

MINISTRY OF FINANCE DEVELOPMENT



# ANNUAL FINANCIAL BULLETIN 2023

FINANCIAL SERVICES AND PRIVATE SECTOR DEPARTMENT





## TABLE OF CONTENTS

01

Financial Institutions performance

02

Banking deposits and Finance

03

Financial Sector Legal Framework

04

Public Financial Performance

05

Business license and Permits



## Executive summary:

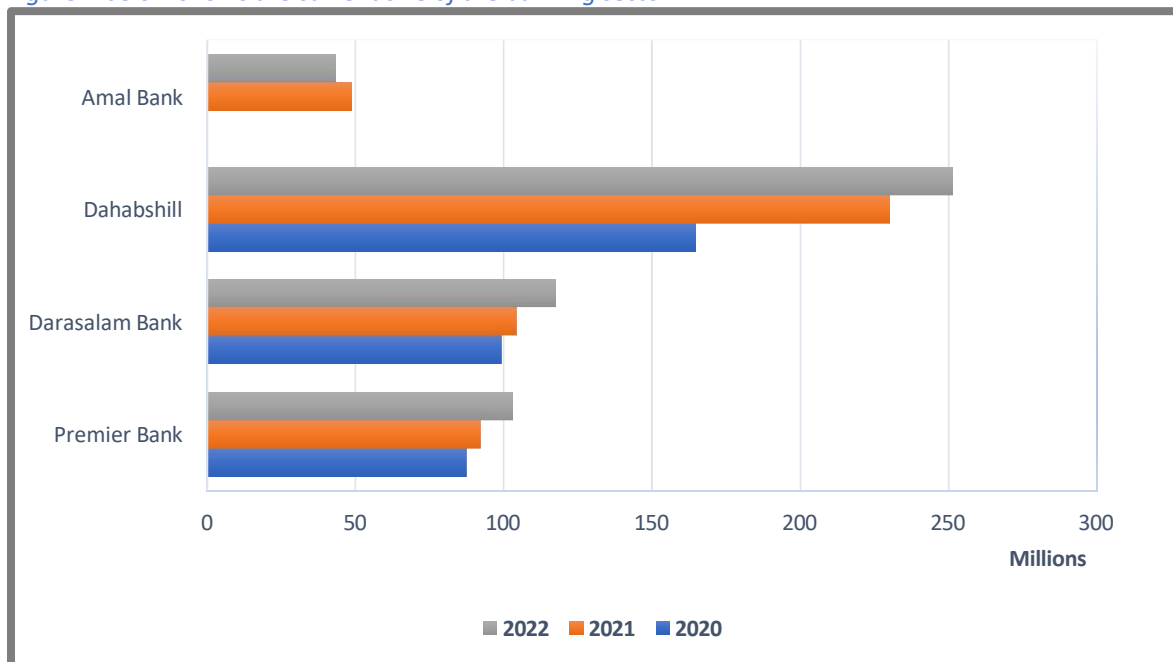
The banking sector in Somaliland has experienced significant expansion over the past decade. The examination of changes in the number and types of financial institutions, as well as the growth of financial assets in each sector over time, is critical for assessing the overall expansion of the financial system and main sub-sectors. Meanwhile, banking assets have grown by 20% yearly, rising from \$350 in 2020 to \$500 in 2022. The inflow of remittances during the year of 2023 experienced a decline of -18%, while outflows declined by -1% compared to the corresponding previous year (2022). Somaliland is anticipating an increase in the number of remittances that are moving in and out of the country by the year 2024. Deposits saw a notable decline of -5% as compared to the same period in 2022. Bank financing throughout the year, there were both growth and shortfalls. There were months with large rises (up to 28%) and months with large drops (up to 31%). But compared to last year, financials showed a downward trend of (-3%). On the other hand, with a few exceptions in 2023, the efficiency of domestic revenue collection was excellent. Tax and non-tax revenue accounted for 82% and 18% of the total collection, respectively. While this increase compared to last year is positive, current revenue collection is below 194 billion SLSHs forecasted in the 2023 Budget, representing a 7.7% underperformance. In fiscal year of 2023, the government spent 2,357.5 billion in 2023, which is 3% underspend amount allocated in 2023. The government spent SLSH 1.4 billion on Compensation of Employees.

