



MINISTRY OF FINANCE DEVELOPMENT

BUDGET OUTLOOK PAPER FOR 2019/2020
(MACRO-ECONOMIC & STATISTICS DEPARTMENT)

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Table of Contents

TABLES.....	III
FIGURES.....	III
LIST OF ACRONYMS	IV
EXECUTIVE SUMMARY	V
1. INTRODUCTION	1
1.1. OVERVIEW OF THE BUDGET PREPARATION PROCESS.....	1
1.2. THE ROLE OF THE BUDGET POLICY COMMITTEE.....	2
1.3. THE BUDGET CALENDAR	2
2. REVIEW OF 2018 FISCAL PERFORMANCE	4
2.1. 2018 BUDGET POLICY AND PRIORITIES	4
2.2. RESOURCE MOBILIZATION	6
2.3. 2018 BUDGET EXECUTION	9
2.4. EXTERNAL ASSISTANCE FLOWS.....	12
2.5. MACROECONOMIC OVERVIEW.....	13
3. THE MACROECONOMIC OUTLOOK FOR 2019	14
3.1. 2019 BUDGET POLICY AND PRIORITIES	14
3.2. ECONOMIC GROWTH	16
3.3. EMPLOYMENT	18
3.4. INFLATION	19
3.5. EXCHANGE RATE USD	19
3.6. TRADE AND INVESTMENT	20
3.7. PUBLIC EXPENDITURE	22
3.8. 2019 REVENUE COLLECTION PERFORMANCE (JANUARY – MAY).....	22
4. BUDGET FRAMEWORK FOR 2020.....	24
4.1. NDPII FRAMEWORK	25
4.2. BUDGET POLICY OBJECTIVES	25
4.3. PRIORITY SECTORS & INVESTMENTS	25
5. MACROECONOMIC AND FISCAL FRAMEWORK	27
5.1. GOVERNMENT SOURCES OF REVENUE IN 2018.....	27
5.2. REVENUE OUTLOOK	28
5.2.1. Forecasting Methodology	28
5.2.2. New sources of revenue, 2019 - 2022	29
5.2.3. Detailed revenue forecast.....	29
APPENDICES.....	31
APPENDIX 1: TOP 5 OVER TARGET REVENUE ITEMS IN 2018	31
APPENDIX 2: TOP 5 UNDER TARGET REVENUE ITEMS IN 2018.....	31
APPENDIX 3: MDA BUDGET ALLOCATION AND ACTUAL EXPENDITURE BY SECTOR IN 2018, SLSHS (SORTED BY DIFFERENCE AND SECTOR)	31
APPENDIX 4: LIVESTOCK EXPORTS THROUGH BERBERA PORT IN 2005-2018.....	32
APPENDIX 5. DETAILED TABLE OF FORECASTED REVENUES, 2019-22, SLSH	33
APPENDIX 6: ACTION AREAS: EFFECTS OF SUCCESSFUL INTERVENTIONS.....	35

Tables

TABLE 1: FISCAL PERFORMANCE FOR 2018, BUDGET ESTIMATES COMPARED TO ACTUALS, SL\$H NOMINAL	V
TABLE 2: ACTUAL REVENUE COLLECTION COMPARED TO THE BUDGET TARGETS, 2018.....	7
TABLE 3: CUSTOMS (LEFT) AND IRD OFFICES (RIGHT) ACTUAL REVENUE COLLECTION VS. TARGETS IN 2018	9
TABLE 4: BUDGET EXECUTION BY CHAPTER, SL\$HS.....	10
TABLE 5: BUDGET ALLOCATION AND ACTUAL EXPENDITURE BY SECTOR, SL\$HS (SORTED BY DIFFERENCE)	11
TABLE 6: ACTUAL AND PLANNED PROJECT DISBURSEMENTS.....	12
TABLE 7: NUMBER OF BUSINESS LICENSES ISSUED BETWEEN 2012 AND 2018	14
TABLE 8: NOMINAL AND REAL GDP, MILLIONS OF US DOLLARS.....	17
TABLE 9: CONTRIBUTION TO GDP BY SECTOR (2012), CURRENT PRICES.....	17
TABLE 10: UNEMPLOYMENT RATE AND LABOUR FORCE PARTICIPATION, 2012.....	18
TABLE 11: PUBLIC SECTOR (CIVIL SERVANTS) EMPLOYMENT FROM 2012 TO 2019	18
TABLE 12: ANNUAL HEADLINE INFLATION, YEAR-ENDED DECEMBER	19
TABLE 13: SOMALILAND SHILLING EXCHANGE RATE AGAINST THE US DOLLAR	20
TABLE 14: IMPORTS VOLUME, 2012 -2018	21
TABLE 15: EXPORTS – LIVESTOCK, 2012 -2018.....	21
TABLE 16: TRANSPORT – VESSELS CALLING ON BERBERA PORT	21
TABLE 17: CONTAINERS GOING THROUGH BERBERA, 2012 -2022	21
TABLE 18: INVESTMENT – LICENSES ISSUED, 2012 -2019.....	21
TABLE 19: ACTUAL GOVERNMENT EXPENDITURE, SL\$HS 2012-2018.....	22
TABLE 20: ACTUAL REVENUE COLLECTION VS BUDGET FORECAST IN SL\$HS, JAN-MAY 2019	23
TABLE 21: INVESTMENT PRIORITIES AT NATIONAL, REGIONAL AND DISTRICT LEVELS.....	26
TABLE 22: TEN MAIN SOURCES OF REVENUE 2018.....	27
TABLE 23: FORECASTED MACROECONOMIC INDICATORS, 2019-2022.....	28
TABLE 24: ESTIMATED REVENUE FROM PROPOSED NEW TAXES, SL\$H	29
TABLE 25: FORECASTED GOVERNMENT REVENUE COLLECTIONS, 2019-2022, SL\$H.....	30
TABLE 26: GOVERNMENT REVENUE, 2012 – 2018 ACTUAL AND 2019 – 2022 FORECAST	30

Figures

FIGURE 1: BUDGET CALENDAR	2
FIGURE 2: TAX COLLECTION, 2017 & 2018 (SL\$HS MILLION).....	6
FIGURE 3: COMPOSITION OF REVENUE IN SOMALILAND BY TAX CATEGORY, 2018.....	7
FIGURE 4: REVENUE PERFORMANCE, ACTUAL COLLECTION COMPARED TO TARGET BY QUARTER, 2018 (SL\$H MILLION)	8
FIGURE 5: REVENUE COLLECTED BY CUSTOMS AND IRD IN SL\$H (MILLION) 2017 & 2018	8
FIGURE 6: BUDGET ESTIMATE, DOMESTIC REVENUE AND EXPENDITURE FROM THE GENERAL GOVERNMENT FUND, BILLIONS SL\$HS .	9
FIGURE 7: 2018 BUDGET ALLOCATION BY CHAPTER AS A PERCENT OF TOTAL BUDGET ALLOCATION.....	10
FIGURE 8: BUDGET ALLOCATION AND ACTUAL EXPENDITURE BY SECTOR, SL\$HS	12
FIGURE 9: SOMALILAND PROJECT DISBURSEMENTS BY PILLAR, 2016-2018	12
FIGURE 10: SOMALILAND EXCHANGE RATE AGAINST THE US DOLLAR AND THE HEADLINE INFLATION IN 2018	13
FIGURE 11: LIVESTOCK EXPORT THROUGH BERBERA PORT FROM 2005 TO 2018 (LEFT) AND MONTHLY VALUE OF SOMALILAND’S IMPORTS IN 2018 (RIGHT).....	14
FIGURE 12: NUMBER OF CEMENT BAGS IMPORTED IN SOMALILAND FROM 2005 TO 2018	14
FIGURE 13: GDP AT CURRENT PRICES VS. REAL GDP AT 2012 PRICES, MILLIONS OF US DOLLARS.....	17
FIGURE 14: PUBLIC SECTOR EMPLOYMENT FROM 2012 TO 2019	18
FIGURE 16: SOMALILAND SHILLINGS EXCHANGE RATE PER USD FROM JANUARY 2019 TO MAY 2019	20
FIGURE 17: BUDGET DOCUMENTS IN THE PFMA ACT.....	24
FIGURE 18: FORECASTED GOVERNMENT REVENUE COLLECTIONS, 2019-2022	30

LIST OF ACRONYMS

BF:	Budget Framework
BOP:	Budget Outlook Paper
BPC:	Budget Policy Committee
EFU:	Energy, Fuel & Utilities
GDP:	Growth Domestic Product
HC:	Human Capital
HoR:	House of Representatives
IMF:	International Monetary Fund
IRD:	Inland Revenue Department
MDA:	Ministries, Departments & Agencies
MFF:	Macroeconomic Fiscal Framework
MoFD:	Ministry of Finance Development
MoNP&D:	Ministry of National Planning & Development
MTBF:	Medium Term Budget Framework
NDP-II/2:	Second National Development Plan
ODA:	Official Development Assistance
PFMA:	Public Financial Management Act
PPP:	Public Private Partnership
SLShs:	Somaliland Shillings
SDG:	Sustainable Development Goals
USD:	United States Dollar
WASH:	Water, Sanitation and hygiene

Executive Summary

The Budget Outlook Paper (BOP) serves to inform the Budget Policy Committee's (BPC) discussions on key decisions for the 2020 budget. This document introduces the role of the committee, as well as the government budget process. It subsequently summarizes the recent fiscal performance of the Government of Somaliland and provides the macro-economic outlook for the 2020 budget year. The paper concludes by proposing a framework for the 2020 budget, including fiscal policy priorities, revenue and expenditure forecasts and allocations as per the Macroeconomic Fiscal Framework and Medium-Term Budget Framework (MFF and MTBF).

The Paper (BOP) will assist the Committee (BPC) to:

1. Establish ceiling for the central government spending for the 2020 budget year as well as the size of a **Contingency Reserve**.
2. Set the government's expenditure policy with respect to the main expenditure heads: wages, recurrent and capital / development expenditure.
3. Advise on the direction of macroeconomic policy for the 2020 budget year
4. Outline the government's expenditure priorities in line with National Development Plan II (NDPII) sectors.

Table 1: Fiscal performance for 2018, budget estimates compared to actuals, SLSh nominal

DESCRIPTION	Budget estimate	End-of-year actual	Variance	%
Income and profits	41,562,805,298	19,767,569,706	-21,795,235,592	-52%
Payroll and workforce	65,330,134,773	75,456,626,152	10,126,491,379	16%
Goods and Services	297,571,780,196	295,812,762,914	-1,759,017,282	-1%
International Trade	742,826,054,685	716,883,760,454	-25,942,294,231	-3%
Other Taxes	191,176,166,298	177,093,803,424	-14,082,362,874	-7%
Other Revenue	299,435,598,870	222,346,453,670	-77,089,145,200	-26%
I. TOTAL (excl. grants)	1,637,902,540,121	1,507,360,976,320	-130,541,563,801	-8%
World Bank grants	49,097,459,880	33,725,868,660	-15,371,591,220	-31%
II. TOTAL REVENUE	1,687,000,000,000	1,541,086,844,980	-145,913,155,020	-9%
Compensation of employees	827,522,809,252	784,185,228,452	-43,337,580,800	-5%
Use of Goods and Services	533,837,041,979	479,593,834,349	-54,243,207,630	-10%
Subsidy	4,810,532,036	4,608,311,432	-202,220,604	-4%
Grants and Transfers	98,715,390,800	90,559,881,823	-8,155,508,977	-8%
Assets	83,407,778,120	41,060,792,023	-42,346,986,097	-51%
Loans	89,608,987,934	84,863,728,054	-4,745,259,880	-5%
III. TOTAL GOV'T FUND SPEND	1,637,902,540,121	1,484,871,776,133	-153,030,763,988	-9%
FISCAL BALANCE (I – III)		22,489,200,187		

Government fiscal performance is improving following a series of challenges. After a sharp revenue downturn in 2017, government revenue collections are improving: collections comprised SLSh 1.54 trillion in 2018, over 91% of estimated revenue mobilization. Of this total, 80% was collected by Somaliland's customs services. Key revenue items for 2018 included taxes on imports and sales taxes, making up over 50% of annual revenue collections between them. These two tax lines have driven an increase in gross revenue collections by 30% from 2017 to 2018. The revenue shortfall against the budget target is largely due to the continued ban on livestock exports, the delayed implementation of the 2018 budget, and the delayed implementation of revenue mobilization

reforms. Despite consistent nominal increases in revenue collections, the real value of government revenues has eroded in recent years, yet collections are expected to improve across 2019 as reforms are introduced.

The execution of the national budget closely followed the performance of the government revenue collections: spending on some expenditure items in 2018 was limited in view of shortfalls in collections in the first two quarters of the budget year. Over 90% of budgeted expenditures for 2018 were executed, amounting to SLSH 1,48 trillion. Half of this spend was on compensation of government employees, which saw a small underspend (SLSH 43 billion, or 5% of the budget estimate), attributed to the postponement of budgeted civil service recruitment. Expenditure on services underperformed by SLSH 45 billion, and only half of the estimated spend on assets was realized in 2018, representing an underspend of SLSH 50 billion. The Ministry has faced significant pressure in 2018 to settle outstanding bills and government arrears, and to mitigate the effects of continued droughts as well as Cyclone Sagar.

Government spending was concentrated in the governance and security sectors, comprising just less than three quarters of total annual spending (at SLSH 1,100 billion). Other sectors saw levels of under spend exceeding 25%, including the Health, Environment and Production sectors, as well as the WASH sector for which less than half the annual budget was executed. While aid disbursements to Somaliland are likely underreported, reports indicate that aid flows more than halved compared to 2017, in all areas except for support to humanitarian and resilience programs. World Bank grants continue to underperform, with only 68% of estimated disbursements (SLSH 33,7 billion) having materialized across four programs.

Signs of economic recovery are emerging after successive years of deteriorating fundamentals. Somaliland has seen a significant fall in output growth as the severity of droughts increased since 2015, worsened by the livestock export ban imposed in 2016: the value of exports has fallen by more than half since 2014, contributing to an estimated contraction of the economy in 2017, of 1% of gross domestic product. Price increases peaked in early 2018, at 18.9% annual headline inflation recorded, and the average exchange rate increased from SLSH 6000 to 10,500 per USD. Central bank policies introduced in 2018 have helped to halt and reverse the depreciation of the Somaliland shilling from SLSH 10,000 to 8,350 in the first quarter of 2019. Annual inflation at end December 2018 reduced to 8%. Meanwhile, over 1.2 million heads of livestock were exported more in 2018 as compared to 2017, and these exports are expected to continue increasing given an overall improved regional economic outlook.

A range of policies is recommended to support and maximize Somaliland's benefit of an early economic recovery. Following several years of ambitious revenue projections, cautious revenue and economic growth projects are required for 2020 to restore budget credibility. A small percentage of government revenues should be allocated to a Contingency Fund to manage crises and emergencies. Steps should be taken to introduce a macroeconomic policy framework for Somaliland. Expenditure should be prioritized in line with the four Sustainable Development Action Areas identified across NDPII, to address the complex combinations of economic and social challenges in Somaliland.

An indicative forecast of government revenue collections over the medium-term (from 2020 to 2022) has been prepared, based on assumptions on the development of key macroeconomic indicators, proposed new taxes to be introduced as well as the current performance of collections.

