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[www.slmof.org](http://www.slmof.org)



**REPUBLIC OF SOMALILAND**  
**MINISTRY OF FINANCE DEVELOPMENT**  
**CITIZENS BUDGET**

**2021**



## 1. A WORD FROM THE MINISTER

The COVID-19 pandemic and the locust plague continue to be very taxing on our country. Economic growth has slowed with the livestock sector being significantly impacted due to the cancelation of the 2020 Hajj. However, the government's policies have helped lessen this unprecedented impact on our healthcare services and the families most affected. In Fiscal year 2021, my ministry will continue to implement sound Public Financial Management processes and pursue an efficient, inclusive and transparent fiscal approach to catalyze Somaliland's recovery and long-term growth. We expect livestock exports to go up in 2021, as the Hajj will hopefully resume. This will improve the situation of our livestock breeders and exporters and also raise taxes collected on these exports.



The 2021 budget provides further resources in support of the priorities of our citizens: maintaining our security, improving the delivery of education and health services, strengthening key productive sectors and developing our infrastructure. The government will also invest in ways to make customs more secure and efficient, to better facilitate trade to and from Somaliland.

Moreover, our government will strive to ensure that service delivery is equitable and inclusive. Pursuant of this, the Ministry will develop a new Local Government (LG) finance policy and provide a 12.5% subsidy to LGs to improve the services they deliver to their communities.

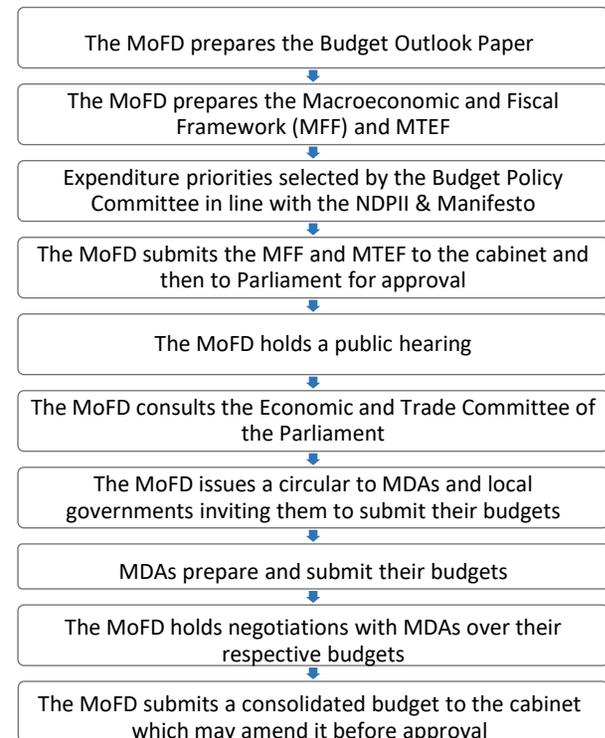
It is my pleasure to introduce the Somaliland Citizen's Budget 2021 to you.

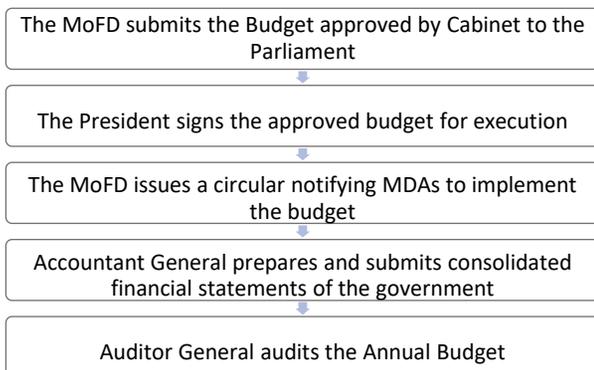
## 2. WHAT DO WE MEAN BY BUDGET?

The Budget is the Government's annual financial plan for the nation. It shows how revenue will be raised, and how these funds will be used to address specific needs of Somaliland's citizens and economy. The budget summarizes and puts into practice the commitments of the government: it is also a tool for citizens to hold their government to account.

**The budget helps the Government to prioritize the different needs of the country**—whether it is strengthening the economy, maintaining the security or improving livelihoods – and make sure the responsible Ministries, departments, agencies or programmes get access to the resources they need.

