

MINISTRY OF FINANCE DEVELOPMENT



QUARTERLY FINANCIAL BULLETING

JANAURY-SEPTEMBER

2023



Executive summary:

Having comprehensive data and knowledge about the current private sector and the specific obstacles that businesses encounter is crucial for making well-informed decisions and providing valid justification for proposed changes and focused measures to enhance the business environment. This document specifically examines the performance of both private and public sector financial institutions, as well as the performance of the private sector in terms of business licenses and permits. All financial institutions are going through small changes, both up and down. There haven't been any big changes in the last three quarters of this year yet. Bank deposits dropped 10% in the third quarter of 2023 compared to the previous year. Based on statistics provided by major banks and remittance companies in Somaliland, the inflow of remittances during the first nine months of 2023 experienced a decline of 14%, while outflows declined by 12% compared to the corresponding period in the previous year (2022). In the third quarter of 2023, there was a substantial decline in Business registrations, with a reduction of 299 registrations, representing a 48% decrease compared to the corresponding time in the previous year. Ministry of Employment and Social Affairs were issued 3406 work permits from January to September 2023, which is 928 greater than permits that are registered 2478 in the same period of the year.

According to the most recent Ministry of Finance estimates, targeted revenues in Q3 should have been around 1,897.7 billion. However, actual revenue was just 1,694.7 billion, which was 10.7% less than the approved target. Despite spending \$1,655.3 in Q3 underspent, or 12% less, the fiscal balance from the general government fund was 115.7 billion SLSH in the third quarter of the year.

1. Private Sector Financial Performance

The financial institutions in the year 2023 experienced minimal fluctuations in the last three quarters compared to the previous year. In 2022, the number of institutions in the remittance business was 20. However, this year, it has somewhat fallen to 18. 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.

there are slightly changes in all financial institutions their increase and decrease. so far there has been no significant change in the last 3 quarter of this year.

1.1 Remittance performance

In accordance with statistics provided by major banks and remittance companies in Somaliland, the inflow of remittances during the first nine months of 2023 experienced a decline of 14%, while outflows declined by 12% compared to the corresponding period in the previous year (2022). In Q2 2023, there was a decline of -6.2% in inward remittances and a reduction of 2.7% in outward remittances compared to the same period in 2022. In 2023, the Bank of Somaliland anticipates an increase in both incoming and outgoing remittances compared to 2022. More inward remittances were expected from livestock exports for the Hajj in 2023 and the diaspora coming back in the summer months.

Figure1: quarterly remittance inflow and outflow Jan through Sep 2023.

Months	Remittances Inflow			Remittances Outflow		
	2022	2023	%change	2022	2023	%change
Jan	\$ 120,271,704.00	\$ 88,002,957.00	-27%	\$ 236,256,083.00	\$ 284,329,712.00	20%
Feb	\$ 108,545,475.00	\$ 48,974,114.00	-55%	\$ 219,621,647.00	\$ 199,030,155.00	-9%
Mar	\$ 102,719,916.00	\$ 99,979,840.00	-10%	\$ 243,427,707.00	\$ 219,901,441.00	-10%
Q1	\$ 331,537,095.00	\$ 236,956,911.00	-30%	\$ 699,305,437.00	\$ 703,261,308.00	1%
Apr	\$ 113,037,347.00	\$ 98,433,712.00	-13%	\$ 117,706,865.00	\$ 193,413,174.00	-27%
May	\$ 91,005,731.00	\$ 99,930,397.00	10%	\$ 246,723,031.00	\$ 209,346,189.00	-15%
Jun	\$ 96,084,129.00	\$ 95,098,572.00	-7%	\$ 232,215,096.00	\$ 203,577,854.00	-16%
Q2	\$ 300,127,207.00	\$ 293,462,681.00	-4%	\$ 596,644,992.00	\$ 606,337,217.00	-19%
Jul	\$ 97,031,797.00	\$ 97,826,584.47	1%	\$ 241,951,816.50	\$ 212,391,025.02	-12%
Aug	\$ 96,387,479.00	\$ 89,304,881.87	-7%	\$ 226,244,490.47	\$ 229,457,972.53	1%
Sep	\$ 101,285,557.00	\$ 78,928,234.81	-22%	\$ 226,088,803.00	\$ 214,904,681.10	-5%
Q3	\$ 294,704,833.00	\$ 266,059,701.15	-10%	\$ 694,285,109.97	\$ 656,753,678.65	-5%
TOTAL	\$ 926,369,135.00	\$ 796,479,293.15	-14%	\$ 1,990,235,538.97	\$ 1,966,352,203.65	-1%

