



FEDERAL GOVERNMENT
OF SOMALIA

Somalia Financial Governance Report 2024

Strengthening Petroleum Revenue
Sharing for State Building and
Economic Development

April 2025



THE WORLD BANK
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FOREWORD

It gives me great pleasure to present the Somalia Financial Governance Report 2024, a testament to Somalia's unwavering commitment to economic resilience, fiscal responsibility, and sustainable development. Building upon the remarkable achievement of reaching the Completion Point under the Heavily Indebted Poor Countries (HIPC) initiative in 2023, the year 2024 marks a new chapter in Somalia's financial governance journey.

The year 2024 has been transformative for Somalia. Our focus has shifted from achieving debt relief to sustaining hard-won macroeconomic stability and fostering opportunities for inclusive growth. The Federal Government of Somalia (FGS) continues to pursue robust reforms in domestic revenue mobilisation, public financial management, and natural resource governance—critical pillars for unlocking Somalia's economic potential. In 2024, domestic revenues increased by 12 percent, reaching US\$370 million, a significant milestone given Somalia's challenging context. This achievement reflects the government's dedication to expanding the tax base, modernising customs systems, and fostering public-private partnerships as a catalyst for sustainable development.

The Financial Governance Committee (FGC) continues to play a vital role in shaping Somalia's financial governance landscape. Through strategic engagement and collaboration with our international partners—including the International Monetary Fund, World Bank, African Development Bank, and the European Commission—the FGC has supported key reforms that have enhanced investor confidence, improved service delivery, and strengthened fiscal federalism.

Notably, this edition of the Financial Governance Report captures critical areas such as natural resource revenue sharing, which remains central to Somalia's economic future. As we develop our petroleum and fisheries sectors, ensuring transparency and equitable management of these resources is paramount.

The FGS has implemented transformative reforms to strengthen financial governance, exemplified by the Cabinet Resolution in August 2024, aimed at institutionalising fiscal oversight and compliance. This resolution mandates that all government revenues flow exclusively through the Ministry of Finance (MoF) Treasury Single Account, ensuring centralised fiscal control. Key actions under this framework include reviewing and terminating noncompliant contracts to enforce regulatory adherence and eliminating illicit facilitation charges to lower trade barriers. These measures tackle systemic corruption, enhance fiscal transparency, and reduce business costs, directly advancing Somalia's commitment to accountability, economic resilience, and sustainable development.

Our path forward is clear, though challenges remain. Somalia must continue strengthening domestic revenue mobilisation to reduce reliance on external financing. The Medium-Term Revenue Roadmap (2025–2027) outlines our strategy to cover all operating expenses from domestic revenues by 2027. Achieving this goal will require sustained political will, enhanced institutional capacity, and deeper cooperation with Federal Member States.

Furthermore, natural resource management and public-private partnerships present transformative opportunities. However, the legal and regulatory frameworks for the petroleum sector, which are currently being finalised, will be fully integrated and embedded. We will harness this potential to drive infrastructure development, job creation, and regional integration. The activation of the authorising role of the Inter-Ministerial Concessions Committee

under Somalia's Procurement and Concessions Act highlights our commitment to ensuring value for money and safeguarding public interests. Additionally, the MoF will prioritise establishing the Concessions Technical Unit to bolster institutional capacity in contract management.

I extend my gratitude to the dedicated staff at the MoF, the Central Bank of Somalia, and all government institutions for their tireless efforts. Our progress would not have been possible without the unwavering support of our development partners and the trust of the Somali people.

As we look ahead, we remain steadfast in our mission to build a resilient, inclusive, and prosperous Somalia. The achievements highlighted in this report demonstrate that, together, we can overcome challenges and seize opportunities to realise Somalia's long-term vision—transforming the nation into a middle-income country by 2060.



Bihi Iman Egeh

Minister of Finance

Federal Government of Somalia

ABBREVIATIONS

CBS	Central Bank of Somalia
FGC	Financial Governance Committee
FGR	Financial Governance Report
FGS	Federal Government of Somalia
FMS	Federal Member States
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries (Debt Relief Initiative)
ID	Identification
IDA	International Development Association
IMCC	Inter-Ministerial Concessions Committee
IMF	International Monetary Fund
KYC	Know Your Customer
MMO	Mobile Money Operator
MoF	Ministry of Finance
MPMR	Ministry of Petroleum and Mineral Resources
MTB	Money Transfer Bureau
MTRR	Medium-Term Revenue Roadmap
NCC	National Consultative Council
NIRA	National Identification and Registration Authority
NPS	National Payment System
NTP	National Transformation Plan
PFM	Public Financial Management
PPP	Public-Private Partnership
PSA	Production Sharing Agreement
SDRB	Somali Development and Reconstruction Bank
SIPS	Somalia Instant Payment System
SNA	Somalia National Army
SOMCAS	Somalia Customs Automated System
TPAO	Turkish Petroleum Corporation
US	United States of America

EXECUTIVE SUMMARY

Introduction

Somalia's ambition has redoubled since it achieved debt relief. Finance and investment are high priorities for the Federal Government of Somalia (FGS), which aims to catalyse economic development over the next five years. The new five-year National Transformation Plan (NTP) emphasises the critical role of enhanced governance and public sector efficiency. A capable, reliable, and well-governed state is vital for the confidence of Somali citizens and businesses, as well as for international partners and prospective investors.

The Financial Governance Committee (FGC) has scaled up its strategic engagement over the past year to provide dialogue and advice on a range of policy and institutional matters. Domestic revenue mobilisation, natural resource management, constitutional reform, and major infrastructure development have been at the centre of FGC discussions. The FGC supports long-term state building and economic development in Somalia by providing strategic advice to the FGS. The FGC is chaired by the Minister of Finance and comprises senior FGS officials and international representatives.

The FGC's annual Financial Governance Report (FGR) reviews progress on topics considered by the FGC over the past year. The 2024 FGR includes an in-depth focus on natural resource revenue sharing.

Financial governance developments in 2024

Domestic revenue mobilisation

Revenue raised by FGS in 2024 totalled US\$369 million, representing a 12 percent increase over the previous year. Most of the increase was driven by improved collection of income taxes and sales taxes. Despite these efforts, the ratio of revenue to gross domestic product (GDP) remained unchanged, at 3 percent of GDP, demonstrating the scale and

complexity of the task to transform the finances and capabilities of the Somali state. Domestic revenues were sufficient to pay for FGS salaries in 2024, but they were insufficient to cover total operating expenses of US\$485 million. The security sector remains a significant driver of FGS expenditures, with total security sector costs accounting for 64 percent of FGS domestic revenues.

The gap between domestic revenues and total operating expenses was US\$116 million. International donors provided US\$185 million in budget support to bridge this gap. Total donor disbursements to the FGS, including project support, amounted to US\$543 million in 2024. On-budget donor aid has increased significantly since 2020, when the FGS reached the Decision Point under the Highly Indebted Poor Countries (HIPC) initiative. Nonetheless, four-fifths of donor aid remains off-budget.

A Medium-Term Revenue Roadmap (MTRR) was developed in 2024, with the aim of increasing domestic revenues to 4 percent of GDP by 2027 so that the FGS can cover all operating expenses from its own resources. The MTRR identifies a range of tax policy and revenue administration reforms to expand the tax base, create an efficient tax administration, and enhance taxpayer compliance.

Customs duties remain the largest source of FGS revenue, and customs modernisation is the single largest driver of the revenue increases anticipated in the MTRR. The objective is for customs duties at all ports of entry to be assessed based on a common goods valuation and subject to a common ad valorem duty rate based on the East African Community external tariff. The FGC provided policy advice on FGS revenue streams subject to third-party collection, specifically the contract terms for outsourced collection of rental income tax, and options to increase revenue from air navigation fees.

Constitutional reform and the fiscal chapter

The FGS is currently revising the 2012 Provisional Constitution. The revisions will have important implications for fiscal federalism and financial governance. The fiscal provisions of the 2012 Constitution do not provide a comprehensive statement on the principles underpinning the use of public resources, nor do they establish the basic rules and processes governing their management. Many of these principles have since been established in primary legislation.

There is an opportunity to strengthen the links between the Constitution's fiscal provisions and existing primary legislation, while also filling gaps and resolving contradictions. In particular, the revised Constitution should clarify whether natural resource revenue sharing will continue to be treated separately to other forms of revenue sharing or whether it will be integrated with them, as recommended by the National Consultative Council (NCC).

Financial sector development

The Central Bank of Somalia (CBS) maintained momentum on financial sector reforms. All commercial banks operating in Somalia are regulated by the CBS. At the end of 2024, Somali commercial banks held overall deposits totalling US\$1.6 billion and loan portfolios amounting to US\$657 million. The CBS also regulates all money transfer bureaus (MTBs) operating in Somalia. Total inward transfers to MTBs amounted to US\$2.4 billion in the fourth quarter of 2024. All commercial banks and MTBs have been subject to regular monitoring and supervision.

Initiatives to ensure the stability and integrity of the financial system continued. The CBS expanded its regulation of mobile money operators (MMOs), and licences were issued to MMOs representing over 90 percent of the mobile money market. The total value of reported mobile money transactions was US\$12.7 billion in the fourth quarter of 2024. Further improvements were made to the payment system architecture. The Somalia Instant Payment System (SIPS) was introduced, which provides banks with a payment switch allowing interbank transactions to be cleared and settled instantly. Seven commercial banks currently participate, and its coverage will be extended in future to MMOs.

The CBS Board approved a new CBS Strategic Plan for 2025–29. Currency reform is the top priority, alongside work to sustain and deepen financial sector efficiency and inclusion. Reintroduction of the Somali shilling is intended to support poorer Somali citizens who have been excluded from the dollarized economy. Proposed amendments to the CBS Act will enable the CBS to operate a currency board to ensure the credibility of the new currency.





Actions were taken to revitalise the Somali Development and Reconstruction Bank (SDRB). A new SDRB leadership was appointed in 2024. Work is proceeding rapidly to modernise the SDRB governance framework and to seek capital for a resumption of lending activities to productive enterprises in a range of sectors. The SDRB holds a large property portfolio comprising land and other assets used formerly by state-owned enterprises. It is developing tools and frameworks for effective management of this portfolio to generate income for SDRB operations.

Natural resource management

Natural resources have high potential to contribute to economic and fiscal transformation in Somalia, especially in the petroleum and fisheries sectors. The FGS took steps to improve petroleum sector governance in 2024. The Minister of Petroleum and the Minister of Finance signed a joint regulation confirming that all production sharing agreements (PSAs) will be subject to review by the Inter-Ministerial Concessions Committee (IMCC) prior to signature. The FGS committed not to sign any new PSAs until the legal framework for the petroleum sector is complete (with an exemption for any awarded under the defence and economic cooperation agreement signed with Türkiye in 2024). Support is now needed to build institutional capacity in the petroleum sector to manage PSAs effectively and to mitigate performance risks.