## 3. HOW IS THE BUDGET PREPARED?





#### 4. WHAT IS THE BUDGET FOR 2021?

The Government aims to spend 2.101 trillion SLSh in 2021 (excluding donor grants and LGs), an increase of 55.5 billion SLSh or 2.7% from the 2020 budget. The allocation of these funds reflect short-term priorities such as the on-going response to the COVID-19 and the government’s medium and long-term goals as specified in the National development Plan 2 and Vision 2030.

#### 5. HOW IS THE GOVERNMENT FUNDED COMPARED TO LAST YEAR?

Resources to deliver the Government’s plans for 2021 come from taxes and sources of revenue:

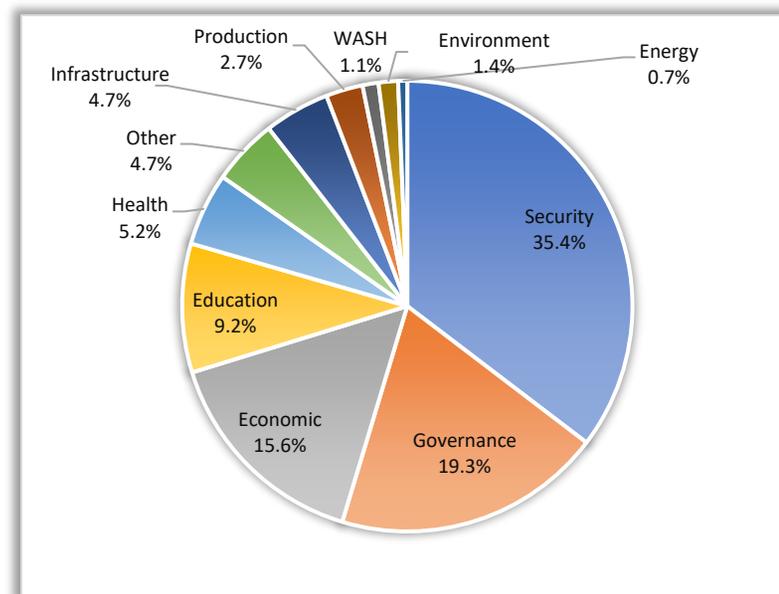
Sources of revenue	2020 (SLSh)	2021 (SLSh)	% Difference	% of 2021 total
Taxes on income and profits	45,366,371,939	38,597,928,345	-14.9%	1.8%
Taxes on payroll and workforce	93,307,587,842	104,627,873,889	12.1%	5.0%
Taxes on goods and services	557,278,424,539	682,653,695,275	22.5%	32.5%
Tax on international trade	989,541,311,980	1,060,064,260,762	7.1%	50.4%
Other taxes and Revenue	360,506,303,700	215,556,241,730	-40.2%	10.3%
<b>Total national government revenues*</b>	<b>2,046,000,000,000</b>	<b>2,101,500,000,000</b>	<b>2.7%</b>	<b>100.0%</b>
Local governments (LGs)	315,595,406,881	368,002,568,138		
Independent agencies	242,036,387,917	247,784,583,075		
Donor grants	146,351,429,000	164,629,613,120		
<b>Total government resources</b>	<b>2,749,983,223,798</b>	<b>2,881,916,764,333</b>		

Note: Not all LGs were able to submit their 2021 budgets but with the Ministry determined to produce consolidated budgets, more LGs will be included in the future.

#### 6. HOW IS THE GOVERNMENT ALLOCATING ITS RESOURCES BY SECTOR?

The 2021 budget is allocated to the priority sectors in the National Development Plan II:

Sector	SLSh in 2020 (revised)	SLSh in 2021	% Difference	Share of total spending
Security	709,512,317,712	742,909,921,817	4.7%	35.4%
Governance	391,938,588,527	405,907,600,126	3.6%	19.3%
Economic	344,344,067,555	327,389,850,065	-4.9%	15.6%
Education	196,847,233,514	194,115,414,259	-1.4%	9.2%
Health	96,528,054,269	109,924,940,912	13.9%	5.2%
Other	96,009,113,469	99,645,294,195	3.8%	4.7%
Infrastructure	91,301,799,108	98,808,675,871	8.2%	4.7%
Production	54,254,418,603	55,740,201,441	2.7%	2.7%
WASH	28,819,080,788	24,055,825,232	-16.5%	1.1%
Environment	25,371,489,002	29,327,559,871	15.6%	1.4%
Energy	11,073,837,453	13,674,716,211	23.5%	0.7%
<b>Total</b>	<b>2,046,000,000,000</b>	<b>2,101,500,000,000</b>	<b>2.7%</b>	<b>100.0%</b>

