CITIZENS BUDGET FOR FISCAL YEAR 2025

A Simplified Version of the Federal Government of Somalia Budget for Fiscal Year 2025



Prepared by:
Budget Directorate, Ministry of Finance, Mogadishu

<u>Contact information for follow-up by citizens</u>:
For any further information or enquiries please contact the Budget Director, Ministry of Finance, Mogadishu

Introduction

1. As part of the Federal Government of Somalia's accountability to citizens, this 2025 Citizen's Budget Bulletin shows what the Government achieved in the past two years and what it plans to do in fiscal year 2025, and how the Government will raise revenue and where it will spend it.

Macroeconomic Performance

2. In 2024, Somalia's economy continued to improve because of Government's commitment to implement post-HIPC reforms. Provisional data on the performance of the economy in 2024 shows the following:

i) Real GDP growth in 2024 is estimated at 3.7% compared to 2.8% in 2023, aided mostly by increasing construction activities, rebound in agriculture after the 2021-2022 drought, and growing consumption which to a large extent is aided by remittances.

ii) Inflation is estimated to decline from 5.7% in 2023 to 4.1% in 2024.

iii) Total export of goods increased from $859 million in 2023 to an estimated $1.02 billion in 2024, of which about x% were exports of livestock. Imports of goods too increased from $7.0 billion in 2023 to an estimated total of $7.6 billion in 2024. These numbers cover the whole of Somalia.

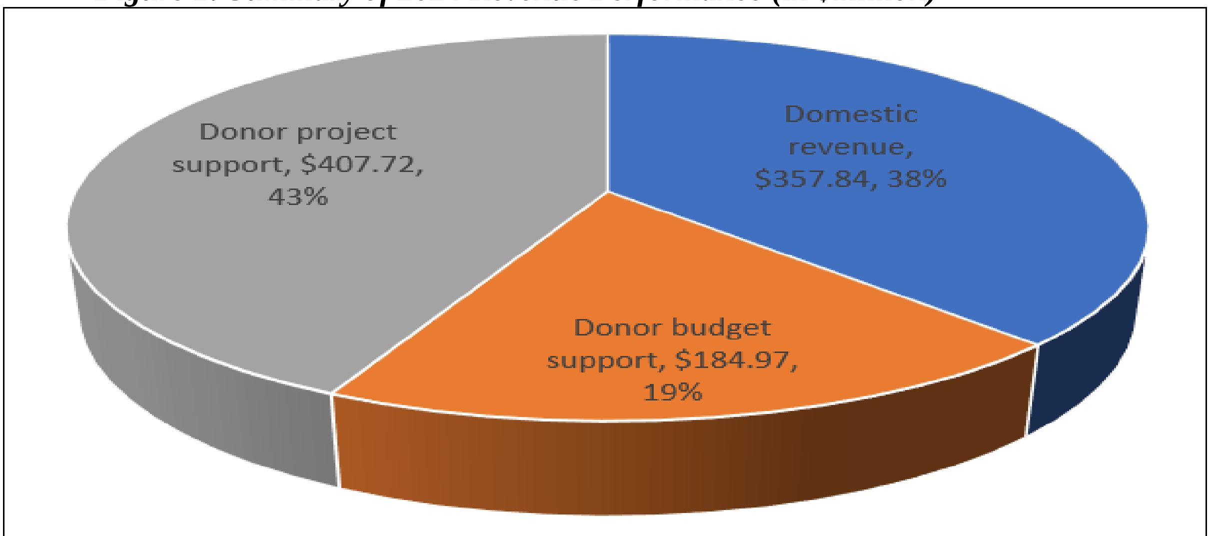
iv) Public debt remains at 18.1% of GDP in 2024 compared to 64% in 2023 (pre-HIPC).

Performance of Revenue and Expenditure in 2024

Revenue Performance

3. Total Revenue and Grants in 2024 is projected to amount to $950.5 million which will be 7.61% of GDP. Unfortunately, this means we will not reach our goal of $1.05 billion by $90.3 million. This happened because we did not get as much money from donor grants as we had anticipated. We expect to receive $592.7 million in grants compared to the target of $694.6 million. As for domestic revenue which is collected from the taxes paid by Somali businesses and citizens, a total of $357.8 million is projected to be realized at the end of 2024, which will be above the target by $11.6 million. The percentage collection of the various revenue types is shown in Figure 1.