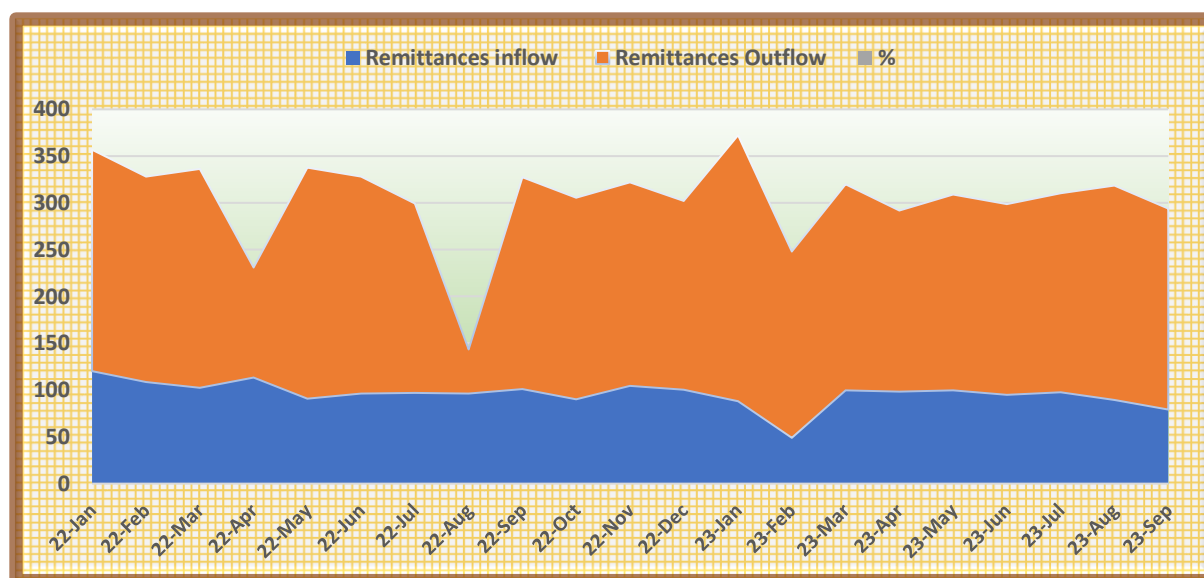


Table1: quarterly remittance inflow and outflow Jan through Sep 2023.

1.2 The financing and deposits made by the Banks in Somaliland

Although financial inclusion is very low in Somaliland and people use traditional methods for saving money, the Banking sector in Somaliland made tremendous growth in the last decade as the total asset of banks grew from \$290 million in 2020 to \$463 million in 2022. In the third quarter of 2023, bank deposits dropped significantly (-10%) compared to the same quarter in the previous year. The quarterly deposit was \$3,003 billion in the third quarter of 2022 and dropped to \$2.6 billion in the third quarter of 2023. Moreover, the outflow decreased by 5% compared to Q3 in 2022. The country's recent political instability is the main cause of this.

Table2: Deposit and financing for Jan-Sep 2023.