### 1. Financial Institutions Performance

The financial institutions in the year 2023 experienced minimal fluctuations in the four quarters compared to the previous year. Examining changes in the number and types of financial institutions, along with the growth of financial assets in each sector over time, is crucial for evaluating the overall growth of the financial system and major sub-sectors. Banking assets, on the other hand, have increased on average by 20% over the last three years, from 350 dollars in 2020 to 500 dollars in 2022. On the other hand, implementing clearinghouse payment methods is a highly effective approach for a financial system to operate. To ensure and maintain financial stability, a clearinghouse serves as a designated intermediary between a buyer and seller in a financial market. The clearinghouse validates and completes the transaction, making sure that both the buyer and the seller fulfill their contractual obligations. Moreover, it is necessary to have strong payment systems that can handle systemic and credit risk. In many countries, a reliable and strong payment system infrastructure is an important part of building an efficient market economy.

Figure below show that most major banks in Somaliland performing well for the last three (excluding 2023).

Figure 1 below shows the current size of the banking sector.



## 1.1 Remittance performance

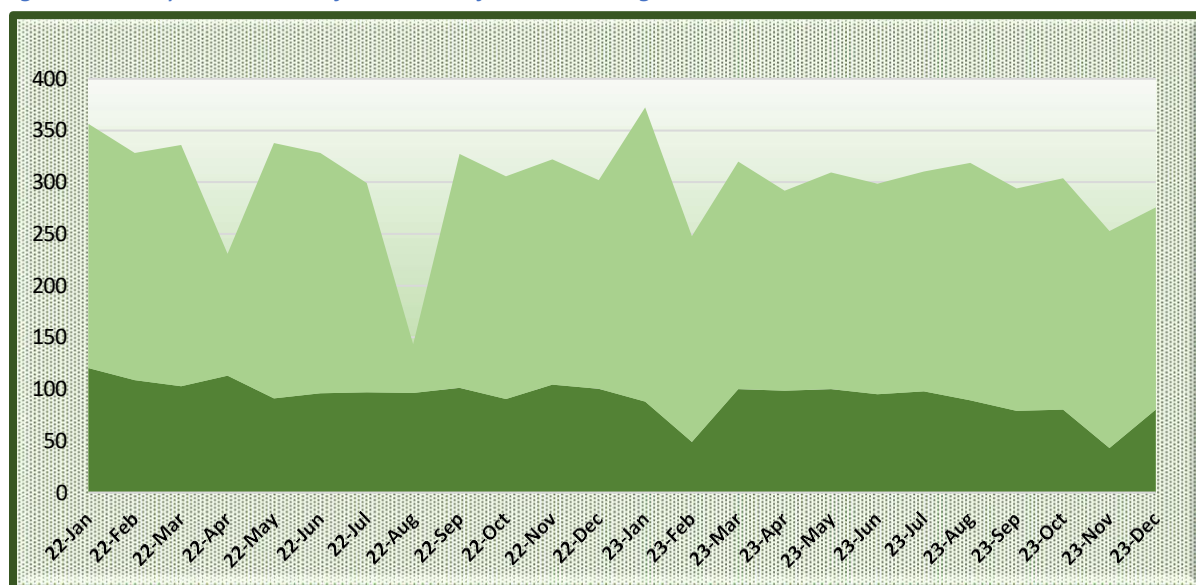
In accordance with statistics provided by major banks and remittance in Somaliland, as Table below shows that the inflow of remittances during the year of 2023 experienced a decline of (-18%), while outflows declined by (-1%) compared to the corresponding period in the previous year (2022). In Q2 and Q4 2023, there were biggest a decline of -30% and -31% in inward remittances compared to the same period in 2022 respectively. However, Somaliland is anticipating an increase in the number of remittances that are moving in and out of the country by the year 2024. We anticipate increased inflow remittances from livestock exports for the Hajj in 2023, as well as the diaspora's return during the summer months.

Table1: Monthly remittance inflow and outflow Jan through Dec 2023.

Months	Remittances Inflow			Remittances Outflow		
	2022	2023	%change	2022	2023	%change
Jan	\$ 120,271,704	\$ 88,002,957	-27%	\$ 236,256,083	\$ 284,329,712	0.2
Feb	\$ 108,545,475	\$ 48,974,114	-55%	\$ 219,621,647	\$ 199,030,155	-0.09
Mar	\$ 102,719,916	\$ 99,979,840	-10%	\$ 243,427,707	\$ 219,901,441	-0.1
<b>Q1</b>	<b>\$ 331,537,095</b>	<b>\$ 236,956,911</b>	<b>-30%</b>	<b>\$ 699,305,437</b>	<b>\$ 703,261,308</b>	<b>0.01</b>
Apr	\$ 113,037,347	\$ 98,433,712	-13%	\$ 117,706,865	\$ 193,413,174	-0.27
May	\$ 91,005,731	\$ 99,930,397	10%	\$ 246,723,031	\$ 209,346,189	-0.15
Jun	\$ 96,084,129	\$ 95,098,572	-7%	\$ 232,215,096	\$ 203,577,854	-0.16

