenue items for Customs are import tax and sales tax, in line with the overall composition of revenue. Figure 9 shows the composition of revenue collected by Customs for 2022. Although the value of revenues collected by Customs has increased significantly over the last year (1%), the composition of revenue remains largely unchanged from 2021, illustrating fairly equivalent growth across the larger tax items within Customs, although the share of import taxes has decreased, while GSTs

share has increased. The major revenue lines appear to have a slightly larger shares in 2021 compared to 2022.

Figure 8: Composition of revenue collected by the Customs Authority in Somaliland by tax category 2022



The majority of customs revenues continue to be collected by the Berbera customs station, at the port, where 67.7% of total customs revenues were collected in 2022. Kalabaydh remains the second largest contributor at 15.9% due to khat imports from Ethiopia. The other 18 customs stations collect the remaining 12% of customs revenue. Across 2022, quarter three (Q1) was the highest performing quarter in terms of revenue collection by Customs Stations, followed by the third quarter (Q2). The first two quarters saw significantly higher collections compared to the latter two, as shown in Table 10.

Table 3: Revenue Collection by Custom Stations in 2022

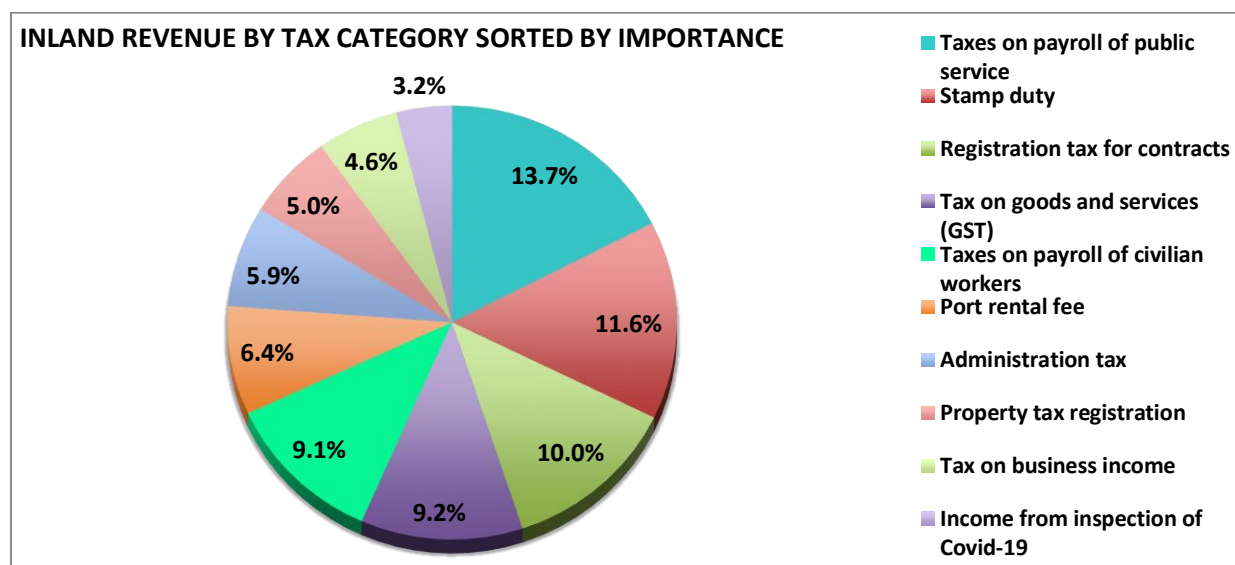
STATIONS	Q1	Q2	Q3	Q4	Contrib ution to Total
Berbera	291,545,649,801	302,759,073,013	271,709,763,316	283,985,329,127	67.7%
Kalabaydh	78,358,729,947	57,909,321,713	66,030,888,181	68,571,432,998	15.9%
Zaylac	22,062,490,586	28,649,060,434	24,668,900,300	23,816,199,154	5.8%
Hargeisa Airport	12,975,025,592	14,913,076,363	16,597,680,329	16,546,816,503	3.6%
Bali-gubadle	4,865,301,384	8,001,361,000	10,678,506,000	11,230,889,020	2.0%
Borama	5,524,822,792	5,975,700,997	7,817,344,350	7,839,038,883	1.6%
Wajaale	5,661,571,172	5,932,476,279	6,566,373,458	5,243,812,828	1.4%
Laascaanood	2,005,041,934	1,868,434,965	2,476,502,961	2,037,579,324	0.5%
Xariirad	608,626,902	949,132,555	1,130,577,209	1,277,573,460	0.2%
Farawayne	1,055,450,121	432,265,502	868,047,546	1,314,356,915	0.2%
Caasha-cado	1,845,816,791	499,428,015	456,890,318	529,158,120	0.2%
Hargeisa	235,542,202	305,124,920	838,047,610	1,747,330,822	0.2%
Buroa	988,991,745	424,114,388	791,080,330	777,295,535	0.2%
Sanaag	615,836,314	660,542,533	378,698,913	576,361,581	0.1%
Caynabo	649,637,510	480,663,313	493,832,487	588,332,754	0.1%
Allaybaday	1,047,373,120	295,420,392	293,617,030	445,555,002	0.1%
Abaarso	101,712,598	118,024,577	185,837,323	137,465,957	0.0%
Beer	91,668,543	52,272,260	43,494,356	31,789,854	0.0%
Dilla	11,163,544	14,833,762	28,913,996	20,468,549	0.0%
Lug-haya	49,294,085	1,722,000	-	17,709,400	0.0%

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Total	430,299,746,683	430,242,048,981	412,054,996,013	426,734,495,786	100%
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For IRD, the largest revenue item collected in 2022 was taxes on payroll of the public sector, totalling 75.5 billion SLSh and accounting for 13.7% of total IRD collection due to the high number of people employed by the Government of Somaliland. The second largest item was Stamp duty at 64 billion SLSh. Most of the larger revenue items with IRD have witnessed a reduced share of total revenue, as a number of smaller items start to increase their share including GST, business income tax and registration tax for contracts.