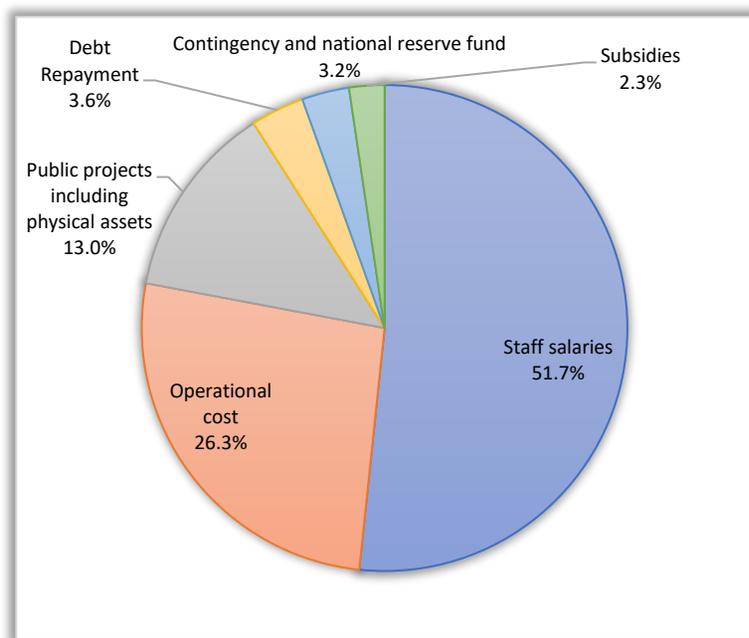


## 7. HOW IS THE GOVERNMENT SPENDING ITS BUDGET?

The government will use its resources in the following ways in 2021:

Expenditure	2020 (SLSh, revised)	2021 (SLSh)	% Difference	% of budget
Staff salaries	993,087,863,702	1,085,772,241,357	9.3%	51.7%
Operational cost	537,843,600,182	552,461,330,471	2.7%	26.3%
Public projects including fixed assets	327,077,345,316	272,739,037,372	-16.6%	13.0%
Debt Repayment	75,000,000,000	75,000,000,000	0.0%	3.6%
Contingency and national reserve fund	66,100,000,000	66,245,000,000	0.2%	3.2%
Subsidies	46,891,190,800	49,282,390,800	5.1%	2.3%
<b>Total</b>	<b>2,046,000,000,000</b>	<b>2,101,500,000,000</b>	<b>2.7%</b>	<b>100.0%</b>

**Note:** the revised budget differs from the parliament approved budget through virements which allows MDAs to move certain excess amounts from a given spending line to others. The virement process has to be approved by the Budget department, Auditor general and Accountant General.



## 8. WHAT ARE THE SPENDING PRIORITIES FOR 2021?

### SECURITY

The Security sector's budget is designed to improve the wellbeing of our security forces and armament. In 2021, the government intends to:

- Purchase 42 additional vehicles for the police forces
- Recruit 1,500 new police and army officers
- Construct correction facilities in Minjacaseye/Berbera and a jail in Boroma

### HEALTH

Amidst the ongoing global health crisis, improving our healthcare services remains a key priority in 2021. Important initiatives include:

- 2.4 billion SLSh to purchase medical equipment and 5 billion SLSh to cover COVID-19 related expenses at health facilities
- 4.9 billion SLSh to complete the construction of 3 health centres (i.e. 2 in Hargeisa and 1 in Sarar/Oog) and 2 new MCHs in Sanag/Garadag and awdal/baki
- 8 billion SLSh to support mental health
- The government will also assume the full costs of the health projects in Erigavo and Lissanood from SDF.

### EDUCATION

The 2021 budget prioritises the provision of more and better education services for our citizens. This includes:

- The construction of 24 primary and secondary schools across all regions and the recruitment of 300 teachers
- Funding for the Berbera technical school to subsidise staff salaries
- Expansion of the Gabiley University and 4 libraries in Hargeisa, Berbera, Salahlay and Gabiley to reduce congestion
- The government will also assume the full cost of the education projects in Erigavo/Dayaxa and Sool/lissanood from SDF

## **WATER, SANITATION AND HEALTH**

Access to clean drinking water is essential for the health, sanitation and hygiene of our citizens. Important initiatives in 2021 include:

- 11.5 billion SLSh to fund the construction of new wells—this includes the completion of restricted projects in 2020
- The Purchase of geophysical exploration equipment and laboratory reagents

## **ENVIRONMENT**

Protecting Somaliland’s environment and wildlife is important for the benefit of the current and future generation. The government will therefore maintain funding on long-term projects such as wildlife protection. Provisions have also been made to:

- Increase forestry guards
- Expand the range park reserves in Bancawl and Cashuura.
- Contribute 4 billion SLSh to the natural disaster fund

## **INFRASTRUCTURE**

Better infrastructure (e.g. roads, communication technology, etc.) connects Somaliland’s citizens and supports economic activity. Pursuant of this goal, the government will continue funding long-term projects such as the E-government project and the completion of the Erigavo-to-Burco road. New initiatives include:

- The purchase of GPS devices to be mounted on government vehicles to track their movement
- Construction of a bridge in Gabiley
- A pilot project to assign postal addresses/codes
- Construction of 5 buildings in Hargeisa, Berbera and Burco for the MoFD, Ministry of Agriculture, Civil service Commission, National disaster Agency and Others

## **PRODUCTION**

The government continues to prioritize the strengthening of key productive sectors, notably agriculture, livestock and fisheries. This includes maintaining funding of long-

term projects such as livestock vaccination and fattening projects in Qool caday iyo Aroori, livestock re-stocking and agricultural research projects, etc. Moreover, the government will:

- Contribute funds to the expansion of the Meydh Port
- Purchase laboratory equipment for the livestock
- Increase spending on the agriculture projects in Beer, Waajaale and Odeweyne to grow maize, sorghum, sesame and other vegetables
- Contribute 3 billion SLSh for Research and agricultural extension in Aburin to develop seeds and agricultural products
- Contribute 1 billion SLSh for plant protection

## **SPECIAL PRIORITIES OF THE GOVERNMENT**

### **YOUTH DEVELOPMENT AND JOB CREATION**

Offering young Somalilanders opportunities to contribute to building the economy is a priority for the Government. Pursuant of this, the government will contribute 2 billion SLSh to the Youth Development fund, and start utilizing the accumulated amount to fund innovative ideas. Additional projects in 2021 include:

- Renovating the Hargeisa stadium
- Creating regional football leagues
- Recruiting 500 new university graduates into the national service and enrolling 1,610 temporary employees as permanent staff
- funding the on-going development of the free industrial zone and town planning

### **RECOGNITION**

Somaliland strives to be recognized as an independent and internationally recognized nation. Pursuant of this goal, the government has allocated:

- 18 billion SLSh for recognition lobbying and associated expenses
- 20 billion SLSh to maintain existing embassies and to open new ones

## ELECTION

The government has allocated 28.8 billion SLSh per year in the last three years to help cover the expenses of the Parliamentary and local government elections scheduled this year.

### 9. HOW WILL THE GOVERNMENT RAISE RESOURCES IN 2021?

We expect livestock exports to go up next year, as the Hajj will hopefully resume. This will improve the situation of our livestock breeders and exporters, and also raise taxes collected on these exports. The Government is however committed to reducing our dependence on taxes on imports and exports, and on small fees and charges: continuing to increase duties, tariffs and small charges is not sustainable, and increases prices for Somaliland's citizens. Instead of raising trade taxes, Government will invest in ways to make customs more secure and efficient, to better facilitate trade to and from Somaliland.

We will also take new measures to raise revenues from core taxes. The Ministry will improve collections of taxes on the sale of goods and services. After businesses have struggled with the effects of the COVID-19 pandemic, we will make collections of income taxes fairer and more transparent. We will also improve collections of income taxes from civil servants. Moreover, we will continue registering more rental properties and business Centers.

The government will also raise revenues by better managing licenses and charges on telecommunications and media companies. Lastly, we will streamline the management of tax exemptions.

The Ministry of Finance Development will work to inform taxpayers and traders as best as possible about their rights and obligations and consult with businesses about any changes to tax and customs.

### 10. HOW WILL WE BETTER MANAGE AND USE PUBLIC FUNDS?

The Ministry wants to enable local governments to improve the services they deliver to their communities by implementing development projects. To support this, the Ministry has agreed that local governments can keep the full 12,5% subsidy from the

central government. We will also develop a new local government finance policy in 2021.

The Ministry of Finance Development also wants to improve how the budget contributes to the National Development Plan. We will work with key government agencies to better understand what results are achieved, and how. We will improve the monitoring of progress towards the NDP II, and how government resources contribute to this.

