



**Ministry of Finance Development**  
**Republic of Somaliland**

# FINANCIAL BULLETIN For FY2022



**PRIVATE SECTOR AND FINANCIAL SERVICES DEPARTMENT**

## Executive summary:

Somaliland government has been working hard to put legislation, regulations, and systems in place to assist the country's financial sector. During 2022, parliament has passed a number of regulations.

Remittances continue to be crucial to the Somaliland economy, particularly during recessions and outside shocks, as they stabilize household consumption and serve as a shock absorber. the Remittances are the oldest financial service in the Somaliland.

The remittance industry has been Somaliland's main support structure for the financial system since 1991. However, In the past ten years, formal microfinance institutions and commercial banks have emerged, offering a range of financial services to many trustworthy customers and businesses, such as loans, deposits, money exchange, remittance services, checking accounts, overdraft facilities, etc.

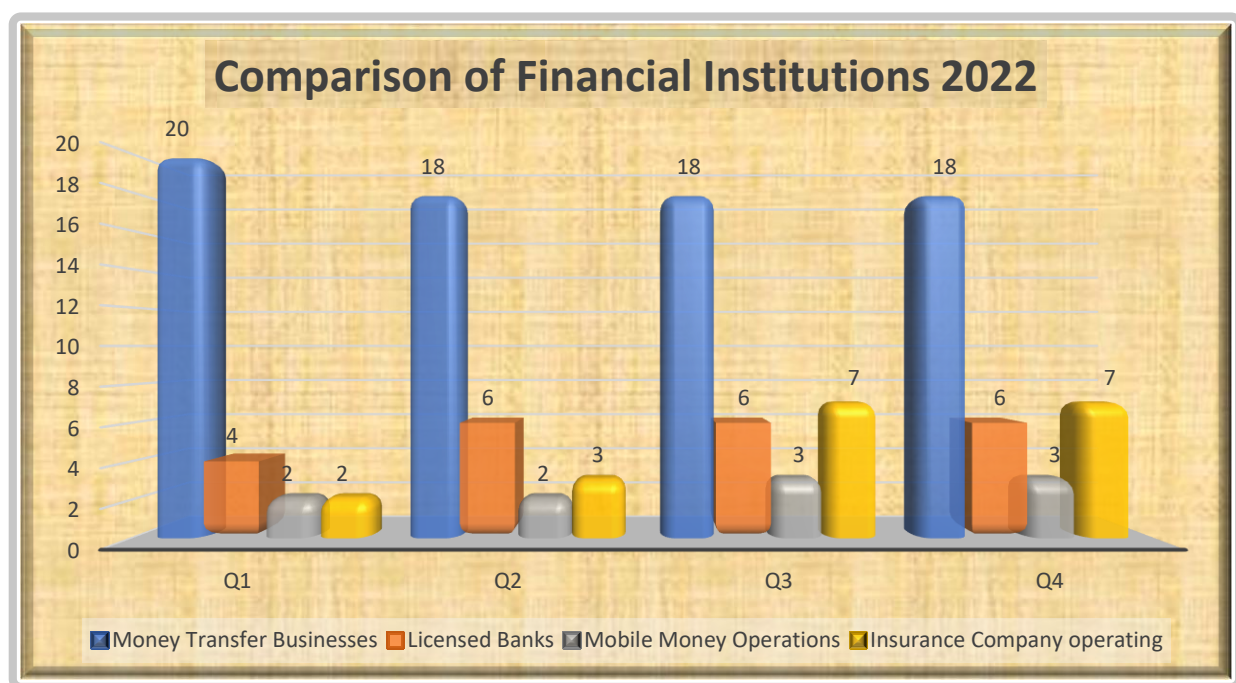
In 2022, the total deposits in the Somaliland banking system were \$3 billion. In the fourth quarter of 2022, deposits amounted to US\$890.3 million, significantly higher than in the third quarter of 2022. On MoM, the total deposits in banking decreased by 25.8% in July 2022 due to economic crises caused by the burning of the Waaheen market and the war in Ukraine.

