

Ministry of Finance Development



Budget and Planning Department

Fiscal Report

January – September 2023

Table of Contents

| | |
|---|-----------|
| LIST OF TABLES | 3 |
| LIST OF FIGURES..... | 3 |
| SUMMARY | 4 |
| A. REVENUE | 6 |
| 1) JAN-JUNE 2023 REVENUE COLLECTION COMPARED TO 2022..... | 6 |
| 2) OVERALL REVENUE PERFORMANCE | 7 |
| a) <i>Performance by Agency</i> | 9 |
| b) <i>Regional Performance</i> | 10 |
| B. EXPENDITURE | 12 |
| 3. OVERALL PERFORMANCE FROM THE GENERAL GOVERNMENT FUND | 12 |
| 4. GOVERNMENT PROJECTS | 15 |
| 5. WORLD BANK FUNDED PROJECTS..... | 17 |

List of Tables

| | |
|---|-------------------------------------|
| Table 1: Jan – September 2023 fiscal summary, SLSh | 5 |
| Table 2: Actual Collection between Jan – September of 2023 and 2022, SLSh..... | 6 |
| Table 3: Actual Revenue Collection vs Budget Forecast in SLShs, Jan-September 2023 | 7 |
| Table 4: Total revenue by responsible agency compared to forecast (SLShs), Jan – September 2023 | 9 |
| Table 5: Customs' revenue performance by location in SLSh, Jan – September 2023..... | 10 |
| Table 6: IRD revenue performance by location in SLShs, Jan-September 2023 | 11 |
| Table 7: 2023 Third Quarter Supplementary Budget by source and spend category, SLSh..... | 12 |
| Table 8: Expenditure performance (excl. WB grants) by Chapter between Jan – September 2022, Billions SLSh | Error! Bookmark not defined. |
| Table 9: Expenditure summary on the Government funded development projects, Jan – September 2023 (SLSh16) | |
| Table 10: Expenditure of WB & JPLG Projects for 2023, SLSh Billions | 17 |

List of Figures

| | |
|---|-------------------------------------|
| Figure 1: Jan – September 2023 fiscal summary including the supplementary budget (excl. Grants), SLSh5 | |
| Figure 2: Tax and Non-Tax collection between Jan-September of 2023 and 2022, SLSh | 7 |
| Figure 3: Top 5 over and underperforming revenue items against forecast in SLSh, Jan-September 2023..... | 8 |
| Figure 4: Total revenue collection by responsible agency (bn SLShs), Jan – September 2023 ... | 10 |
| Figure 5: Customs and IRD revenue composition by station and office, Jan-September 2023 | Error! Bookmark not defined. |
| Figure 6: : Expenditure performance (excl. WB grants) by Chapter between Jan-September 2023, SLSh Billions13 | |
| Figure 7: Spending by chapter in the third quarter of 2022 and 2023..... | 14 |
| Figure 8: Total spending per quarter in 2019 - 2023, SLSh Billion | 14 |
| Figure 9: Budget by chapter, Jan – September of 2022 and 2023 | 15 |
| Figure 10: Expenditure on the WB & JPLG projects between Jan-September 2023, SLSh Billions18 | |

Summary

Between January and September 2023, Domestic revenue collection was 1,694.7 trillion SLSh (excl. grants and the supplementary budget). Q3 revenue collection was 1% or 17.3 billion more than in 2022 **Q3 collection, while** this continues the year-on-year increase of the past few years, collections this year have been noticeably well below target. Domestic revenue collections were 203 billion SLSh (or -10.7%) below forecast for the period. However, during the Hajj season, livestock has significantly increased this year (26.3 billion, or 47%) compared to 2022. Proceeds from the sale of real estate also reduce the deficit; this was done to improve the efficiency of revenue collection for the remaining months of the year; several fiscal policies were introduced in the first quarter (e.g., tax exemptions were lifted to improve the performance of revenue collection). On the other hand, this year, the Las-Anod battle has affected the \$13.8 billion that Somaliland's government expected to collect in Las-Anod. Even though this percentage is less than 1% of the government's projected revenues in 2023. The Customs department and IRD together collected 96% of the total domestic revenue to date—with the customs department alone accounting for the collection of 74% of the total. Nevertheless, Customs' collections underperformed its target by 201.3 billion SLSh (or -15%) while IRD collected 18 billion SLSh below target (or -4%). In terms of revenue performance, Q3 recorded the collection of 587.4 billion SLSh. In comparison to Q2 revenue collection, this represents a 4% increase.

On the expenditure side, the Government of Somaliland allocated and expended a total of SLSh 1.58 trillion from the general government fund. This expenditure represented 65.76% of the annual budget, which stood at SLSh 2.6 trillion, inclusive of the SLSh 75.8 billion supplementary budget ratified in the third quarter for the national reserve. However, the actual expenditure fell short of the allocated amount for the period, with a variance of 12.44%, equivalent to SLSh 224.5 billion, the majority of spending categories experienced a decrease, primarily attributed to spending restrictions implemented in the second quarter in response to the crisis in the eastern regions. the combined underspend for the initial nine months of 2023 across the aforementioned five sectors amounted to SLSh 194.64 billion, which represents 86.7% of the overall underspend of SLSh 224.53 billion across all eleven sectors. These figures underscore the impact of fiscal restraint measures enacted in response to the crisis affecting the eastern regions of the nation.

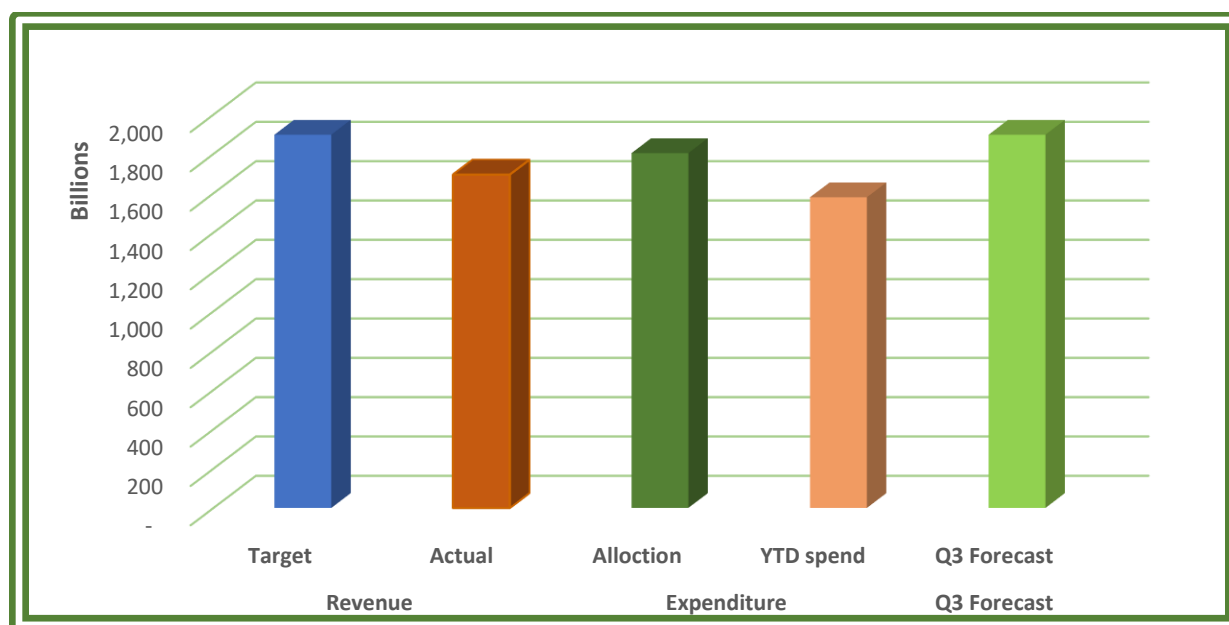
The Government of Somaliland introduced a supplementary budget of SLSh 48.75 billion, which included SLSh 40.3 billion allocated to fully finance three World Bank (WB) projects and provide additional support to two others. Additionally, SLSh 8.5 billion was designated to augment the Joint Program for Local Government (JPLG) project using unused funds from the preceding fiscal year. **The fiscal balance from the general government fund in the third quarter of the year was 191 billion SLSh.**