The FGS signed nine new PSAs with three different entities in 2024, bringing the total number of awards in the sector to 16. All awards were made on a sole-source basis. In a step forward for transparency and due process, three PSA awards were reviewed and approved by the IMCC prior to signature. The Prime Minister placed a further three agreements on hold until they are brought into compliance with Procurement Act requirements and submitted to the IMCC for review. Three PSAs were awarded under the cooperation agreement with Türkiye. The FGC has continued to express general concern about fiscal and performance risks that arise from awarding PSAs through direct negotiations and without competitive price benchmarks.

In the fisheries sector, the FGS resumed tuna licensing in May 2024 after a hiatus of two and a half years. All licenses were awarded to vessels operating under the Chinese Overseas Fishing Association. The FGS shared the revenue from the 2024 licences with all Federal Member States

(FMS), except Puntland. The Ministry of Fisheries and Blue Economy plans to increase future fisheries revenues by expanding tuna licensing to other fisheries associations, increasing the number of licensed vessels, and introducing a royalty on catch.

Public sector contracts

Since reaching the HIPC Completion Point, the Ministry of Finance (MoF) has continued to advocate for due process in tendering and awarding contracts, in line with the Procurement Act, and the IMCC has started to become more active in its oversight role. Preparations are underway to conduct competitive tenders in 2025 for security sector rations and fuel supply, passport production, and development of a new Mogadishu seaport. The FGC has continued to stress the need for competition and due process in conducting tenders so that contract awards deliver good value for money to the FGS.

Gaps remain between Procurement Act requirements and the current practices of FGS sector institutions. Competitive tendering for contract awards is not well-embedded in FGS procurement practice, and sector institutions have limited capacity to conduct tender evaluations and ensure that contracts are implemented in accordance with contractual requirements. The FGC

has highlighted the need to establish a Concessions Technical Unit (CTU) in the MoF to strengthen capacity for tender preparation and contract management.

There was some progress towards resolving contract management issues at Mogadishu seaport in 2024. FGS monthly payments as part of a dormant long-standing concession to operate a dry port were discontinued, and discussions were initiated to resolve the contractual liability. The Prime Minister issued a Decree terminating other contracts for ancillary services at the port which had been improperly awarded. Remaining concerns were noted by the FGC about contracts for import quality assurance and inspection services that will require action by FGS.

The FGS is planning the development of a new Mogadishu seaport. The existing port faces significant capacity constraints and is expected to reach its maximum capacity in the next three to five years. The Mogadishu Port Authority has been developing a feasibility study for the new port development and must manage the process of transitioning from the existing port. The FGC provided advice to the FGS on appropriate project governance arrangements for the development of a new port.



Approaches to natural resource revenue sharing

Natural resource revenue has been a consistent area of attention for the FGC over the past decade, given its transformative potential and the inherently high financial governance risks. Proceeds from the petroleum sector alone have the potential to dwarf all other sources of fiscal revenue in Somalia. While this revenue could transform Somalia's development prospects, poor management of natural resource revenues could generate substantial negative consequences. The ongoing revision of Somalia's Constitution makes it timely to address natural resource revenue sharing in the FGR.

International practice in natural resource revenue sharing

Natural resource revenues have specific and distinctive characteristics that make their management challenging. The resources are finite, and they are usually not evenly distributed within a country. Revenues are volatile and often large enough to create significant distortions in the domestic economy. Governments can manage these challenges through appropriate macroeconomic policies, by saving a share of the current revenues, through medium-term approaches to expenditure management, and by sharing of revenues between and within different tiers of government.

Policy Choice 1: General revenue pooling or separate revenue sharing. Some countries do not distinguish their natural resource revenues from any other form of government revenue. Others establish separate policy arrangements for natural resources in parallel with the allocation of general fiscal revenues. Policy objectives for separate arrangements may include the provision of a fiscal benefit to the producing regions or the equalisation of the fiscal benefits from natural resources across all regions, irrespective of location.

International experience shows that separate natural resource revenue-sharing arrangements require careful design. Weak or ill-considered design increases financial governance risks and can fuel corruption, socioeconomic inequality,

and violent conflict. These risks are heightened when revenue-sharing arrangements create a high disparity between the share of revenues flowing to producing regions and that assigned to non-producing regions in a country.

Policy Choice 2: Which revenues to include in separate sharing arrangements. Governments have a choice about which natural resource revenues should be subject to separate sharing arrangements versus allocated as part of the common pool. Revenues that are easier to calculate, attribute, and collect, and that are more predictable year-on-year are more commonly shared. Revenues from offshore petroleum production are not usually shared because offshore production generates fewer negative impacts for adjacent populations.

Policy Choice 3: Allocation method for revenue-sharing arrangements. Governments can use two different methods to determine the distribution of natural resource revenues among subnational governments. In 'derivation-based' systems, revenues are shared with the subnational government where the natural resources are located. In 'indicator-based' systems, revenues are shared with all subnational governments, irrespective of where production takes place, using an indicator-based formula. Some countries employ a combination of both methods through a mixed system, sharing a proportion of revenue by derivation and a proportion by indicators.

Policy Choice 4: Revenue-sharing ratios between and across levels of government. Governments can decide the proportion of revenues that is shared. 'Vertical distribution' refers to the allocation of revenues between different levels of government. It can range from a highly centralised distribution, in which minimal natural resource revenues are shared by the central government with subnational governments, to a highly decentralised distribution, with most resource revenues allocated to subnational governments. 'Horizontal distribution' describes the allocation of revenues among subnational governments. How these choices are made varies considerably from country to country and often reflects the political settlement.

In countries where revenue-sharing arrangements are derivation-based, producing subnational governments receive more than non-producing subnational governments. If natural resource revenues are substantial, a concentrated allocation of revenues to a small subset of subnational governments is likely to create fiscal and political risks.

Effective and well-functioning revenue-sharing arrangements have several common characteristics:

- *Simplicity.* Simpler systems are less prone to manipulation or error. Complexity increases if the sharing regime involves multiple government tiers and revenue types.
- *Clarity and transparency.* Transparency helps to build trust and reduce conflict between levels of government about the magnitude of revenues collected and transferred.
- *Stability and predictability.* Subnational governments have limited capacity to manage revenue volatility, which varies according to the types of revenue.
- *Proportionality.* The amount of revenue assigned to different levels of government broadly matches their respective expenditure responsibilities and capabilities.
- *Equity.* Some additional fiscal benefit may be provided to producing regions, but major fiscal distortions between regions within a country are avoided.
- *Formality.* Codifying and formalising revenue-sharing arrangements reduces ambiguity and helps establish a rules-based system.

Overview of petroleum revenue-sharing arrangements in Somalia

Somalia's intergovernmental arrangements for managing and sharing petroleum revenues were established by the 2018 Baidoa Agreement, which was then incorporated into the 2020 Petroleum Act. The Baidoa Agreement covers all sources and types of petroleum revenue, except corporate income tax. It covers revenues from both onshore and offshore production.

The Baidoa Agreement adopts a derivation-based approach, with specific revenue shares allocated

both to the producing FMS and to the producing district located within the producing FMS. A share of revenues is also allocated to the remaining non-producing FMS as a bloc. Allocations to the producing FMS and its producing district are substantial. For some types of revenue, the total matches or even exceeds the FGS share and is many times greater than the share allocated to each non-producing FMS.

Scenario analysis by the World Bank indicates that, unless the eventual distribution of commercial petroleum discoveries is dispersed evenly across all FMS, the terms of the Baidoa Agreement grant the producing FMS (including the subsidiary producing district) between 10 and 17 times more revenue than non-producing FMS, even when production is offshore. The revenue allocated to the FGS is unlikely to be sufficient to offset the disparities between producing and non-producing FMS.

Somalia's framework compared to international practice

Many features of Somalia's petroleum revenue-sharing arrangements reflect common international practice. Separate sharing arrangements are commonplace in resource-rich countries, and many countries address the claims of producing regions by affording them some degree of fiscal advantage through derivation-based revenue sharing. Codification of the arrangements in legislation is considered good practice.

Several aspects of Somalia's approach are not so typical, however, especially compared to other lower-income countries. Volatile revenue sources are subject to sharing, as are the revenues from offshore production. Revenue allocations are not matched to expenditure responsibilities. The FGS holds significant nationwide functional responsibilities, but it is likely to receive between a third and a half of all revenues. The substantial share of revenues that is allocated to the producing FMS and producing district may exceed their absorptive capacity.

Somalia's framework matches one of the six desirable design features for revenue-sharing arrangements in full (formality), three of them only partially (simplicity, clarity/transparency,

and equity), and two of them not at all (stability/predictability and proportionality). Although the salience of different features can be debated, it is evident that Somalia's overall practice is not strongly consistent with these international comparators.

Current revenue-sharing arrangements place Somalia in a category of elevated financial governance risk, with a large volume and proportion of revenue likely to be concentrated in a few subnational governments where resources are located. Once petroleum revenues come on stream in future years, significant developmental disparities may arise across the country.

Considerations for a reappraisal of Somalia's approach to petroleum revenue sharing

The Baidoa Agreement provides a clear baseline for petroleum revenue sharing, which reflects the outcomes of intergovernmental negotiations at the time. Actual revenue flows were then a distant prospect and the allocations hypothetical. It was unclear how the broader agenda on domestic revenue mobilisation would progress and uncertain how intergovernmental political dynamics would evolve.

Six years later, it is more apparent that the current petroleum revenue-sharing arrangements are likely to generate imbalanced allocations and lead to undesirable outcomes once petroleum revenues start to flow at scale. A rebalancing is strongly advisable. There is no single 'correct' way to (re) design revenue-sharing arrangements. Broad options are to modify the current derivation-based approach, to shift to an indicator-based approach, or to combine the two approaches in a mixed system. A more fundamental option, recommended by the NCC in March 2023, would be to move away from separate arrangements for petroleum revenue altogether. Natural resource revenues would then be subject to the same revenue-sharing framework as tax and non-tax revenues.

It is vital that the selected approach be acceptable to the FGS and all of the FMS. From the perspectives of state building and economic development, it will be critical for the selected approach to produce outcomes that

are equitable and proportionate to functional responsibilities and expenditure assignments. The ongoing constitutional review process creates an opportune moment for the FGS and the FMS jointly to reappraise natural resource revenue sharing in Somalia and to seek agreement on a strengthened framework.

Issues and priorities for financial governance

The FGS is guided by the long-term aim of transforming Somalia into a middle-income country with a capable state by 2060. It has adopted a medium-term NTP centred on economic growth, governance, service delivery, climate resilience, and social cohesion. Three post-HIPC strategic priorities remain critical conditions for future success: scaling up government financial resources, managing the future affordability of the state, and achieving value for money from state resources. Within this framework, the financial governance agenda for 2025 covers a multifaceted set of policy and institutional priorities.