This forecast will be adjusted subject to changes in information and assumptions before being included in the Macroeconomic and Fiscal Framework (MFF) and Budget Framework (MTBF). Revenue collection in 2019 is expected to be 1.67 trillion SLShs—representing an 8% increase from the 2018 collections. The 2020, 2021 and 2022 revenue is projected to grow by 8.4%, 8.6% and 8.7% per year, respectively, excluding new taxes. The introduction of new taxes, including the excise tax and goods and services tax (GST) is expected to raise revenue by over SLSh 70 billion annually from 2020 onwards.

1. Introduction

The Ministry recognizes that an effective, efficient, inclusive and participatory budgetary process is a major factor in ensuring timely and cost-effective service delivery to the citizens. The following Budget Outlook paper aims to facilitate that process. It presents the budget process and gives an overview of Somaliland's economic outlook and development. It is intended to assist the Budget policy Committee (BPC) in their decision making for the 2020 National Budget.

The budget outlook paper is divided into four main sections. The first part gives a clear and concise overview of the budget process—as set out in the Public Financial Management Act, No.75/2016—and the role of the Budget policy committee. The second section reviews the 2018 fiscal performance. It presents the 2018 budgetary policy and priorities, reviews the 2018 revenue and expenditure outturns, reviews the inflow of external assistance and finally gives a macroeconomic overview of the country in 2018. The third section provides an outlook for the economy in 2019 while the fourth section introduces the framework for next years' budget. The final section provides the macroeconomic and fiscal framework for 2020-22, including the parameters and methods for forecasting government revenues.

For the 2020 fiscal year, the Ministry of Finance Development looks to the Budget Policy Committee to reach a consensus on government expenditure priorities—recurrent and capital expenditure—the size of a contingency fund, and on monetary policy framework.

The aim of the paper is to:

- ✓ Introduce the budgetary process
- ✓ Review the budget performance of the previous year and this year
- ✓ Analyze the macroeconomic outlook for next budget year
- ✓ Establish fiscal policy priorities for the next budget
- ✓ Forecast revenue for the next budget
- ✓ Map out the resource allocation for next budget

1.1. Overview of the Budget Preparation process

According to Article 55(4) of Somaliland's Constitution, "the procedures for the preparation of the National Budget shall be determined by law"—namely by the Public Financial Management Act 75/2016 and the Financial and Accounting Procedures of the State. The following Budget preparation process has been set so as to be compliant with the PFMA Act.

- The Budget Policy Committee selects the Government's macroeconomic and fiscal policy & its expenditure priorities.
- The MoFD estimates the total amount of financial resources available to the government for the coming financial year in the Macroeconomic and Fiscal Framework (MFF).
- The MoFD formulates the initial expenditure ceilings for each MDA in the Medium-Term Budget Framework (MTBF) and submits them to the BPC and Council of Ministers for review
- The MoFD communicates the coming year's expenditure ceilings to the MDAs through a budget circular along with guidelines on how to submit their budgets

- MDAs, with help from the MoFD’s Budget & Planning department, submit their budget to the MoFD using the budget submission template provided to them
- Budget negotiations take place between the MoFD and MDAs after which the National budget is drafted
- The Minister of Finance Development presents the National Budget to the House of Representatives after approval from the Budget Policy Committee and the Council of Ministers
- The House of Representatives debates, amends and approves the Budget set out by the Minister of Finance Development.

1.2. The Role of the Budget Policy Committee

The Budget Policy Committee’s role is to approve the government’s macroeconomic policy and expenditure priorities in the coming year and to approve all key Budget Documents before they go to the House of Representatives. The MoFD will use the Budget Policy Committee’s decisions on fiscal policy and expenditure priorities to construct a set of initial expenditure ceilings for each MDA. These ceilings will be included in the Budget Framework which will then be presented—along with the Macroeconomic and Fiscal Framework—to the Council of Ministers and House of Representatives.

1.3. The Budget calendar

According to the Public Financial Management Act No. 75/2016, figure 1 below presents the Calendar for Somaliland’s budget cycle.

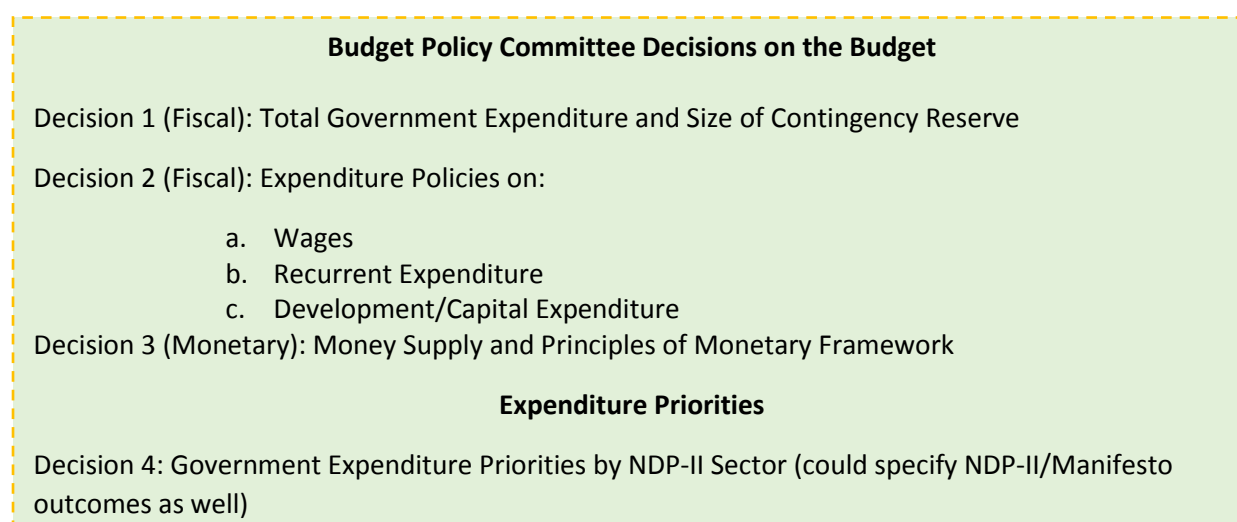
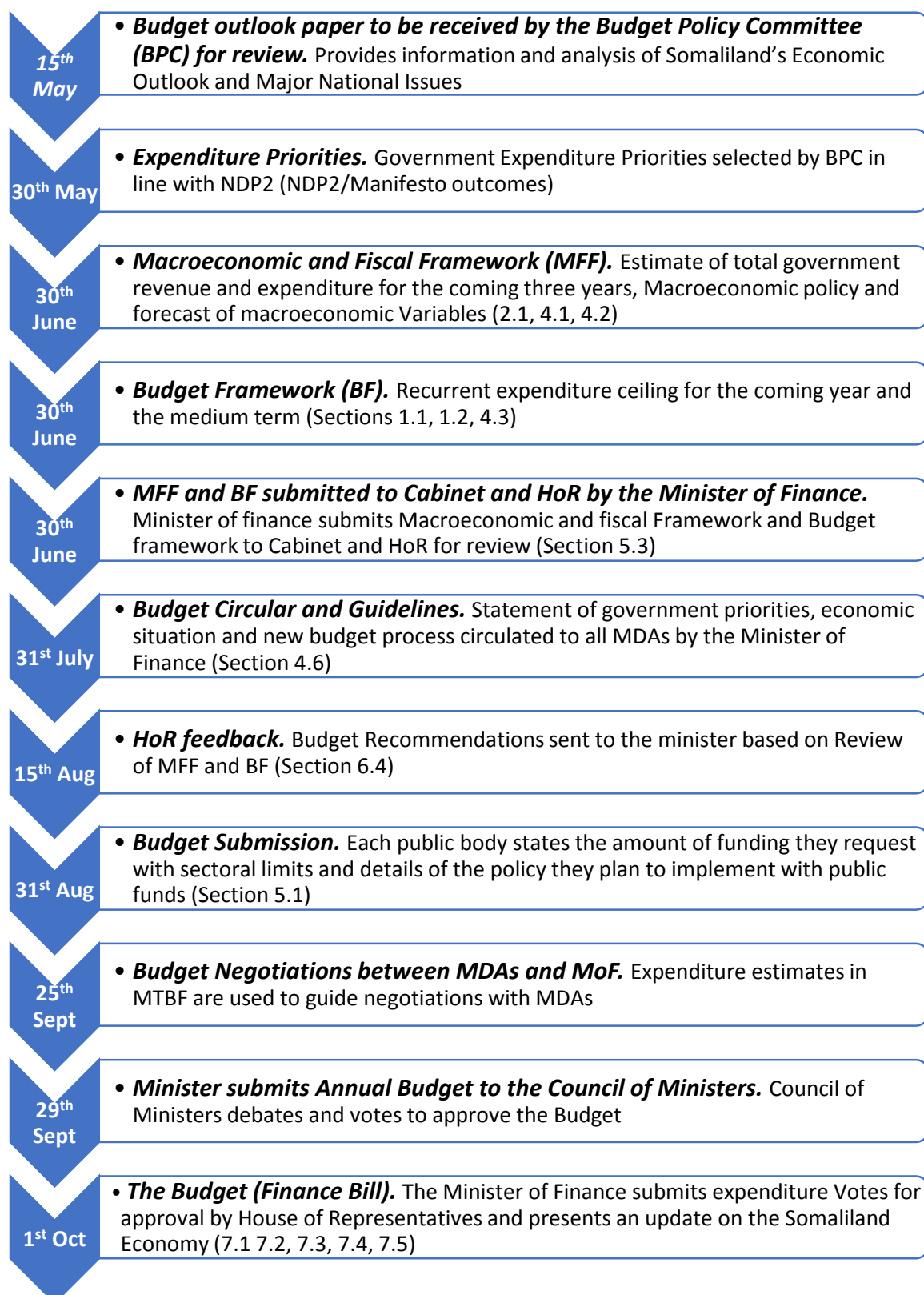


Figure 1: Budget Calendar



2. Review of 2018 Fiscal Performance

The 2018 fiscal year coincided with the first year in which the new government—since November 13th, 2017—took ownership of the National Budget to fulfil its election promises and assuage people's concerns. The budget allocations for the fiscal year were based on the party manifesto, NDPIL and outstanding development issues/gaps at the time.

2.1. 2018 Budget policy and priorities

The following were the priorities for the 2018 National Budget:

1. Governance

Provisions were made to increase the budget of the Auditor General Office in 2018 in order to strengthen the governance system and apply the principles of transparency and accountability

2. Security & Justice

Given the pivotal role Somaliland's armed forces and law enforcement departments play in the country's security and stability, provisions were made to increase the salaries of law enforcement officers by 29%. This was intended to help them improve their wellbeing and meet their needs.

3. International recognition & the Electoral Processes

Provisions were made to support efforts to secure international recognition. In addition, the budget endeavored to ensure that there is a clear and robust plan to the electoral processes and election schedules

4. Economic & Production

Agriculture: three major projects were funded in Wajaale, Beer, and Odweyne. Provisions for the procurement of agricultural equipment such as tractors were also made to strengthen the country's agricultural output. Furthermore, the 2018 budget allocated funds to the Ministry of Agriculture to initiate a seed production project.

Livestock and Fisheries: Funds were allocated to a livestock health project and to a breeding project in order to advance livestock production. Funds were also allocated for the construction of a fishing port to encourage and develop the fishery sector.

Inflation / Value of Local Currency: to increase the value of Somaliland's currency, all government transactions were provisioned to be made using the Somaliland Shilling; with the exception of the following expenses: International travel, satellite leasing, expenses at diplomatic posts & embassies, and international purchases and procurements.

Youth and Development: The 2018 budget gave great importance to the bettering of the Youth by: planning to officially initiate a national fund for the advancement of Somaliland's youth, allocating funds to initiate the national youth service, funding a joint program by the MoFD and SONYO Umbrella, refurbishing the Berbera, Burao and Las Anodes football stadiums, funding the construction of football and basketball centers, funding the annual national tournament and sporting events.

Drought: provisions were made to allocate funds for drought response interventions to mitigate and manage the impact of the recurrent droughts

5. Social Services

Healthcare: Giving importance to the provision of quality healthcare services, the 2018 budget provisioned for the construction of mother child health (MCH) clinics across the country and a new maternity ward at Hargeisa's General Hospital, the reconstruction and furnishing of Burao's general hospital

Education: the 2018 budget provisioned for the increase of all teachers' salaries at state-owned schools by 20%, the provision of free textbooks to all primary students and the renovation of state-owned schools (i.e. the construction and equipping of the national teacher training center)

Water: special importance was given to the development of the country's water resources by funding several projects such as the construction of dams (i.e. at seasonal riverbeds), new boreholes and the rehabilitation of old boreholes.

6. Infrastructure

Given that roads are a good indicator of economic growth, the 2018 national budget also prioritized the construction of roads across the country.

Investment: the 2018 National Budget prioritized the implementation of development projects. This priority was communicated to all MDAs who had to provision for development projects in their respective budgets. Furthermore, the Ministry of Investment was instructed to allocate funds to encourage domestic investment. Moreover, the Ministry of National Planning and Development was instructed to submit the budget for the Somaliland Development Fund (SDF) so as to be included in the 2018 National Budget. The Ministry of Interior was also instructed to submit the budget of the Joint Program for Local Governance (JPLG) so as to include it in the 2018 National Budget.

7. Strengthening the tax administration system and expenditure prioritizing

Furthermore, the new government's MoFD planned to strengthen in 2018 the tax administration system and expenditure prioritizing. The following actions were envisioned to be implemented:

- ✓ Strengthening Revenue collections management
- ✓ Implementing national revenue policy, increased Cigarette and tobacco taxes
- ✓ Developing guidelines and policy management on Various tax exemptions regarding presidential circulars
- ✓ Developing Remittance policy tax
- ✓ Updating Sales tax policies and guidelines by implementing pilot studying
- ✓ Increasing the collection of various recently-endorsed taxes
- ✓ Increasing customs exchange which is currently very low
- ✓ Implementing comprehensive revenue collection reforms
- ✓ Introducing taxes on all luxury commodities
- ✓ Reducing taxes on all essential commodities
- ✓ Increasing taxes on imports which can be locally produced
- ✓ Implement the various ongoing processes of the PFM Reform in Somaliland

Furthermore, all MDAs in Somaliland were to play an important role in increasing the country's revenue collection. The government was to register all state-owned property, e.g. land, buildings, etc. The Ministries of Finance and Public Works was to lead this process.

Lastly, the implementation of Somaliland’s Financial Management Information System (SL-FMIS) was to be initiated in 2018 in parallel with existing systems to provide sufficient time for transitioning. The MoFD would also conduct mid-term reviews every fiscal year, therefore requiring all MDAs to close their respective quarterly expense reports prior to being approved funds for the following quarter.

2.2. Resource mobilization

In 2018, the government collected 1.54 trillion SLShs; a 30% increase from the 1.19 trillion SLShs collected in 2017. This was primarily due to strong growth in larger revenue items—namely taxes on imports and sales taxes which made up over 50% of total revenue. Monthly revenue collection was lowest in the first quarter of 2018, primarily linked to the delayed implementation of the 2018 Budget.

With respect to revenue targets, overall collection in 2018 was 8% below the targeted amount. The Customs Authority had a shortfall of 8%, while for IRD it was 4%. These shortfalls are mainly attributed to the livestock exports ban to Saudi Arabia, the delayed implementation of the 2018 budget and slower than forecast implementation of revenue reforms.

2018 Revenue compared to 2017 collection

Tax revenue accounted for 83% (or 1.29 trillion SLShs) of the total collection, while non-tax revenue made up the remaining 17%. Compared to 2017, non-tax revenue remained stable, growing by about 1%, while tax revenue grew by 38%—see figure 2. This increase reflects the Government’s continued efforts towards revenue mobilization.