<b>Q2</b>	<b>\$ 300,127,207</b>	<b>\$ 293,462,681</b>	<b>-4%</b>	<b>\$ 596,644,992</b>	<b>\$ 606,337,217</b>	<b>-0.19</b>
Jul	\$ 97,031,797	\$ 97,826,584	1%	\$ 241,951,817	\$ 212,391,025	-0.12
Aug	\$ 96,387,479	\$ 89,304,882	-7%	\$ 226,244,490	\$ 229,457,973	0.01
Sep	\$ 101,285,557	\$ 78,928,235	-22%	\$ 226,088,803	\$ 214,904,681	-0.05
<b>Q3</b>	<b>\$ 294,704,833</b>	<b>\$ 266,059,701</b>	<b>-10%</b>	<b>\$ 694,285,110</b>	<b>\$ 656,753,679</b>	<b>-0.05</b>
Oct	\$ 90,243,714	\$ 80,153,100	-11%	\$ 215,347,236	\$ 223,694,283	0.04
Nov	\$ 104,296,367	\$ 43,007,178	-59%	\$ 217,856,226	\$ 209,706,206	-0.04
Dec	\$ 100,201,088	\$ 80,317,496	-20%	\$ 201,744,437	\$ 195,467,881	-0.03
<b>Q4</b>	<b>\$ 294,741,169</b>	<b>\$ 203,477,775</b>	<b>-31%</b>	<b>\$ 634,947,899</b>	<b>\$ 628,868,371</b>	<b>-0.01</b>
<b>Total</b>	<b>\$ 1,221,110,304</b>	<b>\$ 999,957,068</b>	<b>-18%</b>	<b>\$ 2,625,183,438</b>	<b>\$ 2,595,220,574</b>	<b>-1%</b>

Figure: Monthly remittance inflow and outflow Jan through Dec 2023.



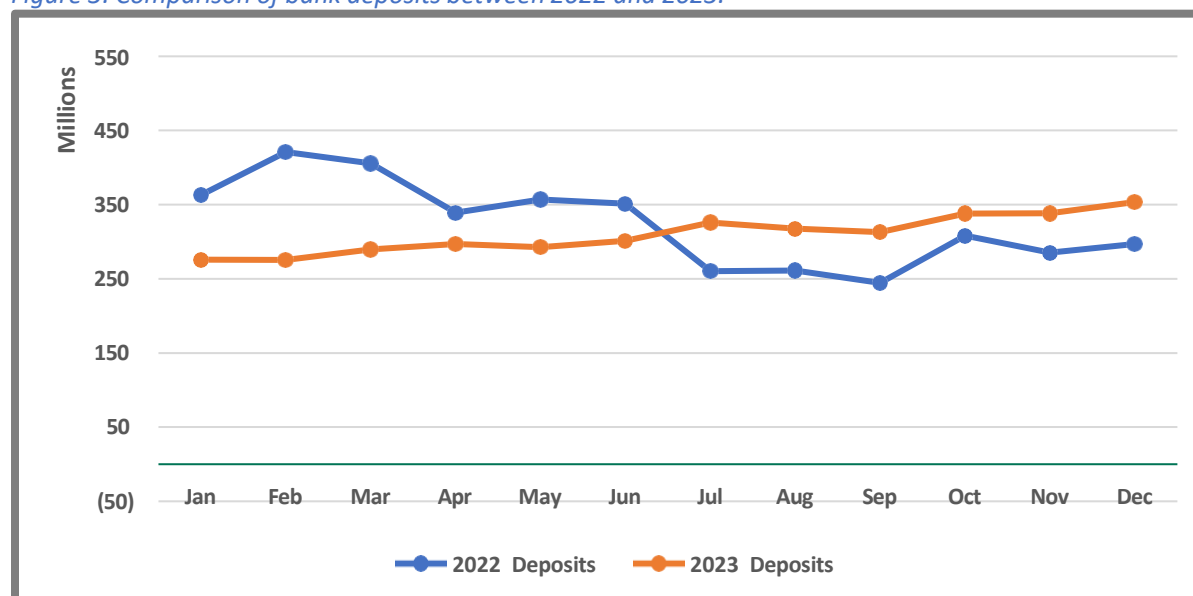
## 1.2 Banking deposits and financing in 2023