- *Constitutional revisions and the fiscal chapter:* Maintain the prominence of fiscal issues and considerations as part of the constitutional reform process; ensure vertical consistency between the Constitution and primary legislation; and ensure horizontal consistency between the fiscal chapter and other chapters with fiscal provisions.
- *Domestic revenue mobilisation:* Broaden the tax base and improve compliance for corporate income tax (especially for large businesses); achieve customs harmonisation across all FMS; increase the reference values for import duties towards the actual value of goods; and revise the charging regime for air navigation fees.
- *Public expenditure and fiscal management:* Implement medium-term expenditure planning for the security sector; develop institutional capacity to scrutinise and negotiate loan terms and fiscal liabilities; strengthen capacity for public debt strategy and management; analyse the lessons and strategic implications of post-HIPC financing in other countries; and analyse scenarios, incidence, and implications for reductions in official development assistance and develop options to respond.

- *Natural resource management:*
 - Petroleum sector: complete the disclosure and/or publication of fiscal terms of signed PSAs; strengthen performance management of existing PSAs; complete the legal and regulatory framework for the petroleum sector; develop institutional capacity in the petroleum sector (Ministry of Petroleum and Mineral Resources (MPMR), Somalia Petroleum Authority); and review revenue-sharing arrangements for the petroleum sector and develop redesign options.
 - Fisheries sector: expand tuna licensing to other fisheries associations; increase the number of licensed vessels; and introduce a royalty on catch.
 - *Public sector contracts:* Develop further the IMCC's role and functioning; implement competitive tendering as a default practice in sector institutions; re-tender the security sector rations and fuel contracts; conduct a concession tender for passport production; resolve the status and contracting for the visa issuance concession.
 - Public-private partnerships (PPP): establish a CTU in the MoF; build capacity to assess contingent liabilities in PPP contracts; build awareness of PPP contract management responsibilities; commence regular reporting on active PPP contracts; and assess existing PPP fiscal risks.
 - *Major infrastructure and investment projects:*
 - Development of Mogadishu seaport: finalise a comprehensive feasibility study for the new port; implement a competitive tender for construction and operation of the new port; and prepare for wind-down and handover of the existing port.
 - 'New Mogadishu' development scheme: carry out detailed project preparation and appraisal; conduct detailed analysis of fiscal and financial liabilities; pursue dialogue on financing options with multilateral and sovereign partners; and establish cross-institution governance and oversight mechanisms.
 - *Financial sector development:* Extend the Central Bank of Somalia's regulatory coverage to foreign exchange bureaus, asset financing companies, microfinance providers, and insurance companies; extend SIPS coverage to MMOs; and continue to strengthen electronic Know Your Customer (e-KYC) processes.
 - Currency reform preparation: strengthen the CBS's capacity on monetary policy reserve management; and initiate the establishment of a currency board.
 - Somali Development and Reconstruction Bank: update the SDRB governance framework; recapitalise the SDRB and resume lending operations; and strengthen the management (or disposal) of the SDRB property portfolio.
- These priorities and actions are collectively intended to contribute to FGS strategic objectives. If pursued actively and coherently, they will help measurably in the work to build a capable state that can lead delivery of the Centennial Vision 2060 for Somalia.





I. Introduction

Financial governance one year after HIPC

Since achieving debt relief through the Highly Indebted Poor Countries (HIPC) initiative in December 2023, Somalia's ambition has continued to grow. Finance and investment have been watchwords for the Federal Government of the Somalia (FGS), which aims to bend the arc of Somalia's economic development over the next five years.

Enhancing governance and public sector efficiency is one of the five objectives laid out in the new five-year National Transformation Plan (NTP). In addition to being a priority on its own, improved public sector governance and efficiency can drive the plan's other objectives:

inclusive economic growth and diversification; access to quality education, health care, and social services; environmental sustainability and climate resilience; and social cohesion and community resilience.

Somalia's financial governance agenda has become more complex and sophisticated as the country moves beyond HIPC. The key focus has evolved from building institutional frameworks and managing fiduciary risk toward enabling broader economic development opportunities. A capable, reliable, and well-governed state remains vital for securing and maintaining the confidence of Somali citizens and businesses, as well as international partners and would-be investors.

The Financial Governance Committee (FGC), a hybrid advisory body between FGS and its international partners, supports long-term state building and economic development in Somalia by providing strategic high-level advice on financial governance to the FGS. Topics encompass a wide range of fiscal issues, as well as the financial sector, with a specific emphasis on government concessions and contracts. The FGC is chaired by the Minister of Finance and comprises senior FGS officials and international representatives.¹ Regular in-person meetings allow for confidential discussions, often based on written analysis and advice. (See Appendix A for full explanation of the role of the FGC.)

The FGC has scaled its strategic engagement over the past year to provide dialogue and advice on a range of policy and institutional matters. Domestic revenue mobilisation, natural resource management, constitutional reform, and major infrastructure projects have all been at the centre of FGC discussions.

Purpose of the Financial Governance Report

The FGC publishes an annual Financial Governance Report (FGR),² which reviews progress in areas covered by the FGC, typically during the previous year. The purpose is to provide outreach to a broader audience beyond the FGS counterparts who would engage directly with the FGC. This audience includes Somali citizens, parliamentarians, and the international community.

Since the work of the FGC is largely confidential, the FGR is an important annual vehicle for communicating publicly about the scope of FGC activities and about Somalia's financial governance achievements, challenges, and future priorities. It does not attempt to provide a comprehensive

review of all economic and financial governance topics. Its focus is limited to those topics where the FGC has provided some engagement through discussion, analysis, or advice.³

Since 2020, the FGR has included a 'spotlight' chapter that goes into greater depth on a specific financial governance topic of concern to the FGC.⁴ The purpose is to review achievements over a multi-year period, to analyse the lessons relevant for future policies or reforms, to identify any persistent barriers to progress, and to make recommendations on potential future priorities. This year, the FGR spotlight focuses on natural resource revenue sharing.

Organisation of the report

Following this introductory chapter (Chapter 1), the remaining parts of the FGR 2024 are organised as follows:

- Chapter 2 reviews developments and progress in principal areas of focus by the FGC during 2024. After setting the strategic context, it discusses domestic revenue mobilisation, constitutional reform (specifically the fiscal aspects), financial sector development, natural resource management, and public sector contracting.
- Chapter 3 provides a 'deep dive' on natural resource revenue sharing, with a focus on the petroleum sector. It surveys international experience with intergovernmental revenue-sharing arrangements and identifies lessons. It then analyses the current framework for petroleum revenue sharing in Somalia and makes a comparison with international practices.
- Chapter 4 outlines the financial governance themes and recommended actions that will be priorities for engagement and discussion by the FGC in 2025.

¹ In addition to the Minister of Finance, the membership includes the Governor of the Central Bank of Somalia, the Chief Economic Adviser to the President, the Senior Economic Adviser to the Prime Minister, and the President of the Somalia Development and Reconstruction Bank. The international members are representatives of the African Development Bank, the International Monetary Fund, the World Bank, and a grouping of bilateral development partners, including the European Commission.

² See <https://mof.gov.so/publications/financial-governance-reports>.

³ The 2023 FGR was an exception. It marked the Completion Point for HIPC debt relief by providing a longer retrospective review of financial governance achievements in Somalia since 2013.

⁴ Spotlight chapters in previous FGRs have covered FGS procurement and concessions (2020), improving sector alignment with financial governance reforms (2021), financial governance risks during the political transition (2022), and a review of the past decade of central bank and financial sector reforms (2023).



II. Financial Governance Developments in 2024

Strategic context

After a decade of reforms to strengthen economic and financial governance, Somalia achieved HIPC debt relief at the end of 2023. Debt relief has since empowered the government to increase its strategic ambition, with objectives to boost growth and economic development and to remodel investment relationships with international partners.

The long-term objective of Somalia's Centennial Vision 2060 is to "transform Somalia into a middle-income country with a capable state" by 2060.⁵ In the medium term, the five-year NTP (2025–29)

provides a framework to guide Somalia towards economic stability, sustainable development, and long-term prosperity.⁶

Ambitious national development priorities raise expectations about the role of the state. Yet state affordability remains a major challenge. Somalia has one of the lowest ratios of domestic revenue to gross domestic product (GDP) in the world,⁷ and more than half of the FGS budget is funded by official development assistance. Further reforms are needed to increase domestic revenues and to achieve the conditions for economic development, state resilience, and poverty reduction.⁸

⁵ National Economic Council. 2023. "Centennial Vision 2060 and Presidential Initiatives."

⁶ FGS, Ministry of Planning. "Somalia Kicks-off National Transformation Plan for 2025-2029."

⁷ World Bank. 2024. *Toward Building Somalia's Social Contract: State Affordability, Revenue Mobilization, and Service Delivery in a Nascent Federal State*. Washington, DC: World Bank.

⁸ IMF. 2024. "Somalia: 2024 Article IV Consultation and Second Review Under the Extended Credit Facility—Press Release; Staff Report; and Statement by the Executive Director for Somalia." Washington, DC: IMF.

Strong financial governance will be a critical ingredient in future progress.⁹ Somali citizens, prospective investors, and international partners have a common interest in seeing the state improve its fiscal position and manage public resources effectively. Reforms should provide the foundations for increased state capacity and legitimacy, both of which are needed to mobilise and sustain additional government revenue. Reforms should also build investor confidence and transform the enabling environment for investment and growth.

The 2023 FGR set out an agenda for post-HIPC financial governance. It proposed actions to complete and sustain reforms pursued over the last decade, coupled with work to build new

capabilities to anticipate and manage future opportunities and risks. The envisaged FGS agenda centres on three broad objectives:

- Scale up government financial resources.
- Manage the future affordability of the state.
- Achieve value for money from state resources.

The strategic context shaped FGC analysis and discussions in 2024. Major areas of focus were domestic revenue mobilisation, constitutional reform (specifically the fiscal aspects), financial sector development, natural resource management, and public sector contracts. The FGC provided written advice and gave presentations on multiple financial governance issues and concession contracts (Box 1).

BOX 1 FGC formal advice to the FGS in 2024

The FGC held five formal meetings in 2024. Between meetings, ad hoc dialogue and advice continued among FGC members.