Figure 9: Composition of revenue collected by IRD in Somaliland by tax category, 2022



As shown in Table 4, the majority of IRD revenues were collected by the Hargeisa office, accounting for over 75% of total collections in 2022. As the capital city, Hargeisa is where the majority of public sector workers in Somaliland are based, therefore the largest tax item for IRD, tax on payroll of public service, is highest in Hargeisa. Furthermore, Hargeisa is where most businesses are located, resulting in higher tax take in this area. Berbera comes second with over 14.1% of all revenues during this period, driven by revenue from sales tax, payroll tax from the private sector and vehicle registration. Other offices accounted for 11.1% of total IRD collections.

Table 4: Revenue Collection by IRD Offices in 2022

STATIONS	Q1	Q2	Q3	Q4	% Of Total IRD
Hargeisa	93,694,445,102	104,420,424,183	102,140,658,214	111,187,455,336	74.8%
Berbera	22,258,685,640	18,828,269,961	17,722,639,370	18,610,402,906	14.1%
Burco	4,964,070,820	4,395,637,653	4,769,332,195	5,096,676,869	3.5%
Boorama	5,625,711,569	5,119,266,586	4,060,672,543	3,901,109,466	3.4%
Gabiley	2,851,274,504	2,686,281,514	2,874,584,765	2,419,133,369	2.0%
Ceerigaabo	1,262,568,562	1,241,283,776	1,411,969,902	1,198,423,475	0.9%
Laascaanood	989,034,926	1,210,493,505	1,247,486,139	1,078,888,101	0.8%

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Saylac	251,611,656	448,625,469	313,987,183	474,008,343	0.3%
Caynabo	286,517,906	206,134,565	303,001,267	218,545,978	0.2%
Oodwayne	159,178,539	147,560,017	150,252,450	195,095,264	0.1%
Total	132,343,099,224	138,703,977,229	134,994,584,028	144,379,739,107	100%

4. Performance against Target

The Ministry of Finance Development sets revenue collection targets for each revenue item and for the Customs and IRD stations and offices. In 2022, the overall target for revenue was 2.410 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 2022 was 2.251 trillion SLSH, below the total collection target by SLSH 157 billion. Table 13 provides a summary of the actual performance of the major revenue categories for 2022, compared to their revenue targets. Tax revenue collections for 2022 were -7% (156.6 billion SLSH) below their target, while non-tax revenues saw 2% (2.3 billion SLSH) shortfall. Noticeable category were payroll and workforce with surplus 9% or (10.7 billion).

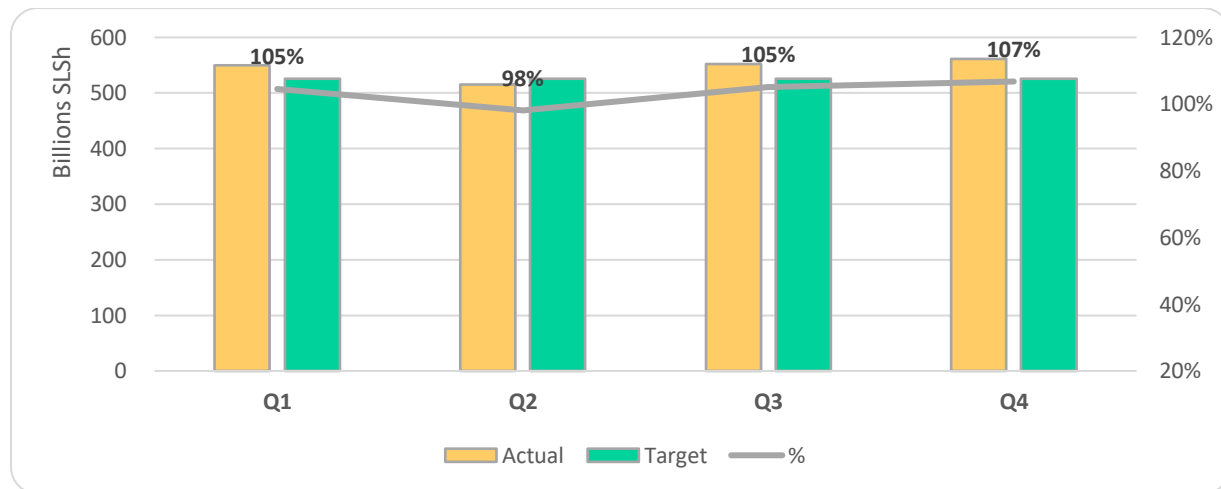
Table 5: Actual revenue collection compared to the budget targets, 2022

DESCRIPTION	Budget Forecast (annual)	Actual revenue collection (to date)	Variance	%
Taxes	2,269,328,107,555	2,112,630,668,762	-156,697,438,793	-7%
Income and profits	52,874,027,856	44,615,233,140	-8,258,794,716	-16%
Payroll and workforce	122,276,223,424	133,023,379,048	10,747,155,624	9%
Goods and Services	804,664,152,211	791,380,476,392	-13,283,675,819	-2%
Sales tax	307,547,982,843	304,157,182,272	-3,390,800,571	-1%
Excise	38,664,481,505	24,254,245,818	-14,410,235,687	-37%
Registration taxes	78,108,698,238	82,596,258,880	4,487,560,642	6%
Other taxes on G&S	380,342,989,625	380,372,789,422	29,799,797	0%
International Trade	1,185,087,774,357	1,048,492,238,985	-136,595,535,372	-12%
Taxes on imports	1,011,598,891,045	883,725,074,014	-127,873,817,031	-13%
Taxes on exports	70,631,134,500	68,804,313,019	-1,826,821,481	-3%
Port taxes	102,857,748,812	95,962,851,952	-6,894,896,860	-7%
Other Taxes	104,425,929,707	95,119,341,197	-9,306,588,510	-9%
2% tax in Eastern Regions	104,319,189,627	95,003,246,197	-9,315,943,430	-9%
Other	106,740,080	116,095,000	9,354,920	9%
Other Revenue	141,124,786,780	138,777,824,961	-2,346,961,819	-2%
Property Income	35,907,734,418	35,845,945,108	-61,789,310	0%
Sales of Goods and Services	92,288,419,608	87,401,580,164	-4,886,839,444	-5%
Fines and Voluntary Transfers	9,078,632,754	13,605,299,689	4,526,666,935	50%
Transfers not classified elsewhere	3,850,000,000	3,850,000,000	0	0%
TOTAL	2,410,452,894,335	2,253,333,493,723	-157,119,400,612	-6.5%

Figure 10 shows the overall collection trend, with a gradual increase in collections across the quarter two of 2022. Import duty, the largest revenue item in Somaliland, was the biggest underperformer of the 2022 at 22 billion SLSHs below its target, linked to the effects some measures imposed by the government (i.e., tax exemptions on key import products to support traders and combat rising prices) along with a reduction in khat imports from Ethiopia. This led to lower-than-average import volumes in the first and the second

half of the year, as shown in Figure 14/ The. government of Somaliland decided to enhance the efficiency of domestic revenue in the last quarter of the year, which resulted in a 5 percent increase comparing to Q3. For domestic revenue, IRD registered a sizeable surplus due to the surge in income from penalties. Due to departmental efficiency, the IRD department was able to collect 1.5 billion in penalties in the first quarter of 2022 and more than 7 billion SLSh in penalties in the second and third quarter of 2022 respectively.