Figure 2: Tax collection, 2017 & 2018 (SLShs Million)

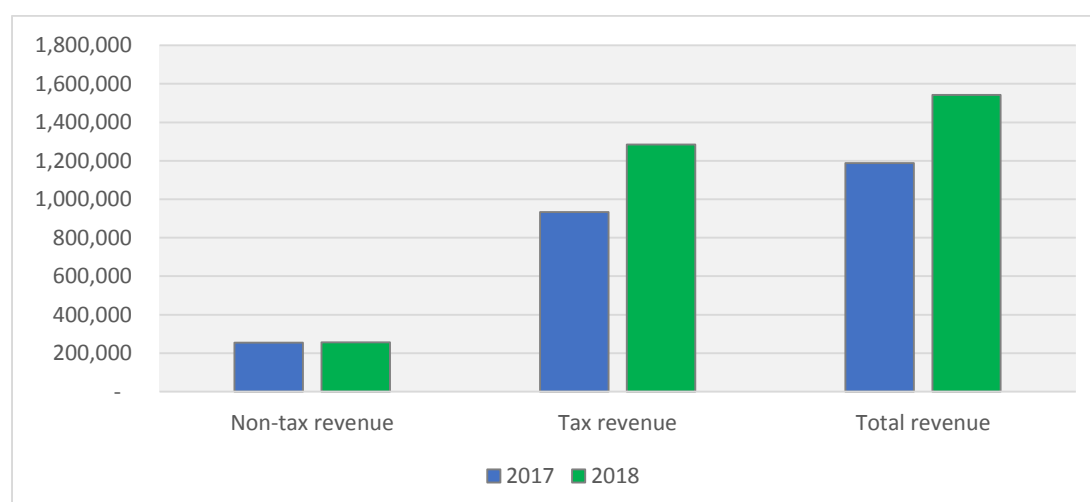
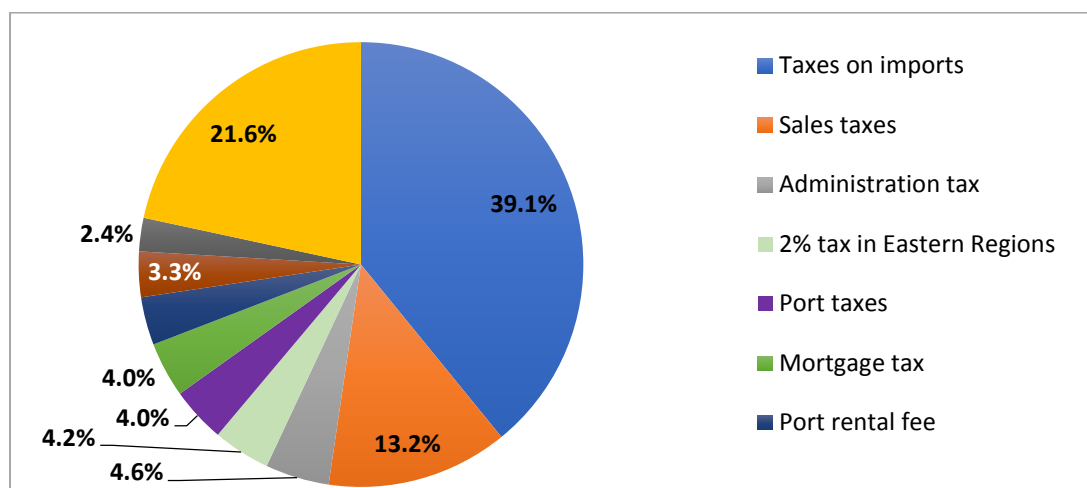


Figure 3 below shows the composition of the 2018 tax revenue by tax category. As can be seen, Taxes on Imports made up 39% (60 billion SLShs) of the total collection, reflecting Somaliland’s low domestic production and import dependency. Sales taxes and Administration tax made up 13% (204 billion SLShs) and 4.6% (72 billion SLShs) of the total collection, respectively. All other revenue items collectively made up the remaining 43% (664 billion SLShs).

Figure 3: Composition of revenue in Somaliland by tax category, 2018



Revenue collection compared to revenue targets

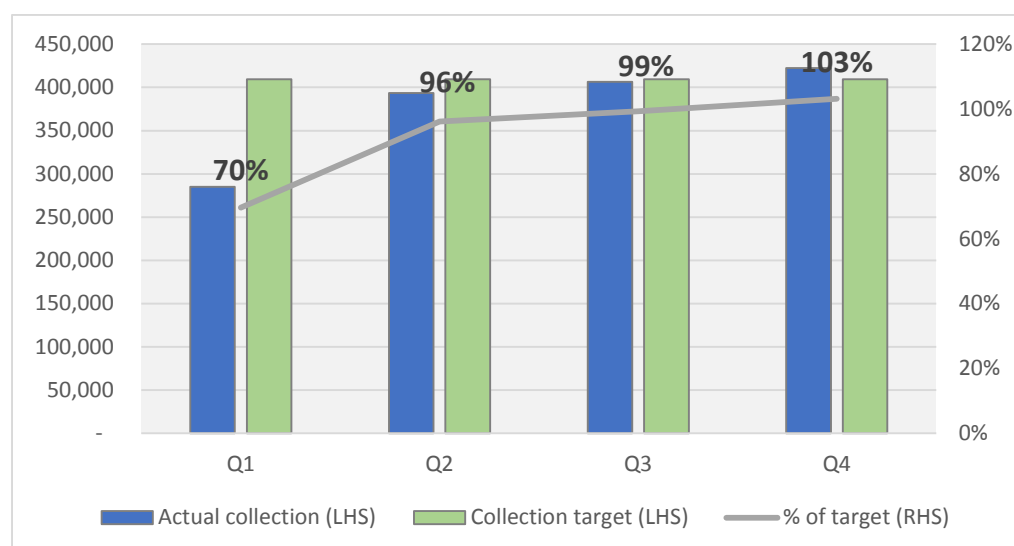
In 2018, the overall revenue target was 1.687 trillion SLShs—including grants, while Domestic revenue target was 1.638 trillion SLShs. Focusing on Domestic revenue, Tax revenue collection was 4% below target while non-tax revenue was 26% below target—resulting in an overall collection deficit of 130.5 billion SLShs (-8%)—see table 2. The late implementation of the 2018 budget likely played a significant role in the underperformance.¹Figure 4 below supports this rationale.

Table 2: Actual revenue collection compared to the budget targets, 2018

DESCRIPTION	Budget Forecast (annual)	Actual revenue collection	Difference	%
Taxes	1,338,466,941,250	1,285,014,522,650	-53,452,418,600	-4%
Income and profits	41,562,805,298	19,767,569,706	-21,795,235,592	-52%
Payroll and workforce	65,330,134,773	75,456,626,152	10,126,491,379	16%
Goods and Services	297,571,780,196	295,812,762,914	-1,759,017,282	-1%
Sales tax	185,919,860,670	203,691,547,656	17,771,686,986	10%
Registration taxes	60,564,388,316	43,567,129,340	-16,997,258,976	-28%
Other taxes on G&S	51,087,531,210	48,554,085,918	-2,533,445,292	-5%
International Trade	742,826,054,685	716,883,760,454	-25,942,294,231	-3%
Taxes on imports	523,967,387,960	603,181,790,655	79,214,402,695	15%
Taxes on exports	156,048,650,130	51,824,298,194	-104,224,351,936	-67%
Port taxes	62,810,016,595	61,877,671,605	-932,344,990	-1%
Other Taxes	191,176,166,298	177,093,803,424	-14,082,362,874	-7%
Mortgage (stamp) tax	54,357,459,885	61,815,136,299	7,457,676,414	14%
2% tax in Eastern Regions	57,722,862,550	64,125,252,476	6,402,389,926	11%
Other	79,095,843,863	51,153,414,649	-27,942,429,214	-35%
Other Revenue	299,435,598,870	222,346,453,670	-77,089,145,200	-26%
Property Income	68,083,548,660	59,725,452,385	-8,358,096,275	-12%
Sales of Goods and Services	163,000,328,540	126,217,357,476	-36,782,971,064	-23%
Fines and Voluntary Transfers	6,599,837,080	8,350,440,323	1,750,603,243	27%
Transfers not elsewhere classified	44,131,089,900	27,997,079,396	-16,134,010,504	-37%
Other Income	17,620,794,690	56,124,090	-17,564,670,600	100%
TOTAL (excl. grants)	1,637,902,540,120	1,507,360,976,320	-130,541,563,800	-8.0%
World Bank grants	49,097,459,880	33,725,868,660	-15,371,591,220	-31%
TOTAL	1,687,000,000,000	1,541,086,844,980	-145,913,155,020	-8.6%

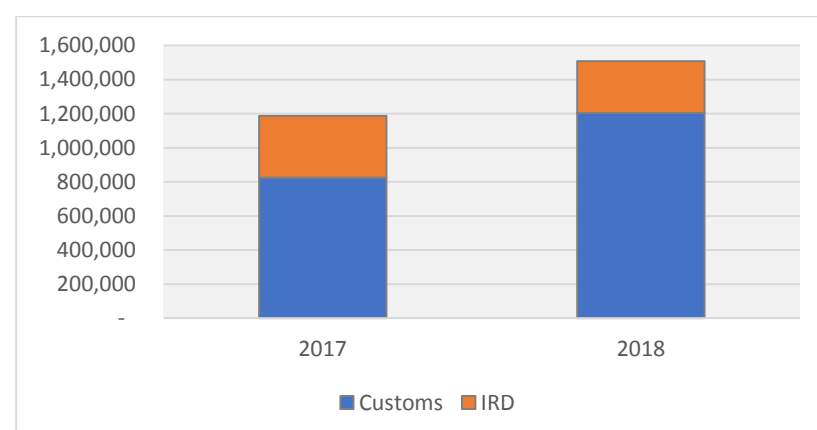
¹The 2018 budget was not passed until April, four months later than expected.

Figure 4: Revenue performance, actual collection compared to target by quarter, 2018 (SLSH million)



In Somaliland, the two main revenue collection agencies are the customs authority and inland revenue department (IRD). As shown in Figure 5 below, 80% of the 2018 domestic revenue was collected by the Customs department, while IRD collected 20%.² Furthermore, Customs share increased from 70% in 2017 to 80% in 2018. This change resulted from the Customs revenue collection growing by 46% between 2017 and 2018, while IRD decreased by 16%.³

Figure 5: Revenue collected by Customs and IRD in SLSH (million) 2017 & 2018



In terms of performance against target, the customs department had a shortfall of 8% or -84 billion SLShs. This was due to the livestock export levy underperforming against target by 86.5 billion SLShs. IRD for its part, was 4% or 10 billion SLShs below target. Although many revenue items underperformed against target⁴, the major contributing factor was poor performance of revenue from business income which was 20 billion SLShs below target. Although IRD collected the majority of revenue from business incomes (62%), the Customs Authority also collected a sizeable share (38%). This revenue shortfall is likely due to slower than expected implementation of revenue reforms. This is expected to be a focus for 2019.

²The remainder of the revenue is grants from World Bank (49 billion SLSh)

³ In 2017, revenue collection by IRD was boosted by a one-off lump sum payment for the investment permit at the port.

⁴See appendix 1 & 2x for the top six over-performing items and under-performing revenue items against target

Table 3 shows the 2018 performance by each Customs (Left) and IRD (Right) Station. For Customs, the Berbera station had the largest shortfall due to the livestock export ban. Similarly, for Hargeisa Airport, the shortfall relates to the lower than expected number of foreigners entering the country and therefore lower revenue collection from the entry fee. For IRD, Burco and Borama were the main underperformers, however, compared to 2017, both stations significantly increased collection.

Table 3: Customs (Left) and IRD Offices (Right) actual revenue collection vs. targets in 2018

Custom Station	Difference between actual & target (SLSH) (%)	
Berbera	-70,100,874,654	-9%
Hargeisa Airport	-14,385,535,587	-25%
Seylac	-12,071,627,419	-15%
Gabiley	-4,779,471,216	-3%
C/Cado	-773,292,554	-7%
L/Haya	-563,353,581	-99%
Las-Canod	-446,423,238	-6%
C/Gaabo	-387,657,086	-43%
Abaarso	-122,763,090	-54%
Dilla	-54,606,963	-96%
A/Baday	-51,677,083	-8%
Burco	-36,005,612	-3%
Hargeisa	193,124,309	19%
Caynabo	426,753,631	63%
Other	2,553,834,591	100%
Borama	3,033,316,028	27%
Wajaale	3,806,798,900	22%
B/Gubadle	9,660,611,430	341%

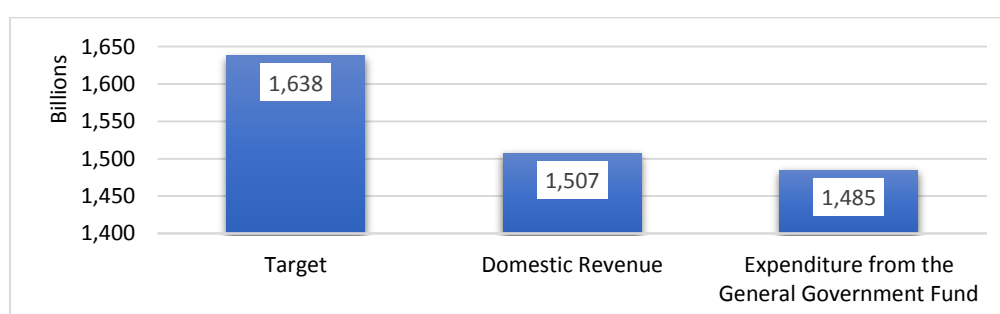
IRD Office	Difference between actual & target (SLSH) (%)	
Burco	-9,271,533,424	-53%
Borama	-5,038,501,907	-38%
Hargeysa	-2,987,335,243	-2%
Las-Canod	-1,561,855,947	-57%
C/Gaabo	-1,030,665,889	-50%
Seylac	-255,391,241	-23%
Gabiley	-188,528,167	-4%
Caynabo	-119,534,113	-23%
Berbera	11,320,077,115	38%

Source: MOFD, Customs and Inland Revenue department

2.3. 2018 Budget Execution

Expenditure from the General Government fund at year end stood at 1.48 trillion SLSHs against a budget allocation of 1.64 trillion SLSHs—representing a 91% execution rate or a 9% underperformance. This underperformance can be attributed to the actual revenue collection falling below the forecasted amount. At the end of the 2018 fiscal year, the fiscal balance excluding World Bank grants stood at 22.5 billion SLSHs. Figure 6 below graphs the budget estimate, domestic revenue collection and the actual expenditure from the general government fund. While actual expenditure is smaller than actual domestic revenue by 22.5 billion SLSHs, it is 153 billion SLSHs lower than the 2018 budget (the allocated amount).