## 1. Financial Institutions performance

The financial institutions in the country were mainly remittance companies since 1991 but in the last decade a number of new financial institutions came into existence such as commercial banks, insurance companies, mobile money operators etc. For the time being, there are several financial institutions that directly operate within the country such as Money Transfer Businesses, Licensed Banks, Mobile Money Operations and Insurance Company operating in Somaliland. In addition, the Central Bank of Somaliland works as a commercial bank that mainly serves to government officials and institutions and the private sector itself as a depository mechanism which they save their money as a current account. Hence, the financial institutions during the year of 2022 have made small decrease and increase approximately compared to its 4 quarters (Q1, Q2, Q3 and Q4) in related to number of financial institutions were emerged while others were dismissed to the current operation. For the sake of that, money transfer business was 20 in the first quarter of this year while,

the other three quarters has made slightly decrease and became 18 institutions. On the other hand, the licensed banks in the first quarter were 4 and other three quarters were increased slightly and became 6 institutions. Likewise, the mobile money operations in the first two quarters were 2 while, the other two quarters are slightly increased and became 3 institutions and last the one which is insurance company operating were changed in the first quarter were 2 and second quarter were 3 and the last two quarters were 7 financial institutions. In conclusion, there are slightly changes in all financial institutions their increase and decrease.

Figure1: Comparison of Financial Institutions 2022.



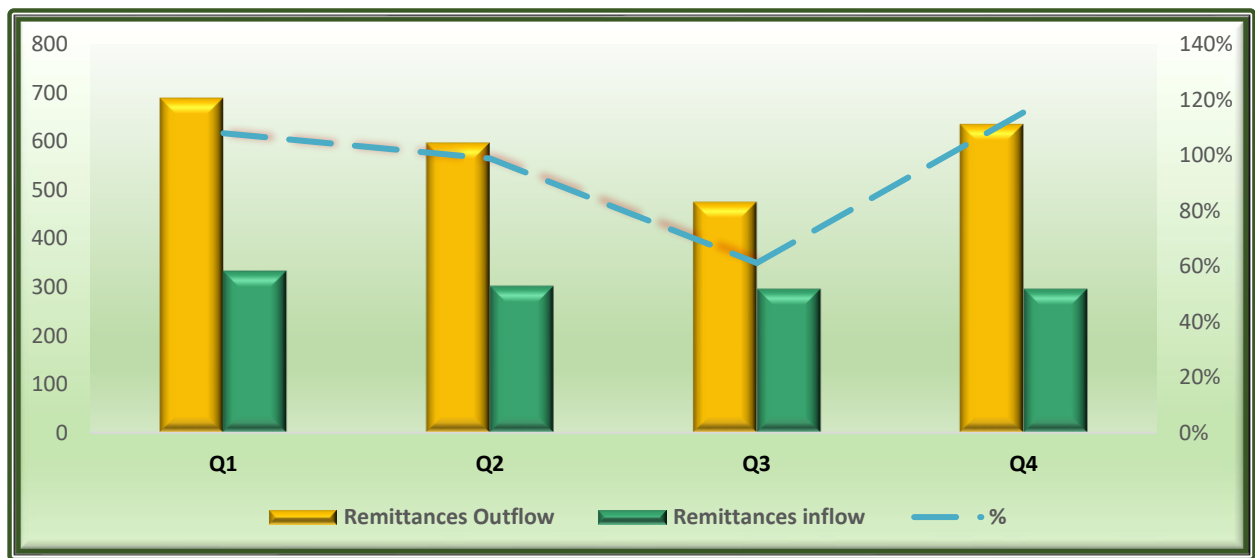
### 1.1 Remittance performance

According to data from the four main banks and seventeen remittance companies in Somaliland, inward remittances in the fourth quarter of 2022 decreased significantly compared to the first three quarters. Fourth quarter inflows and outflows increased by 0% and 33.7%, respectively, compared to the third quarter. The total amount remitted to Somaliland in 2022 decreased by 49%, while the total amount remitted out decreased by 44.1% compared to 2021, respectively. Thus, remittances remain critical to the Somaliland economy, particularly during economic downturns and external shocks, as they stabilize

household consumption and act as a cushion against shocks (counter-cyclical properties). The MoFD expects both inward and outward remittances in the next year of 2023 to exceed 2022 levels. This is likely to occur with businesses around the world continuing to return to full capacity.

Over the years, the Somali culture of trust has created a well-functioning money transfer business, which has allowed Somalilander’s in Diaspora to send money back home in an unstable environment. So, the Remittances are the oldest financial service in the Somaliland. Previously, for the past decade, there was no regulation for the operation of the Money Transfer Businesses (MTBs) in Somaliland, but in the year 2019 the Remittance Bill has been approved by the House of Representatives. The Central Bank of Somaliland has issued licenses for the 18 MTBs as listed in table appendix, as the regulation has been approved, the Central Bank of Somaliland (CBSL) does have the authority to force the remittances to renew their license on annual basis.