Even though Somaliland has relatively little financial inclusion and people save their money through traditional means. The Banking sector in Somaliland made tremendous growth in the last decade as the total asset of banks grew from \$350 million in 2020 to \$500 million in 2022. Deposits in 2023 generally showed a downward trend compared to 2022, except for November and December. In contrast, finance data exhibited a more mixed pattern with increases in some months and decreases in others. Deposits: Mostly showed decreases compared to the previous year. However, there were also increases in some months, reaching up to 25%. Overall, deposits slightly decreased -5% significantly compared to same period 2022. Finance Showed a mixed picture with both increases and decreases throughout the year. Some months saw significant increases (up to 28%), while others had considerable decreases (up to 31%). However, finance showed (-3%) a negative trend compared to the previous year.

Table2: Bank Deposit and financing for Jan-Dec 2023

Months	Deposits			YoY %	Months	Finance		YoY %
	2022	2023				2022	2023	
Jan	363,017,404.37	275,761,747.02	-24%	Jan	30,414,198.34	33,601,568.18	10%	
Feb	420,952,561.00	275,493,244.17	-35%	Feb	36,251,587.08	35,865,273.58	-1%	
Mar	405,762,732.00	289,674,521.60	-29%	Mar	46,612,840.05	33,750,364.43	-28%	
Apr	339,476,368.36	296,881,224.62	-13%	Apr	35,804,682.47	34,913,206.66	-2%	
May	357,045,589.75	292,578,552.67	-18%	May	28,631,945.49	36,542,651.89	28%	
Jun	351,178,839.96	301,194,090.88	-14%	Jun	30,751,152.93	36,068,530.65	17%	
Jul	260,404,067.74	326,078,752.55	25%	Jul	48,375,833.03	37,322,678.23	-23%	
Aug	261,218,216.26	317,752,740.42	22%	Aug	49,241,969.67	35,221,888.81	-28%	
Sep	244,526,891.88	313,053,683.00	28%	Sep	50,570,870.07	43,366,499.94	-14%	
Oct	308,025,937.57	338,108,054.67	10%	Oct	29,823,357.82	39,036,288.63	31%	
Nov	285,402,356.40	338,500,363.76	19%	Nov	33,182,379.34	37,961,960.47	14%	
Dec	296,867,255.79	353,535,613.85	19%	Dec	35,490,030.32	37,592,755.13	6%	
<b>Total</b>	<b>3,893,878,221.08</b>	<b>3,718,612,589.21</b>	<b>-5%</b>		<b>455,150,846.61</b>	<b>441,243,666.60</b>	<b>-3%</b>	

Figure 3: Comparison of bank deposits between 2022 and 2023.



## 2.0 Financial Sector Legal 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 Drafted Central Bank Regulation**

Legal infrastructure is crucial for financial market operation, capital flow intermediation, and domestic savings. Banks and financial institutions rely on legal certainty and fair enforcement to evaluate their claims on borrowers. However, 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.2.

### **2.2 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

### **2.3 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 Drafting Credit Reference Bureau Regulation

### 3.0 Public financial performance

#### Overall Revenue Performance

Tax and non-tax revenue accounted for 82% and 18% of the total amount, respectively. While this increase compared to last year is positive, current revenue collection is below the 194 billion SLSHs forecasted in the 2023 Budget, representing a 7.7% underperformance billion SLSHs deficit. when compares actual revenue to Government with the approved targets for tax on export and property income, which were significant components of revenue collection in 2023. The total export tax recorded for the year was 109 billion, which represents an 18% percent increase in terms of the approved target, while Property income recorded 156 billion surpluses, which is higher than the annual target 130 percent.