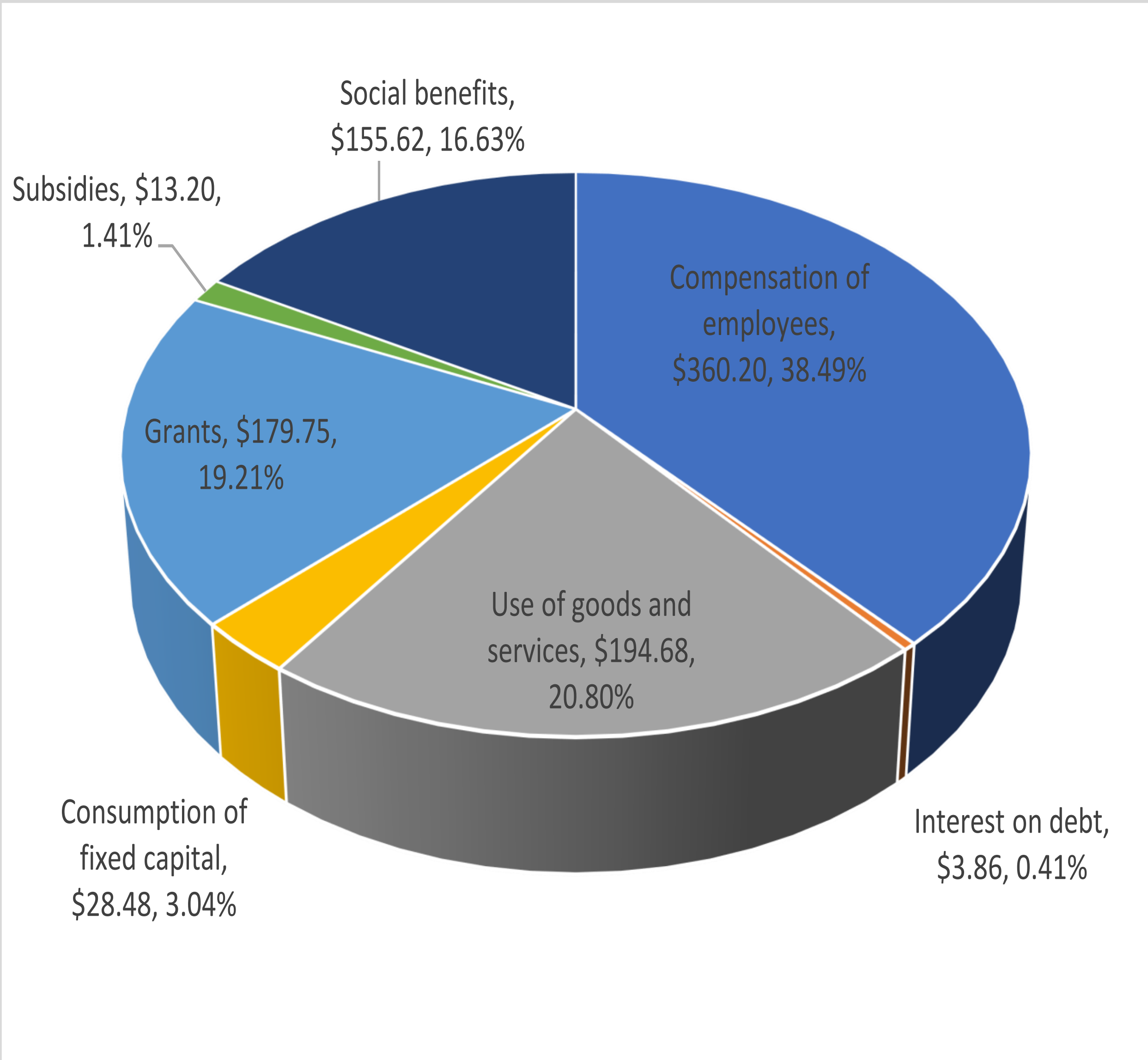
Figure 1: Summary of 2024 Revenue Performance (in $million)



Expenditure Performance

4. Total Expenditure in 2024 is projected to amount to $935.8 million which is 7.49% of GDP. This is 13.3% less than the planned spending, which was $1.08 billion or 8.64% of GDP. The main reason for the inability to spend less than what we had planned was the inability to receive the donor grants as already explained above. The breakdown of the spending by type of expenditure is shown in Figure 2.