| | Budget | Target | YTD Actual | Surplus /Deficit % | Budget Realized % |
|--------------------------|-------------------|-------------------|--------------------------|-----------------------|----------------------|
| Revenue | 2,736,080,806,071 | 2,043,458,679,706 | 1,806,677,178,722 | -11.6% | 66% |
| Domestic | 2,530,336,471,861 | 1,897,752,354,496 | 1,694,795,197,742 | -10.7% | 67% |
| WB grants | 103,421,546,340 | 51,873,800,340 | 29,022,071,820 | -44.1% | 28% |
| JPLG Project | 26,560,170,870 | 18,069,907,870 | 7,097,292,160 | -60.7% | 27% |
| Supplementary budget | 75,762,617,000 | 75,762,617,000 | 75,762,617,000 | 0.0% | 100% |
| Expenditure | 2,812,942,181,541 | 1,983,660,561,300 | 1,615,743,555,497 | -17.1% | 59% |
| General Gv't Fund Spend* | 2,606,099,088,861 | 1,879,912,960,620 | 1,579,624,191,517 | -16.0% | 61% |
| WP project | 103,421,546,340 | 51,873,800,340 | 29,022,071,820 | -44.1% | 28% |
| JPLG Project | 26,560,170,870 | 18,069,907,870 | 7,097,292,160 | -60.7% | 27% |
| Fiscal Balance | | | 190,933,623,225 | | |
| Domestic | | | 190,933,623,225 | | |
| Grants | | | 0 | | |

Table 1: Jan – September 2023 fiscal summary, SLSh

*Includes the supplementary budgets

Figure 1: Jan – September 2023 fiscal summary including the supplementary budget (excl. Grants), SLSh



A. Revenue

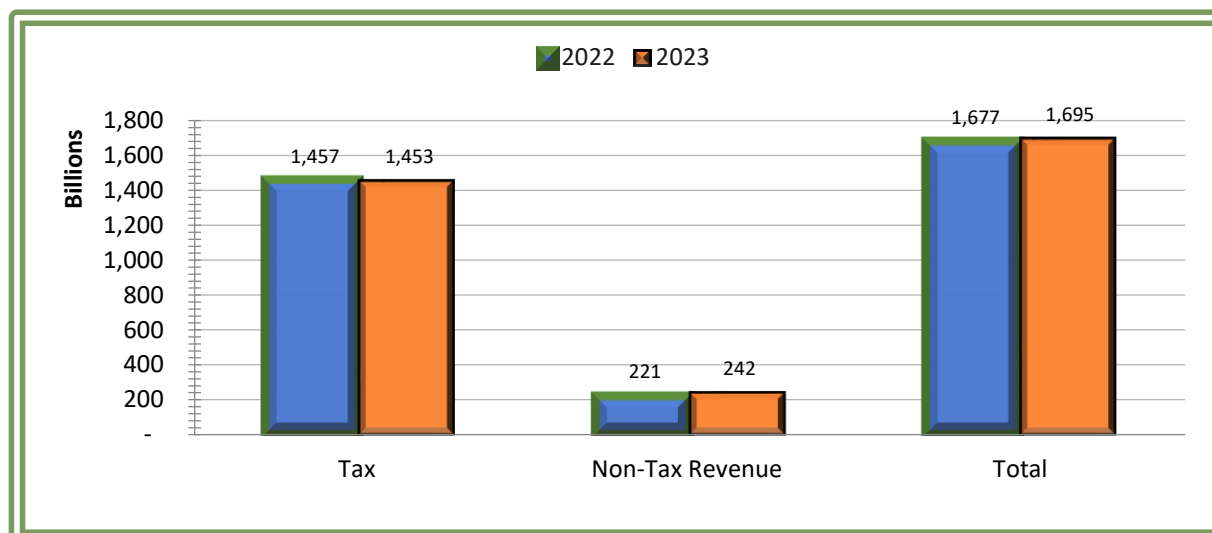
1) Jan-September 2023 revenue collection compared to 2022

Between January and September 2023, the Government of Somaliland collected 1,694.7 billion SLSh in domestic revenue—representing a 1% increase from the 1,677.4 billion SLSh collected in the same period in 2022 as shown in table 2 below. Collections from non-taxes increased by 9.4% (+20.7 billion SLSh) while tax collection decreased small by 0.2% (-3.4 billion SLSh). Despite the majority of revenue categories showed declines in collections, a few of them saw increases when compared to the same period in 2022. These were: Tax on livestock, profits and payroll which increased by 17 billion SLSh, 25.2 billion SLSh and 6.8 billion SLSh, respectively. A number of fiscal policies were introduced in the first quarter (e.g., tax exemptions were lifted in order to increase revenue collection efficiency). On the other hand, the \$13.8 billion that the government of Somaliland expects to receive this year has been impacted by the Las-Anod war. Although this percentage represents less than 1% of the government's projected revenue in 2023,

Table 2: Actual Collection between Jan – September of 2023 and 2022, SLSh

| DESCRIPTION | Actual revenue collection (Q3 2023) | Actual revenue collection (Q3 2022) | Difference | % |
|-------------------------------|-------------------------------------|-------------------------------------|---------------------------|--------------|
| Taxes | 1,453,147,703,365.00 | 1,456,604,267,811.85 | -3,456,564,446.85 | -0.2% |
| Income and profits | 46,419,555,257.00 | 37,081,157,804.00 | 9,338,397,453.00 | 25.2% |
| Payroll and workforce | 103,032,892,787.00 | 96,434,033,785.00 | 6,598,859,002.00 | 6.8% |
| Goods and Services | 347,399,073,538.00 | 362,950,220,664.25 | -15,551,147,126.25 | -4.3% |
| Sales tax | 213,924,709,164.00 | 224,993,500,328.00 | -11,068,791,164.00 | -4.9% |
| Excise tax | 18,008,382,431.00 | 16,563,267,456.25 | 1,445,114,974.75 | 8.7% |
| Administration tax | 80,642,515,173.00 | 84,707,596,171.00 | -4,065,080,998.00 | -4.8% |
| Other taxes on G&S | 34,823,466,770.00 | 36,685,856,709.00 | -1,862,389,939.00 | -5.1% |
| International Trade | 778,063,016,371.00 | 792,679,222,382.00 | -14,616,206,011.00 | -1.8% |
| Taxes on imports | 627,611,302,027.00 | 661,695,500,223.00 | -34,084,198,196.00 | -5.2% |
| Taxes on exports | 90,128,228,234.00 | 59,504,127,619.00 | 30,624,100,615.00 | 51.5% |
| Port taxes | 60,323,486,110.00 | 71,479,594,540.00 | -11,156,108,430.00 | -15.6% |
| Other Taxes | 178,233,165,412.00 | 167,459,633,176.60 | 10,773,532,235.40 | 6.4% |
| 2% tax in Eastern Regions | 63,145,652,669.00 | 70,684,536,309.00 | -7,538,883,640.00 | -10.7% |
| Other | 115,087,512,743.00 | 96,775,096,867.60 | 18,312,415,875.40 | 18.9% |
| Other Revenue | 241,647,494,376.64 | 220,866,943,559.00 | 20,780,550,817.64 | 9.4% |
| Property Income | 139,976,541,071.78 | 86,371,823,909.00 | 53,604,717,162.78 | 62.1% |
| Sales of Goods and Services | 90,665,782,730.00 | 124,201,967,266.00 | -33,536,184,536.00 | -27.0% |
| Fines and Voluntary Transfers | 11,005,170,574.86 | 10,293,152,384.00 | 712,018,190.86 | 6.9% |
| TOTAL | 1,694,795,197,741.64 | 1,677,471,211,370.85 | 17,323,986,370.79 | 1.0% |

Figure 2: Tax and Non-Tax collection between Jan-September of 2023 and 2022, SLSh



2) Overall Revenue Performance

Tax and non-tax revenue accounted for 86% and 14% out of the total amount. Compared to performance against target, collections in the third quarter were 10.7% below target (-203 billion SLSh). As can be seen in table 4 below, almost all of the deficit came from the underperformance of taxes (-196.4 bn SLSh)—in particular from lower-than-expected collections from imports (-120.7 billion SLSh deficit), other taxes on GST (-12.8 billion SLSh) and GST (-33 billion SLSh). While non-tax revenue registered a small deficit of -3% (6.4 bn SLSh) particularly sale of goods and services and income from local government supplement underperformed against their respective targets by -33 billion SLSh and -17.75 billion SLSh respectively. Revenue collection in the Jan-Sep has historically performed little higher collection comparing to previous year, particularly, livestock has dramatically increased this year (26.3 billion, or 47%), compared to 2022, However, revenue from the sale of real estate reduces the deficit. This was done to improve revenue collection effectiveness for the remainder of the year.