FGC members prepared nine Advisory Notes for review and discussion:

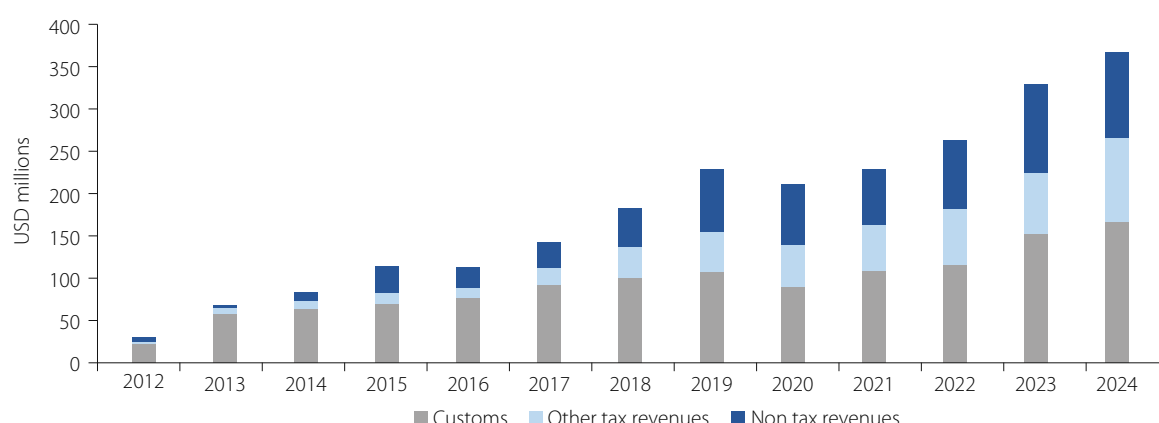
- 001/2024: Rental income tax concession – comments on draft contract
- 002/2024: Contract management for concessions and PPP agreements
- 003/2024: Somalia's air navigation fee regime – recommendations for changing charging methodology
- 004/2024: Applicability of Procurement Act requirements to direct award of Production Sharing Agreements in the Petroleum Sector
- 005/2024: Establishing a Steering Committee for the Mogadishu Port development project
- 006/2024: Revising the Fiscal Chapter of the Constitution – issues for consideration
- 007/2024: Review of Product Conformity Assessment Tender
- 008/2024: FGR Concept and Draft Outline
- 009/2024: Somali Reconstruction and Development Bank – Property Policy Guidance

The FGC considered three presentations:

- Natural Resource Revenue Sharing: International practice and Somalia's Baidoa Agreement
- Natural Resource Revenue Sharing: Considering alternative approaches to the Baidoa Agreement
- New Mogadishu Maritime Port

Source: Minutes of FGC meetings.

⁹ FGS, 2023. *Somalia Financial Governance Report 2023: Harnessing Financial Governance for Economic Development and State Building*. Mogadishu, Somalia: Ministry of Finance.

Figure 1: FGS domestic revenues, 2012–24, US\$ millions

Source: MoF

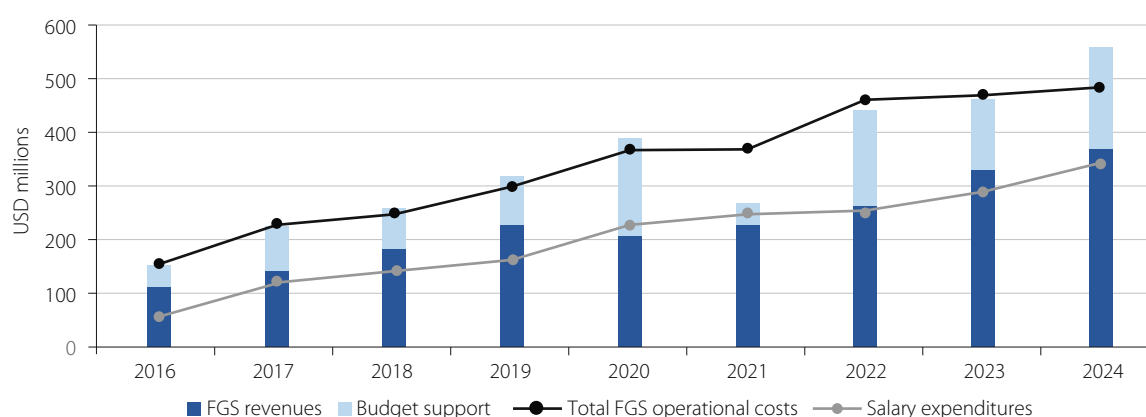
Domestic revenue mobilisation

Improved domestic revenue mobilisation is one of the FGS's highest stated priorities. Revenue raised by the FGS in 2024 totalled US\$369 million. This represented a 12 percent increase compared to 2023 (Figure 1), albeit with an unchanged revenue-to-GDP ratio of 3 percent.

Most of the revenue increase was driven by improved collection of income taxes and sales taxes. In January 2024, the FGS outsourced the collection of rental income taxes on public properties in Mogadishu to a private sector contractor. The third party established a database on rental properties and improved collection efficiency, leading to a sixfold increase in revenue from rental income in 2024. The FGS also expanded the number of private firms paying corporate

income tax and remitting personal income on behalf of employees. In September 2024, the FGS widened the sales tax base by working with firms in the telecommunications sector to introduce a digital mechanism to collect sales tax from businesses using merchant accounts. The benefits of this reform were seen in the fourth quarter of 2024. The FGS also expanded sales tax collection to utilities companies, notably the providers of electricity and water.

Domestic revenues of US\$369 million were sufficient to pay for FGS salaries in 2024; however, they were insufficient to cover total FGS operating expenses, which amounted to US\$485 million (Figure 2; Table 1). Despite revenue progress in 2024, expenditure pressures grew in tandem and the gap between domestic revenues and total operating expenses was US\$116 million.

Figure 2: FGS domestic revenues, salary expenditures, and total operational costs, 2016–24, US\$ millions

Source: MoF

TABLE 1 FGS domestic revenues, salaries, and total operational costs, 2016–24, US\$ millions

	2016	2017	2018	2019	2020	2021	2022	2023	2024
FGS revenues	112.7	142.6	183.4	229.7	211.2	229.6	262.7	329.5	369.4
Salaries	55.1	124.6	142.4	162.4	227.0	250.1	257.9	290.1	341.6
Total operational costs	159.6	227.9	249.5	298.4	366.6	369.0	456.5	468.2	485.0
Revenue gap	-46.9	-85.3	-66.1	-68.7	-155.4	-139.4	-193.8	-138.7	-115.6

Source: MoF.

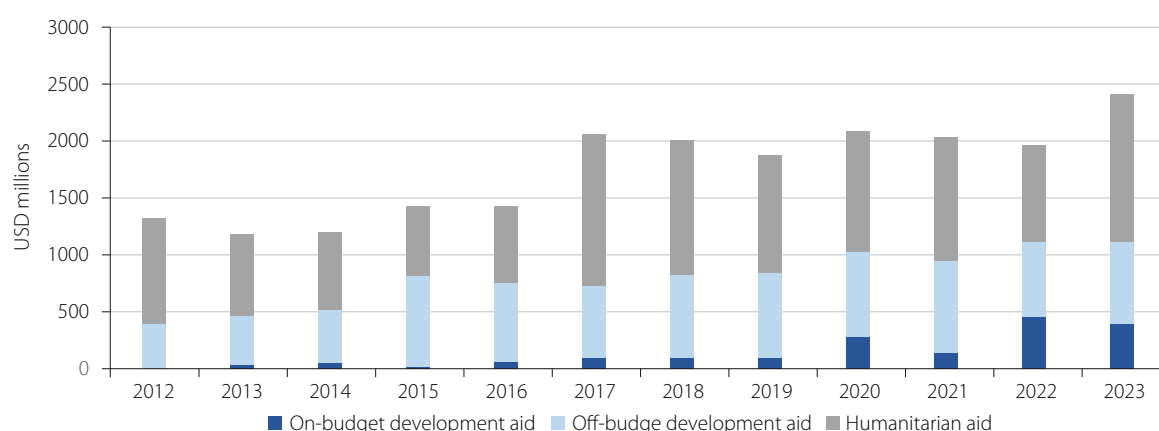
The security sector remains a significant driver of FGS spending. Security sector salaries accounted for 48 percent of total salary expenditures, while total security sector costs accounted for 64 percent of FGS domestic revenues. Even with these substantial existing allocations, the total security sector expenditure needs remain significantly greater than the provisions in the FGS budget.¹⁰

Budget support from international donors continues to bridge the gap between the revenue collection and operational expenditure of the FGS. Budget support totalled US\$186 million in 2024. The World Bank was by far the largest provider of budget support, complemented by the European Commission, Türkiye, the United Arab Emirates, and the OPEC Fund for International Development.

Total donor aid to Somalia was US\$2.43 billion in 2023, of which just under one fifth was disbursed through the FGS budget. Humanitarian funding accounted for over 50 percent of the total

(Figure 3). The FGS continues to make the case for a greater share of development assistance to be disbursed through government systems. Total donor disbursements to the FGS, including project support, amounted to US\$543 million in 2024 (Figure 4). On-budget donor aid has increased significantly since 2020, largely through increased funding from the World Bank and the African Development Bank, following clearance of their payment arrears under the HIPC initiative.

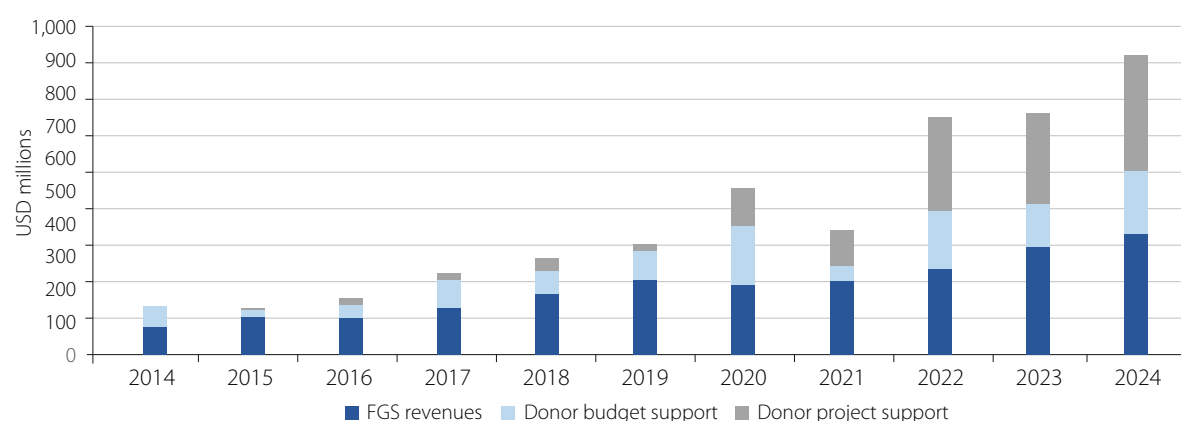
All international donor support to the FGS in 2024 was provided in the form of grant financing. Although the FGS has achieved HIPC debt relief and is eligible to resume international borrowing on highly concessional terms, its debt servicing capacity is greatly constrained by low domestic revenue mobilisation. In December 2024, it was agreed in principle that the FGS would continue to be eligible to receive World Bank funding on grant terms for a further three years, in line with provisions under the IDA21 grant allocation framework.¹¹

Figure 3: Donor aid by type, 2012–23, US\$ millions

Source: MoF, MOPIED and OECD-DAC

¹⁰ Federal Government of Somalia. 2023. "Security Sector Development Plan—Chapeau Paper." Prepared for the Somalia Security Conference, New York, December 2023.