Figure 2: Summary of 2024 Projected Expenditure (in $million)



Overall Budget Balance

5. As indicated above, Government is projected to spend less more money than would be collected at the end of 2024, resulting in cash balances of $14.7 million, which is 0.12% of the estimated money value of all activities and goods and services produced in Somalia (GDP) in 2024. This is quite a quite health position relative to the deficit of $38.5 million that was initially planned (0.31% of GDP). The Government plans to use these cash balances to finance expenditures for 2025.

Public Debt Developments

6. The provisional debt stock as at end-June 2024 shows a total public debt of $2.25 billion, equivalent to 18.1% of GDP.The table below shows the debt by creditors.

Somalia Debt Stock by Creditor as at end June 2024

#	Creditor	Category	Face value	Interest arrears	Other fee arrears	Total debt stock
1	Government of Serbia	Commercial	1.51	1.12	-	2.63
2	Arab Fund for Economic and Social Development	Multilateral	74.87	126.04	0.05	200.96
3	Arab Monetary Fund	Multilateral	58.70	245.71	-	304.41
4	International Fund for Agricultural Development (IFAD)	Multilateral	1.88	-	-	1.88
5	International Monetary Fund (IMF)	Multilateral	95.33	-	-	95.33
6	Islamic Development Bank	Multilateral	25.83	1.07	-	26.90
7	OPEC Fund for International Development	Multilateral	36.39	-	-	36.39
8	Abu Dhabi Fund for Development	Non-Paris Club	94.22	170.59	0.02	264.83
9	Government of Algeria	Non-Paris Club	0.90	0.66	-	1.56
10	Government of Bulgaria	Non-Paris Club	5.53	5.90	-	11.43
11	Government of Iraq	Non-Paris Club	31.22	68.25	109.89	209.36
12	Government of Libya	Non-Paris Club	11.75	29.37	-	41.12
13	Government of Romania	Non-Paris Club	2.27	0.25	-	2.52
14	Kuwait Fund for Economic Development	Non-Paris Club	124.23	-	-	124.23
15	Saudi Fund for Development	Non-Paris Club	118.86	-	-	118.86
16	Government of Denmark	Paris Club	2.91			2.91
17	Government of Japan	Paris Club	8.70	1.89	7.78	18.37
18	Government of Russia	Paris Club	0.70			0.70
19	Government of Spain	Paris Club	40.53			40.53
20	United States of America	Paris Club	749.85			749.85
	Total		**1,486.18**	**650.85**	**117.74**	**2,254.77**
	Nominal GDP					*12,489*
	Debt stock as % of GDP					*18.1%*

Source: MOF Debt Reports

Macroeconomic Targets for 2025

7. The 2025 budget is underpinned by the following macroeconomic targets:
- Real GDP growth of at least 3.9%.
- Inflation to be within the target of below 5%.
- Increase export of goods by about 18%.

Growth Strategy

8. The Government will continue using government spending and taxation to influence the direction of the economy, to promote sustainable growth and reduce poverty. This will include facilitating the private sector to create jobs and opportunities for especially the young Somalis. It will also include initiating and continuing to promote infrastructure projects that have the potential to grow the economy. The other priority areas that the FY2025 budget will focus on include the following:

i) Continue prioritizing funding to the security sector, given that security is the foundation for sustainable economic growth and stability.

ii) Implement measures to improve efficiency, effectiveness, coordination and productivity of the civil service and public expenditure in FGS and FMSs. This will include among others:

(a) Require every Ministry to develop a five-year strategic plan.
(b) Implement program-based budgeting on a pilot basis to link expenditure to results that the taxpayer needs to see and feel.
(c) Require every MDA to provide to MOF a quarterly budget utilization report including performance against key performance indicators.
(d) Finalize and launch the Somalia National Transformation Plan.

iii) Continue boosting SMEs and household incomes through the following:

(a) Support to Somalia Development and Reconstruction Bank and to Gargaara to facilitate access to finance for Micro, Small and Medium enterprises (MSMEs).
(b) Continued support to Somalia Chamber of Commerce and Industry to assist businesses exploit business opportunities locally, regionally and internationally.

iv) Enhance maritime surveillance to prevent illegal fishing.

v) Boost agricultural production through rehabilitation of relevant infrastructure

vi) Continue building human capital by investing in Somalis through better education and health in line with the strategic plans for education and health sectors.