Table 3: Actual Revenue Collection vs Budget Forecast in SLSHs, Jan-September 2023

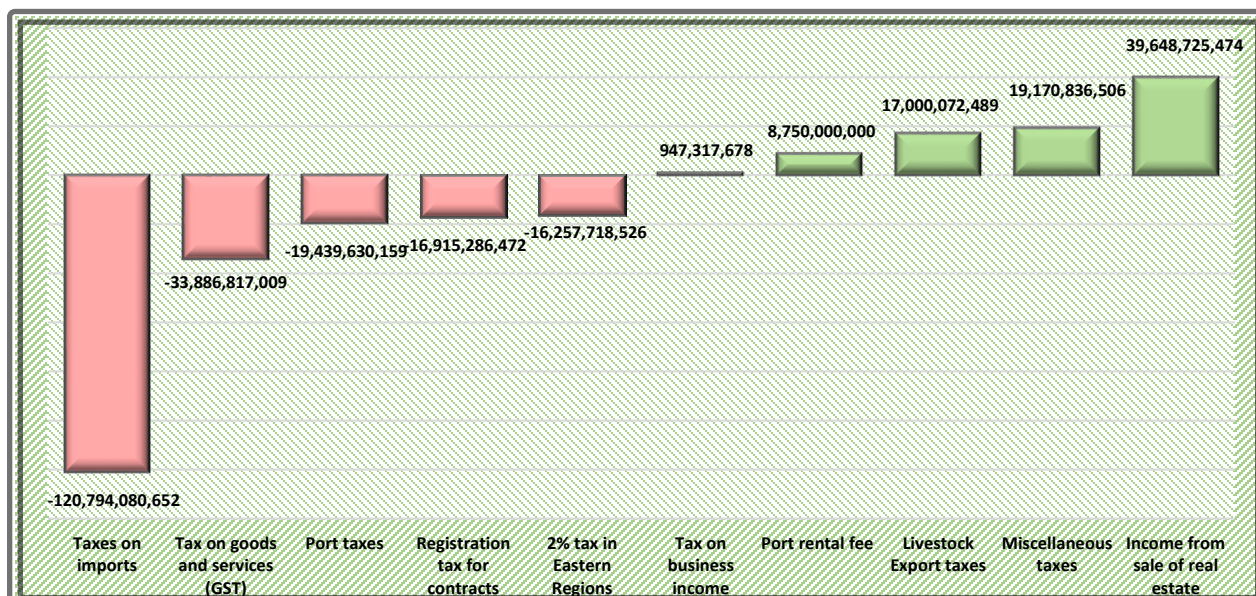
| DESCRIPTION | Budget Forecast (annual) | Budget Forecast (to date) | Actual revenue collection (to date) | Difference | % |
|----------------------------|-----------------------------|-----------------------------|-------------------------------------|----------------------------|-------------|
| Taxes | 2,199,508,654,686.78 | 1,649,631,491,015.09 | 1,453,147,703,365.00 | -196,483,787,650.09 | -12% |
| Income and profits | 55,934,856,085.44 | 41,951,142,064.08 | 46,419,555,257.00 | 4,468,413,192.92 | 11% |
| Payroll and workforce | 145,364,887,815.02 | 109,023,665,861.27 | 103,032,892,787.00 | -5,990,773,074.27 | -5% |
| Goods and Services | 543,546,358,464.33 | 407,659,768,848.24 | 347,399,073,538.00 | -60,260,695,310.24 | -15% |
| Sales tax | 330,415,368,230.00 | 247,811,526,172.50 | 213,924,709,164.00 | -33,886,817,008.50 | -14% |
| Excise tax | 25,690,461,650.91 | 19,267,846,238.18 | 18,008,382,431.00 | -1,259,463,807.18 | -7% |
| Administration tax | 123,911,006,504.57 | 92,933,254,878.43 | 80,642,515,173.00 | -12,290,739,705.43 | -13% |
| Other taxes on G&S | 63,529,522,078.84 | 47,647,141,559.13 | 34,823,466,770.00 | -12,823,674,789.13 | -27% |
| International Trade | 1,196,690,997,654.58 | 897,518,248,240.93 | 778,063,016,371.00 | -119,455,231,869.93 | -13% |
| Taxes on imports | 997,873,843,572.24 | 748,405,382,679.18 | 627,611,302,027.00 | -120,794,080,652.18 | -16% |

| | | | | | |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|---------------|
| Taxes on exports | 92,466,332,390.01 | 69,349,749,292.51 | 90,128,228,234.00 | 20,778,478,941.49 | 30% |
| Port taxes | 106,350,821,692.33 | 79,763,116,269.25 | 60,323,486,110.00 | -19,439,630,159.25 | -24% |
| Other Taxes | 257,971,554,667.41 | 193,478,666,000.56 | 178,233,165,412.00 | -15,245,500,588.56 | -8% |
| 2% tax in Eastern Regions | 105,871,161,593.39 | 79,403,371,195.04 | 63,145,652,669.00 | -16,257,718,526.04 | -20% |
| Other | 152,100,393,074.02 | 114,075,294,805.52 | 115,087,512,743.00 | 1,012,217,937.48 | 1% |
| Other Revenue | 330,827,817,974.71 | 248,120,863,481.03 | 241,647,494,376.64 | -6,473,369,104.39 | -3% |
| Property Income | 119,564,454,523.71 | 89,673,340,892.78 | 139,976,541,071.78 | 50,303,200,179.00 | 56% |
| Sales of Goods and Services | 165,867,306,682.69 | 124,400,480,012.02 | 90,665,782,730.00 | -33,734,697,282.02 | -27% |
| Fines and Voluntary Transfers | 15,396,056,768.31 | 11,547,042,576.23 | 11,005,170,574.86 | -541,872,001.37 | -5% |
| Transfers not classified elsewhere | 30,000,000,000.00 | 22,500,000,000.00 | 0.00 | -22,500,000,000.00 | -100% |
| TOTAL | 2,530,336,472,661.49 | 1,897,752,354,496.12 | 1,694,795,197,741.64 | -202,957,156,754.48 | -10.7% |

At a more disaggregate level¹, the top five revenue items with the largest deficit are shown in figure 3 below, along with the top five over-performers. Taxes on imports was the biggest underperformer with a -120 billion SLSh deficit. This was followed by deficits from tax on goods and services GST (-34 billion SLSh), port tax (-19.4 billion SLSh), registration tax for contracts (-17 billion SLSh) and 2% tax eastern regions (-16.2 billion SLSh).

On the other hand, income from sale of real estate (+39.6 billion SLSh), miscellaneous taxes included income from exchange benefits (+19.7 billion SLSh), livestock export taxes (+17 billion SLSh), port rental fees (+8.7 billion SLSh) and tax on business income (+947 million SLSh) overperformed against their respective targets.