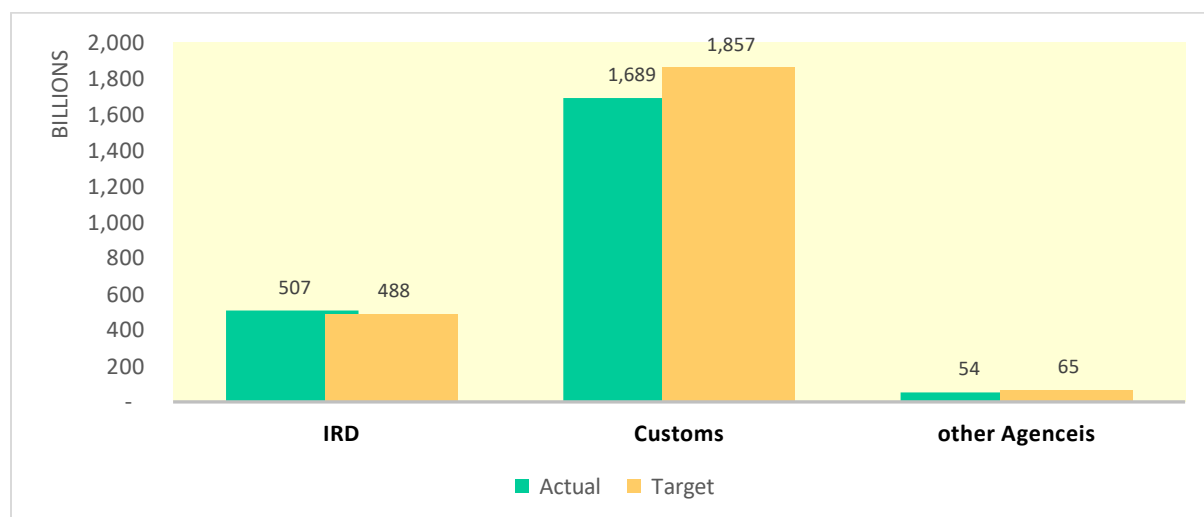
Figure 10: Revenue performance, actual collection compared to target by quarter, 2021(SLSh billion)



4.1.Revenue agencies

In 2022, the IRD department exceeded its collection target by 4% or 19 billion SLSh. This strong performance is expected to be the result of improved efficiency of tax collections, as well as growth in the economy.

Figure 11: Revenue performance, actual collection compared to target for IRD and Customs and Agency SLSh billion



Customs experienced a shortfall of 9% (167 billion SLSh) against their overall collections target for 2022. A range of revenue lines collected by customs underperformed, largely linked the international trade –

The most significant underperformance is in an area where the most revenue is collected: import duty from the international customs department is 128 billion SLSh below forecasts. Following that, four largest deficits items, including excise on items, Business income and profits and Road development tax.

4.2. Regional performance

Table 6 shows the 2022 performance by each Customs Station in terms of revenue collection against target. Compared to previous year, as of the beginning of Q2, Kalabaydh collection has decreased for the first time in three years. On the other hand, Baligubadle has risen dramatically because since the Somaliland government established customs stations there. Baligubadle additionally received \$ 27 billion, a 373 percent increase. Moreover, Hargeisa Airport exceeded their target collection by 46 percent, virtually matching their objective for the first quarter of the year, linked to the lifting international travel restrictions. The remaining customs stations continue to collect a relatively small proportion of overall revenues.

Table 6: Customs stations actual revenue collection vs Budget forecast in 2022.

Stations	Budget Forecast (annual)	Actual revenue collection (to date)	Difference	%
B/Gubadle	7,258,367,229	34,356,326,981	27,097,959,752	373%
Hargeysa Airport	41,198,151,326	60,307,388,187	19,109,236,861	46%
Borama	22,678,450,987	26,576,281,322	3,897,830,335	17%
Xariirad.	999,931,544	3,900,506,326	2,900,574,782	290%
Hargeysa	940,284,070	2,984,546,244	2,044,262,174	217%
Caynabo	1,736,929,430	2,153,563,564	416,634,134	24%
Abaarso	288,838,096	510,142,655	221,304,559	77%
C/Cado	3,206,431,092	3,329,427,916	122,996,824	4%
Beer	171,769,778	215,022,013	43,252,235	25%
Dilla	30,048,325	62,638,926	32,590,601	108%
Las-Canod	8,390,023,387	8,108,448,584	-281,574,803	-3%
L/Haya	443,633,164	23,288,485	-420,344,679	-95%
C/Gaabo	2,815,874,680	1,799,496,641	-1,016,378,039	-36%
Wajaale	24,027,893,447	22,194,384,787	-1,833,508,660	-8%
A/Baday	4,020,260,457	2,037,625,864	-1,982,634,593	-49%
Burco	5,132,035,283	2,913,289,117	-2,218,746,166	-43%
F/Weyne.	6,540,971,786	3,608,995,140	-2,931,976,646	-45%
Seylac	111,525,044,485	98,094,534,974	-13,430,509,511	-12%
Berbera	1,217,249,294,283	1,147,888,243,257	-69,361,051,026	-6%
Kalabaydh	398,094,827,128	267,764,277,239	-130,330,549,889	-33%
Total	1,856,749,059,977	1,688,828,428,222	-167,920,631,755	-9%

Table 7 shows the 2022 performance by each IRD Office in terms of revenue collection compared to target. Performance within the IRD offices was much more varied than for Customs Stations. Hargeisa was the main overperformer, with Hargeisa notably being more than SLSh 35 billion higher the annual target. This follows a rebalancing of revenue targets towards the capital, with most ambitious reform-led revenue increases expected to be delivered by head office.