Months	Customers Deposit	Total Finance	% Change Deposit	% Change Financing
Jan	275,761,747.02	33,601,568.18		
Feb	275,493,244.17	35,865,273.58	-0.10%	6.7%
Mar	289,674,521.60	33,750,364.43	5.15%	-5.9%
April	296,881,224.62	34,913,206.66	2.49%	3.4%
May	292,578,552.67	36,542,651.89	-1.45%	4.7%
Jun	301,194,090.88	36,068,530.65	2.94%	-1.3%
July	326,078,752.55	37,322,678.23	8.26%	3.5%
Aug	317,752,740.42	35,221,888.81	-2.55%	-5.6%
Sep	313,053,683.00	43,366,499.94	-1.48%	23.1%
Total	2,688,468,556.93	326,652,662.37		

Source: Central of Bank of Somaliland

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

1.4. 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.

1.5 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.

1.6 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.

1.7 Micro-Finance Schemes

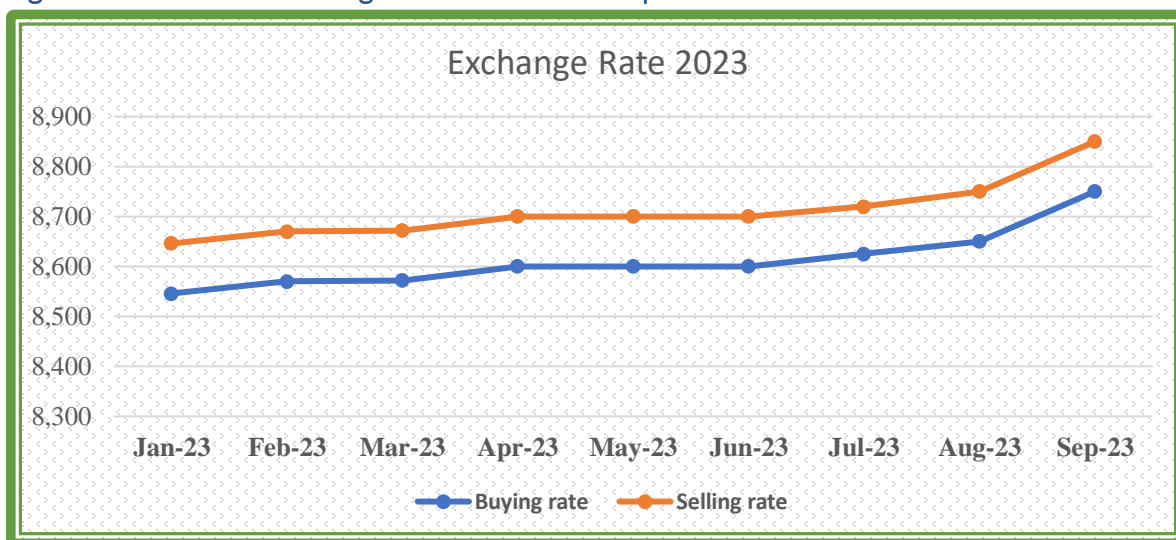
Somaliland as a growing country with lots of small and medium size enterprises there has been an increasing number of Micro-finance schemes to assist those businesses in getting the finance they need. The micro-finance schemes currently existing in the country are as follows;

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

2.0 Exchange rate

The exchange rate in the start of this year, particularly in the month of January 2023, was sh.sl 8,620, while the same month last year was sh.sl 8,400, representing a difference of 200 SLSh, or a 2.62% increase. The conflict in the Sool region and the burning of the market in Waheen were two significant events in the economic downturn and rise in the exchange rate.sh. While the currency rate remained around SLSh 8,800 in September 2023, if we look at in September 2022, the exchange rate for the Somaliland Shilling against the US dollar was 8,800 SLSh/USD. This was a 4.76% depreciation from the September 2022 level which stood at 8,400 SLSh per USD. the exchange rate increased (per dollar) to 400 shillings, which means that during that period the exchange rate increased by and the Somaliland shilling lost its value. In general, the average exchange rate has increased every month at a rate of 0.288% per dollar in the year 2023.

Figure 3: Somaliland exchange rate data for Jan-Sep 2023.