Figure 3: Top 5 over and underperforming revenue items against forecast in SLSh, Jan-September 2023



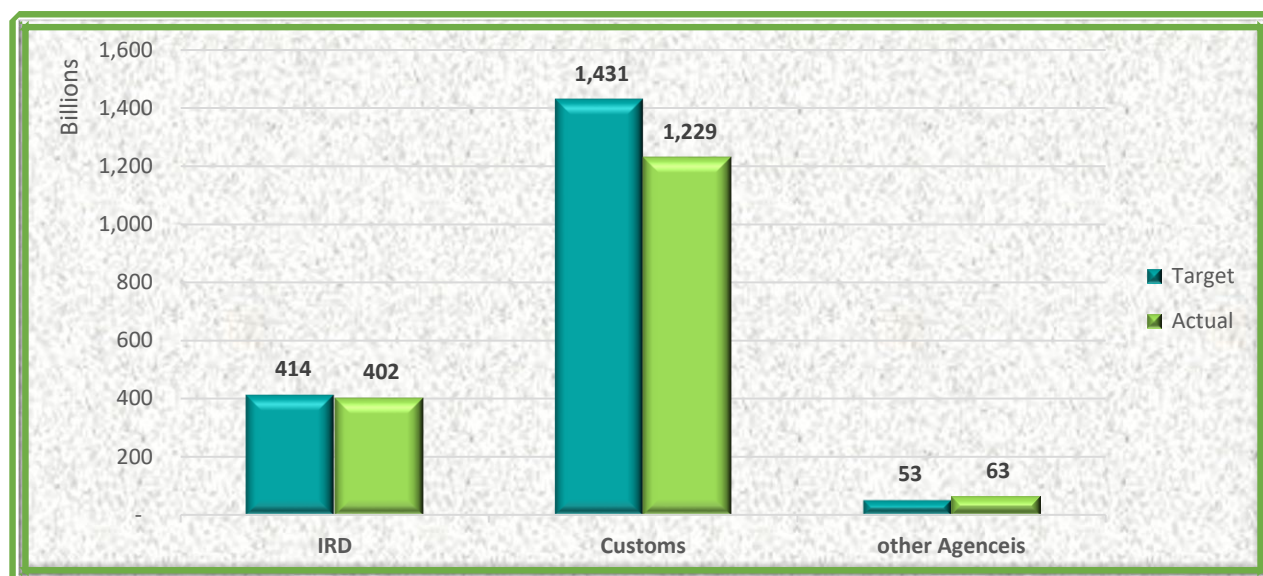
¹ See Appendix 1 for a complete list of the revenue items.

a) Performance by Agency

Table 4 and Figure 4 below show total revenue collection by responsible agencies. About 96% of the actual revenue collected between January and September came from the Customs and IRD (excl. grants for the World Bank funded projects). The IRD is below target by 18 billion SLSh or 4%. The Customs Department—which accounts for 74% of total revenue to date, was 14% below target (or -201.3 billion SLSh). Regarding the other fifteen responsible revenue collecting agencies, only collections from five met and/or exceeded target: Ministry of mining and energy (+55%), Quality control Agency (+96%), while Income from local government supplement (-100%) . All the other remaining agencies performed below their target in the third quarter of 2023.

Table 4: Total revenue by responsible agency compared to forecast (SLSHs), Jan – September 2023

| RESPONSIBLE AGENT | Budget Forecast (annual) | Budget Forecast (to date) | Actual revenue collection (to date) | difference | % |
|---|--------------------------|---------------------------|-------------------------------------|-------------------------|---------------|
| IRD | 561,491,402,474 | 421,118,551,856 | 402,475,201,277 | -18,643,350,57 | -4% |
| Customs | 1,907,712,333,179 | 1,430,784,249,884 | 1,229,454,926,144 | -201,329,323,741 | -14% |
| Other agencies: | | | | | |
| Ministry of Information and Awareness | 920,417,438 | 690,313,079 | 18,608,056 | -671,705,023 | -97% |
| Ministry of Telecommunications | 7,927,057,906 | 5,945,293,430 | 3,003,455,000 | -2,941,838,430 | -49% |
| Ministry of Trade | 19,024,420,667 | 14,268,315,500 | 11,322,978,660 | -2,945,336,840 | -21% |
| Ministry of Agriculture | 291,949,111 | 218,961,833 | 44,040,375 | -174,921,458 | -80% |
| Ministry of Fisheries | 1,261,878,705 | 946,409,029 | 578,603,000 | -367,806,029 | -39% |
| Ministry of Energy and Minerals | 1,214,037,070 | 910,527,803 | 1,409,784,100 | 499,256,298 | 55% |
| Ministry of Labour and Social Affairs | 5,471,692,282 | 4,103,769,212 | 4,324,250,000 | 220,480,789 | 5% |
| Income from rent-houses \$ stores | 549,898,760 | 412,424,070 | 299,252,684 | -113,171,386 | -27% |
| Income from sales of national resources | 237,998,286 | 178,498,715 | 170,031,250 | -8,467,465 | -5% |
| Income from sale of real estate | 5,232,701 | 3,924,526 | 39,652,650,000 | 39,648,725,474 | 1010281% |
| Ministry of Justice | 472,760,438 | 354,570,329 | 236,929,180 | -117,641,149 | -33% |
| Ministry of Health | 742,034,019 | 556,525,514 | 347,270,000 | -209,255,514 | -38% |
| Quality Control Agency | 235,409,700 | 176,557,275 | 345,548,000 | 168,990,725 | 96% |
| Ministry of Planning | 862,149,825 | 646,612,369 | 510,170,016 | -136,442,353 | -21% |
| Income from local government supplement | 21,000,000,000 | 15,750,000,000 | 0 | -15,750,000,000 | -100% |
| Ministry of Public Works | 915,799,300 | 686,849,475 | 601,500,000 | -85,349,475 | -12% |
| Total | 61,132,736,208 | 45,849,552,156 | 62,865,070,321 | 17,015,518,165 | 37% |
| Total | 2,530,336,471,861 | 1,897,752,353,896 | 1,694,795,197,742 | -202,957,156,154 | -10.7% |

Figure 4: Total revenue collection by responsible agency (bn SLSHs), Jan – September 2023

b) Regional Performance

As mentioned above, about 96% of the total revenue collected in January through September 2023 came from the Customs Department and IRD—with the Customs Department accounting for 74% and IRD 24% of the total. Not surprisingly, as shown in Table 5 below, 63.4% of the Customs collections came from Berbera while 17.4% came from Kalabaydh and 6.2% from Zaylac. or the first time in 2023, the Berbera collection has declined to 188.4 billion, a decrease of 20 percent. Meanwhile, Xariirad has seen a dramatic increase in activity 11 billion surplus since the government of Somaliland established a customs station there. Additionally, Borama custom dramatically increase this year with 29.3 surplus. Also, Hargeisa Airport has collected 14.7 billion SLSH or i.e., a 29% surplus), which is the first time it has collected in several years (. The remaining customs stations continue to collect a relatively small portion of overall revenues. In 2023, Hargeisa collected 79% of IRD revenues, whereas Berbera contributed 11.4%. The other eight IRD offices contributed the remaining 9.6% of total IRD revenues. %). In terms of revenue performance, Q3 recorded the collection of 587.4 billion SLSH. In comparison to Q2 revenue collection, this represents a 4% increase.