Figure2: quarterly remittance inflow and outflow in 2022.



## 1.2 Deposits and Financing made by the Banks in Somaliland

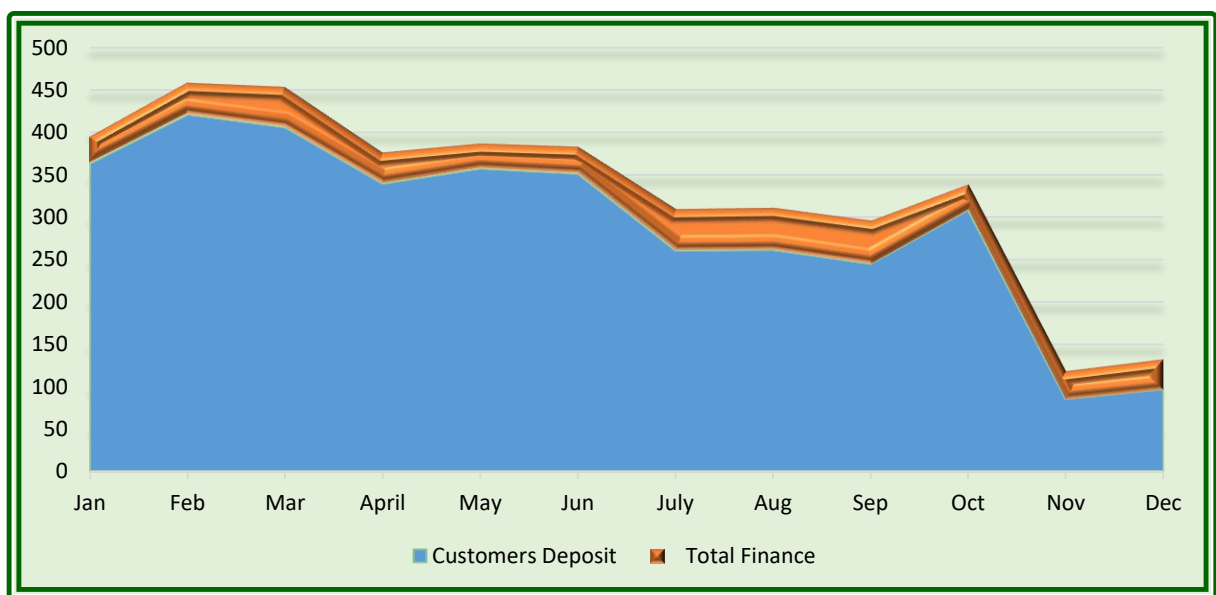
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Similarly, in 2022, total financing by banks was \$356.7 million. In the fourth quarter of 2022, the total financing decreased by (-33%) to US\$98.5 million, down from US\$148.2 million in the third quarter of 2022. The increase in total assets is mainly due to an increase in financing investment, retained earnings and investment in equities, properties and real estate.

In Somaliland commercial banks that have been established in the last decade has made a huge progress in delivering the required banking services very efficiently, though some of the services for a full operational commercial bank are still missing. But, if we compare the different several years starting with 2019-2022 in order to know total deposits, total financing and total investments that has been on the rise and therefore how the society is adopting to the financial services they are providing.

Figure 3: Deposit and financing for FY 2022.



The banks themselves have shown the courage to invest and it can be understood that the people are able to repay their loans and it is clear that there is an understanding between the banks and the society. Hence, following are the services they provide in Somaliland:

- Personal banking
- Corporate banking
- Asset financing
- Diaspora banking

- Dahabo account for woman
- Foreign exchange services
- Current Accounts
- Saving Account
- Financing product
- Business Account

### **1.3 Legal and Regulatory Framework**

The government of Somaliland has been working on to create regulations, policies and procedures intended to regulate the financial sector of the country. So far, a number of regulations were approved by the parliament including as follows:

1. Central Bank Act-Law No.54/2012.
2. Islamic Banking Act- Law No. 55/2012
3. Remittance Act-Law No. 86/2019
4. Anti-money Laundering Act- Law No. 87/2019
5. National Insurance Act-Law No.92/2020
6. Insurance Companies Act-Law No.104/2022

#### **2.1.2. Drafted Central Bank Regulation**

The Somaliland government central bank has also drafted regulations that are still in the process to be passed by the parliament. These regulations include;

1. Time Mobile Money Regulations
2. Clearing House Regulation
3. Fraud Monitoring Directive
4. Micro Finance Regulation
5. Forex Regulation
6. Licensing Requirement for Insurance companies
7. Third- Party Motor Liability Insurance.