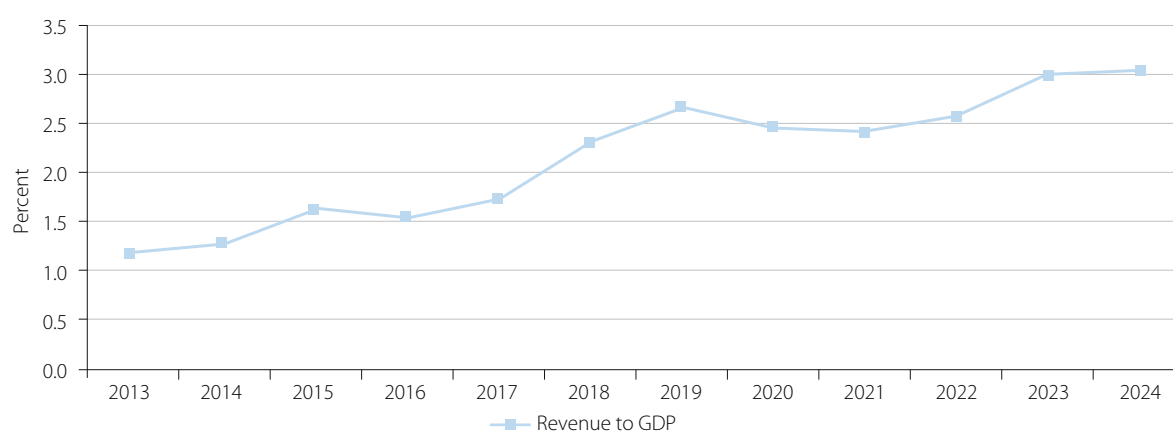
¹¹ International Development Association. 2025. "Additions to IDA Resources: Twenty First Replenishment. Ending Poverty on a Livable Planet: Delivering Impact with Urgency and Ambition." February 20th. See paragraph 78(b).

Figure 4: FGS domestic revenues and on-budget donor aid, 2014–24, US\$ millions

Source: MoF

Despite the FGS's revenue mobilisation achievements in 2024, the revenue-to-GDP ratio remained unchanged, at its 2023 level of 3.0 percent of GDP (Figure 5; Table 2). This stasis demonstrates the scale and complexity of the task of transforming the finances and capabilities of the Somali state. The FGS will not be able to stabilise its finances and expand public sector service delivery unless revenue gains consistently outperform GDP growth. Assuming that domestic revenues were to reach 4.5 percent of GDP by 2030 (with GDP of US\$18.6 billion and revenue of US\$838 million), it is estimated that Somalia would be able to provide free primary and secondary education and basic health services to 25 percent of the population.¹² For these services to reach 50 percent of the population by 2030, domestic revenues would need to reach 9 percent of GDP.

Somalia's Ministry of Finance (MoF) developed a Medium-Term Revenue Roadmap (MTRR) in 2024, which sets out the FGS's revenue mobilisation strategy for 2025–27.¹³ The core target is for the FGS to be able to cover all operating expenses from domestic revenues by 2027. The MoF intends to increase domestic revenues by 0.3 percent of GDP each year so that they amount to US\$602 million by 2027, equivalent to 4 percent of GDP. The MTRR identifies a range of tax policy and revenue administration reforms to expand the tax base, create an efficient tax administration, and enhance taxpayer compliance. It targets more revenues from income tax, sales tax, and road tax and aims to continue modernising customs administration.

Figure 5: FGS domestic revenues to GDP

Source: MoF

¹² World Bank. 2024. *Toward Building Somalia's Social Contract: State Affordability, Revenue Mobilization, and Service Delivery in a Nascent Federal State*. Washington, DC: World Bank.

¹³ FGS, MoF. 2024. "Somali Medium Term Revenue Road Map 2024–27."

TABLE 2 Domestic revenues to GDP

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
GDP (US\$ billions)	5.836	6.537	6.985	7.391	8.252	7.873	8.655	8.628	9.484	10.203	10.969	12.111
Revenue to GDP	1.2%	1.3%	1.6%	1.5%	1.7%	2.3%	2.7%	2.4%	2.4%	2.6%	3.0%	3.0%

Source: MoF, Somalia National Bureau of Statistics, IMF.

Customs duties remained the largest source of FGS revenue in 2024. Similarly, revenue gains from customs modernisation reforms constitute the single biggest driver of the revenue increases anticipated in the MTRR by 2027. The objective is that, by 2027, customs duties at all ports of entry will be assessed based on a common goods valuation and subject to a common *ad valorem* duty rate based on the East African Community external tariff. According to a customs modelling exercise conducted by the MoF, with support from the International Monetary Fund (IMF), the implementation of an *ad valorem* duty rate has the potential to increase customs revenue from 1.2 percent of GDP in 2023 to 3.5 percent of GDP in 2027. If the revenue loss arising from the elimination of import duties on imports originating from within the East African Community is accounted for, the implementation of *ad valorem* tariffs will result in customs revenue of 3.4 percent of GDP in 2027.

To achieve this objective, the FGS will need to make continued progress in customs harmonisation with the Federal Member States (FMS). At a

technical level, the building blocks for customs modernisation reform are already in place.¹⁵ However, further work is needed to implement the institutional arrangements for fiscal federalism envisaged by the National Consultative Council (NCC). FMS participation is incomplete, due in large part to strained political relations between the FGS and FMS. Puntland suspended co-operation with the FGS in 2023 and has not adopted any of the reforms. Jubaland has adopted some of the reforms¹⁶ but suspended co-operation with the FGS in November 2024. The completion of customs modernisation and realisation of the revenue and fiscal targets set out in the MTRR will only be possible if political relations between the FGS and Jubaland and Puntland are restored, alongside further technical discussions. Agreement is required among all parties to apply common *ad valorem* tariffs based on the invoice value of goods.

During 2024, the FGC provided specific policy advice on two revenue streams subject to third-party collection: rental income tax and air navigation fees.



¹⁴ IMF. 2024. "Assessing revenue implications from customs duty reforms – Somalia." Washington, DC: IMF.

¹⁵ The FGS has updated its classification of goods to align with international standards and introduced value-based customs tariffs based on the duty rates applicable in the East African Community. It has also eliminated manual customs procedures by implementing an automated customs administration system (SOMCAS). However, the amount of tax paid on imports remains low because the reference values used to calculate the amount of revenue owed by the importer are far lower than the actual value of the imports.

¹⁶ Jubaland has adopted the value-based customs tariff and installed SOMCAS, but it has not harmonised all its reference values due to concerns over the impact of revenue increases on traders in Kismayo.

The FGC reviewed the final draft of the FGS's concession contract for third-party collection of rental income tax. The contract was solicited on a sole-source basis on account of the specialised prior experience held by the contractor. The FGC therefore recommended several adjustments to the proposed contract terms to ensure that FGS protected its interests and could maximise the revenue potential from the concession. Many of these recommendations were incorporated in the final signed contract.

At the request of the Minister of Transport, the FGC reviewed the basis for the FGS's air navigation fee regime and provided technical advice to the Somalia Civil Aviation Authority. FGC analysis identified that the FGS could increase quite substantially the revenues it receives from air navigation fees by aligning the charging regime with good international practice. The FGC has offered to provide technical support for the development of a capital investment plan for the aviation authority that would upgrade its capabilities and support the rationale for increasing air navigation fees.

Constitutional reform and the fiscal chapter

The FGS is currently undertaking a chapter-by-chapter review of the 2012 Provisional Constitution. This constitutional review process is an opportunity to strengthen the links between the Constitution's fiscal provisions and existing primary legislation, while also filling in gaps and resolving contradictions.

The fiscal provisions of the 2012 Constitution are limited in scope. They do not provide a comprehensive statement on the principles underpinning the use of public resources, nor do they establish the basic rules and processes governing their management. Since 2012, the FGS has invested considerable time in developing its primary legislation for financial governance. In so doing, it has developed some of the key fiscal principles and procedures left unaddressed by the 2012 Constitution. It has created a framework for the management of public resources at the federal level. In some cases, it has also established principles and procedures for their management at the subnational level.

Key pieces of financial governance legislation that have been enacted since 2012 include:

- 2016 Procurement and Concessions Act, as amended in 2020
- 2019 Public Financial Management Act
- 2019 Revenue Administration Act
- 2020 Customs Act Amendments
- 2020 Statistics Act
- 2023 Extractives Industries Income Tax Act
- 2023 Audit Act.

These laws have established several important principles for the management of public finances, including:

- *Budget integrity*: All FGS revenues must be paid into the Treasury Single Account, and all expenditures must be appropriated by Parliament.
- *Borrowing control*: Only the Minister of Finance may authorise borrowing on behalf of the FGS, and only with parliamentary approval. The FMS are not legally permitted to borrow externally.
- *Value for money*: Competition is established as the preferred method for awarding government contracts.
- *Expenditure accountability*: The FGS must submit audited accounts of all government expenditure to Parliament on an annual basis.

Audit procedures have been modernised, and the Office of the Auditor General's independence from the executive has been strengthened.

Revenue procedures between the FGS and FMS have been harmonised through the identification of revenues that are regulated by Federal Law. These include customs duties, excise duties, sales tax, income tax, stamp duties, royalties, and inheritance tax.

While the public financial management (PFM) legislation is solid, it is not comprehensive. For example, issues relating to revenue allocation and revenue sharing between the FGS and FMS are not addressed across the body of PFM legislation. Instead, the FGS and FMS have reached various specific policy agreements on fiscal federalism.



Technical agreements on revenue and expenditure management. Agreements were reached at the MoF level through regular meetings of finance ministers and officials within the framework of the Intergovernmental Finance Ministers Forum. The earliest agreement was on harmonisation of duty rates on khat, cigarettes, and tobacco. This was followed by agreements in principle to harmonise revenue laws and administration, and to adopt value-based customs tariffs. The FMS adopted the same system of budget classification as the FGS and started providing the FGS with monthly expenditure reports to enable the consolidation of fiscal data. Agreement was reached on the vertical distribution of donor budget support between the FGS and FMS.

Policy agreements on natural resource revenue sharing. In 2018, the President of the FGS and the Presidents of the FMS reached specific agreements on revenue sharing for fisheries and petroleum. The petroleum revenue-sharing agreement (known as the Baidoa Agreement) has since been written into law through the 2020 Petroleum Act. It provides detailed percentage revenue shares for all forms of petroleum revenue and states that a Natural Resources Council, composed of executive leaders at federal and state level, shall discuss natural resource issues for agreement.

Policy agreements on the allocation of powers. In 2022, the NCC, comprising the Presidents of the FGS and FMS (excluding Puntland, which declined

to sign the agreement), reached agreement in principle on the allocation of powers between the FGS, FMS, and local governments.