Table 7: IRD Offices actual revenue collection vs Budget forecast in 2022

Stations	Budget Forecast (annual)	Actual revenue collection (to date)	Difference	%
Hargeysa	335,296,289,780	370,203,343,395	34,907,053,615	0%
Seylac	1,339,938,873	1,392,031,651	52,092,778	4%
Oodwayne	793,000,000	625,099,270	-167,900,730	-21%
Caynabo	1,547,049,276	1,008,279,216	-538,770,060	-35%
Gabiley	11,332,297,977	10,743,924,152	-588,373,825	-5%
Burco	20,505,989,931	18,754,293,037	-1,751,696,894	-9%
Las-Canod	6,320,214,702	4,337,907,113	-1,982,307,589	-31%
C/Gaabo	7,457,914,808	5,008,910,665	-2,449,004,143	-33%
Borama	21,785,590,798	18,342,735,164	-3,442,855,634	-16%
Berbera	81,840,015,082	76,521,571,877	-5,318,443,205	-6%
Total	488,218,301,227	506,938,095,540	18,719,794,313	4%

B. Expenditure

5. Total Approved Budget

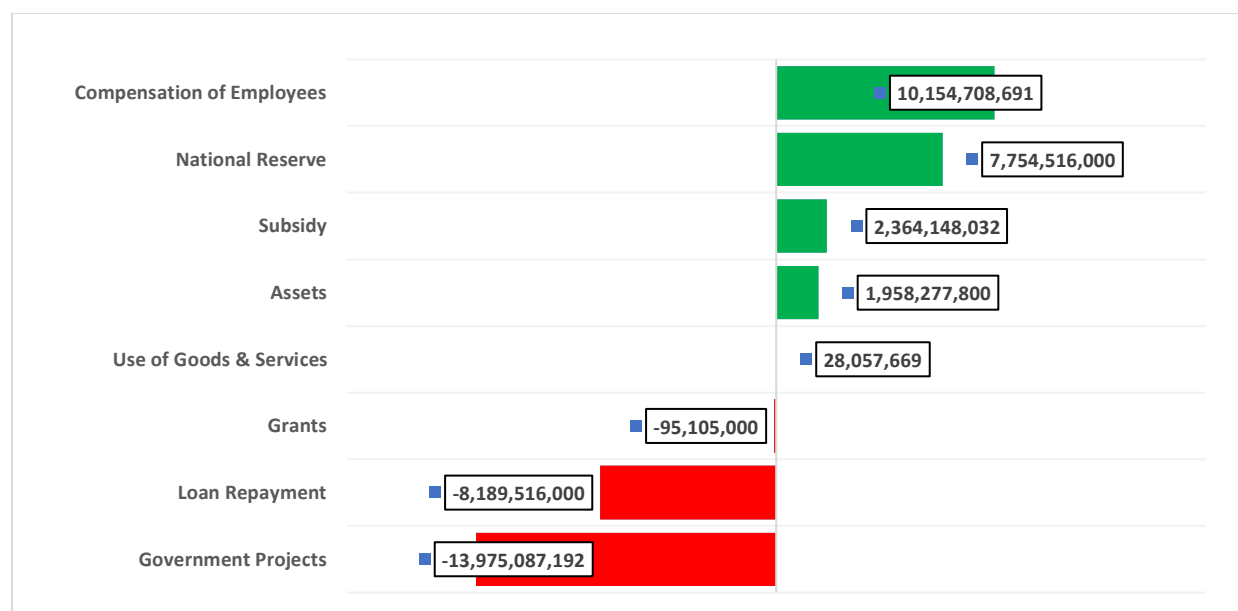
The Parliament approved budget for 2022 was SLSh 2.41 trillion SLSh. Table 1 below shows the initial budget allocations by Chapter. The table also shows the virements—reallocation of funds among spending lines—that were authorized during the fiscal year. There was also a 107.7 billion SLSh supplementary budget that was approved during the year to account for expenses that had not been planned for. As a result of this, the revised government budget for 2022 was 2.52 trillion SLSh.

Table 8: 2022 Budget and Virements, SLSh

Description	Original Budget	Virements	Supplementary Budget	Total Budget	Share of Budget
Compensation of Employees	1,302,894,361,820	10,154,708,691	13,474,445,300	1,326,523,515,811	53%
Use of Goods & Services	591,874,170,864	28,057,669	7,463,874,533	599,366,103,066	24%
Government Projects	199,641,111,508	-13,975,087,192		185,666,024,316	7%
Assets	163,593,639,070	1,958,277,800	2,655,764,735	168,207,681,605	7%
Grants	78,202,013,196	-95,105,000		78,106,908,196	3%
Loan Repayment	52,150,000,000	-8,189,516,000	49,009,476,317	92,969,960,317	4%
National Reserve	18,897,301,905	7,754,516,000	33,295,000,000	59,946,817,905	2%
Subsidy	3,200,295,973	2,364,148,032	1,806,140,000	7,370,584,005	0%
Grand Total	2,410,452,894,335	0	107,704,700,885	2,518,157,595,220	100%

6. Virements

Virements permit MDAs to redistribute resources from one category of expenditure to another under certain conditions. As shown in Table 1 (above) and Figure 1, the original allocation to the Government Projects was reduced by SLSh 14 billion, while the Loan Repayment budget was reduced by SLSh 8.2 billion. These reductions were used to increase the budgets for Compensation of Employees, National Reserve, Subsidy and Assets.

Figure 12: Virements made in 2022 by Chapter, SLSh

7. Supplementary Budget

For 2022, there two supplementary budgets approved by the parliament totaling SLSh 107.7 billion. In the first quarter of the year, a supplementary budget in the amount of SLSh 87.16 billion was approved to cover expenses that had not been planned for. And in the third quarter, further 20.5 billion SLSh were added to the budget as a supplementary funded by the World Bank. The initial 2022 national budget increased by 4.47 percent as a result of these supplemental budgets. More specifically, it was increased from 2.41 trillion SLSh to 2.518 trillion SLSh for the amended budget for 2022.