Table 5: Customs' revenue performance by location in SLSH, Jan – September 2023

| Stations | Budget Forecast (annual) | Budget Forecast (to date) | Actual revenue collection (to date) | Difference | % |
|------------------|--------------------------|---------------------------|-------------------------------------|-------------------------|-------------|
| Berbera | 1,285,862,332,061 | 964,396,749,046 | 775,944,914,249 | -188,451,834,797 | -20% |
| Kalabaydh | 313,832,983,780 | 235,374,737,835 | 189,765,070,064 | -45,609,667,771 | -19% |
| Seylac | 116,575,060,522 | 87,431,295,392 | 73,534,766,668 | -13,896,528,724 | -16% |
| B/Gubadle | 34,386,096,950 | 25,789,572,713 | 16,654,339,035 | -9,135,233,678 | -35% |
| Las-Canod | 9,204,617,068 | 6,903,462,801 | 611,514,730 | -6,291,948,071 | -91% |
| Wajaale | 26,379,815,888 | 19,784,861,916 | 16,377,245,081 | -3,407,616,835 | -17% |
| C/Cado | 4,476,492,978 | 3,357,369,734 | 1,636,990,644 | -1,720,379,090 | -51% |
| L/Haya | 27,427,631 | 20,570,723 | 28,421,479 | 7,850,756 | 38% |
| Dilla | 74,144,498 | 55,608,374 | 63,530,123 | 7,921,750 | 14% |
| Beer | 294,452,842 | 220,839,632 | 279,167,613 | 58,327,982 | 26% |
| F/Weyne. | 3,464,979,684 | 2,598,734,763 | 2,670,800,857 | 72,066,094 | 3% |
| A/Baday | 2,635,643,202 | 1,976,732,402 | 2,068,590,891 | 91,858,490 | 5% |
| Abaarso | 511,743,179 | 383,807,384 | 562,310,490 | 178,503,106 | 47% |
| Hargeysa | 1,597,108,492 | 1,197,831,369 | 2,781,769,373 | 1,583,938,004 | 132% |
| C/Gaabo | 2,082,726,379 | 1,562,044,784 | 3,772,881,077 | 2,210,836,293 | 142% |
| Caynabo | 2,444,914,321 | 1,833,685,741 | 4,614,800,544 | 2,781,114,803 | 152% |
| Burco | 3,212,815,161 | 2,409,611,371 | 7,601,597,020 | 5,191,985,649 | 215% |
| Xariirad. | 3,801,988,679 | 2,851,491,509 | 13,692,084,945 | 10,840,593,436 | 380% |
| Hargeysa Airport | 67,529,013,228 | 50,646,759,921 | 65,435,967,145 | 14,789,207,224 | 29% |
| Borama | 29,317,976,636 | 21,988,482,477 | 51,358,164,116 | 29,369,681,639 | 134% |
| Total | 1,907,712,333,179 | 1,430,784,249,884 | 1,229,454,926,144 | -201,329,323,741 | -14% |

Table 6: IRD revenue performance by location in SLSHs, Jan-September 2023

| Stations | Budget Forecast (annual) | Budget Forecast (to date) | Actual revenue collection (to date) | Difference | % |
|--------------|--------------------------|---------------------------|-------------------------------------|------------------------|------------|
| Berbera | 87,591,967,354 | 65,693,975,516 | 51,222,599,714 | -14,471,375,802 | -22% |
| Las-Canod | 4,633,754,716 | 3,475,316,037 | 68,440,771 | -3,406,875,266 | -98% |
| Gabiley | 12,588,243,005 | 9,441,182,254 | 7,036,318,906 | -2,404,863,348 | -25% |
| Burco | 21,177,562,830 | 15,883,172,123 | 14,497,250,466 | -1,385,921,657 | -9% |
| Borama | 22,244,542,620 | 16,683,406,965 | 15,666,131,855 | -1,017,275,110 | -6% |
| C/Gaabo | 5,783,609,876 | 4,337,707,407 | 3,841,324,580 | -496,382,827 | -11% |
| Caynabo | 1,262,171,506 | 946,628,630 | 856,844,776 | -89,783,854 | -9% |
| Seylac | 1,383,907,261 | 1,037,930,446 | 980,628,684 | -57,301,762 | -6% |
| Oodwayne | 653,304,754 | 489,978,566 | 448,453,162 | -41,525,404 | -8% |
| Hargeysa | 404,172,338,552 | 303,129,253,915 | 307,857,208,363 | 4,727,954,449 | 2% |
| Total | 561,491,402,474 | 421,118,551,859 | 402,475,201,277 | -18,643,350,582 | -4% |

B. Expenditure

3. Overall performance from the general government Fund

During the initial nine months of 2023, the Government of Somaliland allocated and expended a total of SLSH 1.58 trillion from the general government fund. This expenditure represented 65.76% of the annual budget, which stood at SLSH 2.6 trillion, inclusive of the SLSH 75.8 billion supplementary budget ratified in the third quarter for the national reserve. However, the actual expenditure fell short of the allocated amount for the period, with a variance of 12.44%, equivalent to SLSH 224.5 billion, as illustrated in table six below majority of spending categories experienced a decrease, primarily attributed to spending restrictions implemented in the second quarter in response to the crisis in the eastern regions.

Figure 2 presents a clear depiction of reduced spending across most budget categories in the initial nine months of 2023 compared to the corresponding period in the preceding year. Consequently, the aggregate expenditure during the first nine months of 2023 registered a 4.61% decrease when compared to the prior year, as evidenced in Figure 3. This reduction can be predominantly attributed to cost-cutting measures implemented in response to the ongoing crisis in the eastern region.

Within the Economic sector, disbursements fell short of the target, reflecting a 27.7% underutilization of SLSH 86.6 billion. Additionally, 29.9% of funds designated for loan repayments to private banks, enterprises, and individuals, totaling SLSH 25.9 billion, remained unutilized. Furthermore, 12.12% of the allocation intended for the Ministry of Finance Development's Use of Goods & Services, amounting to SLSH 10.49 billion, went unspent. Notably, 42.1% of the underspend in the Economic sector was earmarked for the national reserve, which is a positive development. The high underspend on the national reserve is a responsible financial practice, as it ensures that resources are set aside for future contingencies, emergencies, or investments.

The Education sector displayed an underutilization of SLSH 33.1 billion, indicating a 24.4% deviation from the targeted figure. Of this shortfall, 44.87% or SLSH 14.86 billion was allocated for Training & Employee Examination expenses, while 18.3% or SLSH 6 billion was earmarked for employee compensation. Additionally, SLSH 5.24 billion or 15.83% of the sector's budget remained unspent, originally intended for grants and other educational benefits for schools in Somaliland.

The Security sector reported an underutilization of SLSH 30.8 billion, equivalent to a 4.64% deviation from the target. Within this total underspend, 47.13% or SLSH 14.52 billion was designated for the Use of Goods & Services, while 46.56% or SLSH 14.34 billion was allocated for employee compensation.

In the Governance sector, there was an underspend of SLSH 28.75 billion, representing a 7.7% deviation from the target. Of this underutilization, 38.84% or SLSH 11.17 billion was allocated for Use of Goods & Services, and an additional 26.35% or SLSH 7.58 billion was earmarked for employee compensation. Moreover, 9.45% or SLSH 2.72 billion remained unutilized from the allocated funds for contingencies.

Finally, the Health sector indicated an underspend of SLSH 15.37 billion, signifying a 16.31% variance from the target. Within this underspend, 33.64% or SLSH 5.17 billion was designated for employee compensation, specifically for the Ministry of Health Development, while 29.97% or SLSH 4.6 billion was

assigned for Use of Goods & Services, primarily covering hospital expenses under the Ministry of Health Development's budget.

In summary, the combined underspend for the initial nine months of 2023 across the aforementioned five sectors amounted to SLSH 194.64 billion, which represents 86.7% of the overall underspend of SLSH 224.53 billion across all eleven sectors. These figures underscore the impact of fiscal restraint measures enacted in response to the crisis affecting the eastern regions of the nation.