Policy agreements on revenue assignment and resource sharing. In March 2023, the NCC (again excluding Puntland) reached a preliminary agreement on revenue assignment and on the proposed establishment of an Independent Revenue Authority to manage revenue collection throughout the country. It also stipulated that three federal revenue sources should be subject to revenue sharing between the FGS and FMS: customs duties, natural resource revenues, and external aid. It proposed the establishment of an Independent Revenue Allocation and Distribution Committee, responsible for setting a revenue-sharing formula for shared revenues every five years and monitoring its implementation.

These agreements have filled some of the gaps in current legislation. Some conflicting undertakings on petroleum revenue sharing still need to be resolved. The revised Constitution should stipulate whether separate arrangements for natural resource revenue sharing continue, or whether they are pooled with other sources of revenue. There is also an opportunity to review the terms for petroleum revenue sharing among the FMS. The 2018 Baidoa Agreement contains some provisions on petroleum revenue sharing that diverge from recommended practice (Chapter 3).

The constitutional review process commenced in March 2024, when the Federal Parliament approved a set of amendments to the first four chapters of the Constitution.¹⁷ These amendments made significant adjustments to the electoral system in Somalia, introducing universal suffrage and creating a multiparty political system.¹⁸ The amendments also have fiscal implications, as they adjust Article 44 of the Constitution, which deals with natural resources. The FGC provided the FGS with written advice highlighting issues for consideration when revising the fiscal chapter and associated fiscal provisions in other chapters (Box 2).

¹⁷ Halqabsi News. 2024. "Somali Parliament Approves Constitutional Amendments" (March 30).

¹⁸ Global State of Democracy Initiative. 2024. "Somalia - March 2024."

BOX 2

Issues for consideration when revising the fiscal chapter of the Constitution

a. Vertical consistency between the Constitution and primary legislation

The constitutional review process provides an opportunity to state the principles underpinning the use of public resources at the constitutional level and to ensure that the principle of equity is properly reflected and defined. It also offers a chance to elevate some of the key parameters of PFM that are already established in primary legislation. Examples include:

- All revenues must be paid into the Treasury Single Account.
- All expenditures must be appropriated by Parliament.
- Only the Minister of Finance has the authority to borrow externally, with the approval of Parliament.

The constitutional revision should also be used to ensure consistent application of the PFM framework to the FMS across all dimensions and to establish provisions on revenue allocation and revenue sharing, issues which are not yet fully addressed in primary legislation.

b. Horizontal consistency between the fiscal chapter and other chapters with fiscal provisions

It is important to ensure horizontal consistency between the revised fiscal chapter of the Constitution and other chapters that include fiscal provisions. The revisions approved to Chapters 1-4 of the Constitution in March 2024 are an example of why this is important. The new Article 44(3) states that:

The committee in charge of allocation and acceleration of revenue collection will ensure that the income from natural resources is fairly shared by the Federal Government, Federal Member States and Local Governments of the Republic.

However, Article 44(3) lacks clarity on three issues. It does not define what it means by 'fairly.' It does not indicate whether natural resource revenues will be shared separately from other revenues or combined with them. It does not provide any details on the role and composition of the committee in charge of allocating and accelerating revenue collection. The fiscal chapter will have to clarify these three issues and state the applicability of its provisions to Article 44. Otherwise, there is a considerable risk of conflicting interpretations on how petroleum revenues should be shared.

c. Level of detail to be included on new fiscal institutions

Drafters have long debated what issues to include in a constitution and at what level of detail. There is no single 'right way' of determining how much detail to include in a constitution. However, given Somalia's fiscal and institutional constraints, it may be appropriate to leave decisions on the timing and size of new fiscal institutions proposed by the NCC to primary legislation.

Source: FGC. 2024. "Revising the Fiscal Chapter of the Constitution – issues for consideration." Advisory Note 006/2024.

Financial sector development

The Central Bank of Somalia (CBS) has maintained momentum in financial sector reforms. All commercial banks operating in Somalia are regulated by the CBS, which has issued licenses to 13 Somali-registered commercial banks and one foreign-owned bank. The license to the second foreign bank is expected to be issued

in the second quarter of 2025. At the end of December 2024, Somali commercial banks held overall deposits totalling US\$1.6 billion and loan portfolios amounting to US\$657 million. The CBS also regulates all money transfer bureaus (MTBs) operating in Somalia. Many MTBs are closely linked to licensed commercial banks.¹⁹ The CBS has issued licenses to 15 MTBs. Total inward transfers to MTBs amounted to US\$2.4 billion in the

¹⁹ Eight of the 13 licenced Somali commercial banks have connections to licensed MTBs.

fourth quarter of 2024. All banks and MTBs were subject to regular monitoring and supervision. In 2024, the CBS enhanced its oversight of financial institutions by conducting 26 onsite inspections. Those encompassed eight banks, six MTBs, and 12 mobile money operators (MMOs), including mobile wallets provided by banks.²⁰ This initiative underscores the commitment by the CBS to regular monitoring and supervision of all banks and other financial institutions.

The CBS is working to strengthen its supervisory capacity to ensure the stability and integrity of the financial system. It conducts offsite surveillance of all financial institutions on a quarterly basis and continues to expand its regulation of MMOs, most of which have close connections to licensed commercial banks.²¹ The CBS has issued licenses to five MMOs, which represent over 90 percent of the mobile money market in Somalia. The total value of reported mobile money transactions was US\$12.7 billion in the fourth quarter of 2024. In December 2024, the CBS revoked one provider's licence in 2024 after the National Communications Authority (NCA) suspended its telecommunications licence. The CBS licence was reinstated to the service provider after its telecommunications licence was restored by the NCA in January 2025.

Other types of financial sector institutions remain outside the regulatory reach of CBS. These include foreign exchange bureaus, asset financing companies, microfinance providers, and insurance companies. In 2024, the CBS submitted three laws to Parliament: revisions to the Financial Institutions Law, a new Insurance Law, and a National Payment System Law. Once these laws have been passed, the CBS will be able to extend its regulatory coverage to all financial sector institutions.

The CBS continues to implement improvements to Somalia's national payment system architecture. The National Payment System (NPS) is an interoperable system that connects all commercial banks in Somalia and allows them to transact with each other electronically through a clearing and settlement system managed by the CBS.²² Since its launch in July 2021, 3.7 million transactions have been cleared and settled through the NPS, with a total value of over US\$5.4 billion (Figure 6). In 2024, the CBS finalised the development of the Somalia Instant Payment System (SIPS).²³ The SIPS provides participating banks with a payment switch, allowing inter-bank transactions to be cleared and settled instantly. Seven commercial banks currently participate in the SIPS. Over time, the CBS aims to extend its coverage to MMOs who can join through their affiliated commercial banks.

Figure 6: Transactions through the national payment system, July 2021–December 2024



Source: CBS

²⁰ This number includes mobile wallets as some banks provide mobile wallets to customers without bank accounts. Some MMOs have been examined twice within 2024, due to CBS's risk-based approach to oversight.

²¹ Examples include Hormuud Telecom/Salaam Somali Bank; Somtel (e-Dahab)/Dahabshil Bank; Somlink(e-Besa)/IBS Bank.

²² In more technical terms, the NPS integrates automated clearing house, real-time gross settlement, and instant funds transfer functionality into a single platform, with links between the CBS and commercial banks.

²³ Goobjoog English. 2025. "Somalia Launches Instant Payment System to Ease Money Transfer Among Banks and Mobile Networks" (January 22).

The CBS is taking steps to strengthen electronic Know Your Customer (e-KYC) processes, which are central to FGS efforts to combat money laundering and terrorism financing and to Somalia's progressive integration with the international banking system. The CBS Board approved a new e-KYC regulation in 2024²⁴ and signed a Memorandum of Understanding with the National Identification and Registration Authority (NIRA).²⁵ NIRA will provide the CBS and commercial banks with a secure platform to verify individuals who hold National Identification (ID) Documents, strengthening e-KYC procedures. NIRA launched the National ID in 2023,²⁶ and registration and rollout are ongoing.²⁷

In November 2024, the CBS Board approved the CBS Strategic Plan for 2025–29. The plan establishes currency reform as the CBS's top priority for the next five years, alongside ongoing efforts to sustain and deepen financial sector efficiency and inclusion. By reintroducing the Somali shilling, the CBS aims to support poorer Somali citizens who have been excluded from the dollarized economy by granting them access to a secure local currency. The CBS Strategic Plan sets out key steps to ensure the successful reintroduction of the Somali shilling, including actions to strengthen the CBS's capacity to conduct monetary policy and its reserve management capabilities. The CBS is preparing amendments to the CBS Act to enable it to operate a currency board to ensure the credibility of the new currency. It also joined the World Bank's Reserve Advisory and Management Partnership (RAMP) in 2024.²⁸ RAMP assists central banks and other public asset managers in building a governance and risk management framework for reserve management.²⁹

The FGS is also taking steps to revitalise the Somali Development and Reconstruction Bank (SDRB). The SDRB was initially established in 1968 to provide financial assistance to productive enterprises in various sectors of the Somali economy. Its legal framework was updated in 2014, but the SDRB remained largely inactive. The FGS has now appointed new SDRB leadership,³⁰ which is modernising the bank's governance framework and seeking to attract capital to resume lending activities. The SDRB has a large property portfolio comprising land and assets used by state-owned enterprises prior to 1991. Effective management of this portfolio could also generate income for SDRB operations. In 2024, the FGC provided the SDRB with written guidance on adopting property management practices that reflect international good practice and comply with Somali legal requirements. This guidance identified the need for the FGS to clarify the legal provisions for the sale of public property and to establish regulations for the effective oversight of state-owned enterprises.

Natural resource management

Natural resources have considerable potential to contribute to economic and fiscal transformation in Somalia. The country has the longest coastline in Africa, and its fisheries resources are extensive, productive, and diverse.³¹ The fisheries sector offers a sustainable livelihood to many Somalis, as well as considerable potential for processing and value-addition. Somalia's offshore petroleum prospects, though unexplored, are considered promising.³² Nonetheless, it is well documented that natural resource endowments have a propensity to trigger conflict in fragile states when poorly managed.³³ The FGC monitored developments in the fisheries and petroleum sectors closely in 2024 and provided advice to the FGS on how to manage them soundly and transparently.

²⁴ Facility for Talo and Leadership. 2024. "Board of Central Bank of Somalia Approves eKYC Regulation" (November 25).

²⁵ NIRA. 2024. "NIRA and Central Bank of Somalia Sign MoU to Strengthen Financial Services through National ID Integration" (October 17).

²⁶ Alex Perala. 2023. "National ID Returns to Somalia, Backed By Biometrics – Identity News Digest" September 18.

²⁷ FGS, Ministry of Interior, Federal Affairs & Reconciliation. n.d. "Somalia NIRA Launches National ID Printing Process."