*Figure 1: Actual Revenue Collection vs Budget Forecast in SLSHs, 2019-2023*

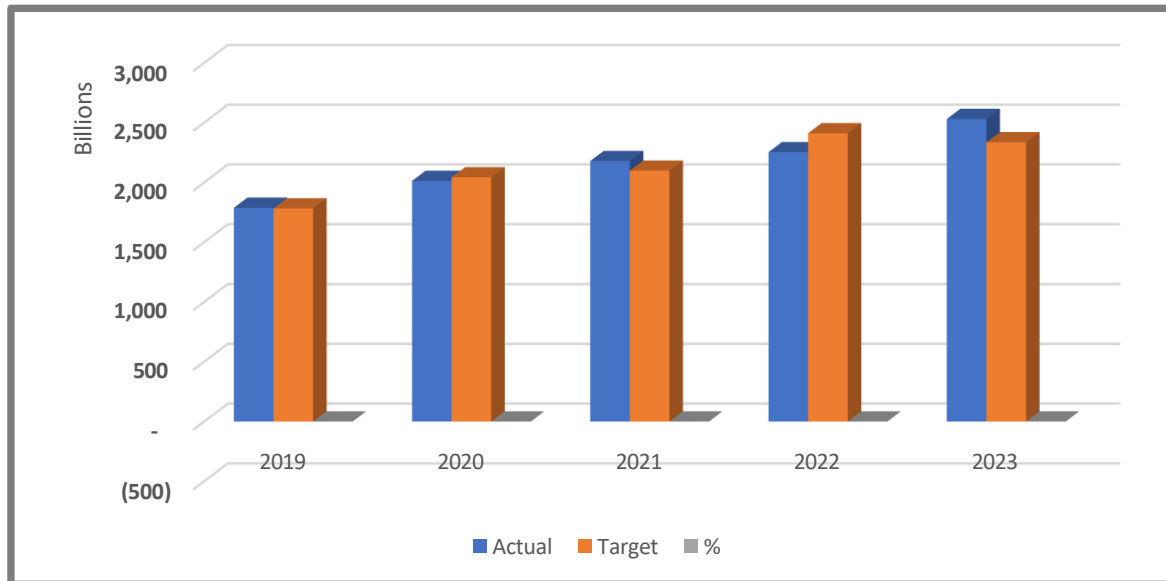


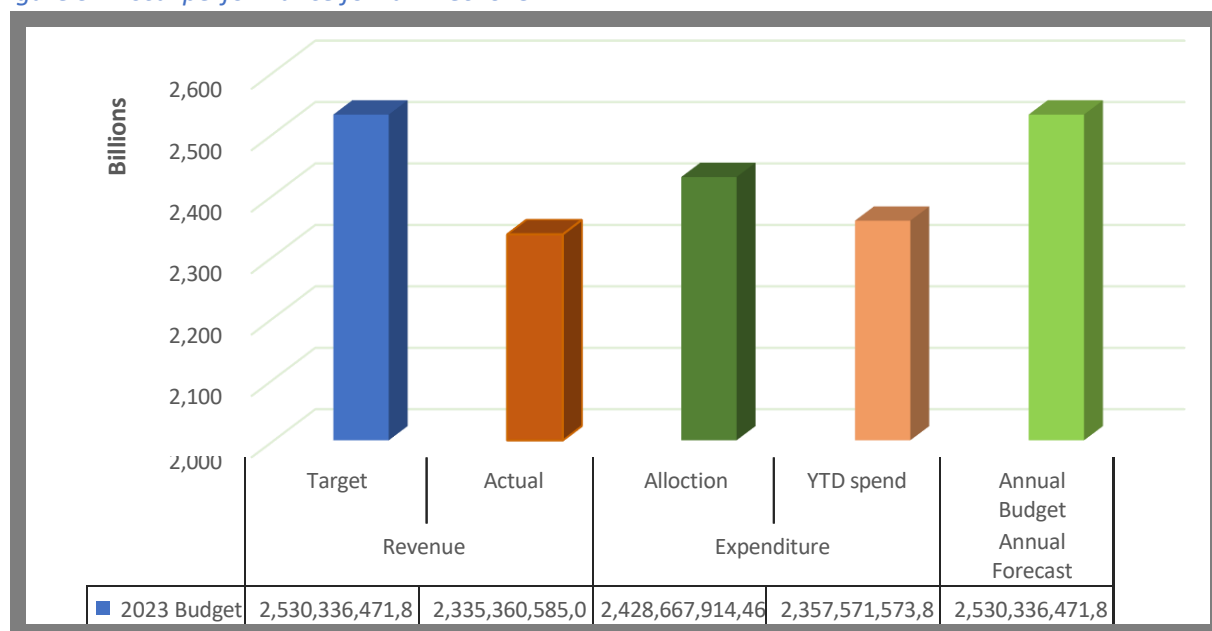
Table 1 below shows that 13% of the deficit came from the underperformance of taxes or (278.5 billion SLSHs). Mainly from the underperformance of International trade or customs duty (-170 bn SLSHs) and -24% from the underperformance of sales of goods and services (40 bn SLSHs) . Last item comes largely from the underperformance of goods and services tax GST (40 bn SLSH).