Table 7: Expenditure performance (excl. WB grants) by Chapter between Jan-September 2023, SLSH Billions

| Description | Revised Budget | Allocation | Actual Spending | Underspend* | % Spent |
|---------------------------|--------------------------|--------------------------|--------------------------|-------------------------|---------------|
| Compensation of Employees | 1,399,211,954,893 | 1,053,968,031,313 | 1,011,570,390,416 | -42,397,640,897 | 95.98% |
| Use of Goods & Services | 505,146,793,843 | 368,312,056,984 | 300,118,931,107 | -68,193,125,877 | 81.48% |
| Government Projects | 246,126,806,744 | 118,304,761,051 | 94,804,214,751 | -23,500,546,300 | 80.14% |
| Assets | 123,289,201,121 | 25,842,601,528 | 15,954,038,335 | -9,888,563,192 | 61.74% |
| Contingencies | 80,437,657,461 | 59,753,608,480 | 55,091,722,222 | -4,661,886,258 | 92.20% |
| Grants | 60,352,339,814 | 44,224,629,857 | 34,440,019,909 | -9,784,609,947 | 77.88% |
| Loan Repayment | 53,515,992,300 | 40,283,333,333 | 13,262,847,393 | -27,020,485,940 | 32.92% |
| Subsidy | 23,355,725,682 | 17,448,704,075 | 14,826,097,673 | -2,622,606,402 | 84.97% |
| National Reserve | 114,662,617,000 | 76,012,617,000 | 39,555,929,710 | -36,456,687,290 | 52.04% |
| Grand Total | 2,606,099,088,858 | 1,804,150,343,620 | 1,579,624,191,517 | -224,526,152,103 | 87.56% |

Figure 6: Expenditure performance (excl. WB grants) by Chapter between Jan-September 2023, SLSH Billions