The surplus from prior fiscal year budgets and funds from the World Bank served as the supplementary budget's source of revenue. Table 2 below shows that almost 9.95% of the extra budget was distributed for special allowances, a growth in the national reserve fund (30.91%), and the repayment of domestic debts (45.5%). The Ministry of Finance and Development received approximately 78.46 percent of the additional funding for MDAs. Given that the Ministry of Finance is in charge of managing the National Reserve Fund and repayment of domestic loans, this is understandable.

The National Reserve Fund was increased to reflect inflation and to support the "Miskiin Kalkaal" program, which assists the underprivileged and disadvantaged. With regard to the SLSh 10.72 billion designated as a Special Allowance, 45% will go to the Special Protection Unit of the Police Force (i.e., as risk and hardship allowance for deployment to dangerous zones), 21% to the Council of Representatives as an increase in allowance for its honorable members, 12.43 percent to the Ministry of Information & National Guidance as allowances for its temporary workforce, and 12.33 percent to the Ministry of Health Development as allowances for hospital

Table 9: FY2022 Supplementary Budget, SLSh

Description	Supplementary Budget	% Share
Revenue	107,704,700,885	-
Fiscal balance from previous budgets	87,159,700,885	80.92%
World Bank Group	20,545,000,000	19.08%

Budget and Planning Department

Expenditure	107,704,700,885	-
Civil Service	264,401,280	0.25%
Police & Prisoners	2,027,392,000	1.88%
Other Temporary Employees	356,000,000	0.33%
Responsibility Allowance	84,000,000	0.08%
Special Allowance	10,718,652,020	9.95%
Finance Allowance	24,000,000	0.02%
Domestic Travel Costs	80,000,000	0.07%
Rent of Houses	132,600,000	0.12%
Boards, Committees, Conferences & Seminars	73,296,064	0.07%
Peace Building Expenses	170,000,000	0.16%
Food & Rations	262,080,000	0.24%
Office Stationery	125,558,500	0.12%
Petrol, Diesel & Oil Expenses	120,000,000	0.11%
Security Operations Exp.	250,000,000	0.23%
Special Expenses	1,633,600,000	1.52%
Unexpected Expenses	1,761,023,710	1.64%
Expenditure for Political Parties Registration	2,550,000,000	2.37%
Routine Maintenance of Vehicles & Engines	135,716,259	0.13%
Maintenance of Offices	170,000,000	0.16%
Budget Subsidy	1,806,140,000	1.68%
Construction of Offices, Schools & Hospitals	785,764,735	0.73%
Purchase of Vehicles & Machines	1,870,000,000	1.74%
Repayment of Domestic Loans	49,009,476,317	45.50%
National Reserve	33,295,000,000	30.91%

8. Actual Spend

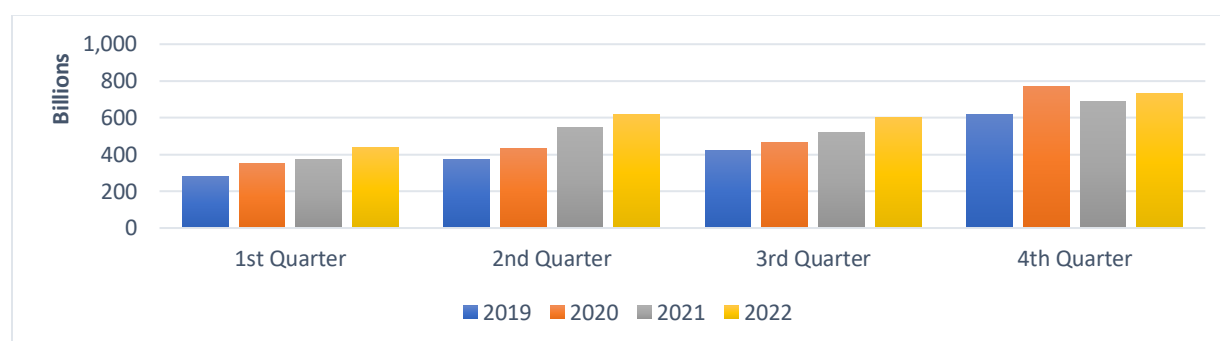
8.1.Spend by Quarter

Table 10 and figure 13 below show the government's expenditure per quarter since 2019. Looking at the figure it is apparent that the government spend in 2022 followed the same trend in last fiscal years with spending picking up in the 4th quarter.

Table 10: Spend of 2019, 2020 and 2022 by Quarter, SLSH

Quarter	2019	2020	2021	2022
1st Quarter	278,839,381,372	352,843,065,738	371,119,526,357	439,305,057,341
2nd Quarter	374,093,854,750	431,116,223,965	546,943,429,269	617,057,606,271
3rd Quarter	419,758,178,043	462,686,889,805	521,652,778,124	599,665,064,763
4th Quarter	619,097,033,758	770,551,915,476	689,696,118,194	733,212,821,624
Grand Total	1,691,788,447,923	2,017,198,094,984	2,129,411,851,944	2,389,240,549,999

Figure 13: Spend of 2019, 2020, 2021 and 2022 by Quarter, SLSH



8.2.Spend by Chapter

In fiscal year 2022, the government spent SLSH 1.3 trillion on **Compensation of Employees**, or 54.6% of total spending. However, that was SLSH 10.54 billion less than the amount allocated for it, representing a 0.8% underspend. Analysis of this category shows that SLSH 1.29 trillion was spent on *Salaries and Wages*, while SLSH 10 billion was spent on social security contributions (*Health Insurance and National Social Security Systems schemes*). About 99.58% of the underspending came from the Salary category. This was due to a delay in the recruitment of many of the new government employees.

Spending on the **Use of Goods and Services** was SLSH 594.4 billion against an allocation of SLSH 599.5 billion, a decrease of 0.85%. This represented 24.88% of total government spending for the year.

Spending on **Government Projects** was SLSH 180.5 billion compared to the allocated amount of SLSH 185.2 billion, an underspend of 2.54%.

In fiscal year 2022, the government spent SLS 121 billion on **Assets**, which is SLS 22.9 billion or 15.91% less than the allocated amount, double the amount of last fiscal year. An analysis of this category shows that 88.25% of *Assets* was spent on the *Construction of Buildings, Civil Works, the Construction of Roads and Bridges, the Purchase of Specialized Plant, Equipment and Machinery, and the Purchase of Vehicles and Other Transport Equipment*. The *Purchase of Specialized Plant, Equipment & Machinery* spending accounted for 68.2% of the underspending (or 15.6 billion SLSH); this was mostly due to delays in the purchase of security equipment in the amount of SLSH 12.95 billion allocated for the *National Force*. Another SLSH 2.6 billion was underspent by the *Ministry of Information & National Guidance* allocated for the purchase of media equipment.