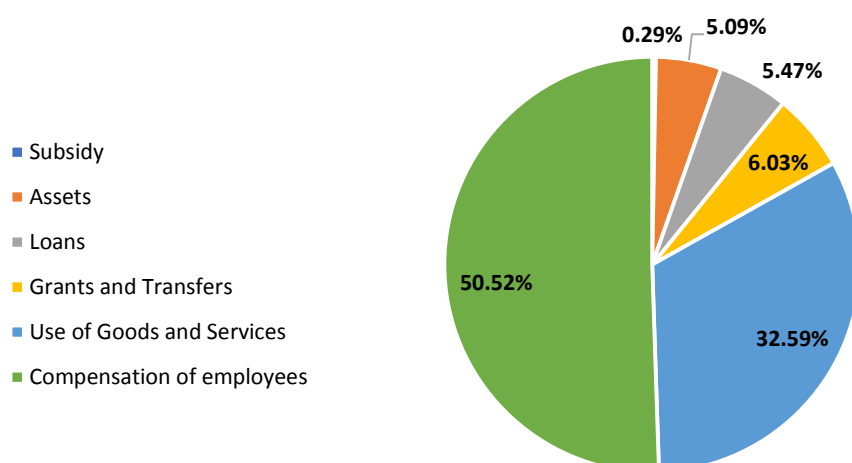
Figure 6: Budget estimate, Domestic Revenue and expenditure from the General Government Fund, Billions SLSHs



Execution by Chapter

Figure 7 shows the budget share of each chapter while table 4 summarizes the execution rates.

Figure 7: 2018 budget allocation by chapter as a percent of total Budget Allocation



Compensation of employees: in FY 2018, 784 billion SLShs was spent on compensation of employees. This was 43 billion SLShs below the allocated amount (-5%). This underperformance is attributed to the lower than expected domestic revenue collection. To reduce the 2018 Compensation bill, the government cancelled the planned recruitment of 1,200 staff in 2018.

Use of Goods and Services: 479.6 billion SLShs was spent on the Use of Goods and Services. This was 54 billion SLShs below the allocated amount (-10%). Given the low revenue outturn, the government reduced MDA's recurrent expenditure bills (i.e. use of services). For example, if an MDA was provisioned to use 10 liters of fuel per car, they limited it to 3 or 4 liters per car. These reductions in light of the revenue outturn help explain the execution rate on the Use of goods and services.

Assets: among the six chapters in table 4 below, expenditure on Assets was the biggest underperformer relative to respective budget allocations. In FY 2018, 41 billion SLShs was spent acquiring assets. This was 51% below the allocated amount. As a general rule, when revenue collection falls short of forecast, government expenditure on assets is heavily curtailed to reflect this. As a result of this, it is no surprise that the lowest execution rates among the six chapters was on Assets. Note that all the expenditures on Assets that were planned in 2018 and not realized, have been added to the 2019 budget. Provisions have been made to finance them in 2019.

Subsidy, Grants & Transfers and Loans, were respectively 4.2%, 8.3% and 5% below their targets.

Table 4: Budget Execution by chapter, SLShs

COA ⁵	Description	Allocation	Actual	Difference	Dif. (%)
21	Compensation of employees	827,522,809,252	784,185,228,452	-43,337,580,800	-5.24
210	<i>Wages and Salaries</i>	<i>816,574,721,172</i>	<i>774,962,070,333</i>	<i>-41,612,650,839</i>	<i>-5.10</i>
2120	<i>Other Employment Benefits</i>	<i>10,948,088,080</i>	<i>9,223,158,119</i>	<i>-1,724,929,961</i>	<i>-15.76</i>
22	Use of Goods and Services	533,837,041,979	479,593,834,349	-54,243,207,630	-10.16
2210	<i>Use of services</i>	<i>353,604,832,773</i>	<i>308,499,277,687</i>	<i>-45,105,555,086</i>	<i>-12.76</i>

2220	Use of Goods	156,443,645,485	152,172,644,098	-4,271,001,387	-2.73
2230	Maintenance	23,788,563,721	18,921,912,564	-4,866,651,157	-20.46
25	Subsidy	4,810,532,036	4,608,311,432	-202,220,604	-4.20
26	Grants and Transfers	98,715,390,800	90,559,881,823	-8,155,508,977	-8.26
2630	Grants	71,853,390,800	64,302,873,823	-7,550,516,977	-10.51
2650	Transfers	26,862,000,000	26,257,008,000	-604,992,000	-2.25
31	Assets	83,407,778,120	41,060,792,023	-42,346,986,097	-50.77
2710	Assets (excl. buildings)	44,248,223,720	23,058,117,662	-21,190,106,058	-47.89
2720	Buildings	39,159,554,400	18,002,674,361	-21,156,880,039	-54.03
28	Loans	89,608,987,934	84,863,728,054	-4,745,259,880	-5.30

Execution by Sector

In FY 2018, the governance sector, Security and Education sectors were allocated most of the money from the general government fund with 38%, 33% and 8% respectively. Table 5 and Figure 8 detail the expenditure performance of the eleven sectors. Appendix 3 shows the performance of each MDA in 2018 by sector—wherein the President and Vice President’s Offices were the only MDAs that executed all of their allocated budgets.

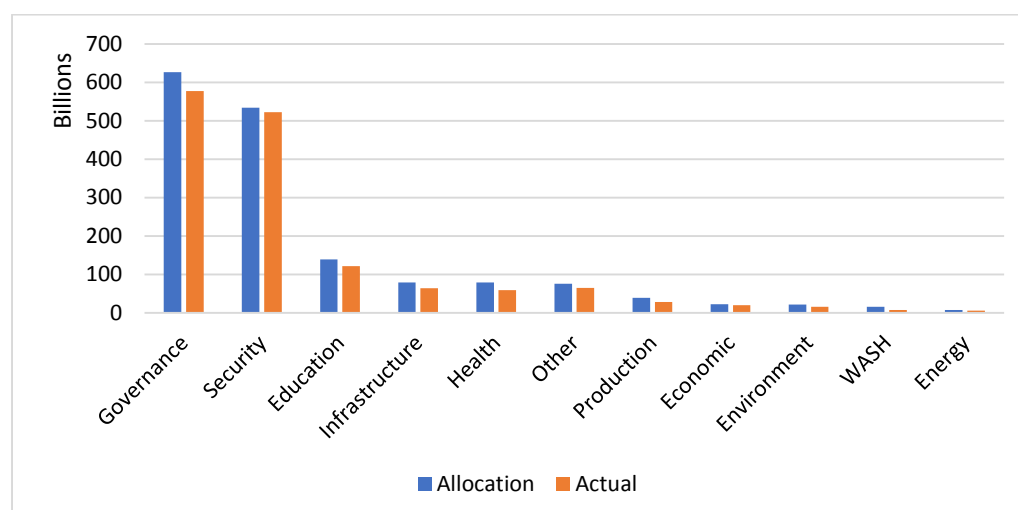
The Governance sector spent 577.6 billion SLShs of the 626.7 billion SLShs allocated, representing a 92% execution rate. This was still 49 billion SLShs below target—making up 32% of the government’s expenditure deficit. The Education sectorspent 121.3 billion SLShs of the 139 billion SLShs allocated—representing a 13% underperformance. The Security sectorspent522 billion SLShs of the 533.6 billion SLShsamount allocated—representing a 2% underperformance.

Table 5: Budget Allocation and Actual expenditure by sector, SLShs (Sorted by Difference)

	Allocation	Actual	Difference	Dif. (%)
Governance	626,706,767,520	577,606,107,916	-49,100,659,604	-7.83%
Health	78,983,891,884	58,858,324,776	-20,125,567,108	-25.48%
Education	139,049,167,600	121,319,340,576	-17,729,827,024	-12.75%
Infrastructure	79,074,390,460	63,549,879,260	-15,524,511,200	-19.63%
Security	533,627,347,302	522,113,726,483	-11,513,620,819	-2.16%
Production	38,770,187,095	27,905,679,609	-10,864,507,486	-28.02%
Other	75,346,264,830	64,792,668,413	-10,553,596,417	-14.01%
WASH	15,572,815,976	7,194,699,001	-8,378,116,975	-53.80%
Environment	21,574,109,832	15,876,110,651	-5,697,999,181	-26.41%
Economic	22,241,269,278	19,710,761,892	-2,530,507,386	-11.38%
Energy	6,956,328,344	5,944,477,556	-1,011,850,788	-14.55%

¹Note that in 2018, the Old Chart of Account codes were still being used. A migration to the new SCA codes occurred at the end of 2018 and adopted in 2019.

Figure 8: Budget allocation and actual expenditure by sector, SLShs



2.4. External assistance flows

The overall volume of aid to Somaliland increased from US\$ 153.9 million in 2016 to US\$ 192.1 million in 2017—a 25% increase. Half of aid to Somaliland is directed towards resilience (32%) and to social and human development (22%). A breakdown of the aid flows for each pillar is provided in figure 9 below.

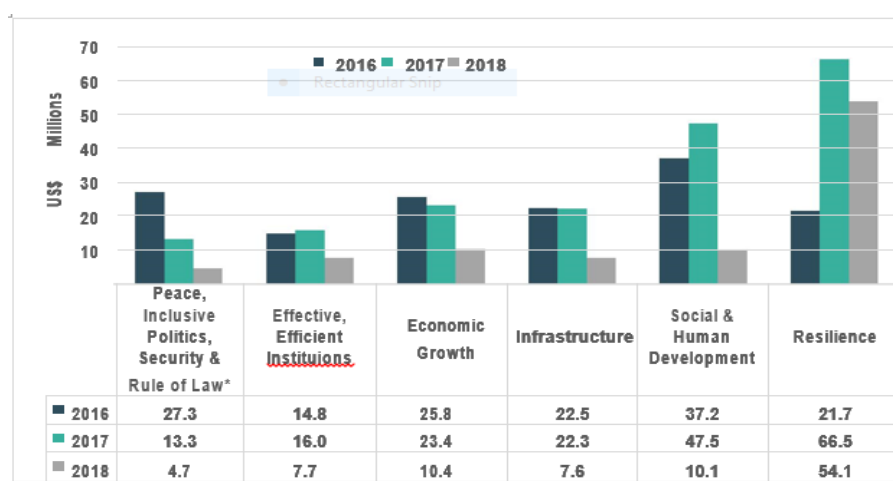
Table 6: Actual and Planned Project Disbursements

Year	Aid Flow
2016	153.9
2017	192.1
2018	95.9
Total	441.8

Source: UNDP, aid flow report, 2017

The above table does not capture all aid flows benefitting Somaliland. The 2018 disbursements are likely underreported—they are expected to rise in the next round of aid mapping.

Figure 9: Somaliland Project Disbursements by Pillar, 2016-2018



Source: UNDP report, Somalia & Somaliland aid flow report, 2018

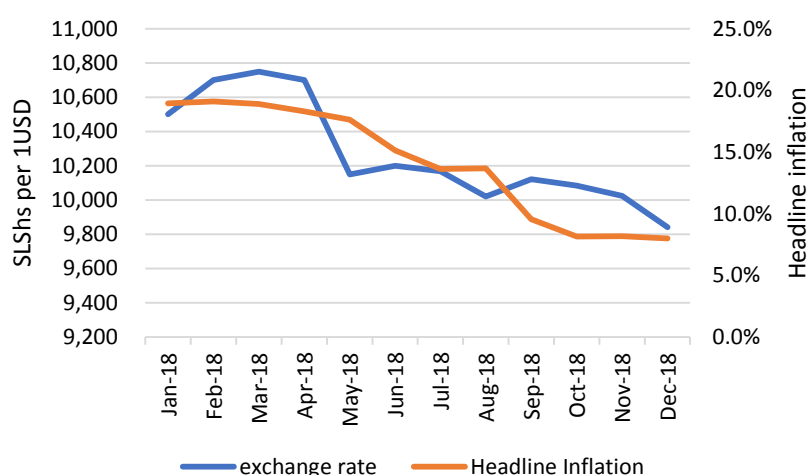
2.5. Macroeconomic Overview

Somaliland's economy has seen a significant fall in output and growth since the drought began in 2015, with some indications of a small recovery underway. According to an August 2018 World Bank group report, Growth may continue in the medium-term but the outlook is uncertain and there is a strong need for economic diversification.

Exchange rate and Inflation in 2018

The Somaliland Shilling depreciated rapidly since the beginning of the livestock ban in 2017, leading to a rapid rise in inflation which peaked at 20% in 2017. Fiscal year 2018 on the other hand saw a notable appreciation of the Somaliland shilling—from 10,500 SLShs per USD in January 2018 to 9,840 SLShs/USD in December 2018. The annual headline inflation also significantly decreased from 18.9% in January 2018 to 8% in December 2018.

Figure 10: Somaliland Exchange rate against the US Dollar and the headline inflation in 2018

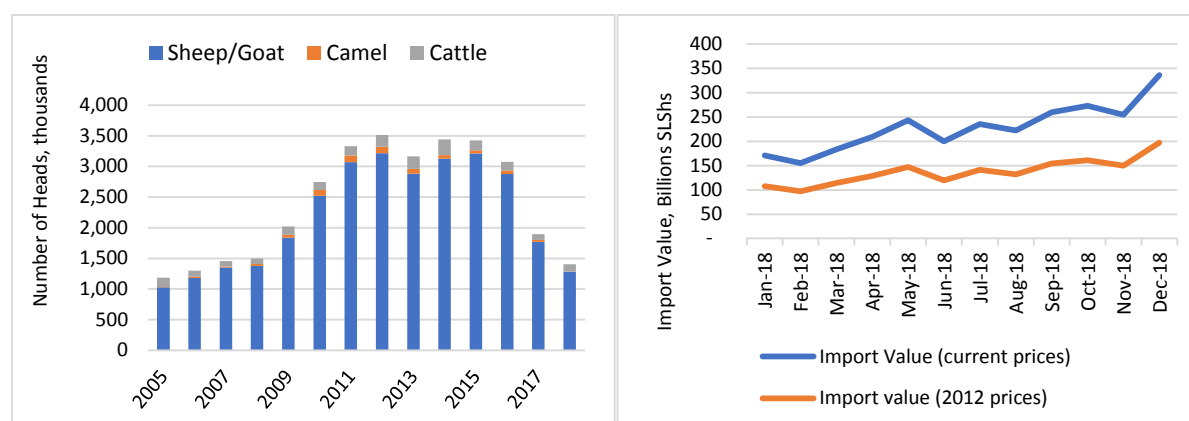


Source: Data from the MoNPD and the Bank of Somaliland

Trade

Somaliland has a large trade deficit which increased dramatically since the onset of the drought in 2015 and is thought to have increased further in 2018. A large portion of export earnings comes from the sale of Livestock—the country's main export product which currently makes up around 90% of total exports. The number of heads (camel, sheep/Goat and cattle) exported in 2018 is the lowest recorded total since 2007 as shown in figure 11—with the 2018 export of camels, Cattle and Sheep/Goat each respectively being lower than the average total export from 2005 to 2018 (see Appendix 4). Livestock export in 2018 fell by 26% (492,649 heads) from the 2017 number—suggesting that the effects of the previous livestock ban were still lingering. The total value of Somaliland's imports in 2018 was about 510 billion SLShs in current prices—and 319 billion SLShs in 2012 prices (inflation adjusted). On a monthly basis, figure 12 below shows that both the value of imports in current and 2012 prices maintained an upward trend in 2018, on average.