### **1.4 Development of Associations**

There are also other developments initiated by the government to ensure the smooth running and working of the financial sector. These include:



1. The Establishment of a Somaliland Banking Association.
2. The Somaliland Clearing House.
3. Establishment of Somaliland Insurance Association.

#### **1.4.1 Key National Policies and Incentives**

The financial sector is currently at an early stage of its development, and the government introduced some key national policies and incentives for the development of this crucial sector include:

1. Industrial Policy Draft.
2. Public Private Partnership Policy Draft.

#### **1.4.2 Financial Legislative Bills**

The government has introduced new Financial Legislative Bills covering The Central Bank of Somaliland, Commercial Banks and private financial institutions operating in the country. Including:

1. National Payment Bill
2. Commercial Banking Bill
3. PPP Drafted Act
4. Foreclosure Drafted Act
5. Drafting Credit Reference Bureau Regulations.

#### **1.4.3 Micro-Finance Schemes**

Somaliland as a growing country with lots of small and medium size enterprises there has been an increasing number of Micro-finance schemes to assist those businesses in getting the finance they need. The micro-finance schemes currently existing in the country are as follows;

1. kims Microfinance
2. Micro-Dahab
3. Shuraako Microfinance
4. Nordic Microfinance

#### **1.5 Insurance Institutions**

Insurance companies of following were established in the recent past due to a growing need



for insurance by the public. Some privately owned firms were opened firstly by a local businessman but later the President of Somaliland established in a presidential decree the Insurance Agency to take the responsibility of governing and leading the insurance sector. The agency has created an act to regulate the insurance companies which the Somaliland Parliament has approved on November 2022.

Now there are 7 Insurance Companies operating in Somaliland who provide different insurance services as follows:

1. Horn Africa Insurance
2. Som Takaful Insurance
3. Amanah Insurance
4. Takaful Insurance
5. Wadaag Insurance
6. Tamini Insurance
7. Baraka Insurance

## 1.5 Exchange rate

The above figure shows that the Somaliland exchange rate for the year of 2022 has almost relatively stable fluctuations in previous 9 months while the last 3 months has made immediate significant increase exchange of Somaliland shilling against Dollar.