3.0 Business registrations and licenses

In the third quarter of 2023, there was a substantial decline in registrations, with a reduction of 299 registrations, representing a 48% decrease compared to the corresponding time in the previous year Jan-Sep 2022. During the third quarter of 2023, the ministry of trade and tourism recorded the registration of 320 firms, indicating an increase of 38 registrations or a 13% higher compared to the second quarter of the year.

Table 3: Business Registered per Month Jan- 2022 through Sep- 2023.

Month	2022	2023	Difference	% change
January	91	201	110	121%
February	102	136	34	33%
March	175	120	-55	-31%
Q1	368	457	89	24%
April	129	88	-41	-32%
May	166	96	-70	-42%
June	164	98	-66	-40%
Q2	459	282	-177	-39%
July	162	119	-43	-27%
August	224	111	-113	-50%
September	233	90	-143	-61%
Q3	619	320	-299	-48%
Total	1446	1059	-387	-27%

Figure 4: Business Registered per Month Jan- 2022 through Sep- 2023.

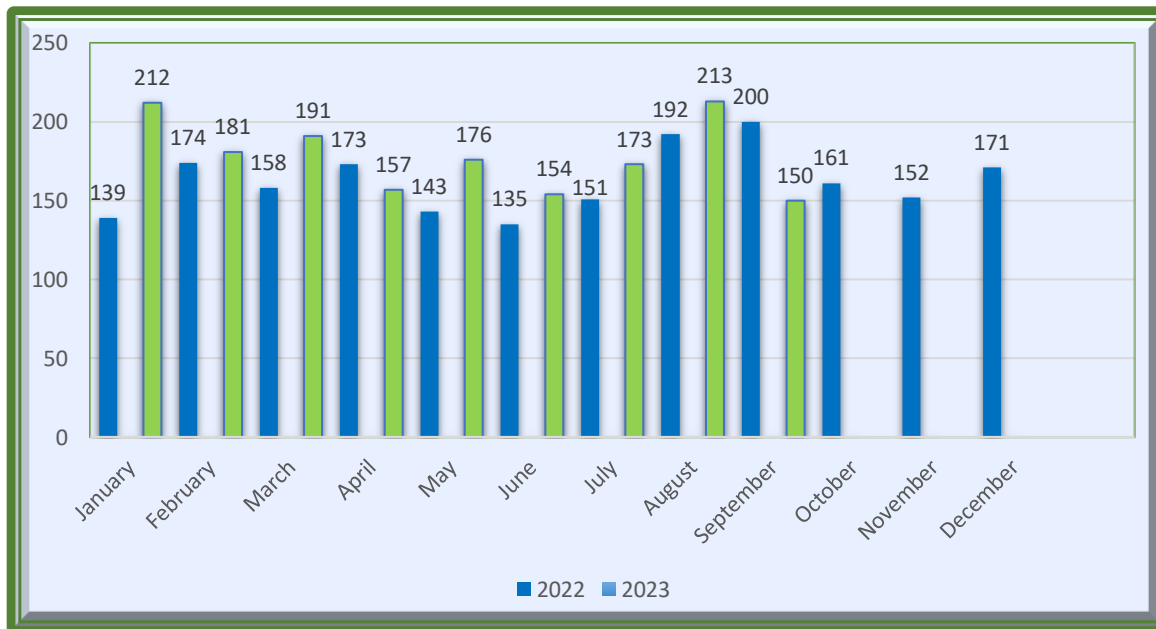


Source: Ministry of Trade and Tourism

3.1 Business Licenses