²⁸ World Bank Reserve Advisory & Management Partnership (RAMP).

²⁹ Ibid.

³⁰ Facility for Talo and Leadership. 2024. "Cabinet Approves Appointment of a New Chairperson and Executive Director of the Somali Development and Reconstruction Bank" March 7.

³¹ IDA. 2024. Somali Sustainable Fisheries Development Project (P178032), Project Appraisal Document. Washington, DC: World Bank.

³² J. Pantano, E. Casey, and K. Schofield. 2023. "The Petroleum System of Offshore Somalia: A Potential Mega-Province." European Association of Geoscientists and Engineers: 2023: pp. 1–5 (June), Earthdoc Online Geoscience Database.

³³ Bauer, Andrew, Uyanga Gankhuyag, Sofi Halling, David Manley, and Varsha Venugopal. 2016. Natural Resources Revenue Sharing. New York, NY: Natural Resource Governance Institute.

Petroleum sector

The FGS took some clear steps to improve petroleum sector governance during 2024. A set of four structural benchmarks for the sector was agreed between the FGS and the IMF as part of the ongoing Enhanced Credit Facility programme.³⁴ Most notably, in December 2024, the Minister of Finance and the Minister of Petroleum and Mineral Resources signed a regulation confirming that all production sharing agreements (PSAs) must be subject to review by the Inter-Ministerial Concessions Committee (IMCC),³⁵ irrespective of whether they are competitively or directly awarded.³⁶ The regulation further stipulates that, in the event of direct negotiations, the IMCC shall receive evidence that the contracting entity meets minimum technical and financial qualifications. In addition, the Ministry of Petroleum and Mineral Resources (MPMR) is developing regulations to the Petroleum Act that will provide for publication of a summary of PSA terms.

The FGS committed not to sign any new PSAs until the legal framework for the petroleum sector is complete. This commitment does not apply to future PSAs that may be signed with Türkiye under the auspices of the February 2024 defence and economic cooperation agreement. However, the FGS has agreed that all new PSAs with Türkiye will be subject to a restricted IMCC review.³⁷

The FGS signed nine new petroleum PSAs with three different entities in 2024, bringing the total number of PSA awards in the sector to 16 (Table 3).³⁸ All awards in 2024 were made on a sole-source basis. Negotiation of fiscal terms was not guided by competitive price benchmarks, as the FGS has not yet conducted a competitive licensing round. However, in a step forward for transparency and due process, three of the PSA awards were reviewed and approved by the IMCC prior to signature. Of the other PSAs signed in 2024, three were put on hold pending their submission to the IMCC for review, and three were governed by the cooperation agreement with Türkiye.

TABLE 3 Summary of petroleum contract awards

Date signed	Contractual counterparty	Number of PSAs/ blocks)	Geographical location	Status
October 2022 (ratified by incoming government, based on February 2022 awards)	Coastline Exploration	7 PSAs (for 8 blocks)	Offshore	Signed without IMCC review and approval. Reviewed ex post by the FGC. Exploration not yet commenced.
March 2024	Petro-Quest Africa (affiliated with Liberty Petroleum)	3 PSAs	Offshore	Signed without IMCC review and approval. On hold (by prime ministerial Decree) pending submission to the IMCC.
July 2024	Turkish Petroleum Corporation	3 PSAs	Offshore	Signed under the umbrella of the Somalia-Türkiye defence and economic cooperation agreement.
August 2024	GulfSom Energy (apparently affiliated with Gulf Petroleum)	3 PSAs	Onshore	Reviewed and approved by IMCC prior to signature. Reviewed ex post by the FGC (in early 2025). Exploration not yet commenced.

Source: FGC.

³⁴ International Monetary Fund (IMF). 2024. "Somalia: 2024 Article IV Consultation and Second Review Under the Extended Credit Facility – Press Release; Staff Report; and Statement by the Executive Director for Somalia." Washington, DC: IMF.

³⁵ The IMCC approved a Model PSA in November 2021, which is intended to provide the basis for petroleum contracting.

³⁶ FGS, Ministry of Finance. 2024. "Harmonized Interpretation of Petroleum Law and Public Procurement, Concessions and Disposal Act Provisions Relating to the Award of Oil and Gas Contracts" (December 28).

³⁷ International Monetary Fund (IMF). 2024. "Somalia: 2024 Article IV Consultation and Second Review Under the Extended Credit Facility – Press Release; Staff Report; and Statement by the Executive Director for Somalia." Washington, DC: IMF.

³⁸ The FGS signed seven PSAs with Coastline Exploration LLC in February 2022. These agreements became effective in October 2022.

In February 2024, the FGS signed a defence and economic cooperation agreement with the Government of Türkiye,³⁹ which was then approved by the Federal Parliament. This was followed by an agreement on an energy protocol,⁴⁰ which included elements associated with the exploration and development of offshore oil and natural gas. In July 2024, the FGS announced that, pursuant to this agreement, it had signed three offshore PSAs with Türkiye,⁴¹ represented by the Turkish Petroleum Corporation (TPAO). TPAO has subsequently commenced seismic exploration in the three blocks.

In March 2024, the FGS signed three offshore PSAs with Petro-Quest Africa, an affiliate of Liberty Petroleum.⁴² The PSAs were not reviewed or approved by the IMCC prior to signature. The Prime Minister subsequently put the agreements on hold until such a time as they are brought into compliance with Procurement Act requirements and submitted to the IMCC for review. The Liberty Petroleum PSAs remain on hold.

In August 2024, the FGS signed three onshore PSAs with GulfSom Energy.⁴³ The PSAs were submitted to the IMCC for review and approval prior to signature. The FGC provided preliminary comments on the negotiated draft PSAs to the MoF in advance of the IMCC meeting in August 2024.⁴⁴ The IMCC determined that multiple revisions were required to improve the draft PSAs prior to final signature, and to bring them into closer alignment with the approved 2021 Model PSA. Activation of the authorising role of IMCC, in accordance with the requirements of the Procurement Act, is a notable development in the governance of the petroleum sector. The PSAs are now active, although no signature bonuses have yet been paid.

The FGC, echoing advice by the IMF, has repeatedly expressed concern that awarding PSAs through direct negotiations in the absence of competitive price benchmarks creates fiscal risks. The resulting commercial terms may not offer value for money

to the FGS. Similarly, direct negotiations create additional performance risks if they facilitate awards to firms that lack the financial or technical capacity to conduct petroleum exploration. These risks are exacerbated when direct awards are not subjected to proper scrutiny by the IMCC prior to signature. The FGC has also noted the risks of awarding contracts before the sector legal framework is complete and in the absence of the requisite institutional capacity to manage PSA implementation. The FGC met with the MPMR to discuss these concerns and to understand the differing perspectives.

Performance risks have already materialised in the case of Coastline Exploration, with which the FGS signed seven PSAs (for eight blocks) in October 2022. Coastline has not met some of its payment obligations, and it has not commenced exploration activities. The FGC continued to advise the FGS to protect its interests through expeditious follow-up of Coastline's contractual obligations and through enforcement of the FGS contractual position. The FGS is following up with Coastline.

Actions by the FGS in 2024 to improve governance of the sector are a welcome step forward. The FGS now needs to strengthen institutional capacity in the sector, specifically in the MPMR and the Somalia Petroleum Authority, to ensure that PSAs are managed effectively and to mitigate contractual performance risks. The FGC will continue to provide advice to the FGS on the financial governance of the petroleum sector. Revenue from the sector has the potential to dwarf all other sources of fiscal revenue and, if properly and effectively managed, could transform Somalia's economic development.

Fisheries sector

The FGS resumed tuna licensing in 2024, after a hiatus of two and a half years between November 2021 and May 2024 (Table 4). The resumption was welcome, as FGS failure to licence boats led to unnecessary and unaffordable revenue losses. It also undermined sound fisheries management by

³⁹ Harun Maruf. 2024. "Somalia Approves Defense Agreement with Turkey" (February 21). VOA News.

⁴⁰ Can Sezer. 2024. "Turkey signs energy cooperation deal with Somalia" (March 7). Reuters.

⁴¹ Daily Sabah. 2024. "Türkiye, Somalia sign deal on cooperation in hydrocarbons field" (July 18). Daily Sabah.

⁴² Liberty Petroleum Corporation. 2024. "Liberty Petroleum signs deal with the Somalia government to secure three offshore petroleum blocks" (March 12).

⁴³ GAROWE ONLINE on X: "Qatar and Somalia have signed several oil exploration deals, including one in the Holhol site, Sool region. Last month, Turkey has signed an agreement with FGS that will see it granted exclusive rights to explore and produce hydrocarbons in three offshore blocks in Somalia." See <https://t.co/IT2yvx3OQ9>.

⁴⁴ The three signed final PSAs were subsequently submitted to the FGC in January and February 2025 for an ex post full contract review.

creating opportunities and incentives for other actors to authorise or conduct illegal fishing activities. As in previous years, all licenses were awarded to vessels operating under the China Overseas Fisheries Association. The FGS shared the revenue from the 2024 licences with all FMS, except for Puntland, which has disengaged from intergovernmental fiscal relations with the FGS.

TABLE 4 Tuna licensing, 2018–24

Licence date	Number of vessels	Revenue (US\$)
September 2018	31	1,044,972
November 2019	31	1,685,470
August 2020	10	508,850
December 2020	11	620,958
November 2021	27	1,507,997
May 2024	19	1,039,988
Total	129	6,408,235

Source: Ministry of Fisheries and Blue Economy.

In 2024, the FGC resumed its engagement with the Ministry of Fisheries and Blue Economy on licensing developments in the sector. A productive dialogue with the Minister of Fisheries highlighted efforts to combat illegal fishing and plans to increase fisheries revenue. Proposals include expanding tuna licensing to other fisheries associations, increasing the number of licensed vessels, and introducing a royalty on catch. The FGC will continue to monitor developments in the fisheries sector and to recommend regular and timely issuance of licences.

Public sector contracts

Since reaching the HIPC Completion Point, the MoF has continued to advocate for due process in accordance with the Procurement Act, and the IMCC has started to become more active in its oversight role. These enhancements are needed to strengthen the focus on value for money in FGS contract awards and contract implementation. Preparations are underway to conduct competitive tenders in 2025

for passport production, security sector rations and fuel supply, and development of a new Mogadishu seaport.

Challenges persist with contracts and concessions despite the efforts of the MoF.⁴⁵ A significant gap remains between the Procurement Act requirements and the current practice by FGS institutions. Competitive tendering for contract awards is not deeply embedded in FGS procurement practice. The FGC has noted that most sector institutions appear to view the requirements of the Procurement Act as procedural obligations imposed by the MoF rather than as tools to deliver value for money. They have limited institutional capacity to develop tender documentation or conduct rigorous tender evaluations. Moreover, there continues to be a risk that sector institutions view tender processes as ‘tick box’ exercises rather than a tool to deliver value-for-money for FGS. Their capacity to ensure that contracts are implemented in accordance with contractual requirements is also limited (particularly for complex concession contracts).