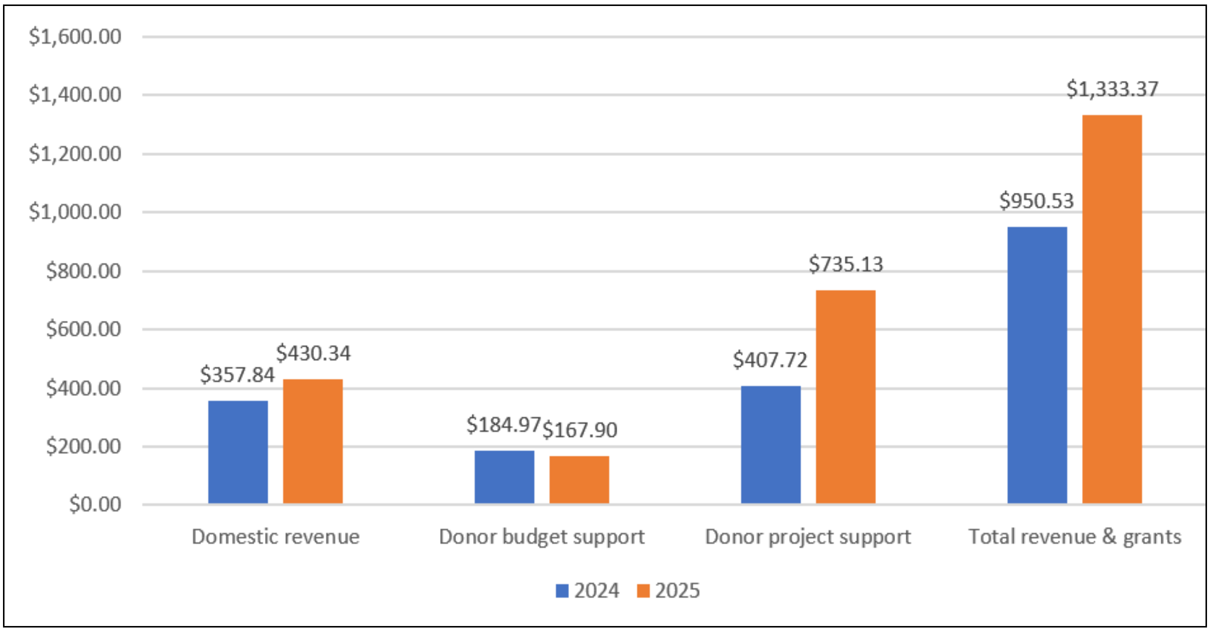
vii) Continue efforts towards reconstruction of Somalia's energy and roads infrastructure to lower the cost of doing business.

viii) Support to MDAs to implement regional integration commitments expected to boost growth in export and import trade (to and from EAC) following Somalia's entry into the East African Community.

Resource Mobilization for 2025

9. Government plans to collect total revenue and grants of $1.33 billion, which is 9.85% of GDP. Of this amount, $430.3 million will come from domestic taxes (3.18% of GDP), and $903 million from donors (6.67% of GDP). The summary per the various revenue types is shown in Figure 3.

Figure 3: Resource Mobilization for 2025 (in $Million)



Revenue Measures

10. The following **key** measures will be implemented in 2025 to improve revenue generation in order to attain the above-mentioned revenue target:

- Implement the new income tax law from mid-2025.
- Continue identifying and registering new taxpayers.
- Improve tax audits.
- Increase tax enforcement especially for non-compliant taxpayers.
- Enhance verification of import declarations/cargo examination to ensure correct volumes are declared by importers.
- Improve supervision of customs staff.
- Digitalize non-tax revenue collection through the installation of a non-tax revenue portal where all non-tax revenue transactions will be carried out and duly monitored.
- Enhance the use of penalties as an enforcement tool against tax non-compliance.

Resource Allocation for 2025

11. Government plans to spend a total of $1.36 billion in 2025, or 10.03% of GDP. Figure 4 shows how Government plans to spend these resources.