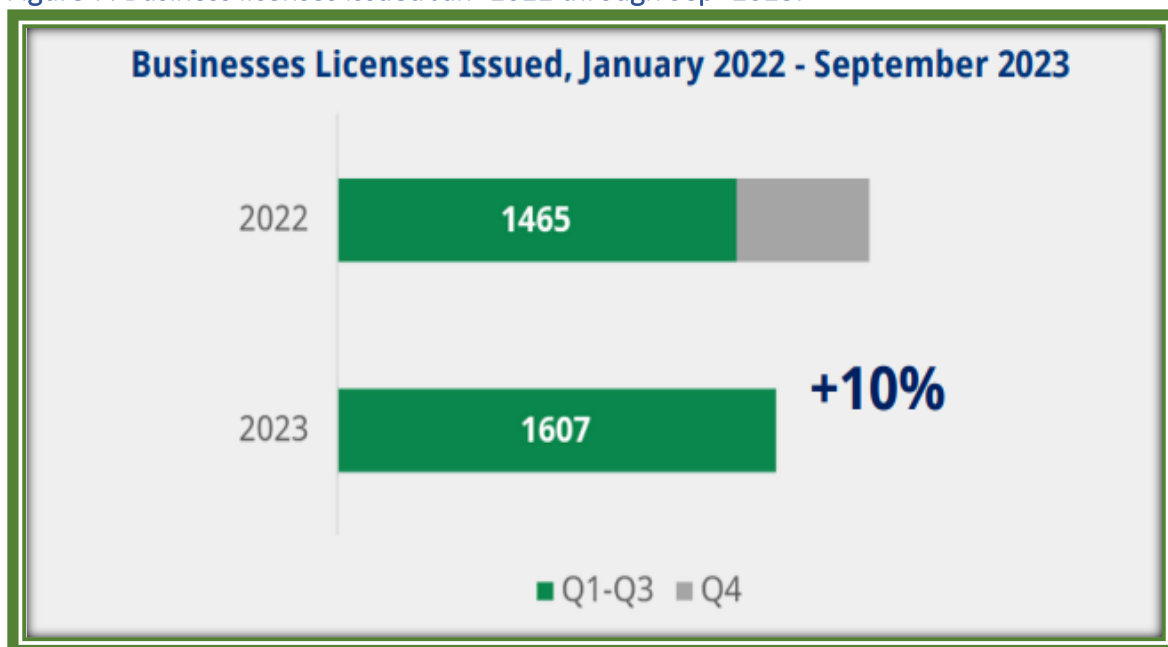
In January–Sep of 2023, there were 1607 new licenses issued; this is 142 more than the 1465 new licenses issued during the same period (Jan–Sep) in 2022, representing a 10% increase. In the third quarter of 2023, there were 536 new licenses issued, representing 49 more than licenses compared to the second quarter of the year.

Figure 5: Business licenses per Month Jan- 2022 through Sep- 2023.



Source: Ministry of Trade and Tourism

Figure 7: Business licenses issued Jan- 2022 through Sep- 2023.



4.0 Work Permits

Ministry of Employment and Social Affairs were issued 3406 work permits from January to September 2023, which is 928 greater than permits that are registered 2478 in the same period of the year, which shows a 35% increase. Also, the third quarter of 2023 saw a significant increase in permits (401), a 41% increase compared to the first quarter of the year.

Figure 6: Work permits issued Jan- 2022 through Sep- 2023.



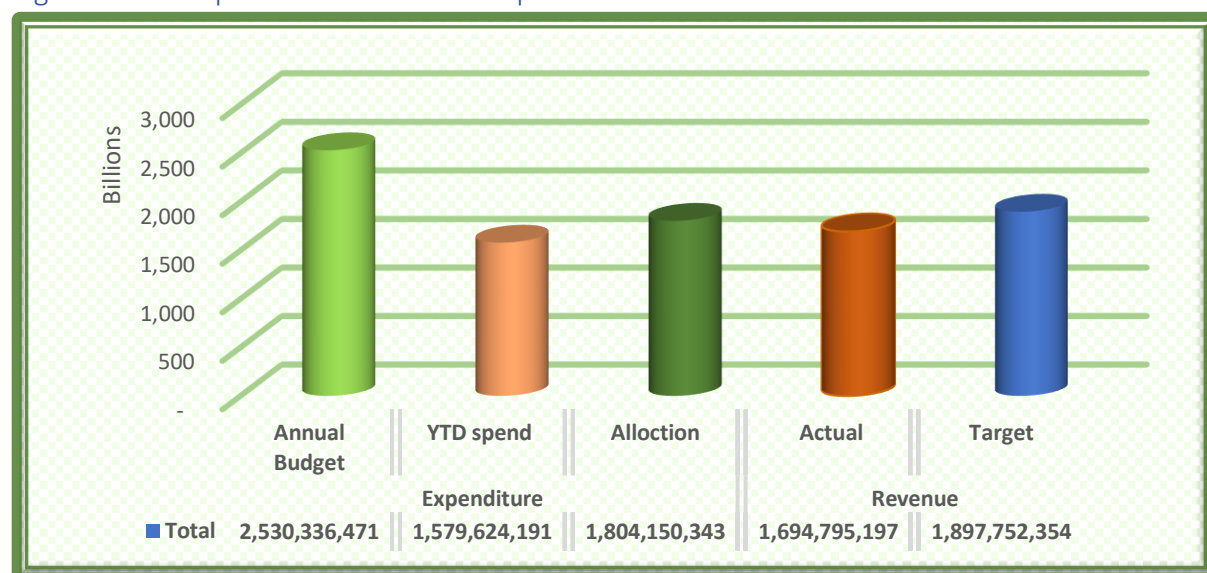
Source: Ministry of Employment and social Affairs