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

DESCRIPTION	Budget Forecast (annual)	Budget Forecast (to date)	Actual revenue collection (to date)	Difference	%
<b>Taxes</b>	<b>2,199,508,654,686.78</b>	<b>2,199,508,654,686.78</b>	<b>1,920,922,244,482</b>	<b>-278,586,410,204.78</b>	<b>-13%</b>
Income and profits	55,934,856,085.44	55,934,856,085.44	52,594,326,632	-3,340,529,453.44	-6%
Payroll and workforce	145,364,887,815.02	145,364,887,815.02	138,438,729,195	-6,926,158,620.02	-5%
<b>Goods and Services</b>	<b>543,546,358,464.33</b>	<b>543,546,358,464.33</b>	<b>470,520,632,586</b>	<b>-73,025,725,878.33</b>	<b>-13%</b>
Sales tax	330,415,368,230.00	330,415,368,230.00	289,743,875,934	-40,671,492,296.00	-12%
Excise tax	25,690,461,650.91	25,690,461,650.91	23,620,719,347	-2,069,742,303.91	-8%
Administration tax	123,911,006,504.57	123,911,006,504.57	108,080,650,032	-15,830,356,472.57	-13%
Other taxes on G&S	63,529,522,078.84	63,529,522,078.84	49,075,387,273	-14,454,134,805.84	-23%
<b>International Trade</b>	<b>1,196,690,997,654.58</b>	<b>1,196,690,997,654.58</b>	<b>1,026,027,497,163</b>	<b>-170,663,500,491.58</b>	<b>-14%</b>
Taxes on imports	997,873,843,572.24	997,873,843,572.24	834,469,845,133	-163,403,998,439.24	-16%
Taxes on exports	92,466,332,390.01	92,466,332,390.01	109,444,481,601	16,978,149,210.99	18%
Port taxes	106,350,821,692.33	106,350,821,692.33	82,113,170,429	-24,237,651,263.33	-23%
<b>Other Taxes</b>	<b>257,971,554,667.41</b>	<b>257,971,554,667.41</b>	<b>233,341,058,906</b>	<b>-24,630,495,761.41</b>	<b>-10%</b>
2% tax in Eastern Regions	105,871,161,593.39	105,871,161,593.39	85,077,311,482	-20,793,850,111.39	-20%
Other	161,100,393,074.02	161,100,393,074.02	148,263,747,424	-3,836,645,650.02	-3%
<b>Other Revenue</b>	<b>330,827,817,974.71</b>	<b>330,827,817,974.71</b>	<b>414,438,340,542</b>	<b>83,610,522,567.24</b>	<b>25%</b>
Property Income	119,564,454,523.71	119,564,454,523.71	275,517,246,869	155,952,792,345.38	130%
Sales of Goods and Services	165,867,306,682.69	165,867,306,682.69	125,605,349,417	-40,261,957,265.69	-24%
Fines and Voluntary Transfers	15,396,056,768.31	15,396,056,768.31	13,315,744,256	-2,080,312,512.45	-14%
Transfers not classified elsewhere	21,000,000,000.00	21,000,000,000.00	-	21,000,000,000.00	-100%
<b>TOTAL</b>	<b>2,530,336,472,661.49</b>	<b>2,530,336,472,661.49</b>	<b>2,335,360,585,024</b>	<b>-194,975,887,637.54</b>	<b>-7.7%</b>