In fiscal year 2022, the government spent nearly all of what was allocated for **Loan Repayment**. In particular, the government spent SLSH 52.97 billion on loan repayments, compared to a target of SLSH 52.99 billion, a 0.04% decrease or SLSH 21.4 million.

Grant expenditures amounted to SLSH 77.1 billion. This was an underspend of SLSH 1 billion from the allocated amount, a decrease of 1.28%. A breakdown of this category shows that SLSH 728 million was underspent by the *Ministry of Finance Development* which was allocated for supporting the *National Political Parties*. SLSH 221.26 million was underspent by the *Ministry of Health Development* which 78% of it was allocated for supporting the six regional hospitals, and 20% was allocated for supporting mental hospitals.

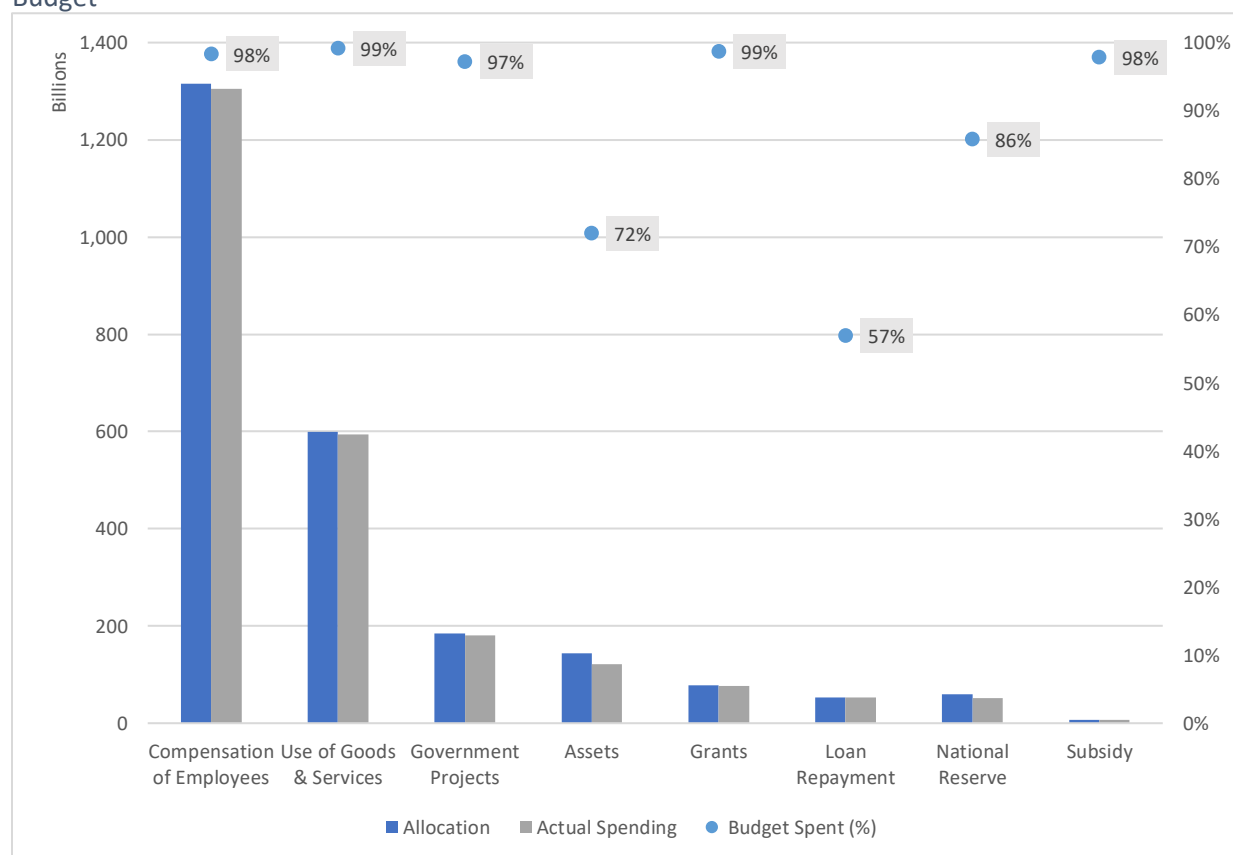
Budget and Planning Department

The government has spent almost the entire allocated amount for **Subsidies** (SLSH 7.4 billion), and spent 85.82% of the **National Reserve Fund** (SLSH 59.95 billion), with an underspend of SLSH 8.5 billion.

Table 11: Breakdown of Annual spend by Chapter, SLSH

Description	Revised Budget	Allocation	Actual Spending	Underspend*	Underspend (%)	Budget Spent (%)
Compensation of Employees	1,326,523,515,811	1,315,079,314,910	1,304,535,726,540	-10,543,588,370	-0.80%	98.34%
Use of Goods & Services	599,366,103,066	599,529,935,756	594,415,296,408	-5,114,639,348	-0.85%	99.17%
Government Projects	185,666,024,316	185,209,785,303	180,510,387,187	-4,699,398,116	-2.54%	97.22%
Assets	168,207,681,605	143,953,222,006	121,051,310,663	-22,901,911,342	-15.91%	71.97%
Grants	78,106,908,196	78,106,908,196	77,104,222,740	-1,002,685,456	-1.28%	98.72%
Loan Repayment	92,969,960,317	52,988,451,151	52,967,070,852	-21,380,299	-0.04%	56.97%
National Reserve	59,946,817,905	59,946,817,904	51,446,231,647	-8,500,586,257	-14.18%	85.82%
Subsidy	7,370,584,005	7,239,040,004	7,210,303,962	-28,736,042	-0.40%	97.83%
Grand Total	2,518,157,595,220	2,442,053,475,229	2,389,240,549,999	-52,812,925,230	-2.16%	94.88%

Figure 14: Spend by Chapter in 2022, billions SLSH, percentages represent Actual Spend against Revised Budget