**Figure 4: Somaliland exchange rate data for the year ended 31 December 2022.**

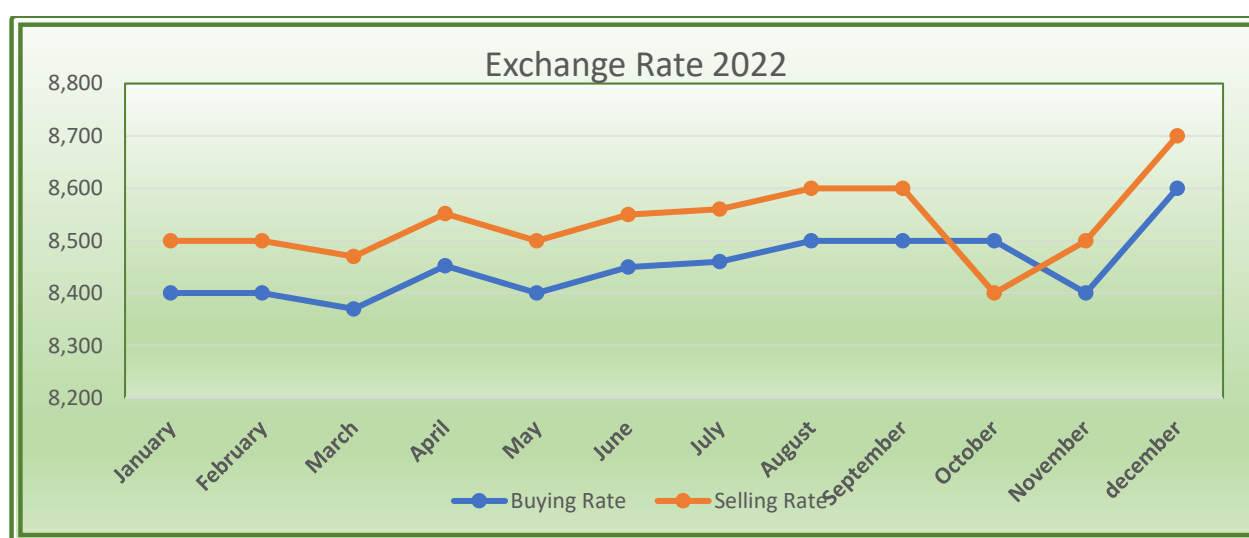


Table 10: Somaliland exchange rate data for the year 31 December 2022





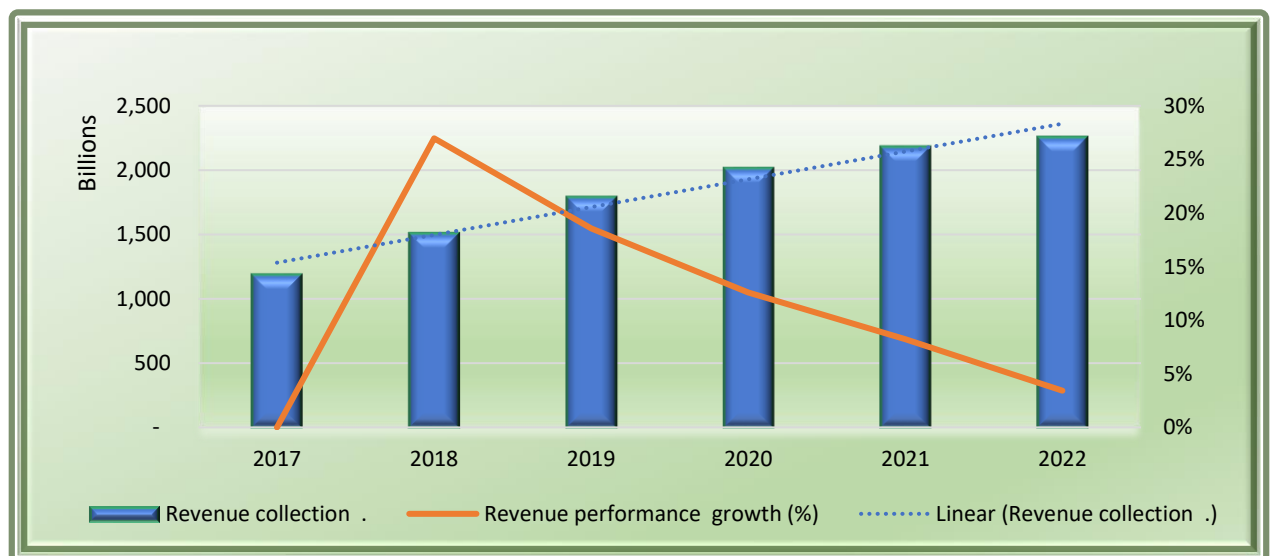
Month	Buying Rate	Selling Rate
January	8,400	8,500
February	8,400	8,500
March	8,370	8,470
April	8,452	8,552
May	8,400	8,500
June	8,450	8,550
July	8,460	8,560
August	8,500	8,600
September	8,500	8,600
October	8,500	8,400
November	8,400	8,500
December	8,600	8,700
Average Exchange Rate	8,450	8,550

## 2.0 Government Fiscal performance

### 2.1 Revenue performance for FY 2017-22

Revenue collection in FY 2022 (2017- 2022) reached a new record with 2.252 trillion collected, compared to 1.187 trillion collected in FY 2017. Revenue grew by 4% compared to the previous year. Revenue collected has more than doubled over the last five years. 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 mobilization