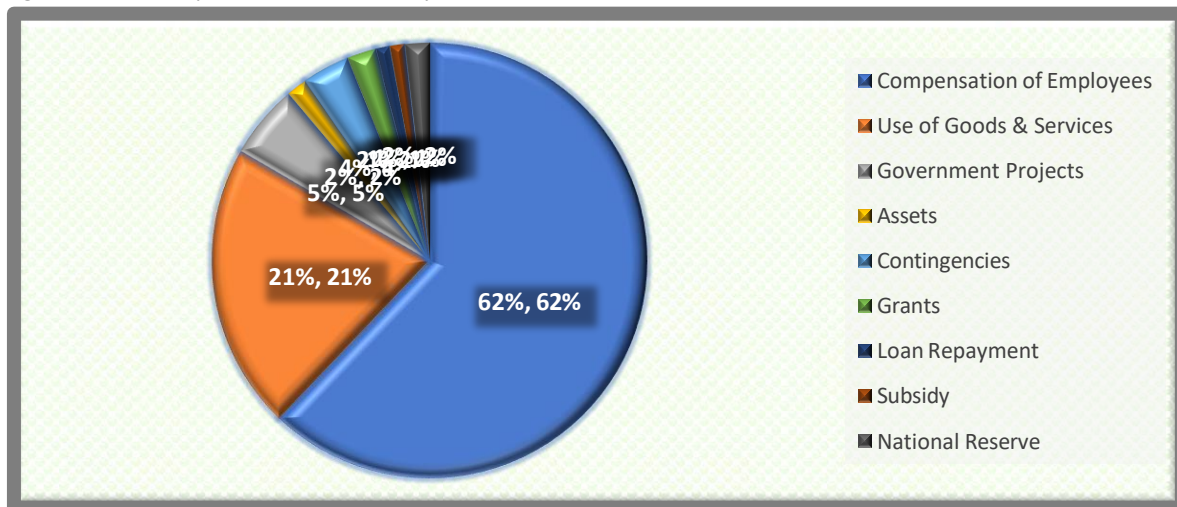
Figure 5: Fiscal performance for Jan-Dec2023.



### 3.2 Expenditure performance for FY 2023

In fiscal year of 2023, the government spent 2,357.5 billion in 2023, which is 3% underspend amount allocated in 2023. the government spent SLSH 1.4 billion on Compensation of Employees, or 62% of total spending. Spending on the Use of Goods and Services was SLSH 518.5 billion against an allocation of SLSH 569.5 billion. This represented 21 % of total government spending for the year., the government spent SLS 120 billion on Government projects. In particular, the government spent SLSH 22.4 billion or 5. % on loan repayments. Grant expenditures amounted to SLSH 47 billion or 2%. The government has spent almost the entire allocated amount for Contingencies (SLSH 77.6 billion or 4%), with an underspend of SLSH 4.6 billion and spent 2. %% of the National Reserve Fund (SLSH 39 billion).

Figure 6: Total expenditure Jan-Dec by sectors.



### 4.0 Business registrations, licenses and work permits

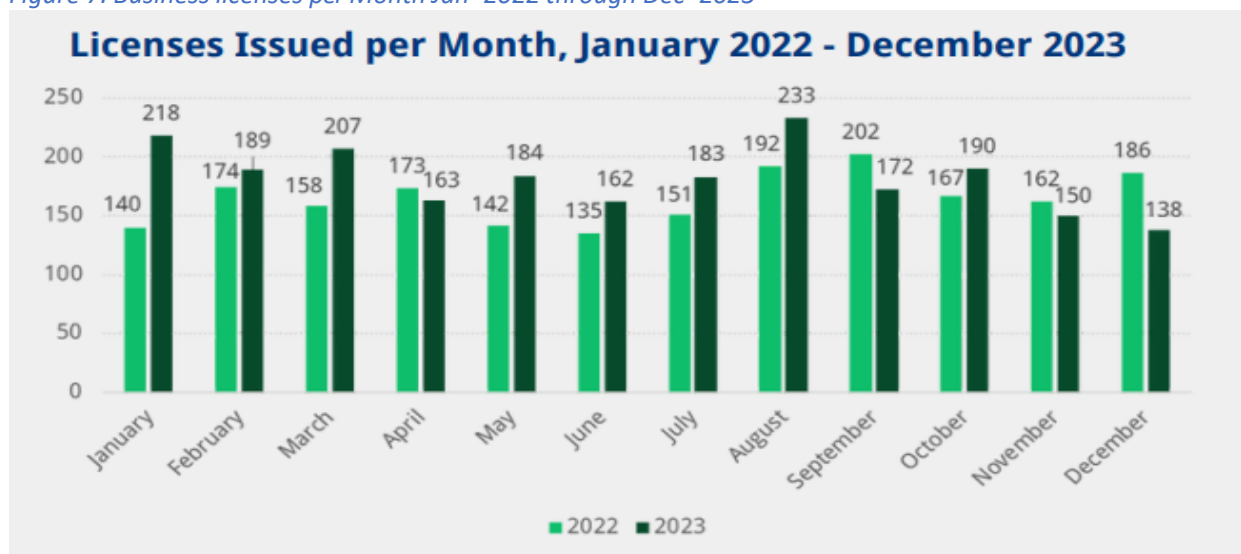
The below table presents data on business licenses issued over the course of two years, 2022 and 2023, broken down by month and quarter, along with the difference and percentage change between the two years. Overall Trend the total number of business licenses issued increased from 1982 in 2022 to 2189 in 2023, indicating a net increase of 207 licenses, which represents a 10% growth The fourth quarter (Q4) of 2023 saw a marginal decrease in licenses issued compared to Q4 of 2022, with a net decrease of 37 licenses, representing -7% decline, There seems to be some variation in business license issuance across quarters, with Q1 generally showing the highest growth and Q3 showing a decrease compared to the same quarter in the previous year. Overall, due to this data suggests that while there was a

modest increase in the total number of business licenses issued in 2023 compared to 2022, the growth was not consistent across all months and quarters, indicating some variability in business activity over the two years.