Figure 4: Resource Allocation for 2025 by Expenditure Type (in $Million)

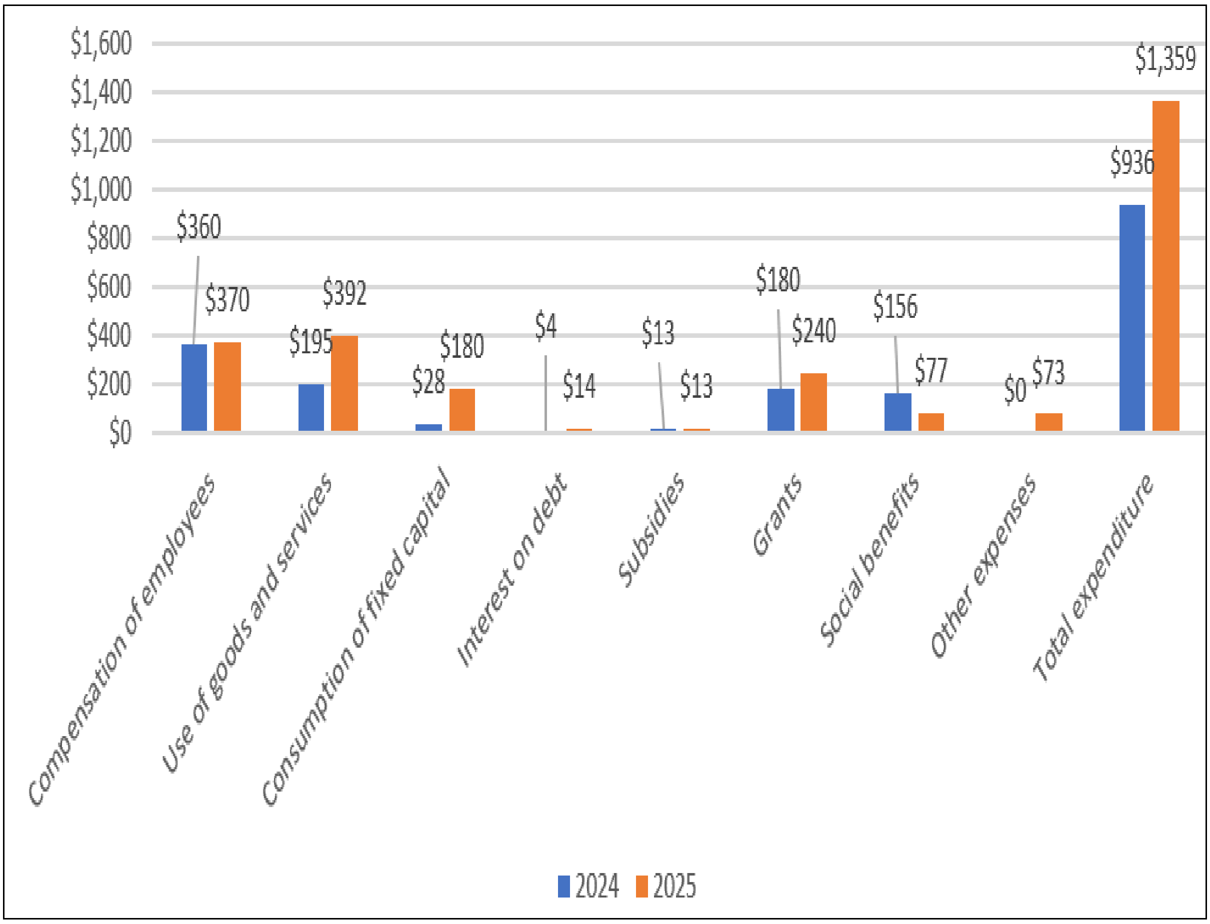
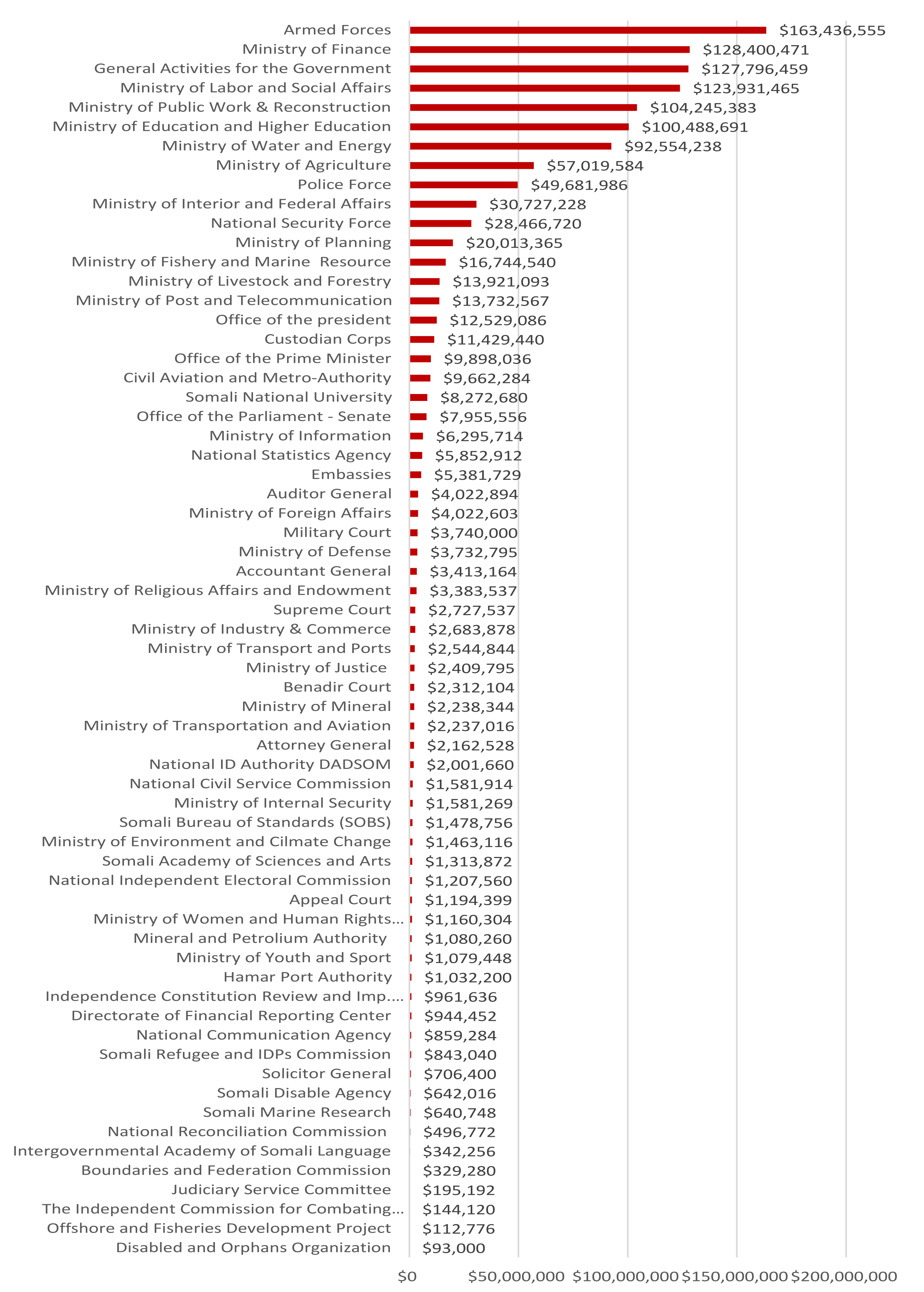