5.0 Public sector financial performance

Third Quarter Performance

This section compares the actual revenue with the latest MoFD estimates and approved targets for the third quarter of the 2023 fiscal year (July, August, September). Latest Ministry estimates suggest that targeted should have been around 1,897.7 billion in Q3. According to the most recent Ministry estimates, targeted revenues in Q3 should have been around 1,897.7 million. However, actual revenue was just 1,694.7 billion, which was 10.7% less than the approved target. Despite spending \$1,655.3 in Q3 underspent, or 12% less, the fiscal balance from the general government fund was 115.7 billion SLSh in the third quarter of the year.

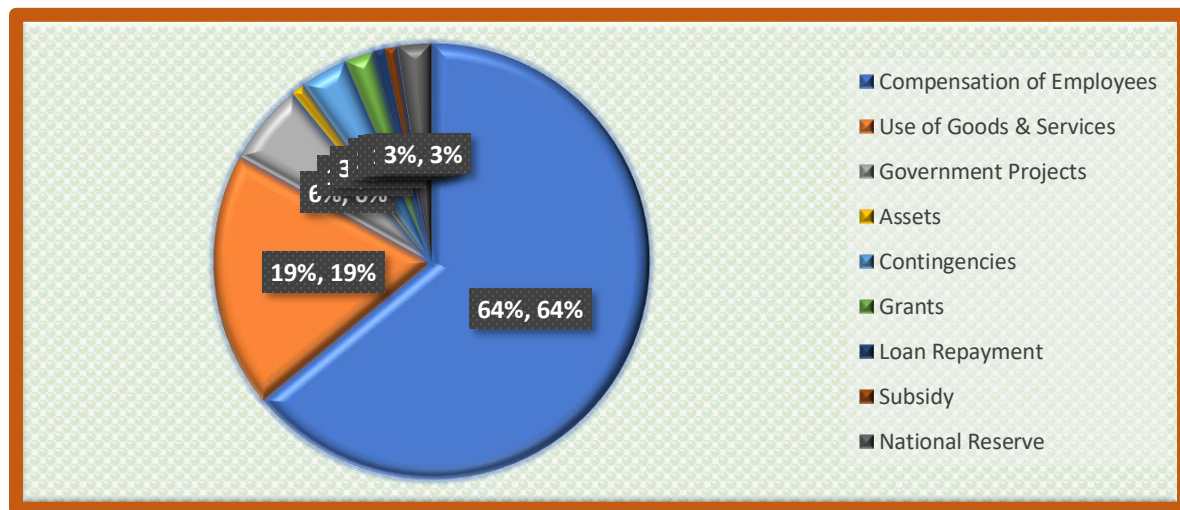
Figure 5: Fiscal performance for Jan-Sep 2023.