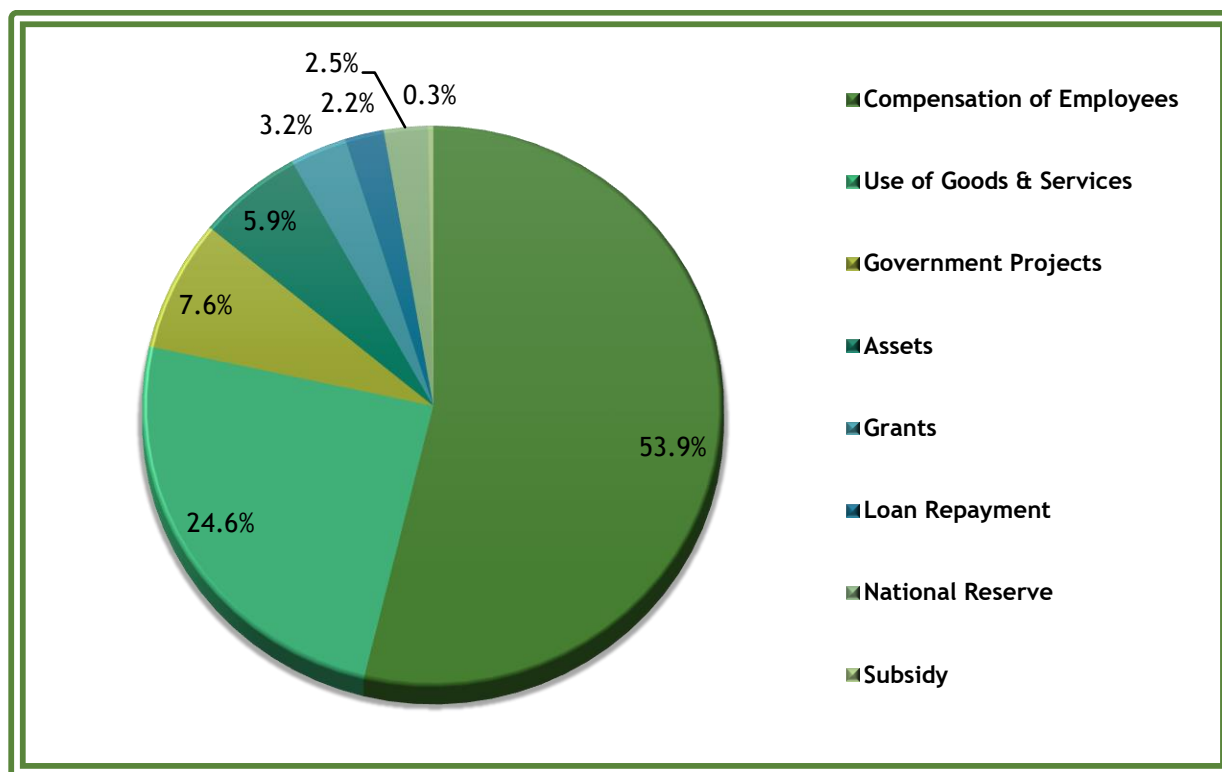
**Figure 5:** Revenue performance for 2017 to 2022.



## 2.2 Expenditure performance for FY 2022

In fiscal year 2022, the government spent SLSH 1.3 trillion on **Compensation of Employees**, or 54% of total spending. Spending on the **Use of Goods and Services** was SLSH 594.4 billion against an allocation of SLSH 599.5 billion. This represented 24. % of total government spending for the year., the government spent SLS 121 billion or 7.6% on **Assets, Loan Repayment**. In particular, the government spent SLSH 52.97 billion or 5.9% 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 or 3.25., a decrease of 1.28%. The government has spent almost the entire allocated amount for **Subsidies** (SLSH 7.4 billion or 0.3%), and spent 2.2%% of the **National Reserve Fund** (SLSH 59.95 billion), with an underspend of SLSH 8.5 billion.

Figure 6: Total expenditure 2022 by sectors.



## Appendix

**Table 2: Number of Remittances in the country of 2022**

S/N	Name
1	Dahabshiil Money Transfer
2	Amal Express
3	Taaj Money Transfer
4	Universal Money Express
5	Saba Money Transfer
6	Tawakal Express
7	Amaana Express
8	Iftin Express
9	Bakaal Express
10	Hudda Express
11	African Express
12	World Remit
13	Global Money transfer
14	Juba Express
15	Qarni Express
16	So, Pay
17	Swift Send Somaliland
18	Irmaan International

**Table 3. Banks registered in Somaliland and yearly rates they charge.**

No.	List of banks inYear 2021	Lending rate	No.	List of banks in Year 2022	Lending rate
1	Darasalam bank	12%	1	Darasalam bank	12%



2	Dahabshil bank	12%	2	Dahabshil bank	12%
3	Premier bank	12%	3	Premier bank	12%
4	Amal Bank	9-12%	4	Amal Bank	9-12%
5	Wanaag Bank	9-12%	5	Wanaag bank	9-12%
			6	International Bank of Somaliland	8-11%