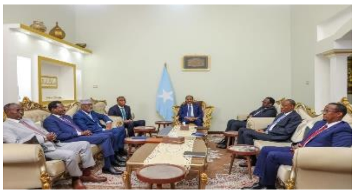
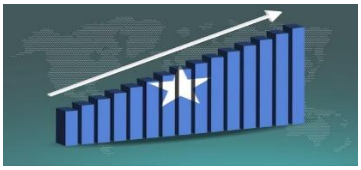
Figure 5: Resource Allocation for 2025 by Vote (in $Million)



Sectoral Development

12. This section highlights the performance of Government in the **key** areas of the economy in 2024 and some of the activities planned to be implemented in 2025, by sector. The FGS arranges its activities under four sectors—administration, security, economic and social services sectors.

Administration

	Intergovernmental relations are improving, much as it appears to be getting worse but that happens before it gets better.
	Domestic revenue mobilization has continued to increase since 2022, with an increase of 30% in 2024 in comparison to collections in 2023, though the collection levels remain too low to cover all the running costs of Government.
	International Bank Account Number (IBAN) standardization was achieved which has improved cross-border payments. IBAN is an internationally-agreed code which helps banks to process transfers around the world.
	Efforts have been made and continue to be made to ensure elements of the EAC treaty are put into law for Somalia to become an effective member of the EAC to enable Somalis exploit the many trade and job opportunities and other benefits that are expected following Somalia's admission into the EAC.
	With the support of the UNHCR, about 320 shelters were constructed Adado, Baidoa, and Luglow IDP sites. Also assisted 252 returnees who were each supplied with a phone, SIM card, accommodation, hot meals, transport allowances and various other services to enable them resettle in their homeland. Also provided business skills training to over 100 refugees in Mogadishu.
	Commenced civil registration and the issuance of national ID cards that are recognized worldwide. This will help in fighting against extremism, provide a sense of belonging and identity to Somalis, and will ease Somalis' access to essential services like health care, education, elections and economic opportunities.

Security

	Security environment in the country has significantly improved, though there remains a lot to be done. A number of areas that were previously besieged by Al Shabab have been liberated by Somali Forces.
	Government continued engaging local populations to directly get involved in security efforts in combatting terrorism, which has contributed to improvements in security.

Economic Sector

	Government has approved the electricity tariffs and licensing regulations for the country's electricity sector, aimed at regulating the electricity prices. Currently one unit of electricity costs between $0.45 to $1. Population access to electricity has increased to approximately 40% in 2024 compared to 35% in 2020. Seventeen maternal and child health centres have been equipped with solar power systems with the support from WHO and Saudi Arabia.
	Road rehabilitation is ongoing, despite the attacks to road contractors. Initiated several road activities, which are expected to be completed in 2025 e.g., rehabilitation and reconstruction of Galkayo-Xarfo Road (67km) and Dhusamareb-Qaradhi road (60km); construction of Jowhar Road and Dhul Alle Road in Luuq, etc. Provided grants to FMSs to take care of the road network among other priorities.
	Access to clean water is improving, though much remains to be done for the rural communities. Much of the work in 2024 has rotated around rehabilitating irrigation canals and river breakages in various areas e.g., Beledweyne, Afgoye, Jowhar, Baalguri, baardheere, Dollow, etc.
	More jobs continued to be created in the fishing sector and through MSMEs. More jobs are expected to be created in 2025 with the planned rehabilitation of fish landing sites for Hirshabelle and Jubaland.
	There has been an improvement in food security in the country in 2024. Estimates show about a 20 per cent reduction in the number of food insecure people compared to 2023. The planned rehabilitation of Bula Bartire Irrigation Canal in 2025 is expected to contribute to strengthening food security in the country.

Social Sector

	Government continued its efforts in delivering quality healthcare, particularly for mothers and children in the country. Healthcare is generally improving, though there is a lot more that needs to be done to address the limited access to healthcare and absence of functional health facilities in many areas especially those controlled by Al Shabab. Government with the support of the UN activated a National Cholera Task Force including establishing 14 treatment centres and deploying community health workers to fight cholera especially in Beledweyne, Afgooye and Buurhakaba. In 2025, Government plans to rehabilitate of Barawe TB Unit and Bulo Burde Health care Unit to improve healthcare delivery in those areas, **among other activities**.
	School enrolment in primary and secondary continued improving, though more than three million children, aged between 6 and 13 years, are reportedly still out of school. Constructed and rehabilitated classrooms as well installed toilet and other facilities in various schools around the country to improve access to education and provide an environment conducive to learning. This has been largely achieved with support from the Global partnership for Education (GPE).
	Livelihoods for over a million vulnerable and poor people were supported with food and cash transfers, thanks to support from the World Bank.
	Somalia has continued and is now firmly competing in international games.

Conclusion

13. As we reconstruct Somalia's economy, working together and resilience of Somalis should NEVER be disbanded. Let's all work together, let's reject the misguided non-state armed actors that are bent on frustrating development in Somalia, and let's take pride in our collective achievements and the entrepreneurship and can-do spirit of Somalis to achieve our development goals.