Somaliland needs to be better prepared for unexpected shocks that have affected us in recent years – like droughts, cyclones or COVID-19. We are adding 5 billion SLSh into the Contingency Fund in 2021 and 4 billion SLSh specifically to the National Disaster Preparedness Agency. This helps the Government to respond quickly to emergencies and provide relief to citizens.

Moreover, the Ministry will continue rolling out Somaliland's Financial Management and Information System (SLIFMIS) to all local governments, public enterprises and autonomous agencies to better monitor and report on their budgets.

### 11. UPDATING EXCISE TAX RATES

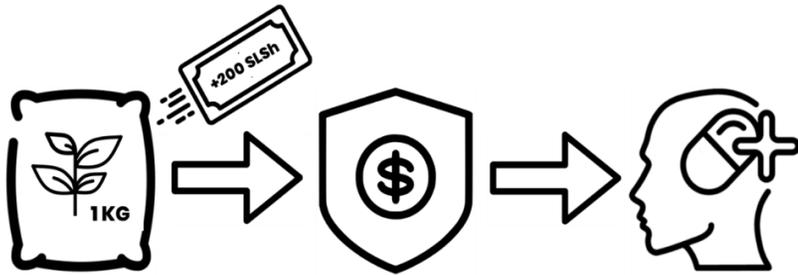
Excise taxes are duties on manufactured goods, applied on the manufacture or import of goods – not on their consumption. The Ministry started to introduce these taxes on the value of imports of goods in 2020, and will introduce some changes to the tax from 1st January 2021:

Goods to be taxed	Rate in 2020	Rate in 2021
Tobacco and tobacco products, including cigars, cigarettes, smoking and chewing tobacco	15%	20%
Cosmetics and cosmetic aids, including perfumes, eye shadow and nail polish	15%	15%
Non-alcoholic beverages, including fruit and vegetable juices, energy drinks, carbonated soft drinks and malt drinks	0%	15%
Jewelry, precious stones and metals, including also watches	0%	10%
Earth and stone imported into Somaliland, including cement and limestone, but excluding salt or chalk	0%	5%

Other excise taxes will not yet be introduced. This includes excise taxes on luxury vehicles – private passenger automobiles that have an engine capacity of 4,000 cc or more – and on telecommunications services, as well as the domestic production of beverages.

## 12. TAXING KHAT FOR MENTAL HEALTH

We want to make sure the Somaliland National Mental Health Policy can be implemented. To support this, the Government will collect a small levy of 200 SLSH for each kilogram of khat imported into Somaliland from 1<sup>st</sup> January 2021. This money will be put aside in a special fund, that can be used only by the Ministry of Health Development to promote mental health.



A small increase in the price of khat for consumer will help to provide valuable support to those with mental health issues. The Ministry of Finance Development will publish each quarter how much revenue has been raised, and how much has been spent on mental health in Somaliland.

## 13. MAKING TAXES EASIER TO PAY

Making it easier for citizens and taxpayers to file and pay their taxes remains a firm commitment of the Ministry of Finance Development. Taxpayers who are fully registered with a Taxpayer Identification Number (TIN) receive better service. Businesses will need a TIN to receive tax clearance; to tender for Government contracts and get paid for providing goods and services to Government; to renew their licenses and registrations; and to import and export goods to and from Somaliland.

Last year, the Ministry piloted an online system for taxpayers to register and receive a TIN at [www.somaliland-ird.com/taxpayer](http://www.somaliland-ird.com/taxpayer). This system also allows taxpayers to file their taxes online and contains a set of useful resources to guide and support taxpayers. We will make this system available to more taxpayers in Somaliland during 2021. Systems for paying taxes via mobile money or e-payment have been finalized: the Government will make it possible in 2021 for citizens and businesses to pay their taxes online and through their mobile phones.

The Ministry has also introduced improvements for traders with TINs. By using risk management in customs, traders that comply with customs rules and procedures will benefit from quicker customs clearance in 2021. We have also made it easier for traders to get a transit permit, by reducing the number of steps in the application process.

For any questions or support on how to comply, taxpayers can call the new tax hotline at **3535** or visit the customer helpdesks in the tax and customs head offices. Advice on how to comply can also be found on the Ministry of Finance Development website ([www.slmof.org](http://www.slmof.org)).

## 14. CONTACT

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