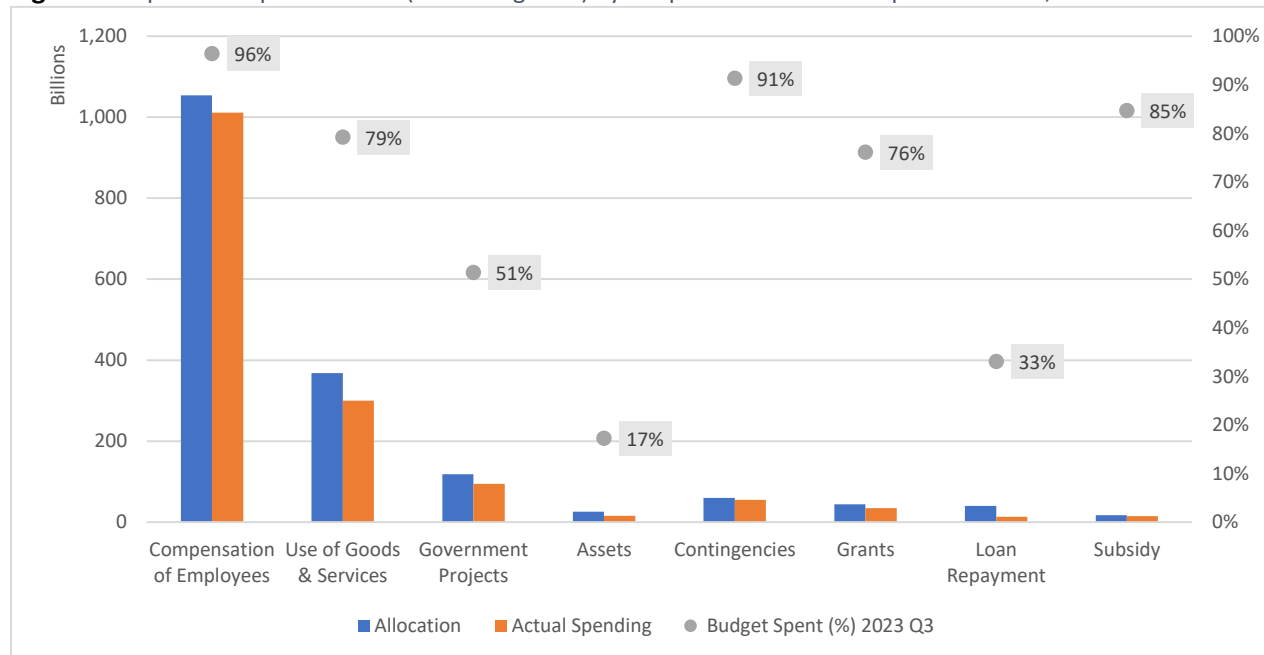


Figure 7: Spending by chapter in the Third quarter of 2022 and 2023

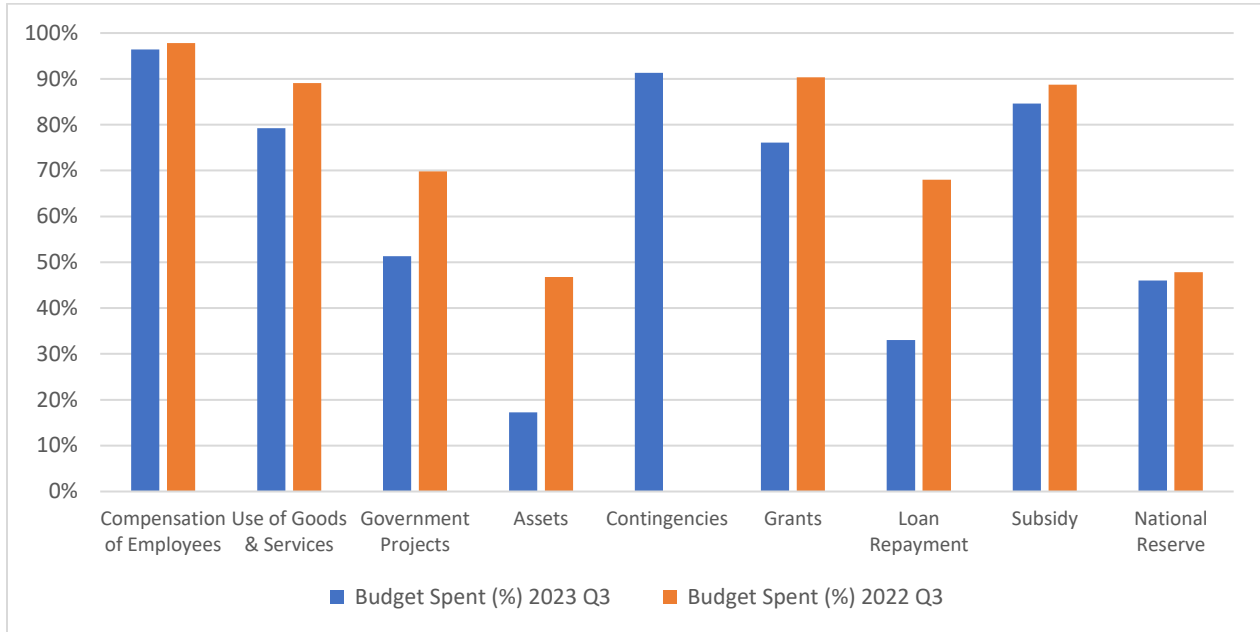


Figure 8: Total spending per quarter in 2019 - 2023, SLSH Billion

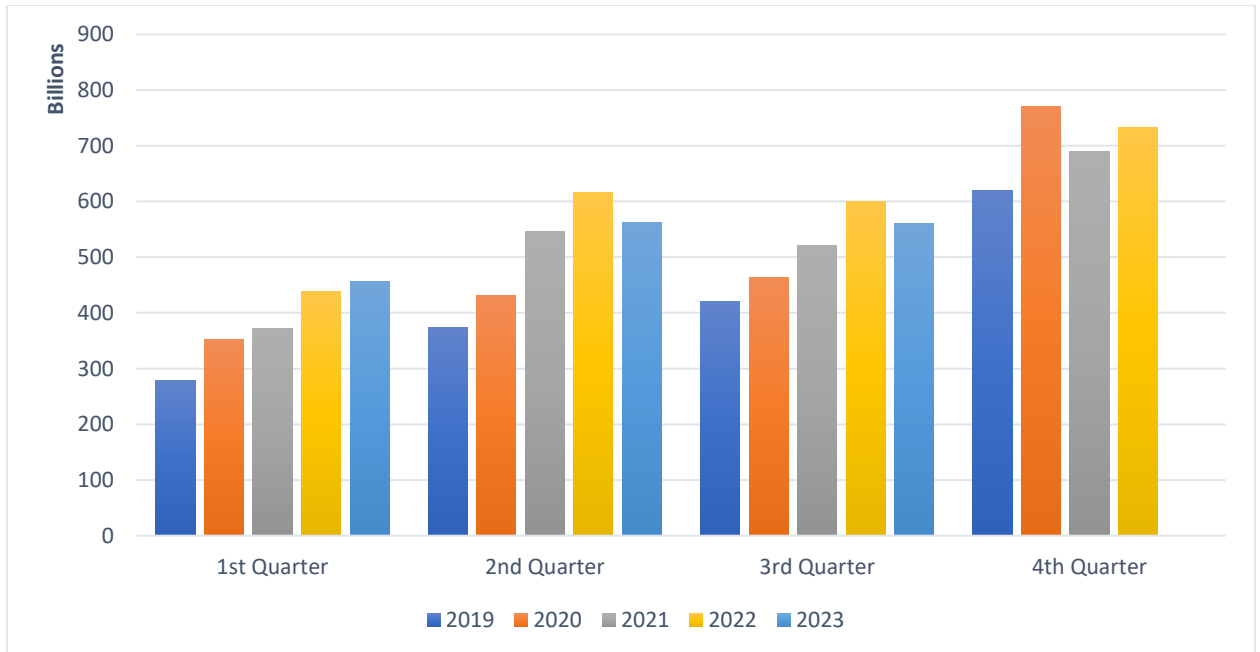
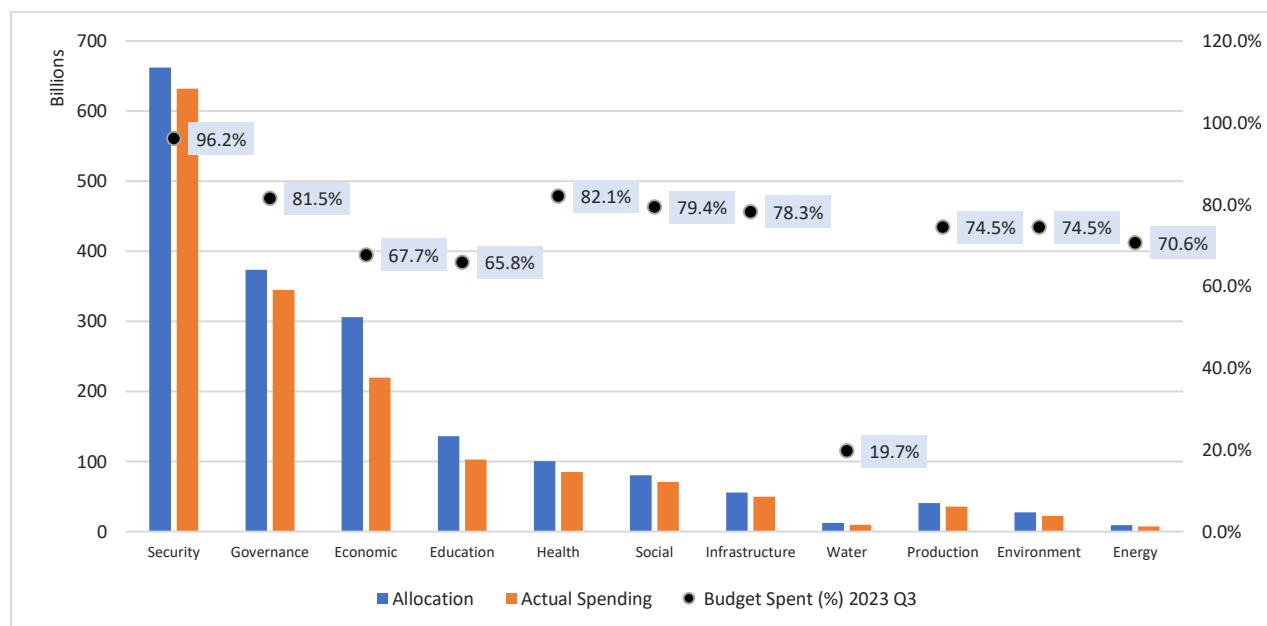


Figure 9: Budget by chapter, Jan – September of 2022 and 2023



4. Government Projects

In the initial nine months of 2023, the Government of Somaliland spent SLSH 94.8 billion on all government projects, accounting for 80.13% of their budget allocation for that period. However, this expenditure represented only 38.5% of the total annual budget allocated for government projects. Notably, this spending was significantly lower than the 52.36% spent during the corresponding period in the previous year.

Table 8 provides a comprehensive overview of government project performance, spotlighting five projects that expended over 60% of their allocated funds for the year 2023. It is pertinent to acknowledge that five other projects did not receive any allocation in the first nine months of 2023.

This performance assessment report offers insights into the efficiency of government spending in relation to various projects and underscores areas demanding heightened attention. It is imperative for the government to identify the underlying reasons contributing to the slower spending on specific projects and to undertake requisite measures aimed at ensuring the effective utilization of the allocated budget. By addressing these concerns, the government can enhance spending efficiency and ensure the timely progression of projects.

FISCAL REPORT

Table 8: Expenditure summary on the Government funded development projects, Jan-September 2023 (SLSh)