*Table 4: Business licenses per Month Jan- 2022 through Dec- 2023.*

Month	2022	2023	Difference	% change
January	140	218	78	56%
February	174	189	15	9%
March	158	207	49	31%
Q1	<b>472</b>	<b>614</b>	<b>142</b>	<b>30%</b>
April	173	163	-10	-6%
May	142	184	42	30%
June	135	162	27	20%
Q2	<b>450</b>	<b>509</b>	<b>59</b>	<b>13%</b>
July	151	183	32	21%
August	192	233	41	21%
September	202	172	-30	-15%
Q3	<b>545</b>	<b>588</b>	<b>43</b>	<b>8%</b>
October	<b>167</b>	<b>190</b>	<b>23</b>	<b>14%</b>
November	<b>162</b>	<b>150</b>	<b>-12</b>	<b>-7%</b>
December	<b>186</b>	<b>138</b>	<b>-48</b>	<b>-26%</b>
Q4	<b>515</b>	<b>478</b>	<b>-37</b>	<b>-7%</b>
Total	<b>1982</b>	<b>2189</b>	<b>207</b>	<b>10%</b>

*Figure 7: Business licenses per Month Jan- 2022 through Dec- 2023*



Source: Ministry of Trade and Tourism

#### 4.1 Number of Business Registrations.

In 2023, the Ministry of Trade and Tourism registered 1,355 businesses, which is 596 (31%) less registrations compared to the same period of 2022 record.

The fourth quarter saw a further decrease, with the number of businesses registered declining from 505 in 2022 to 297 in 2023. This represents a difference of -208 businesses, indicating a 41% decline compared to the previous year.

In summary, the data indicates a general downward trend in business registrations from 2022 to 2023, with some monthly variations. The decline in registrations was particularly notable in the second and third quarters of 2023.

Figure 8: Business Registered per Month Jan- 2022 through Dec- 2023.



## 4.2 Work permits

The total number of work permits issued increased from 3,537 in 2022 to 4,689 in 2023, marking a significant rise of 1,152 permits, indicating growth in demand for work permits over the two years. Q1 2023 saw a significant increase compared to Q1 2022, with 236 more permits issued, representing a 32% rise. This increase was mainly driven by a substantial surge in March 2023, which experienced a 67% increase compared to March 2022. Q4 2023 witnessed an increase compared to Q4 2022, with 224 more permits issued, demonstrating a 21% rise. However, November 2023 experienced a notable decrease of 15% compared to November 2022. Overall, each quarter of 2023 experienced a significant increase in work permit issuance compared to the corresponding quarter in 2022, with Q2 and Q3 showing the most substantial increases. However, there were variations in growth rates and changes in specific months within each quarter.

*Table 5: Work permits issued Jan- 2022 through Dec- 2023*

Month	2022	2023	Difference	%change
January	248	249	1	0%
February	223	277	54	24%
March	270	451	181	67%
<b>Q1</b>	<b>741</b>	<b>977</b>	<b>236</b>	<b>32%</b>
April	224	328	104	46%
May	155	352	197	127%
June	337	371	34	10%
<b>Q2</b>	<b>716</b>	<b>1051</b>	<b>335</b>	<b>47%</b>
July	218	500	282	129%
August	363	444	81	22%
September	440	434	-6	-1%
<b>Q3</b>	<b>1021</b>	<b>1378</b>	<b>357</b>	<b>35%</b>
October	333	391	58	17%
November	461	394	-67	-15%
December	265	498	233	88%
<b>Q4</b>	<b>1059</b>	<b>1283</b>	<b>224</b>	<b>21%</b>
<b>Total</b>	<b>3537</b>	<b>4689</b>	<b>1152</b>	<b>33%</b>

Source: MESAF/ Labour department

## Appendix

**Table 2: Number of Remittances in the country of 2023**

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 2023	Lending rate
1	Darasalam bank	12%	1	Darasalam bank	12%

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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%