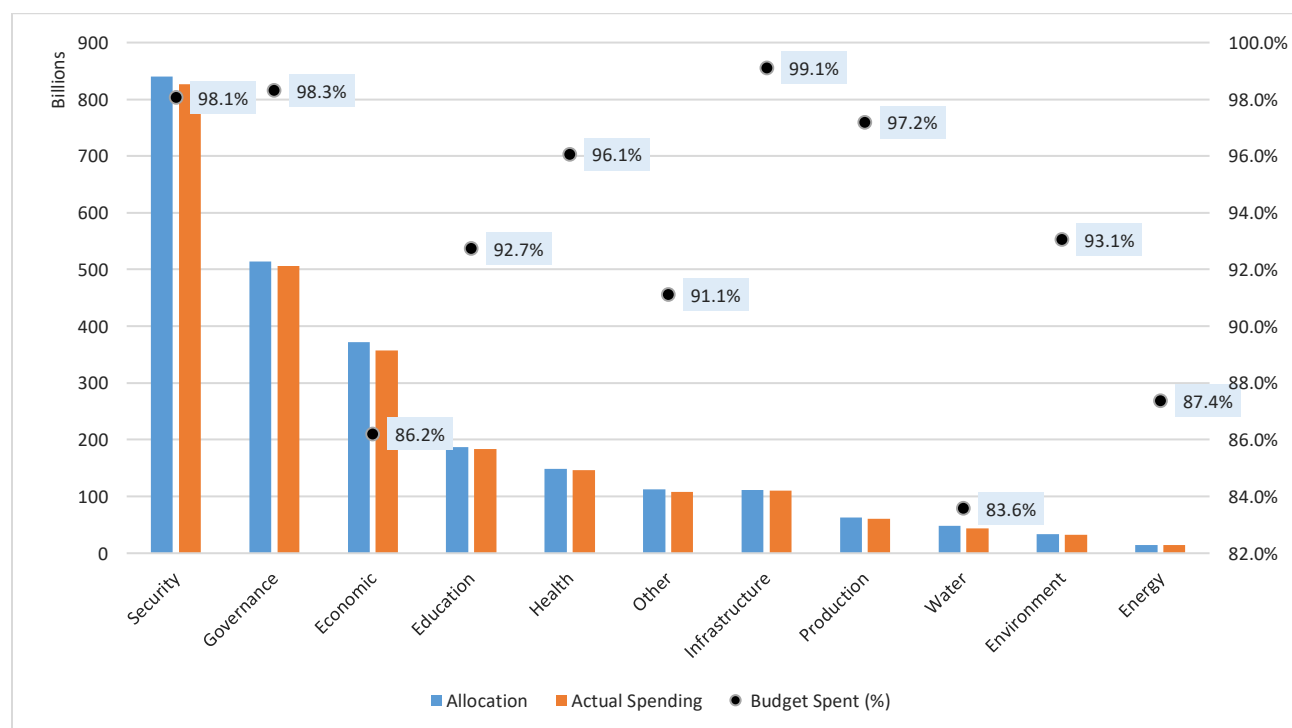
8.3.Spend by Sector

Sector-level spending reflects the performance seen at the Chapter-level. The Governance sector has performed very well compared to last fiscal years, and the infrastructure sector had the best performance in meeting its target—with a mere 0.84% underspend and spending 99.1% of the budget approved by Parliament.

Table 12: Breakdown of Annual Spend by Sector, SLSH

Sectors	Budget	Allocation	Actual Spending	Underspend*	Underspend (%)	Budget Spent (%)
Security	842,387,074,457	839,772,775,321	826,047,175,549	-13,725,599,772	-1.63%	98.1%
Governance	515,026,016,636	513,638,075,905	506,361,122,792	-7,276,953,113	-1.42%	98.3%
Economic	414,386,391,100	371,649,712,011	357,213,829,879	-14,435,882,132	-3.88%	86.2%
Education	197,451,823,251	186,648,966,181	183,120,183,923	-3,528,782,258	-1.89%	92.7%
Health	152,620,312,618	149,195,561,794	146,623,374,952	-2,572,186,843	-1.72%	96.1%
Other	118,301,837,787	112,427,513,120	107,804,122,300	-4,623,390,820	-4.11%	91.1%
Infrastructure	110,908,086,078	110,855,142,662	109,921,466,320	-933,676,341	-0.84%	99.1%
Production	62,694,086,870	62,368,993,149	60,935,791,563	-1,433,201,586	-2.30%	97.2%
Water	52,761,150,455	47,827,932,865	44,097,999,718	-3,729,933,148	-7.80%	83.6%
Environment	35,324,238,347	33,242,061,518	32,876,638,054	-365,423,464	-1.10%	93.1%
Energy	16,296,577,621	14,426,740,703	14,238,844,949	-187,895,754	-1.30%	87.4%
Grand Total	2,518,157,595,220	2,442,053,475,229	2,389,240,549,999	-52,812,925,230	-2.16%	94.9%

Figure 15: Spend by sector in 2022 (Billions SLSH), percentages represent the Budget spent



Budget and Planning Department

8.4. Government Funded Projects

Spending on government funded projects was very good in relation to the allocated amounts and the budget approved by Parliament. The government spent SLSH 180.5 billion out of SLSH 185.2 billion on projects—representing a 2.54% or SLSH 4.7 billion underspend.