Figure 11: Livestock export through Berbera Port from 2005 to 2018 (left) and Monthly Value of Somaliland's imports in 2018 (right)



Source: Data from the MoNPD

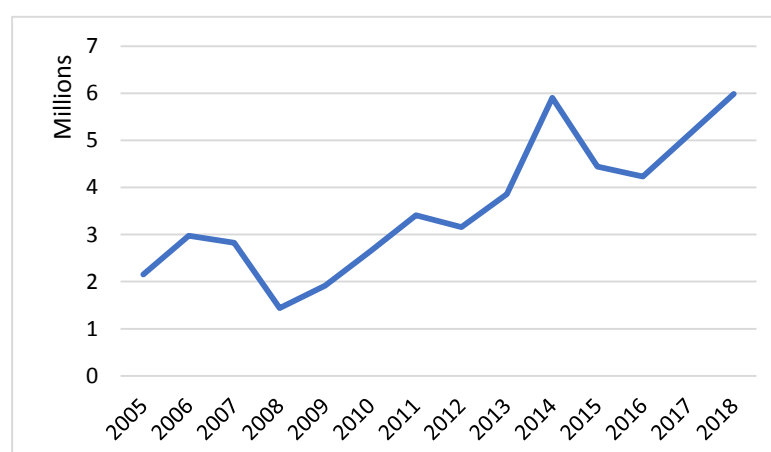
Investment and Construction

Due to limited data, the number of business licenses issued and the number of bags of cement imported will be used to gauge investment in Somaliland in 2018. As table 7 below shows, 687 licenses were issued to businesses in 2018; this is 77% higher than the 140 licenses issued in 2012. Apart from 2014, when the number of licenses issued fell by 8%, year-on-year growth in licenses issued to businesses has been very high. Unfortunately, further Information on these businesses (i.e. nature, product/services provided) is not available for this report, and as a result, it is hard to draw any definitive conclusions on the level of investment. On the other hand, the number of cement bags imported in Somaliland do paint a positive picture on investment. In 2018, 5.98 million bags of cement were imported. As shown in figure 12, this is the highest number of bags imported since 2005—significantly higher than the 2.15 million in 2005.

Table 7: Number of business licenses issued between 2012 and 2018

Year	Licenses	% change
2012	140	
2013	274	96%
2014	253	-8%
2015	264	4%
2016	452	71%
2017	525	16%
2018	687	31%

Figure 12: Number of Cement bags imported in Somaliland from 2005 to 2018



3. The Macroeconomic Outlook for 2019

3.1. 2019 Budget Policy and Priorities

Based on the NDPII and the commitment of the ruling party, the following budget policy defines the target of the 2019 National Budget:

- The 2019 budget policy aims to simplify the tax system and encourage investment in the country by making it easier to do business and to acquire land.
- In FY 2019, the government intends to strengthen the country's economic growth, increase job creation, reduce poverty, raise public awareness, and reduce the trade deficit. It also aims to enhance the quality and utilization of the country's currency by ensuring that the purchase of any state-owned land is made in SL Shillings. Moreover, it intends to facilitate job creation by working closely with businesses to create equal employment opportunities.
- It aims to encourage entrepreneurship across the country by opening up opportunities for Public-Private dialogue between the government and business partners through a Public-Private Partnership—promoting economic growth in the process. Moreover, the Budget Policy looks to build our capacity for data collection in order to achieve a sustainable statistical capacity.

Consequently, the 2019 Budget Policy gives great importance to the following:

I. Governance

Security & Administration: In an effort to strengthen defence and the capability of the various security forces of the Republic of Somaliland, the 2019 National Budget provisioned to provide equipment and supplies for the country's various armed forces. It also focused on the establishment and maintenance of regional and district councils. Furthermore, it allocated more funds to Governors and their deputies in order to strengthen the central government's authority in the regions.

Strengthening the Judicial System: provisions were made to increase the wages of the judicial officers and for the building and maintenance of correctional facilities in the country.

Foreign Affairs & recognition: The Budget prioritized all efforts geared towards securing recognition.

Elections: The 2019 National Budget allocated funds for the coming local government and parliamentary elections. The government also aims to set-up an election fund to be credited every year through the National Budget in order to limit reliance on international support.

II. Production & Economic Infrastructure

Livestock & Fisheries: The budget allocated funds to livestock treatment, to advancing livestock production by improving upon the traditional farming practices, to developing fishing skills and to the procurement of fishing equipment.

Agriculture: the 2019 National Budget made provisions to fund agricultural projects in Wajale, Xaaxi, Beer, Sool and Sanaag. It also provisioned for the procurement of modern agricultural equipment

Energy & Minerals: The 2019 Budget will focus on energy efficiency. Given that Somaliland is endowed with various types of energy reserves, provisions have been made to assess the energy resources.

Infrastructure: the 2019 Budget provisioned for the construction of roads, drainage and the modernization of road construction tools. It also gives importance to technology infrastructure, with the aim of connecting the telecommunications network.

III. Provision of Social Services

Water: funds were allocated to finance the construction of dams, the drilling and maintenance of new and old wells, and water collection hygiene. It also contributed funds to the existing water project in Hargeisa—funded by multiparty donors. The 2019 National Budget also encourages Public-Private partnerships geared towards harvesting rainwater.

Healthcare: Given the fact that medical assistance is a major facet of healthcare services, the 2019 Budget prioritized the provision of ambulances and the establishment of an emergency response unit. It also allocated funds for hemo-dialysis at Hargeisa and Burao hospitals in order to meet the increasing demand in those communities.

Education: The Budget prioritized the provision of technical training (TVET) through the construction and maintenance of technical schools and public schools. It also provisioned to support the Teacher Training Institute—to develop quality teachers—and to develop curriculum and learning materials.

Youth Development & Employment: provisions were made to fund the construction and maintenance of various sports facilities in the country, for the implementation of the country's regional football tournament, to fund youth education programs across the country and support the upcoming 2019 national work program that aims to create 1,500 jobs for young people.

IV. Environment & Climate Change

Emergency Response: In order to strengthen the capacity and effectiveness of the nation's emergency response during floods, hurricanes, droughts, etc., a portion of the Budget was allocated to a disaster emergency fund. It also provisioned for the food security of people and livestock during droughts and displacements. The Budget also considered the protection and development of the environment

3.2. Economic growth

Somaliland's nominal GDP in 2017 was 2,573 million US dollars—62% higher than the 1,586 million US dollar value recorded in 2012. While nominal growth was positive since 2012 as shown in table 8 and figure 13 below, real GDP on the other hand paints a somber but clearer picture of the state of Somaliland's economy between 2012 and 2017. To start with, real GDP in 2017 is only 2.9% higher than the 2012 value—reflecting high inflation over this period. Real GDP in 2015 fell by 4% from 1,736 million USD in 2014 to 1,672 million USD. This fall can be attributed to the 2015 drought. While the economy recovered in 2016 from its 2014 pre-drought level, it shrunk further in 2017 as a result of the livestock export ban from Saudi Arabia. Real GDP in 2017 fell by 6% from 1,744 million USD in 2016 to 1,632 million USD in 2017. The significant impact of the ban from Saudi Arabia reflects Somaliland's heavy reliance on the livestock industry. Table 9 below shows that in 2012, the livestock industry and Wholesale & retail trade (& repair of motor vehicles) accounted for 50.3% of Somaliland's 2012 nominal GDP—with 28.4% coming from the livestock industry.

While there are no GDP figures and forecasts available beyond 2017, macroeconomic development and indicators for 2018 suggest a return to moderate growth: the growth in imports and business licenses issued, and the resumption of growth in the volume of cement imported into Somaliland are indicators that Somaliland's economy grew in 2018. Recent environmental developments (i.e. good rains recorded in 2019), recovery of the livestock industry as a result of the good rainfall levels, the partial lifting of the Saudi Arabia ban, and increased demand for services all point to a gradual growth in 2019. Everything else constant, this growth is likely to continue over to the medium-term but without diversifying its economy, Somaliland's heavy reliance on livestock makes it very prone to external negative shocks (e.g. drought and livestock bans)

Table 8: Nominal and Real GDP, millions of US dollars

Year	Nominal GDP	% change	Real GDP	% change (real)
2012	1,586	-	1,586	-
2013	1,831	15%	1689	6%
2014	2,011	10%	1736	3%
2015	2,201	9%	1672	-4%
2016	2,322	5%	1744	4%
2017	2,573	11%	1632	-6%

Source: MoNPD

Figure 13: GDP at current prices vs. Real GDP at 2012 prices, millions of US dollars

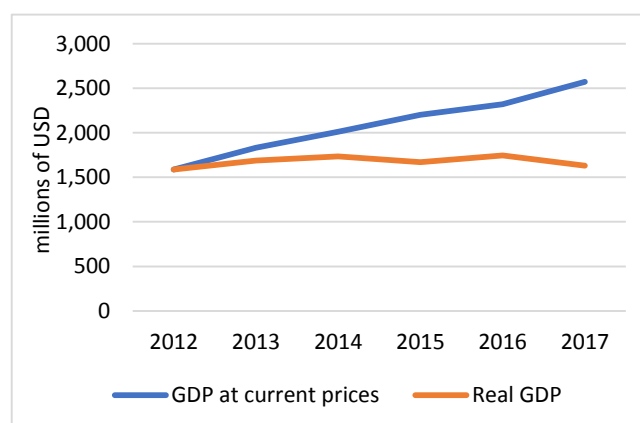


Table 9: Contribution to GDP by sector (2012), current prices

Description	USD million	Contribution
Livestock industry	443.1	28.40%
Wholesale and retail trade; repair of motor vehicles	341.7	21.90%
Real estate activities	117.8	7.60%
Growing of crops	109.8	7.00%
Forestry	71.9	4.60%
Education	50.7	3.30%
Accommodation and food service activities	47.5	3.10%
Public administration and defense	46.7	3.00%
Construction	33.9	2.20%
Information and communication	31.2	2.00%
Transportation and storage	28.9	1.90%
Professional and support services	26.2	1.70%
Human health and social work activities	25.9	1.70%
Mining and quarrying	18.7	1.20%
Manufacture of food and beverages	18.9	1.20%
Electricity supply	16.2	1.00%
Other manufacturing	8.3	0.50%
Other service activities	8.2	0.50%
Fishing	3.9	0.30%
Water supply; sewage; waste management	4.3	0.30%
Financial and activities	4.5	0.30%
Sum of values added at basic prices	1 458.4	93.60%
Taxes and subsidies on products	100	6.40%
GDP at purchasers' prices	1 558.4	100.00%

Source: MoNPD

3.3. Employment

There has only been one labor force survey (i.e. in 2012) since Somaliland's independence.⁶ According to the survey, the labor force participation rate (people in working age available for work) among men was 56.5% in 2012 while it was 35.1% among women. The unemployment rate was 72% among men and 83% among women. Despite the low economic growth between 2012 and 2017 as a result of the drought and livestock ban, one would expect the unemployment rate to have decreased since 2012.

Table 11 and Figure 14 below show the number of civil servants working for the government from 2012 to 2019. As can be seen, the number of workers in 2019 (20,338) is almost double the number registered in 2012 (10,543)—reflecting higher service delivery by the government. Among the 20,338 civil servants in 2019, 1,500 are new recruits still to be assigned to specific MDAs according to their skills and qualifications. While the number of civil servants in 2019 is unlikely to significantly change (or change at all), an expected economic growth in the medium term, and increase in investment suggest an upward trend in employment.

Table 10: Unemployment rate and labour force participation, 2012

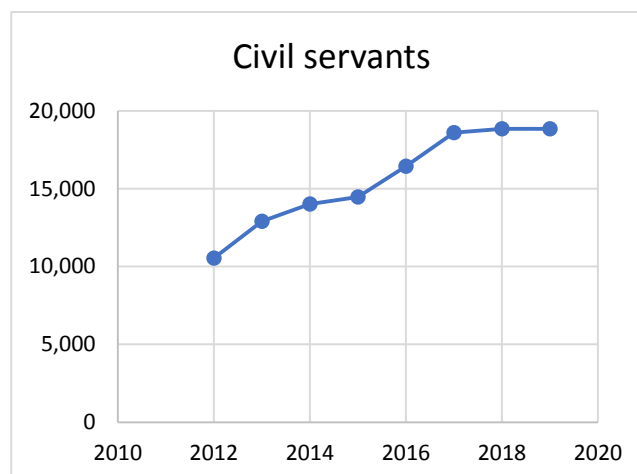
Unemployment rate	Males	72%
	Females	83%
Labor force participation	Males	56.5%
	Females	35.1%

Source: MoNPD

Table 11: Public sector (civil servants) employment from 2012 to 2019

Year	Civil servants	%
2012	10,543	
2013	12,901	22%
2014	14,024	9%
2015	14,472	3%
2016	16,442	14%
2017	18,599	13%
2018	18,838	1%
2019	20,338	7.9%

Figure 14: Public sector employment from 2012 to 2019



Source: Budget & Planning department, Ministry of Finance Development

⁶This was a collaboration between Somaliland's government and development partners such as UNDP and ILO. Undertaking a new labour force survey is a high priority for the Central Statistics department at the MoNPD. It is currently in the process of securing funds; ILO has already expressed interest in supporting it.

3.4. Inflation

As mentioned earlier⁷, the headline inflation rate decreased from 18.9% in January 2018 to 8% in December 2018. In 2019, the headline inflation rate continued its downward trend by falling from 7.7% in January to a 4.5% annual rate in June, the lowest level since May 2017. The average inflation rate for the first five months of 2019 was 6.7% compared to the 18.6% average recorded in the corresponding 2018 period. Both are reflected in Table 12 and Figure 15.

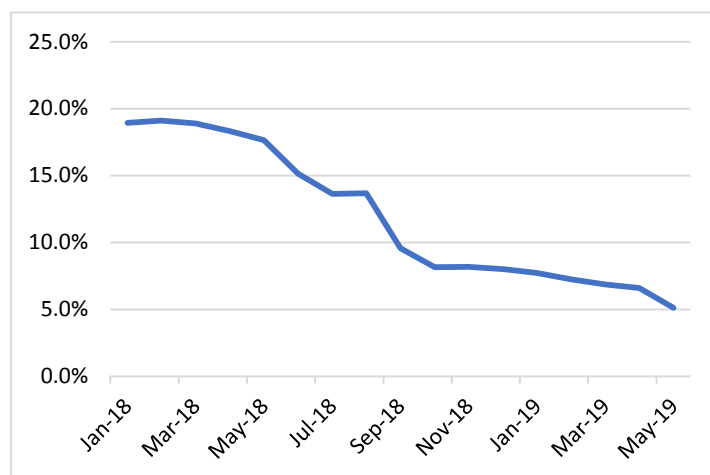
The decline in the inflation rate is in part attributed to the exchange rate which has been fairly stable and appreciating on average (see next sub-section). The decline in the prices of certain goods such as vegetables and fruits also played a part. Furthermore, the decline in the inflation rate of Services and of energy (i.e. gas, petrol and diesel) also significantly contributed to the overall trend in the headline inflation. Moreover, the recovery from the 2017 drought and good rains in 2018 and more recently in 2019 has revitalized production in the economy and is subsequently contributing to an overall decrease in the price levels. MOFD expects the inflation rate to fluctuate around an average of 5% in the coming months.

Table 12: Annual headline inflation, year-ended December

Year	Index	% change
2012	100	
2013	108.43	8.4
2014	115.87	6.9
2015	131.63	13.6
2016	133.12	1.1
2017	157.63	18.4
2018	170.17	8.0
2019 ⁸	174.09	5.1

Source: MoNPD

Figure 15: Headline inflation from January 2018 to May 2019, base year=2012



3.5. Exchange rate USD

In January 2019, one US dollar exchanged for 9,918 SLShs—a 0.8% depreciation from the December 2018 level, which stood at 9,840 SLShs per USD. Since then, the value of the shilling against the USD has significantly appreciated, reaching a yearlong high of 8,308 SLShs per USD in May 2019—as shown in figure 16 below. Compared to 2018, the average exchange rate in the first five months of 2019—which is 8,794 SLShs per USD—is a 16.7% appreciation from the 10,560 SLShs per USD average recorded during the same period last year.