5.1 Expenditure performance

In fiscal year Jan-Sep 2023, the government spent SLSH 300.1 billion on **Compensation of Employees**, or 64% of total spending. Spending on the **Use of Goods and Services** was SLSH 368.3 billion against an allocation of SLSH 599.5 billion. This represented 19. % of total government spending for the year., the government spent SLS 94.8 billion on **Government projects**. In particular, the government spent SLSH 13.2 billion or 5.9% on loan repayments. **Grant** expenditures amounted to SLSH 34 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

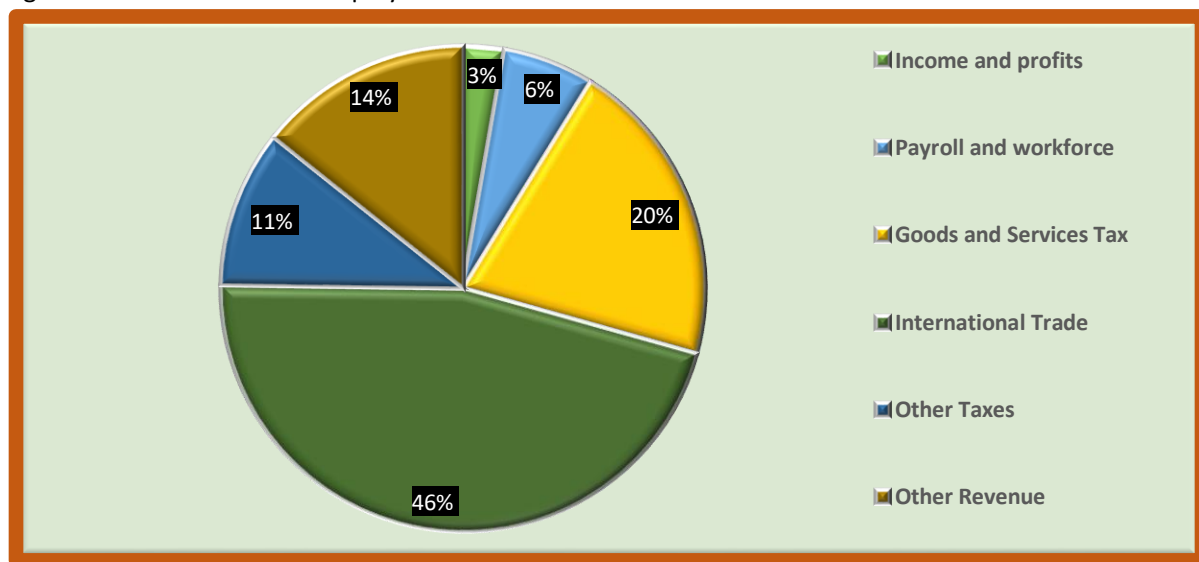
Figure 6: Total expenditure Jan-Sep by sectors.



5.2 Revenue collection performance

This sub-section compares actual third quarter to Government with the approved targets for Import duty, tax on goods and services, GST and taxes on income, profits and capital gains, which are significant components of tax revenue. The total income tax recorded for the first quarter was 46 billion, which represents a 11 percent higher in terms of the approved target. GST, on the other hand, amounted to 214 billion, which is lower than the quarterly target 14 percent

Figure 7: Total Revenue Jan-Sep 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 in Year 2021	Lending rate	No.	List of banks in Year 2022	Lending rate
1	Darasalam bank	12%	1	Darasalam bank	12%
2	Dahabshiil bank	12%	2	Dahabshiil 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%

Table 10: Somaliland exchange rate data for Jan-Sep 2023.

Time	Buying rate	Selling rate	Percentage
Jan-23	8,520	8,620	8,620
Feb-23	8570	8,670	8,670
Mar-23	8570	8,670	8,670
Apr-23	8,600	8,700	8,700
May-23	8,600	8,700	8,700
Jun-23	8,600	8,700	8,700
Jul-23	8,600	8,700	8,700
Aug-23	8,650	8,750	8,750
Sep-23	8,800	8,900	8,900
Average	8,628	8,728	0.288%