| Description | Original Budget | Virements | Revised Budget | Allocation | Actual Spending | Underspend* | Underspend (%) | Budget Spent |
|---|------------------------|---------------------|------------------------|------------------------|-----------------------|------------------------|----------------|---------------|
| Sports Project | 4,830,000,000 | -25,425,984 | 4,804,574,016 | 2,690,293,844 | | -2,690,293,844 | -100.00% | 0.00% |
| Beer, Wajaale & Oodwayne Project | 1,420,000,000 | -300,000,000 | 1,120,000,000 | 522,666,665 | 298,795,100 | -223,871,565 | -42.83% | 26.68% |
| Animal Breeding & Fodder Testing Project | 2,116,000,000 | | 2,116,000,000 | 1,410,666,666 | 1,153,589,800 | -257,076,866 | -18.22% | 54.52% |
| Qool Caday & Aroori Project | 791,200,000 | | 791,200,000 | 527,466,667 | 418,325,000 | -109,141,667 | -20.69% | 52.87% |
| Livestock Vaccination Project | 3,680,000,000 | | 3,680,000,000 | 2,453,333,331 | 2,060,694,500 | -392,638,831 | -16.00% | 56.00% |
| Reforestation Project | 184,000,000 | | 184,000,000 | 113,450,000 | 30,500,000 | -82,950,000 | -73.12% | 16.58% |
| National Service Project | 20,744,488,000 | | 20,744,488,000 | 13,040,994,000 | 8,394,078,000 | -4,646,916,000 | -35.63% | 40.46% |
| Seed Expansion Project | 920,000,000 | | 920,000,000 | 429,333,331 | 272,919,000 | -156,414,331 | -36.43% | 29.67% |
| Elections Project | 70,000,000,000 | | 70,000,000,000 | 21,875,000,000 | 21,875,000,000 | | 0.00% | 31.25% |
| E-Government Project | 920,000,000 | | 920,000,000 | 498,332,533 | 402,996,900 | -95,335,633 | -19.13% | 43.80% |
| Country Dialling Code Project | 460,000,000 | | 460,000,000 | | | | No Allocation | 0.00% |
| Capacity Building for The Farmers & Giving Extension Services Project | 1,840,000,000 | | 1,840,000,000 | 996,666,668 | 193,248,800 | -803,417,868 | -80.61% | 10.50% |
| Plant Protection & Desert Locust Survey & Controls Project | 1,623,427,400 | | 1,623,427,400 | 757,599,452 | 171,283,300 | -586,316,152 | -77.39% | 10.55% |
| JPLG Project | 8,399,000,000 | | 8,399,000,000 | 1,445,000,000 | 765,300,000 | -679,700,000 | -47.04% | 9.11% |
| Eastern Regions Development Project | 18,400,000,000 | | 18,400,000,000 | 13,800,000,000 | 11,430,800,310 | -2,369,199,690 | -17.17% | 62.12% |
| Road Development Project | 30,360,000,000 | | 30,360,000,000 | 22,617,534,000 | 20,112,945,000 | -2,504,589,000 | -11.07% | 66.25% |
| Education Sector | 4,680,000,000 | | 4,680,000,000 | 1,560,000,000 | 1,169,999,500 | -390,000,500 | -25.00% | 25.00% |
| Restocking Project | 3,150,080,000 | | 3,150,080,000 | | | | No Allocation | 0.00% |
| Seasonal Range Reserves Project | 3,450,000,000 | | 3,450,000,000 | 2,530,000,000 | 812,961,000 | -1,717,039,000 | -67.87% | 23.56% |
| Wildlife Protection & Maintenance Project | 644,000,000 | | 644,000,000 | 397,000,000 | 183,748,610 | -213,251,390 | -53.72% | 28.53% |
| Ceerigaabo & Laas-Canod Hospital Project | 3,985,800,000 | | 3,985,800,000 | 2,989,350,000 | 2,752,164,000 | -237,186,000 | -7.93% | 69.05% |
| Agricultural Data Collection Project | 460,000,000 | | 460,000,000 | | | | No Allocation | 0.00% |
| ICT Centre Project | 460,000,000 | | 460,000,000 | 249,166,667 | 237,259,800 | -11,906,867 | -4.78% | 51.58% |
| Fuel & Mineral Exploration Project | 2,208,000,000 | | 2,208,000,000 | 1,144,480,000 | 314,133,274 | -830,346,726 | -72.55% | 14.23% |
| Postal Services Project | 703,427,400 | | 703,427,400 | 381,023,175 | 259,877,238 | -121,145,937 | -31.79% | 36.94% |
| Health Sector | 17,480,000,000 | | 17,480,000,000 | 13,109,999,998 | 11,627,730,792 | -1,482,269,206 | -11.31% | 66.52% |
| Fishing Development Project | 1,840,000,000 | | 1,840,000,000 | 858,650,000 | 444,174,260 | -414,475,740 | -48.27% | 24.14% |
| Towns Master Plan Project | 1,840,000,000 | | 1,840,000,000 | 1,088,666,666 | 249,430,000 | -839,236,666 | -77.09% | 13.56% |
| Recognition Campaign & Debates Fund | 10,353,546,600 | | 10,353,546,600 | 6,454,421,025 | 5,264,124,520 | -1,190,296,505 | -18.44% | 50.84% |
| Ocean Natural Resources & Piracy Protection Fund | 882,659,328 | | 882,659,328 | 588,439,552 | 472,132,174 | -116,307,378 | -19.77% | 53.49% |
| Water Extension Project | 16,180,000,000 | | 16,180,000,000 | 1,491,402,145 | 1,491,336,645 | -65,500 | 0.00% | 9.22% |
| Job Creation Project | 434,700,000 | | 434,700,000 | | | | No Allocation | 0.00% |
| Islamic School Centres Fund | 2,721,520,000 | | 2,721,520,000 | 1,499,578,666 | 1,209,114,478 | -290,464,188 | -19.37% | 44.43% |
| Fund for Service & Coordination of Diaspora | 1,522,584,000 | -592,200,000 | 930,384,000 | 784,246,000 | 735,552,750 | -48,693,250 | -6.21% | 79.06% |
| Technical Schools Development Project | 7,360,000,000 | | 7,360,000,000 | | | | No Allocation | 0.00% |
| TOTAL | 247,044,432,728 | -917,625,984 | 246,126,806,744 | 118,304,761,051 | 94,804,214,751 | -23,500,546,300 | -19.86% | 38.52% |

5. World Bank Funded Projects

In the third quarter of 2023, the Government of Somaliland introduced a supplementary budget of SLSH 79.8 billion, which included SLSH 71.3 billion allocated to fully finance three World Bank (WB) projects and provide additional support to two others. Additionally, SLSH 8.5 billion was designated to augment the Joint Program for Local Government (JPLG) project using unused funds from the preceding fiscal year.

However, expenditures on the WB-funded projects fell short of their targets during the first nine months of 2023. The government disbursed SLSH 29 billion for these projects, reflecting a variance of 44%, equivalent to SLSH 22.85 billion, from the allocated amount of SLSH 51.87 billion for the first nine months of the year. This spending accounted for 28% of the revised budget of SLSH 103.4 billion, which encompasses the supplementary budget. The delays in the procurement process were a significant factor contributing to the underspending on the WB projects.

Similarly, the JPLG project's performance also lagged behind the fiscal year target, with expenditures totaling SLSH 7.1 billion, indicating an underspend of 60.7%. It is imperative for the government to intensify spending to ensure that these projects can achieve their objectives and deliver benefits to the people of Somaliland.

The WB-funded projects encompass initiatives aimed at bolstering the country's infrastructure, education, agriculture sectors, and more. These projects include the Somali Emergency Resilience Program (SERP), the Biyoole Project, the Groundwater for Resilience Project, and the Barwaaqo Project. These projects play an indispensable role in the country's development, emphasizing the government's responsibility to ensure adequate funding and timely implementation.

Conversely, the JPLG project focuses on strengthening the capacity of local governments in Somaliland and improving service delivery to citizens.

In conclusion, the Government of Somaliland must implement appropriate measures to boost spending on these projects and ensure their effective implementation. This involves streamlining procurement processes, ensuring the timely disbursement of funds, and instituting robust monitoring and evaluation mechanisms.

Table 9: Supplementary Budget for the WB & JPLG Projects for 2023, SLSH Billions

| | Supplementary Budget |
|--------------------------------------|-----------------------|
| Revenue | 79,806,812,360 |
| Fiscal balance from previous budgets | 8,490,263,000 |
| World Bank | 71,316,549,360 |
| Expenditure | 79,806,812,360 |

| | |
|---------------------------------------|----------------|
| Barwaaqo Project | 31,055,290,000 |
| Joint Program for Local Government | 8,490,263,000 |
| SESRP Project | 21,524,895,000 |
| Biyooole Project | 3,250,639,000 |
| Groundwater For Resilience (GW4R) | 10,423,728,000 |
| Civil Service Strengthening Project I | 3,996,986,000 |
| SEAP Project | 1,065,011,360 |

Table 10: Expenditure of WB & JPLG Projects for 2023, SLSh Billions

| Implemented MDA | Project | Budget | Allocation | Actual Spending | % Spent |
|------------------------------------|--|------------------------|-----------------------|-----------------------|---------------|
| Civil Service Commission | Civil Service Strengthening Project II | 21,522,578,000 | 12,469,702,000 | 6,259,402,590 | 50.20% |
| Ministry of Energy & Minerals | SEAP Project | 2,805,170,340 | 2,805,170,340 | 2,543,455,880 | 90.67% |
| Ministry of Planning & Development | Biyooole Project | 12,092,899,000 | 10,155,339,000 | 8,916,665,240 | 87.80% |
| Ministry of Water Resources | Groundwater For Resilience (GW4R) | 10,423,728,000 | 6,930,728,000 | 1,103,561,270 | 15.92% |
| Civil Service Commission | Civil Service Strengthening Project I | 3,996,986,000 | 3,996,986,000 | 3,911,673,430 | 97.87% |
| Ministry of Energy & Minerals | SESRP Project | 21,524,895,000 | 10,040,195,000 | 4,261,292,700 | 42.44% |
| Ministry of Planning & Development | Barwaaqo Project | 31,055,290,000 | 5,475,680,000 | 2,026,020,710 | 37.00% |
| | | 103,421,546,340 | 51,873,800,340 | 29,022,071,820 | 55.95% |
| Ministry of Interior | Joint Program for Local Government | 26,560,170,870 | 18,069,907,870 | 7,097,292,160 | 39.28% |

Figure 10: Expenditure on the WB & JPLG projects between Jan-September 2023, SLSh Billions