Table 13: Spend on Government Projects in 2022

Description	Original Budget	Virements	Revised Budget	Allocation	Actual Spending	Underspend*	Underspend (%)	Budget Spent
Recreational & Sports Expenses	3,000,000,000	2,250,000,000	5,250,000,000	5,250,000,000	5,250,000,000	0	0.00%	100.00%
Beer, Wajaale & Oodwayne Project	1,000,000,000	0	1,000,000,000	1,000,000,000	993,249,500	-6,750,500	-0.68%	99.32%
Airstrips Development Costs	3,539,873,300	0	3,539,873,300	3,539,873,300	3,539,865,234	-8,067	0.00%	100.00%
Testing of Livestock Breeding	2,300,000,000	0	2,300,000,000	2,300,000,000	2,299,922,700	-77,300	0.00%	100.00%
Qool Caday & Aroori Project	860,000,000	0	860,000,000	860,000,000	835,020,000	-24,980,000	-2.90%	97.10%
Livestock Vaccination & Medication	4,000,000,000	1,200,000,000	5,200,000,000	5,200,000,000	5,178,252,775	-21,747,225	-0.42%	99.58%
Reforestation Costs	200,000,000	-80,000,000	120,000,000	120,000,000	119,851,000	-149,000	-0.12%	99.88%
National Service Program	35,061,438,208	-10,625,172,192	24,436,266,016	24,014,248,288	23,931,687,856	-82,560,432	-0.34%	97.94%
Seed Replication Exp.	304,000,000	0	304,000,000	304,000,000	301,959,500	-2,040,500	-0.67%	99.33%
Elections Expenses	35,000,000,000	0	35,000,000,000	35,000,000,000	35,000,000,000	0	0.00%	100.00%
Dates Project	87,000,000	0	87,000,000	87,000,000	85,560,000	-1,440,000	-1.66%	98.34%
E-Government Implementation	1,000,000,000	0	1,000,000,000	1,000,000,000	999,607,407	-392,593	-0.04%	99.96%
Country Code Sourcing	500,000,000	0	500,000,000	500,000,000	497,081,500	-2,918,500	-0.58%	99.42%
Agriculture Research & Extension Project	1,000,000,000	0	1,000,000,000	1,000,000,000	997,333,600	-2,666,400	-0.27%	99.73%
Plant Protection Project	1,000,000,000	-235,405,000	764,595,000	750,000,000	748,055,400	-1,944,600	-0.26%	97.84%
Support for JPLG	8,399,000,000	-957,700,000	7,441,300,000	7,441,300,000	7,170,049,540	-271,250,460	-3.65%	96.35%
Support for The Development of Eastern Regions	20,000,000,000	0	20,000,000,000	20,000,000,000	17,832,368,994	-2,167,631,006	-10.84%	89.16%
Expenditure Support for Youth Development	2,000,000,000	0	2,000,000,000	2,000,000,000	1,000,000,000	-1,000,000,000	-50.00%	50.00%
Fuel Levy Income	33,000,000,000	0	33,000,000,000	33,000,000,000	33,000,000,000	0	0.00%	100.00%
Support for Dayaxa & Lasanod Schools	4,680,000,000	0	4,680,000,000	4,680,000,000	4,679,268,255	-731,745	-0.02%	99.98%
Restocking Project	3,424,000,000	-3,424,000,000	0	0	0	0	None	None
Seasonal Range Reserves Project	1,500,000,000	-67,405,000	1,432,595,000	1,432,595,000	1,432,590,000	-5,000	0.00%	100.00%
Wildlife Protection Project	700,000,000	0	700,000,000	700,000,000	689,095,039	-10,904,961	-1.56%	98.44%
Erigavo & Lasanod Hospitals Project	3,985,800,000	0	3,985,800,000	3,985,800,000	3,924,340,535	-61,459,465	-1.54%	98.46%
Expenditure for Agriculture Data Collection	500,000,000	0	500,000,000	500,000,000	492,646,520	-7,353,480	-1.47%	98.53%
Expenses for ICT Centres Preparation	500,000,000	0	500,000,000	500,000,000	499,852,400	-147,600	-0.03%	99.97%
Oil & Minerals Research Project	4,000,000,000	-1,800,000,000	2,200,000,000	2,200,000,000	2,159,449,480	-40,550,520	-1.84%	98.16%
Postal Service Project	1,000,000,000	-235,405,000	764,595,000	764,595,000	764,590,000	-5,000	0.00%	100.00%
Mental Hospitals Support Project	12,000,000,000	0	12,000,000,000	12,000,000,000	11,999,999,988	-12	0.00%	100.00%
Fishing Development Project	1,000,000,000	0	1,000,000,000	1,000,000,000	991,398,899	-8,601,101	-0.86%	99.14%
Water Extension Projects	14,100,000,000	0	14,100,000,000	14,080,373,715	13,097,291,065	-983,082,650	-6.98%	92.89%

C. World Bank & Joint Program for Local Government Projects

Spending on the World Bank funded projects was well below its 2022 target. The government spent SLSH 31.4 billion on the projects from a total budget of SLSH 69.1 billion. This represents a significant underspending of 40.75% or SLSH 21.6 billion against an allocation of SLSH 53 billion. The spending represents 45.44% of the budget approved by Parliament. Delays in the procurement process account for some of the spending shortfalls in World Bank projects. The Joint Program for Local Government project was also below target for this fiscal year. With a spending of SLSH 9.32 billion representing an underspend of more than 53%, the performance of the JPLG project mirrored that of the World Bank funded projects.

Table 14: Spend on World Bank Funded projects in 2022, SLSH

Implemented MDA	Project (World Bank Funded)	Budget	Allocation	Actual Spending	Underspend*	Underspend (%)	Budget Spent (%)
Civil Service Commission	Civil Service Strengthening Project II	19,177,477,200	10,256,261,000	5,697,090,980	-4,559,170,020	-44.45%	29.71%
Ministry of Finance and Development	DRM and PFM Capacity Strengthening Project	13,631,807,000	11,573,667,000	10,694,311,390	-879,355,610	-7.60%	78.45%
Ministry of Planning & Development	Biyoole Project	12,208,820,000	10,253,120,000	2,422,479,780	-7,830,640,220	-76.37%	19.84%
Civil Service Commission	Civil Service Strengthening Project	10,235,744,260	10,215,163,000	5,709,258,940	-4,505,904,060	-44.11%	55.78%
Ministry of Energy & Minerals	SEAP Project	8,844,729,950	8,578,328,000	6,632,692,780	-1,945,635,220	-22.68%	74.99%
Ministry of Energy & Minerals	SESRP Project	3,500,000,000	1,323,400,000	155,800,190	-1,167,599,810	-88.23%	4.45%
Ministry of Water Resources	Groundwater For Resilience (GW4R)	1,525,160,000	811,860,000	100,243,010	-711,616,990	-87.65%	6.57%
		69,123,738,410	53,011,799,000	31,411,877,070	-21,599,921,930	-40.75%	45.44%

Implemented MDA	Project	Budget	Allocation	Actual Spending	Underspend*	Underspend (%)	Budget Spent (%)
Ministry of Interior	Joint Program for Local Government	19,894,061,320	19,894,061,320	9,320,897,390	-10,573,163,930	-53.15%	46.85%

Figure 15: Spend on WB funded projects in 2022, billion SLSH