The appreciation of the Somaliland Shilling is largely a reflection of the Bank of Somaliland's numerous efforts to achieve an exchange rate target of 8,500 per USD. As a dual currency economy, this exchange rate target has been set in order to accommodate those who receive their salaries in

⁷See section 2.6

SLSHs and those who receive them in USD. The Bank's actions include restrictions on the two big mobile money service providers—by banning USD denominated transactions that are worth less than US\$100. They are also regulating foreign exchange dealers and holding anyone caught trading at more than 2% of the official rate accountable—by revoking their trading license and banning them from the use of mobile money forex facilities.

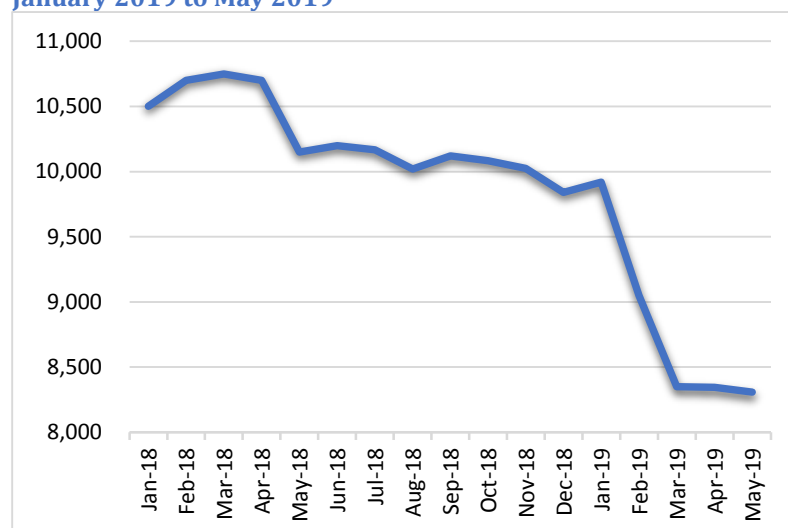
The increase in the value of the SLSH can also be directly attributed to an increase in the volume of trade at the Berbera port. Given that importers pay their taxes in Somaliland Shillings, and the increased demand for the Shilling increases its value.

Table 13: Somaliland shilling exchange rate against the US dollar

Year	Exchange rate	% change
2012	6,464	
2013	6,838	5.8%
2014	7,129	4.3%
2015	7,564	6.1%
2016	7,556	-0.1%
2017	9,328	23.5%
2018	10,189	9.2%
2019 ⁹	8,794	-13.7%

Source: Bank of Somaliland

Figure 15: Somaliland Shillings exchange rate per USD from January 2019 to May 2019



3.6. Trade and Investment

Tables 14 to 17 look at trade activities in Somaliland from 2012 while Table 18 looks at the number of licenses issued to businesses since 2012 to help gauge investment. During the past few years, negative external shocks to the Somaliland economy has significantly impacted trade volumes. Import volumes in 2014, 2015 and 2017 significantly fell on a year-on-year basis, coinciding with the drought and livestock export ban periods. Not surprisingly, Table 15 shows a significant decline in the total number of livestock exported in 2013 and 2015 to 2018. However, with overall economic activities steadily recovering from the 2015 drought and the 2017 livestock ban, trade outlook for 2019 is promising. The number of transport vessels calling on Berbera Port and the number of containers going through Berbera are forecasted to increase on average in 2019 and beyond.

⁹The 2019 exchange rate is the average exchange rate recorded during the first five months of 2019

Table 14: Imports Volume, 2012 -2018

Year	Amount	% change
2012	427,376,721	
2013	702,342,218	64%
2014	575,575,718	-18%
2015	463,955,765	-19%
2016	504,749,446	9%
2017	440,126,477	-13%
2018	538,636,414	22%

Source: MoNPD

Table 15: Exports – livestock, 2012 -2018

Time Period	Total Heads Exported	% Change
2012	3,512,433	5%
2013	3,161,795	-10%
2014	3,439,798	9%
2015	3,424,745	-0.44%
2016	3,074,899	-10%
2017	1,894,696	-38%
2018	1,402,047	-26%

Table 16: Transport – vessels calling on Berbera Port

Vessel Calls 2017 - 2022						
Year	Container	Change %	GC	Change %	Dhow	Change %
2017	92		80		450	
2018	96	4%	81	1%	547	22%
2019*	106	10%	98	21%	478	-13%
2020*	112	5%	103	5%	478	0%
2021*	112	0%	103	0%	478	0%
2022*	112	0%	103	0%	478	0%

*Projection calls

Table 17: Containers going through Berbera, 2012 -2022

Year	Containers	Change %
2012	35,906	
2013	37,740	5%
2014	52,205	38%
2015	71,037	36%
2016	98,351	38%
2017	95,113	-3%
2018	104,928	10%
2019*	120,056	14%
2020*	133,263	11%
2021*	147,922	11%
2022*	164,194	11%

*Projection volume

Source: Customs Department, MoFD

Table 18 below shows a significant increase in the number of licenses issued to businesses since 2012—painting a positive picture of investment. In the first six months of 2019, 443 business licenses were issued—equivalent to 64% of the total licenses issued in the whole of 2018. Everything considered, particularly the recent good rains and general sense of economic recovery, one would expect this number to increase further by the end of the year.

Table 18: Investment – licenses issued, 2012 -2019

Year	Licenses	% change
2012	140	

2013	274	96%
2014	253	-8%
2015	264	4%
2016	452	71%
2017	525	16%
2018	687	31%
2019¹⁰	443	

Source: MoNPD

3.7. Public expenditure

Actual government expenditure in 2018 has more than doubled since 2012—with the 2018 amount being 140% higher than the 2012 amount. On average, government expenditure has been growing by 16% per year between 2012 and 2018. In 2019, expenditure from the general government fund is provisioned to be 1.78 trillion SLShs—20% higher than the actual expenditure in 2018. Note that this planned expenditure amount is unlikely to materialize if government revenue collection falls short of target. The increasing trend in government expenditure is a result of growing population, growing demand for government services, response to economic shocks (i.e. drought and livestock ban) and a need to bolster the country's security forces.

Table 19: Actual Government expenditure, SLShs

Year	Amount	% change
2012	618,779,267,104	
2013	740,772,622,951	20%
2014	900,126,181,367	22%
2015	1,072,936,812,985	19%
2016	1,201,439,920,303	12%
2017	1,382,043,877,708	15%
2018	1,484,870,776,133	7%
2019¹¹	1,782,154,460,000	20%

Source: Accountant General's Office, MoFD

3.8. 2019 Revenue collection performance(January – May)

During the first five months of 2019, the Government of Somaliland collected a total of 693.3 billion SLShs—a 31% increase from the 529 billion SLShs collected in the same period in 2018. While this is positive, the current level is 9% below the amount forecasted in the 2019 budget (760 billion SLShs). At the item level, the Berbera oil terminal rent, livestock export levies, grants from international institutions, registration tax for the contract and the port royalty fees income were the biggest underperformers against their respective targets; while taxes on imports, port taxes, income from local government supplement, administration tax, 2% tax in the eastern regions were the biggest over performers. Tax revenue was 602 billion SLShs or 87 per cent of the total revenue for the first five months of the year.

¹⁰The number of licenses in 2019 is only for the first six months

¹¹Note that this is not the actual expenditure in 2019, but rather the forecasted/allocated budget for the year from the general government fund. This amount is likely to lower at the end of the year if revenue collection falls short of target

The Customs Department and IRD collected 95% of the total revenue to date—with the Customs Department alone accounting for 78% of the total. Customs’ collection outperformed its target by 24 billion SLSHs or 5% above target. IRD on the other hand, was 51 billion SLSH below its target—a 31% deficit. In terms of regional performance, Customs collection in Berbera outperformed target by 24.4 billion SLSHs (7% above target) while in Gabiley, it was 7.2 billion SLSHs or 9% above target. For IRD, collection from Hargeisa significantly underperformed by 53 billion SLSHs or 41% below target. Moreover, income from the sale of vehicle license plate number was 2.5bn SLSHs or 137% above target. This was largely due to the introduction of new plates in place of the old one and an increase in their price.

Table 20 below shows that 54% of the deficit came from the underperformance of taxes (-36 bn SLSHs), 27% from the underperformance of non-tax revenue (-18.3 bn SLSHs) and 19% from the underperformance of grants (-12 bn SLSHs). The lower than expected revenue collection from taxes comes largely from the underperformance of goods and services taxes (-22 bn SLSH) and payroll tax (-14 bn SLSH).

Table 20: Actual Revenue Collection vs Budget Forecast in SLSHs, Jan-May 2019

DESCRIPTION	Budget Forecast (to date)	Actual revenue collection (to date)	Difference	%
Taxes	637,874,344,925	601,903,371,564	-35,970,973,361	-6%
Income and profits	17,063,506,095	9,822,577,911	-7,240,928,184	-42%
Payroll and workforce	46,328,385,906	32,538,890,020	-13,789,495,886	-30%
Goods and Services	205,177,467,834	182,997,757,006	-22,179,710,828	-11%
Sales tax	105,416,666,667	106,013,067,150	596,400,483	1%
Registration taxes	21,958,301,255	17,560,624,561	-4,397,676,694	-20%
Other taxes on G&S	77,802,499,912	59,424,065,295	-18,378,434,617	-24%
International Trade	337,435,845,224	343,623,627,426	6,187,782,202	2%
Taxes on imports	284,126,060,151	294,603,366,071	10,477,305,920	4%
Taxes on exports	27,138,944,824	14,392,584,871	-12,746,359,953	-47%
Port taxes	26,170,840,248	34,627,676,484	8,456,836,236	32%
Other Taxes	31,869,139,866	32,920,519,201	1,051,379,335	3%
2% tax in Eastern Regions	26,619,426,954	32,477,882,798	5,858,455,844	22%
Other	5,249,712,912	442,636,403	-4,807,076,509	-92%
Other Revenue	104,690,013,409	86,368,734,977	-18,321,278,432	-18%
Property Income	23,020,121,506	1,579,268,079	-21,440,853,427	-93%
Sales of Goods and Services	60,683,780,562	63,049,609,592	2,365,829,030	4%
Fines and Voluntary Transfers	4,187,863,703	2,927,023,930	-1,260,839,773	-30%
Transfers not classified elsewhere	16,798,247,638	18,812,833,376	2,014,585,738	12%
TOTAL	742,564,358,333	688,272,106,541	-54,292,251,792	-7%
Grants	17,425,525,000	5,043,038,100	-12,382,486,900	-71%
TOTAL (incl. grants)	759,989,883,333	693,315,144,641	-66,674,738,692	-9%

Source: Jan-May 2019 monthly revenue reports, Budget & Planning department, MoF

At a more disaggregated level, 59% of revenue items underperformed against their target across January and May 2019. This is not unusual for the month of May in Somaliland, with the early months of the year regularly recording lower revenue collection. MOF expects collection to improve throughout the rest of the year, in line with historical trends, to reach the forecasted revenue figures.

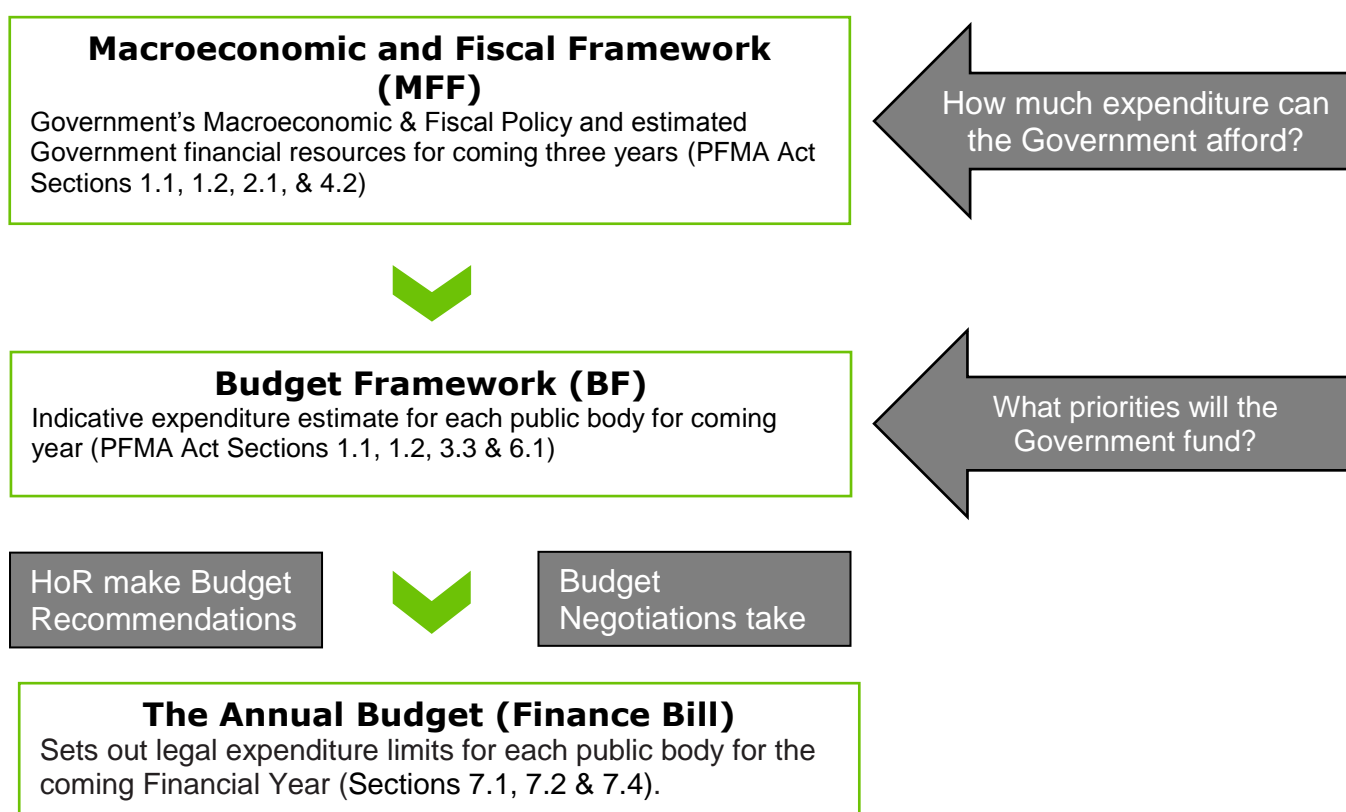
4. Budget Framework For 2020

The PFMA Act specifies two new Budget Frameworks that should be produced together with the Annual Budget. The two documents are to be finalized and presented to the Council of Ministers by the 30th of June.

1. Macroeconomic and Fiscal Framework (MFF)
2. Medium Term Budget Framework (MTBF).

The third Budget Framework is the Annual Budget which is currently produced by the Ministry of Finance for every fiscal year. Figure 25 below shows how these different Budget Frameworks fit together.

Figure 16: Budget Documents in the PFMA Act



The description of each Budget Framework IS as follows: -

- ✓ **Macroeconomic and Fiscal Framework (MFF)** – Shows the total amount of financial resources available to the Government for the next three years. It also includes an outlook for key macroeconomic variables (i.e. Growth, inflation, exchange rates, etc.) and a description of the Government's macroeconomic policies.
- ✓ **Medium Term Budget Framework (MTBF)** – Gives an indication of how much expenditure each sector will receive in the coming three years. These expenditure estimates will reflect the Government's expenditure priorities. Each MDA will have a set of expenditure ceilings for year 1 of the MTBF – these ceilings are the core of the Budget negotiations.

- ✓ Annual Budget (Finance Bill) –The Minister of Finance Development presents the Budget to the House of Representatives after the completion of the Budget negotiations. Both the Budget Policy Committee and the Council of Ministers must approve the Annual Budget before it is presented to the House of Representatives. The House of Representatives debated, amend and approved the Budget as they see it fit.

4.1. NDPII framework

A range of Sustainable Development Action Areas have been identified that address the country's current economic and social challenges. These areas cut across different NDP2 sectors. Successful programs and policy interventions in these Action Areas will help to increase economic growth & human development as well as reduce poverty.

1. These action areas are identified in the NDP2 and help the Budget Policy Committee to make the decisions on expenditure priorities. Appendix 5 gives details of the effect of successful policy interventions in each Action Area
2. For each Action Area, there is a scope for private investment to fund policy interventions in that area - *external aid does not qualify as private sector funding in this context*
3. Where action areas, or NDP2 sectors, can attract a large amount of funding from the private sector to fund interventions, then mechanisms to encourage and leverage external funding should be put in place. Public-Private Partnership (PPPs) is one mechanism for leveraging external funding which is already utilized in Somaliland. This allows the government to channel increased public funds to Action Areas where private funding is likely to be limited (e.g. In health and education).

4.2. Budget policy objectives

There are several fiscal policy objectives, which need to be addressed through the budgets for the coming three years. These include:

- Encouraging employment, particularly of young people
- Promoting domestic food production
- Protecting local industries
- Improving balance of payments
- Stabilizing prices and foreign exchange
- Ensuring security and justice
- Ensuring free and fair elections
- Improving access to basic social services – water, health & education
- Protecting the environment

4.3. Priority sectors & investments

To meet these broad fiscal policy objectives, MOFD is conscious that the needs are many and the demands for resources will likely outstrip what the government can finance in the short term. Government resources must be directed at priority sectors and investments to ensure fiscal policy

objectives are met within the government's means. To ensure equity and inclusivity, budgeted development projects must also have fair spatial distribution: each district and region will need to be assessed in cooperation with concerned ministries and institutions.

Provision will need to be made in the 2020 budget and beyond to start investing in priority technical areas, and fill gaps at specific administrative levels. These are organized according to NDP II sectors in the table below. Not all required investments can be covered in one budget; priority investments noted below will need to be spread across the NDP II cycle.

Table 21: Investment Priorities at National, Regional and District Levels

NDP II Sector	Technical area	Level	Specific Investment project
Governance	Election	National	Parliamentary & Municipal
	Reforms	National	Public Finance
		National	Civil service
	Identity	National	Address system
	Communication	National	Telecoms interconnection
	Justice	District	Courts
	Administration	District	District commission facilities
Security	Defence	National	Civil defence force
	Defence	National	Youth national service
	Defence	National	Cyber force
	Law and order	District	Police stations
	Mobility	District	Patrol vehicles
	Enforcement	District	Correction facilities
Infrastructure	Energy	National	Grid
	Roads	National	Network
	Water	Regional	Hafiir dams
Education	Youth	National	Fund
	Technology	National	Research and development
	Teachers	National	Teacher training centre
	Technical	Regional	Vocational school
	Recreation	Regional	Sports arena
	Information	Regional	Public library
Health	Prevention	National	Promotion

	Referral	Regional	Hospital
	Primary	District	Health Centre
	Emergency	District	Ambulance
Production	Contingency	National	Food reserves
	Agriculture – technology	National	Research and extension
	Livestock	National	Laboratory for health certification
	Livestock	National	Marketing agency
	Fisheries	National	Cold chain
	Mining - minerals	National	Mapping
	Industry	Regional	Industrial Zones
	Industry	Regional	Technology parks
	Agriculture – mechanization	Regional	Equipment rental services
Environment	Land -law	National	Act
	Land – protection	National	Parks
	Land & rural development	National	Research centre
	Land – enforcement	National	Protection police force (Ilaalo)
	Land – sustainability	Regional	Reserves

5. Macroeconomic and Fiscal Framework

5.1. Government Sources of Revenue in 2018

Tax revenue in 2018 accounted for 85% of the Government’s revenue collection (excluding world bank grants)—with non-tax revenue accounting for the remaining 15%. Table 21 below shows the top 10 sources of revenue for the government in 2018. As can be seen, 82% of 2018 revenue was collected from the 10 items listed in table 21—with taxes on imports alone accounting for 40% of the total revenue in 2018. Section 2.2 of this paper gives an in-depth analysis of the 2018 revenue collection outturns.

Table 22: Ten main sources of revenue 2018

No	Source	%
1	Taxes on imports	40%
2	Sales taxes	14%
3	Administration tax	5%
4	2% tax in Eastern Regions	4%
5	Port taxes	4%

6	Mortgage tax	4%
7	Port rental fee	4%
8	Taxes on payroll of public service	3%
9	Livestock export levy	2%
10	Registration tax for contracts	2%
Sum		82%

5.2. Revenue outlook

5.2.1. Forecasting Methodology

The Ministry of Finance Development is mandated to forecast government revenue collections for future years, drawing on fiscal and macroeconomic performance data, in order to inform the government's spending ceiling and Medium-Term Budget Framework. This section describes how the Ministry has forecasted revenue collections for 2019 through to 2022.

Forecasts for government revenue collections are comprised of four components: first, assumptions are formulated on the development of key macroeconomic variables which affect overall revenue collections. Based on these and other factors, actual collections for the current fiscal year are estimated. Subsequently, estimates are formulated for collections of new revenue lines proposed to be introduced. Lastly, the Ministry decides which revenue lines to focus on improving in subsequent fiscal years and estimates potential additional revenues that can be gained from increases in collections efficiency.

Forecasted macroeconomic indicators: The Ministry has made conservative assumptions in estimating moderate growth rates and inflation for the following three years. Based on average GDP growth rates from 2013-2017, economic growth is assumed to be 2% per year for the next three years. This marks a return to moderate growth after a period of economic contraction. Inflation has already decreased since its peak in 2017 and is assumed to be slightly below the 5-year average over the next three years. Based on the average growth of import values over the past decade, the annual value of imports to Somaliland is expected to grow at an average rate of 5% per year over the same period. Whereas livestock exports and revenues have been in steady decline over the past five years, recent developments in trade relations have led the Ministry to assume moderately positive growth in livestock exports, at 1% growth per year over the next three years.

Table 23: Forecasted macroeconomic indicators, 2019-2022

Macroeconomic indicator	2019	2020	2021	2022
Annual GDP growth	2.0%	2.0%	2.0%	2.0%
Annual inflation	6.6%	6.5%	6.5%	6.5%
Growth in import of goods	5.0%	5.0%	5.0%	5.0%
Growth in the value of livestock exports	1.0%	1.0%	1.0%	1.0%

Source: MOFD own estimates

Estimating actual collections for 2019: based on these assumptions, and revenue collection performance up to end of May, the Government of Somaliland is estimated to collect SLSh 1,671 billion in 2019, representing a 92% execution rate of the annual budget estimate, and an 8% improvement in actual collections from 2018. Improvements in the collection and administration of revenues, as well as efforts to introduce new tax lines during the current fiscal year may further improve 2019 collections outturns. Estimated outturns for 2019 will be updated in the course of the budget process, once the majority of livestock exports from Somaliland have been realized, to offer a more informed forecast.

5.2.2. New sources of revenue, 2019 - 2022

New taxes to be introduced: The Ministry is proposing to implement new taxes, as mandated by the Revenue Act 72/2016 and Customs Act 73/2016. These include excise taxes on a range of goods and introducing the tax on goods & services (GST) to new sectors. The transition to the GST is anticipated to happen during 2019, whereas excise taxes are anticipated to be introduced at the start of the 2020 fiscal year. These new revenue lines are estimated to raise over SLSh 70 billion per year. These forecasts do not include estimates for the effects of changes in the fees, rates and charges for various government goods and services, administered by a range of agencies.

Table 24: Estimated revenue from proposed new taxes, SLSh

Proposed new tax	2019	2020	2021	2022
Excise on imported vehicles	-	276,392,968	309,076,437	345,624,725
Excise on imported tobacco and tobacco products	-	229,298,971	256,413,574	286,734,479
Excise on luxury goods	-	3,190,398,907	3,567,663,578	3,989,539,796
Excise on non-alcoholic beverages	-	2,229,995,039	2,423,435,790	2,633,656,544
Excise on other products	-	-	-	-
GST on telecoms companies	1,949,183,918	5,083,837,750	5,524,834,871	6,004,086,254
GST on electricity companies	22,682,554,837	59,160,363,217	64,292,224,449	69,869,248,595
Transition to CIF	-	3,750,000,000	4,193,437,500	4,689,311,484
Sum of new taxes	24,631,738,755	73,920,286,852	80,567,086,198	87,818,201,878

Source: MOFD own estimates

Improvements in collections and administration: government revenue collections are estimated, after correcting for inflation effects, to have grown by approximately 3.5% due to improvements in the efficiency of collections. This has, however varied widely between revenue lines: The Ministry will decide which revenue lines to concentrate on improving in 2020 and onwards at a later stage in the budget process. Current estimates assume no natural improvement in the efficiency of collections.

5.2.3. Detailed revenue forecast

Government revenue collections for 2020-2022 are forecast to grow at over 8% annually, with more than half of government revenues continuing to come from international trade taxes, followed by taxes on goods and services. A full overview of forecasted collections is provided in Appendix 5.

Table 25: Forecasted government revenue collections, 2019-2022, SLSh

Revenue heading	2019 (est'd)	2020 (forecast)	2021 (forecast)	2022 (forecast)
Income and profits	23,574,186,986	24,826,967,299	26,172,245,789	27,617,715,964
Payroll and workforce	78,093,336,048	79,687,827,771	81,314,875,458	82,975,143,829
Taxes on goods & services	321,889,422,370	345,337,394,680	370,728,004,324	398,227,899,958
International trade	844,455,970,962	938,693,764,842	1,044,000,402,775	1,161,683,435,543
Other taxes	196,314,440,527	206,857,360,050	218,182,387,291	230,354,662,055
Other revenue	207,284,963,945	217,416,149,817	228,265,890,610	239,893,244,879
Total Revenues	1,671,612,320,838	1,812,819,464,458	1,968,663,806,246	2,140,752,102,228
<i>annual growth</i>	12%	8.4%	8.6%	8.7%

Source: MoFD own estimates

Figure 17: Forecasted government revenue collections, 2019-2022

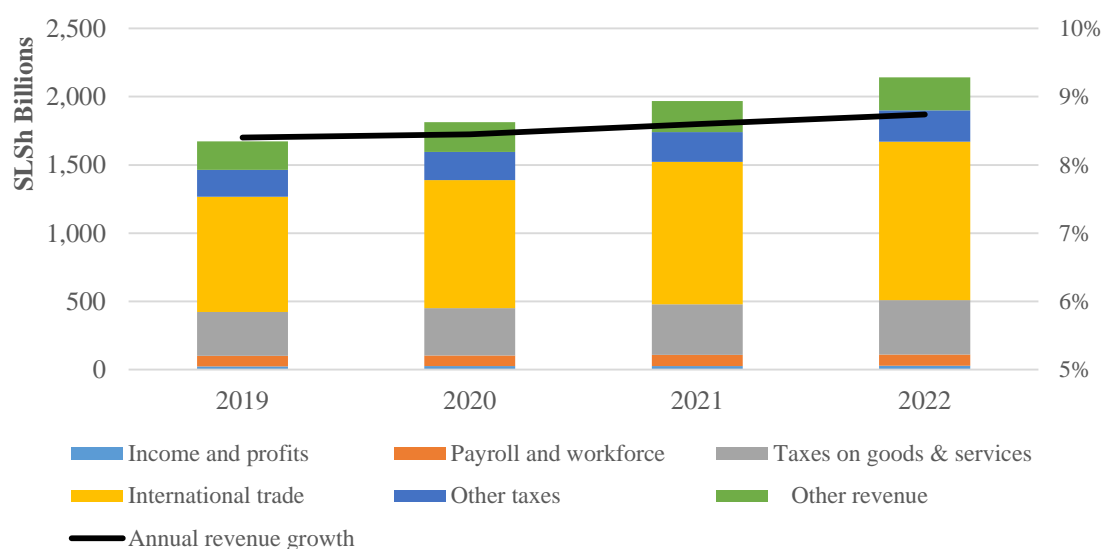


Table 26: Government Revenue, 2012 – 2018 actual and 2019 – 2022 forecast

Year	Revenue (SLSh.)	% change
2012	649,740,967,407	
2013	801,142,492,917	23%
2014	968,799,504,671	21%
2015	1,181,404,353,331	22%
2016	1,176,005,390,444	-0.46%
2017	1,282,330,168,303	9%
2018	1,507,360,976,320	18%
2019*	1,671,612,320,838	11%
2020*	1,812,819,464,458	8.4%
2021*	1,968,663,806,246	8.6%
2022*	2,140,752,102,228	8.7%

*Forecast values

Source: MoFD's Budget & Planning department

APPENDICES

Appendix 1: Top 5 over target revenue items in 2018

	DESCRIPTION	Budget Forecast (annual)	Actual revenue collection	Difference	%
1	Taxes on imports	523,967,387,960	603,181,790,655	79,214,402,695	15%
2	Ports royalty fees/income	59,449,314	26,386,434,543	26,326,985,229	44285%
3	Sales taxes	185,919,860,670	203,691,547,656	17,771,686,986	10%
4	Mortgage tax	54,357,459,885	61,815,136,299	7,457,676,414	14%
5	2% tax for Eastern Regions	57,722,862,550	64,125,252,476	6,402,389,926	11%
6	Taxes on payroll of civilian workers	18,604,433,298	24,523,778,118	5,919,344,820	32%

Appendix 2: Top 5 under target revenue items in 2018

	DESCRIPTION	Budget Forecast (annual)	Actual revenue collection	Difference	%
1	Livestock export levy	124,075,232,670	37,513,775,400	-86,561,457,270	-70%
2	Taxes on business income	31,134,601,558	10,783,940,970	-20,350,660,588	-65%
3	Entry fee at airport (foreigners)	36,609,274,300	18,399,725,394	-18,209,548,906	-50%
4	Income from sale of real estate	17,120,529,490	56,124,090	-17,064,405,400	-100%
5	Income from local government	44,131,089,900	27,997,079,396	-16,134,010,504	-37%
6	Property tax registration	18,548,139,690	7,566,043,491	-10,982,096,199	-59%

Appendix 3: MDA Budget Allocation and Actual expenditure by sector in 2018, SLShs (Sorted by Difference and sector)

Sector	MDA	Allocation	Actual	Difference	Dif. (%)
Governance	National Electoral Commission	33,788,617,238	16,489,874,129	-17,298,743,109	-51.20
	Ministry of Planning and Development	10,858,961,824	8,773,337,199	-2,085,624,625	-19.21
	Ministry of Constitution and Parliamentary Relations	6,277,580,288	5,175,337,602	-1,102,242,686	-17.56
	National Human Rights Commission	2,968,219,616	2,462,433,231	-505,786,385	-17.04
	Office of the Public Prosecutor	6,560,035,760	5,614,024,775	-946,010,985	-14.42
	Ministry of Justice	6,528,301,760	5,624,074,784	-904,226,976	-13.85
	The High Court	5,437,107,872	4,790,261,575	-646,846,297	-11.90
	Civil Service Commission	10,427,989,821	9,453,636,855	-974,352,966	-9.34
	The Lower Courts	23,666,325,856	21,499,546,990	-2,166,778,866	-9.16
	Solicitor General's Office	2,058,570,832	1,903,616,064	-154,954,768	-7.53
	Ministry of Interior	31,050,776,699	29,181,423,675	-1,869,353,024	-6.02
	Ministry of Finance and Development	232,645,589,152	218,958,167,415	-13,687,421,737	-5.88
	Good Governance and Anti-Corruption Commission	2,685,624,576	2,539,695,244	-145,929,332	-5.43
	Presidential Office	120,671,383,042	116,439,763,438	-4,231,619,604	-3.51
	Ministry of Foreign Affairs and International Cooperation	31,103,746,720	30,337,032,515	-766,714,205	-2.47
	Presidential palace guard	23,851,626,984	23,309,434,286	-542,192,698	-2.27
	The Council of Representatives	31,577,402,880	30,894,296,892	-683,105,988	-2.16
	Office of The Auditor General	10,841,449,600	10,665,463,096	-175,986,504	-1.62
	National Party Registration Committee	2,530,125,000	2,494,943,440	-35,181,560	-1.39
	Council of Elders	29,773,332,000	29,595,744,711	-177,587,289	-0.60
	President's Office	819,000,000	819,000,000	0	0.00
	Vice president	585,000,000	585,000,000	0	0.00
Health	Somaliland Quality Control Commission	3,487,902,432	2,362,944,360	-1,124,958,072	-32.25
	Ministry of Health Development	71,845,023,024	53,258,870,769	-18,586,152,255	-25.87
	National Health Provision Commission	1,105,607,408	895,867,782	-209,739,626	-18.97

	AIDS Commission	2,545,359,020	2,340,641,865	-204,717,155	-8.04
Education	National Commission of Higher Education	1,763,908,928	1,386,393,658	-377,515,270	-21.40
	Ministry of Education and Science	131,172,389,040	113,980,196,166	-17,192,192,874	-13.11
	General Director of Higher Education Office	6,112,869,632	5,952,750,752	-160,118,880	-2.62
Security	Coastal Guard Force	16,611,598,950	15,696,826,849	-914,772,101	-5.51
	Ministry of Defense	40,709,203,722	38,693,595,881	-2,015,607,841	-4.95
	The National Forces	268,063,028,017	261,579,403,580	-6,483,624,437	-2.42
	The Prison Force	62,896,797,350	61,470,154,205	-1,426,643,145	-2.27
	Firefighting Force	9,547,415,200	9,347,230,333	-200,184,867	-2.10
	National Intelligence Agency	12,919,236,228	12,864,236,143	-55,000,085	-0.43
	War Veterans Association	2,084,550,000	2,076,326,000	-8,224,000	-0.39
	The Police Force	111,171,491,619	110,761,927,304	-409,564,315	-0.37
	Immigration Force	9,624,026,216	9,624,026,188	-28	0.00
Other	Ministry of Youth and Sports	11,620,355,184	6,031,081,585	-5,589,273,599	-48.10
	Ministry of information and National Guidance	40,880,151,504	37,329,054,079	-3,551,097,425	-8.69
	Ministry of Employment, Social Affairs and Family	9,850,661,762	9,018,841,396	-831,820,366	-8.44
	Zakat Registration Agency	2,268,187,392	2,134,258,882	-133,928,510	-5.90
	National Displacement and Refugee Agency	5,718,956,124	5,473,956,516	-244,999,608	-4.28
	Ministry of Endowment and Islamic Affairs	5,007,952,864	4,805,475,955	-202,476,909	-4.04
Economic	Ministry of Investment Promotion	4,488,067,648	3,371,438,985	-1,116,628,663	-24.88
	National Tender Board Commission	2,402,956,768	2,159,592,717	-243,364,051	-10.13
	Ministry of Trade, Industries and Tourism	15,350,244,862	14,179,730,190	-1,170,514,672	-7.63
Energy	Ministry of Energy and Minerals	6,956,328,344	5,944,477,556	-1,011,850,788	-14.55
Production	Ministry of Livestock and Fishery Development	25,344,369,866	16,353,465,462	-8,990,904,404	-35.47
	Ministry of Agriculture Development	13,425,817,229	11,552,214,147	-1,873,603,082	-13.96
Infrastructure	Ministry of Communication and Technology	18,431,061,960	10,211,107,970	-8,219,953,990	-44.60
	Civil Aviation and Airports Authority	13,982,992,369	12,152,119,652	-1,830,872,717	-13.09
	Ministry of Transport and Road Development	37,291,696,704	32,748,809,778	-4,542,886,926	-12.18
	Ministry of Public Works, Transportation and Housing	9,368,639,427	8,437,841,860	-930,797,567	-9.94
Environment	National Disaster Preparedness and Food Reserve Authority	8,810,177,816	4,110,602,889	-4,699,574,927	-53.34
	Ministry of Environment and Rural Development	12,763,932,016	11,765,507,762	-998,424,254	-7.82
WASH	Ministry of Water Resources	15,572,815,976	7,194,699,001	-8,378,116,975	-53.80

Appendix 4: Livestock Exports through Berbera Port in 2005-2018

Time Period	Sheep/Goat	Camel	Cattle	Total Heads Exported	% Change
2005	1,030,095	5,069	148,061	1,183,225	
2006	1,177,232	23,202	97,535	1,297,969	10%
2007	1,354,246	14,149	87,476	1,455,871	12%
2008	1,380,566	30,468	84,541	1,495,575	3%
2009	1,836,970	48,608	133,670	2,019,248	35%
2010	2,520,294	95,575	131,251	2,747,120	36%
2011	3,072,820	104,949	155,149	3,332,918	21%
2012	3,219,025	103,594	189,814	3,512,433	5%
2013	2,884,148	75,314	202,333	3,161,795	-10%
2014	3,125,984	61,144	252,670	3,439,798	9%
2015	3,209,142	56,954	158,649	3,424,745	-0.44%
2016	2,875,770	56,826	142,303	3,074,899	-10%
2017	1,770,968	28,254	95,474	1,894,696	-38%
2018	1,280,252	5,090	116,705	1,402,047	-26%

Source: Somaliland Ministry of Finance Development, 2018

Appendix 5. Detailed table of forecasted revenues, 2019-22, SLSh

2020 Code	DESCRIPTION	2019	2020	2021	2022
		estimate	forecast	forecast	forecast
1110105	Tax on housing benefits	11,933,194,726	12,176,843,943	12,425,467,934	12,679,168,272
1110201	Tax on business income	11,630,952,660	12,639,878,769	13,736,324,096	14,927,880,491
1110203	Withholding Tax (corporations and other enterprises)	10,039,601	10,244,587	10,453,759	10,667,201
1120101	Taxes on payroll of civilian workers	28,337,954,546	28,916,552,366	29,506,963,862	30,109,430,245
1120102	Taxes on payroll of public service	49,755,381,502	50,771,275,405	51,807,911,595	52,865,713,584
1140301	Tax on goods and services	254,431,361,160	276,501,990,336	300,487,134,571	326,552,868,328
1140804	Landing fees	3,378,052,800	3,447,025,103	3,517,405,666	3,589,223,244
1140805	Airport service charges	633,124,800	646,051,796	659,242,733	672,702,999
1140806	Advertisement income	162,961,615	166,288,928	169,684,177	173,148,749
1140807	Other income from Posts & Telecom.	2,474,856,000	2,525,387,039	2,576,949,809	2,629,565,376
1140808	Business licenses & permits	17,091,522,751	17,440,493,520	17,796,589,494	18,159,956,154
1140812	Income permits for use of coastal waters	-	-	-	-
1140813	Agricultural licenses	418,042,740	426,578,240	435,288,016	444,175,627
1140814	Fisheries licences/fees	657,076,800	670,492,843	684,182,811	698,152,298
1140815	Mining licenses/permits	401,836,560	410,041,166	418,413,292	426,956,358
1140816	Property tax registration	21,918,966,530	22,366,502,933	22,823,177,031	23,289,175,396
1140817	Registration tax in ships and boats	3,189,484,776	3,254,606,940	3,321,058,754	3,388,867,366
1140818	Registration tax for contracts	17,037,047,640	17,384,906,149	17,739,867,153	18,102,075,669
1140819	Ports royalty fees/income	3,468,820,800	3,539,646,383	3,611,918,066	3,685,665,376
1140820	Livestock holding ground fees	4,320,197	4,408,406	4,498,415	4,590,263
1140902	Mortgage tax	72,054,984,998	73,526,187,062	75,027,427,790	76,559,320,505
1140903	Income from stamps	1,503,413,158	1,534,109,501	1,565,432,595	1,597,395,236
1140904	Road tax	6,513,182,450	6,646,167,107	6,781,867,014	6,920,337,611
1140905	Road Development tax	15,924,039,468	16,249,172,833	16,580,944,696	16,919,490,600
1140906	Fuel tax (levy)	19,511,737,615	21,204,281,819	23,043,645,641	25,042,564,939
1140907	Road tax / levy	952,399,298	971,845,168	991,688,078	1,011,936,137
1140910	Other tax arrears	519,752,774	530,364,967	541,193,836	552,243,807
1140911	Livestock export levy	37,888,913,154	38,267,802,286	38,650,480,308	39,036,985,111
1140912	Tax on transport licenses	325,684,682	332,334,437	339,119,965	346,044,038
1150101	Taxes on imports	707,048,078,570	790,656,513,861	884,151,646,625	988,702,578,839
1150201	Taxes on exports	1,327,165,248	1,442,290,097	1,567,401,442	1,703,365,562
1150202	Livestock Export taxes	15,085,390,428	15,393,400,450	15,707,699,350	16,028,415,532
1150601	Port taxes	83,106,423,562	92,933,758,148	103,923,175,049	116,212,090,498
1160101	Miscellaneous taxes	1,062,327,367	1,154,478,874	1,254,624,057	1,363,456,326
1160201	2% tax in Eastern Regions	77,946,918,715	84,708,418,283	92,056,443,618	100,041,872,856

1310101	Current grants from foreign governments	-			
1320101	Current grants from international institutions	-	-	-	-
1410503	Berbera oil terminal rent	-	-	-	-
1410504	Income from rent-houses \$ stores	412,190,590	420,606,602	429,194,451	437,957,644
1420104	Income from sales of national resources	416,133,360	424,629,875	433,299,870	442,146,887
1420105	Income from sale of real estate	-	-	-	-
1420201	Court earnings	3,608,743,099	3,682,425,583	3,757,612,500	3,834,334,565
1420202	Income from public Notaries	178,020,490	181,655,271	185,364,266	189,148,991
1420206	Passport sales fee	1,623,888,000	1,657,044,171	1,690,877,316	1,725,401,259
1420207	Visas for foreign passports	4,492,396,800	4,584,121,522	4,677,719,058	4,773,227,646
1420209	Transit tax	5,888,243,520	6,008,468,318	6,131,147,838	6,256,332,201
1420210	Income from vehicles license plate No.	12,484,149,422	12,739,047,906	12,999,150,848	13,264,564,511
1420211	Driving licenses	2,270,649,545	2,317,011,143	2,364,319,343	2,412,593,470
1420213	Entrance/exit fee for national passport	70,192,313	71,625,483	73,087,916	74,580,208
1420214	Entry fee at airport (foreigners)	20,573,304,689	20,993,365,679	21,422,003,377	21,859,392,901
1420215	Airport parking	-	-	-	-
1420216	Vehicle registration	7,360,007,928	7,510,282,872	7,663,626,096	7,820,100,246
1420217	Embarkation fees for foreigners	715,478,400	730,086,873	744,993,618	760,204,726
1420218	Navigation fee	2,701,592,640	2,756,753,135	2,813,039,885	2,870,475,885
1420219	Administration tax	88,936,262,815	96,651,032,205	105,035,018,682	114,146,273,432
1430101	Prison sentences buying	606,004,709	618,377,973	631,003,872	643,887,564
1430103	Penalties	6,418,852,723	6,549,911,378	6,683,645,957	6,820,111,099
1440105	Income from local government supplement	45,150,800,102	46,072,678,725	47,013,380,052	47,973,288,402
Total Revenue		1,671,612,320,838	1,812,819,464,458	1,968,663,806,246	2,140,752,102,228
Growth compared to previous year:		10.9	8.4	8.6	8.7
New Revenue Measures					
1140501	Excise on imported vehicles	-	229,298,971	256,413,574	286,734,479
1140502	Excise on imported tobacco and tobacco products	-	3,190,398,907	3,567,663,578	3,989,539,796
1140503	Excise on luxury goods	-	2,229,995,039	2,423,435,790	2,633,656,544
1140504	Excise on non-alcoholic beverages		-	-	-
1140505	Excise on other products	1,949,183,918	5,083,837,750	5,524,834,871	6,004,086,254
GST	Telecommunications	22,682,554,837	59,160,363,217	64,292,224,449	69,869,248,595
GST	Electricity	30,243,406,449	79,250,815,201	86,529,765,871	94,477,266,419
	FOB-CIF		3,750,000,000	4,193,437,500	4,689,311,484
		-			
Sum of New Taxes		24,631,738,755	73,920,286,852	80,567,086,198	87,818,201,878
Sum of All Revenue		1,696,244,059,593	1,886,739,751,310	2,049,230,892,444	2,228,570,304,106
Growth compared to previous year:		12.5	11.2	8.6	8.8

Appendix 6: Action Areas: Effects of successful interventions

Action Area	Macroeconomic effects	Human Development and Poverty effects	Scope for Private Sector Funding	Main NDP2 Sectors
1. Primary Production Sector	<ul style="list-style-type: none"> • Increase in economic growth and Government revenue • a small reduction in food imports leading to a lower trade deficit 	<ul style="list-style-type: none"> • Reduction in poverty • Increase in nutrition, food security, and better health outcomes • The biggest effect in rural areas where most deprived people are 	<ul style="list-style-type: none"> • Some opportunities for private investment in improved agricultural techniques • Most investments require support from the Government or external aid agencies 	<ul style="list-style-type: none"> • Production • Environment
1. Higher Productivity Sectors	<ul style="list-style-type: none"> • Increase in economic growth and Government revenue • Greater macroeconomic stability i.e. steadier economic growth, lower exchange rate volatility and lower inflation 	<ul style="list-style-type: none"> • Reduction in poverty • Increase in employment 	<ul style="list-style-type: none"> • Large scope for private investment – the private sector can contribute to infrastructure investments to gain a return • The legal & regulatory framework is required for appropriate investments to take place 	<ul style="list-style-type: none"> • Economy • Energy & Extractives • Infrastructure
2. Economic resilience	<ul style="list-style-type: none"> • Less susceptibility to macroeconomic shocks and lower Government revenue volatility 	<ul style="list-style-type: none"> • Fewer shocks to personal income and a subsequent increase in food security and better health outcomes 	<ul style="list-style-type: none"> • Little scope for private investment 	<ul style="list-style-type: none"> • Production • WASH • Environment
3. Human Capital	<ul style="list-style-type: none"> • <i>Maybe the most important determinant of a country's long-run economic growth.</i> Without a healthy, well-educated population consistent economic growth and poverty reduction is not possible. 	<ul style="list-style-type: none"> • Direct effect –improved education and health outcomes • Indirect effects - More educated and healthier workforce more productive and less likely to be in poverty 	<ul style="list-style-type: none"> • Private provision is possible but generally not desirable as it reduces access for poorer populations • Some user fees for WASH services can recoup some costs 	<ul style="list-style-type: none"> • Health • Education • WASH