The FGC has stressed the need for due process in all awards of contracts and concessions, with the petroleum sector continuing to be a particular area of focus. It has emphasised the importance of timely and well-prepared tender exercises, as well as the need for accuracy and due diligence in bid evaluation processes. Failure to follow these principles exposes the FGS to risks of failed procurements, non-performance by contractors, and poor value for money.

Concessions contract management

The FGC provided the FGS with advice in 2024 on how to strengthen contract management for concessions and public–private partnership (PPP) contracts⁴⁶ (Box 3). The provisions for contract management under Somalia’s legal framework are sufficiently aligned with international good practice. However, contract management practice in Somalia derogates significantly from that required or envisaged by the legal framework.

⁴⁵ The 2023 Financial Governance Report previously set out these challenges as part of a stocktaking on reforms to coincide with HIPC Completion Point.

⁴⁶ The term “PPP” encompasses a wide range of agreements between the public and private sector, which typically involve investment in the development and delivery of public assets and services. The term “concession” has historically been used to describe a form of PPP in which the private party is paid through user fees. However, the two terms are now often used interchangeably.

BOX 3

Actions to strengthen the management of concessions and public–private partnerships

a. Complete and consolidate ongoing PPP reforms

- Complete ongoing reform efforts to amend the Procurement Act to clarify the PPP legal framework.
- Establish and capacitate central PPP institutions. The MoF should establish the Concessions Technical Unit and begin to build capacity to assess contingent liabilities in PPP contracts.
- Ensure that contracts are properly prepared and enforce the requirements of the legal framework to prevent the award of PPP contracts without appropriate appraisal.

b. Begin monitoring PPP contract implementation

- Build awareness of PPP contract management responsibilities and sensitise implementing agencies to their PPP contract management responsibilities, including reporting requirements to the IMCC and MoF.
- Commence regular reporting on active PPP contracts and request implementing agencies to provide data on the status of active contracts.
- Assess fiscal risks in existing PPP and concession agreements to capture a clear picture of the nature and magnitude of the FGS's current stock of fiscal commitments and contingent liabilities in PPP contracts.

Source: FGC. 2024. "Contract management for concessions and PPP agreements." Advisory Note 002/2024.

There are three significant causes of this discrepancy: (i) weak PPP project preparation practices, which result in PPP contracts that do not form a sound basis for contract management; (ii) a lack of awareness of contract management requirements and their importance; and (iii) a lack of institutional capacity to manage PPP contracts effectively.

As a result, the FGS's ability to ensure that fiscal risks are well-understood and managed appropriately, and that PPP contracts deliver for the FGS or end users, is severely limited. As the FGS works to stimulate increased investment following debt relief, it needs stronger capabilities to manage contracts effectively, analyse and manage fiscal risks, provide value for money from public investment, and ensure service delivery to citizens. The FGC advised the FGS to establish a Concessions Technical Unit in the MoF, as specified in the Procurement Act, to develop institutional capacity for tender preparation and contract management. The FGC also advised the FGS on amendments to the concessions/PPP section of the Procurement Act that would be intended to complete and strengthen the legal framework for PPPs.

The Prime Minister issued a Decree in September 2024 enforcing the payment of all FGS revenues into the Treasury Single Account. The MoF took steps to ensure that revenues collected under the concession contracts for visa issuance and passport production are fully compliant. It also took steps to resolve some issues reported with smaller contracts at Mogadishu seaport. Monthly payments, deducted at source from the port fee revenues, made to the operator of a dormant concession contract for the dry port were discontinued. Discussions were initiated to resolve any remaining contractual liability. The Prime Minister's Decree also terminated three contracts for ancillary services at Mogadishu port which had been improperly awarded (for electronic cargo tracking, container cleaning, and import inspection). The FGC provided subsequent advice to the FGS on the need to ensure that these termination notices are legally robust and binding in accordance with the contract terms. The FGS needs to take further steps to resolve issues relating to contracts for import quality assurance and inspection services. The FGC has been engaged in these discussions.

Mogadishu port development and 'New Mogadishu'

The FGS plans to embark on an ambitious integrated infrastructure development project in Mogadishu, comprising a new port, a new airport, and an economic zone—branded jointly as 'New Mogadishu'.⁴⁷ As the overall venture was only launched in late 2024, the FGC has had limited engagement with the proposal so far. Initial high-level advice emphasised the importance of systematic and comprehensive project preparation work, the value of consulting prospective official financing partners from the outset, the requirements for competitive tendering of large-scale infrastructure contracts, and the need to analyse all potential fiscal and financial liabilities thoroughly.

There has been relatively greater FGC engagement with the plans for new port development. Now packaged as a component of 'New Mogadishu', the proposed new port has been a long-standing area of FGC dialogue. The existing port in Mogadishu has significant capacity constraints and is expected to reach its maximum capacity in the next three to five years. Given Somalia's import dependence, failure to plan effectively and proactively for the development of a new port would have significant negative consequences for economic growth and domestic revenue. In 2024, the Mogadishu Port Authority retained consultants to develop a detailed feasibility study for the new port development and to advise on a transition process from the existing port.

The FGC advised the FGS on how best to establish appropriate project governance arrangements to facilitate the development of a new seaport. Specific guidance covered the proposed formation



of a steering committee to provide direction and oversight. A greenfield port project is inherently complex and cannot be developed by the Mogadishu Port Authority alone. It will require the mobilisation of substantial financing for construction, as well as the delivery of connecting infrastructure such as roads and power transmission. A range of FGS stakeholders will need to be involved in project planning and development. The FGC has emphasised the importance of the new port development being developed and tendered in accordance with Procurement Act requirements.

The FGC will continue its engagement with the new port development plans and the broader 'New Mogadishu' development as they proceed during 2025, and it will, where appropriate, provide advice and support to the FGS on financial governance considerations.

⁴⁷ Abdiqani Abdullahi. 2024. "Somalia Unveils the Blueprint for a Modern and Sustainable Mogadishu" (December 21). Somali National News Agency.



III. Spotlight on Approaches to Natural Resource Revenue Sharing

Scope of comparative analysis

Careful and considered utilisation of Somalia's natural resources could yield substantial revenues for economic development and state building. Proceeds from the petroleum sector alone have the potential to dwarf all other sources of fiscal revenue to the state. One or more commercial oil finds could yield the government billions in revenue over 20 to 30 years. This revenue could be transformational to Somalia's development prospects. But, if poorly managed, it could trigger conflict or enable corruption.

Natural resource revenue has been a consistent area of attention for the FGC over the past

decade, given its transformative potential and the inherently high financial governance risks. It is timely to present the topic of natural resource revenue sharing as a 'spotlight' chapter of the FGR owing to a concurrence of three factors. First, the pace of efforts by the FGS to pursue PSAs for the petroleum sector in Somalia accelerated in 2024, and the first discoveries may occur in the next few years. Second, political relations between the FGS and the FMS are unsettled, and natural resources may become an arena for intergovernmental contestation. Third, the ongoing revision of Somalia's Constitution provides an opportunity to revisit existing provisions for intergovernmental natural resource revenue sharing.

Somalia's federal structure means that the FGS and the FMS are legitimately all interested parties in the design of governance arrangements for the distribution of potential natural resource revenues. Petroleum revenue sharing is currently governed by an agreement commonly known as the Baidoa Agreement, signed between the FGS and the FMS in June 2018.

This chapter reviews the Baidoa Agreement in the light of comparative international practices and experience, as documented in the available published literature. Using that literature as the reference point, the chapter explains the advantages and disadvantages of the Baidoa Agreement to inform public understanding on arrangements for natural resource revenue sharing in Somalia and the options and opportunities available to review it.

Petroleum is not the only natural resource sector in Somalia. Fisheries and minerals are also relevant (Box 4). This chapter focuses specifically on petroleum because it has the potential to provide the most significant fiscal revenues and thus serve

as a source of the greatest financial governance risks. The chapter first considers international practice in natural resource revenue sharing and then reviews the implications for existing arrangements in Somalia.

International practice in natural resource revenue sharing

This brief overview of international practice⁴⁸ starts by locating intergovernmental revenue sharing in the wider context natural resource revenue management, before discussing the choice that governments face regarding whether to pool natural resource revenue with all other government revenue or to treat it separately. The section then considers three sets of decisions that are involved in designing a separate revenue-sharing arrangement: the selection of revenues to be shared, the type of allocation regime, and the sharing ratios between and/or across levels of government. It concludes by reviewing the allocation outcomes under different sharing regimes and by summarising the common features of well-functioning arrangements.

BOX 4

Intergovernmental arrangements for fisheries revenue sharing in Somalia

Progress has been made in developing an intergovernmental framework for fisheries management, but political and institutional risks to progress remain. The 2018 FGS–FMS agreement on fisheries management established a basis for tuna licensing by the FGS. The FGS conducted five licensing rounds between 2018 and 2024, which yielded just over US\$6 million in revenue. Revenue from the first three rounds and the fifth round was shared with the FMS in accordance with the 2019 interim revenue-sharing agreement. Revenue from the fourth round was not allocated directly to the FMS. Instead, it was used by the FGS to meet FMS election expenses.

A revised legal and institutional framework for fisheries management has been agreed. The 2023 Fisheries Act and its Regulations have established the respective roles and responsibilities of the FGS and FMS in managing fisheries zones and licensing fishing vessels. A joint FGS–FMS Fisheries Management and Development Council is responsible for determining revenue sharing. Revenue-sharing terms will need to be reconfirmed, as the 2019 arrangements were agreed only on an interim basis.

The main challenge is to ensure that all stakeholders adhere to the new legal and institutional framework and that its provisions are implemented. Licensing delays cause unnecessary revenue loss and undermine sound fisheries management, as actors other than the FGS may step into the vacuum to authorise or conduct illegal fishing activities. Puntland remains outside the new framework, as it has suspended all cooperation with the FGS and did not receive its share of proceeds from the 2024 licensing round. This nonparticipation presents a risk to sound fisheries management, particularly if Puntland issues fishing licences that are not legal under federal law for activities with harmful environmental impacts.

Source: Updated from FGR, 2023. Somalia Financial Governance Report 2023: Harnessing Financial Governance for Economic Development and State Building. Mogadishu, Somalia: Ministry of Finance.

⁴⁸ The review of international practice draws heavily on an authoritative joint study by the Natural Resources Governance Institute (NRGI) and the United Nations Development Program (UNDP) in 2016. See Bauer, Andrew, Uyanga Gankhuyag, Sofi Halling, David Manley, and Varsha Venugopal. 2016. *Natural Resources Revenue Sharing*. New York, NY: Natural Resource Governance Institute. The full set of references consulted are included in the bibliography (Appendix C).

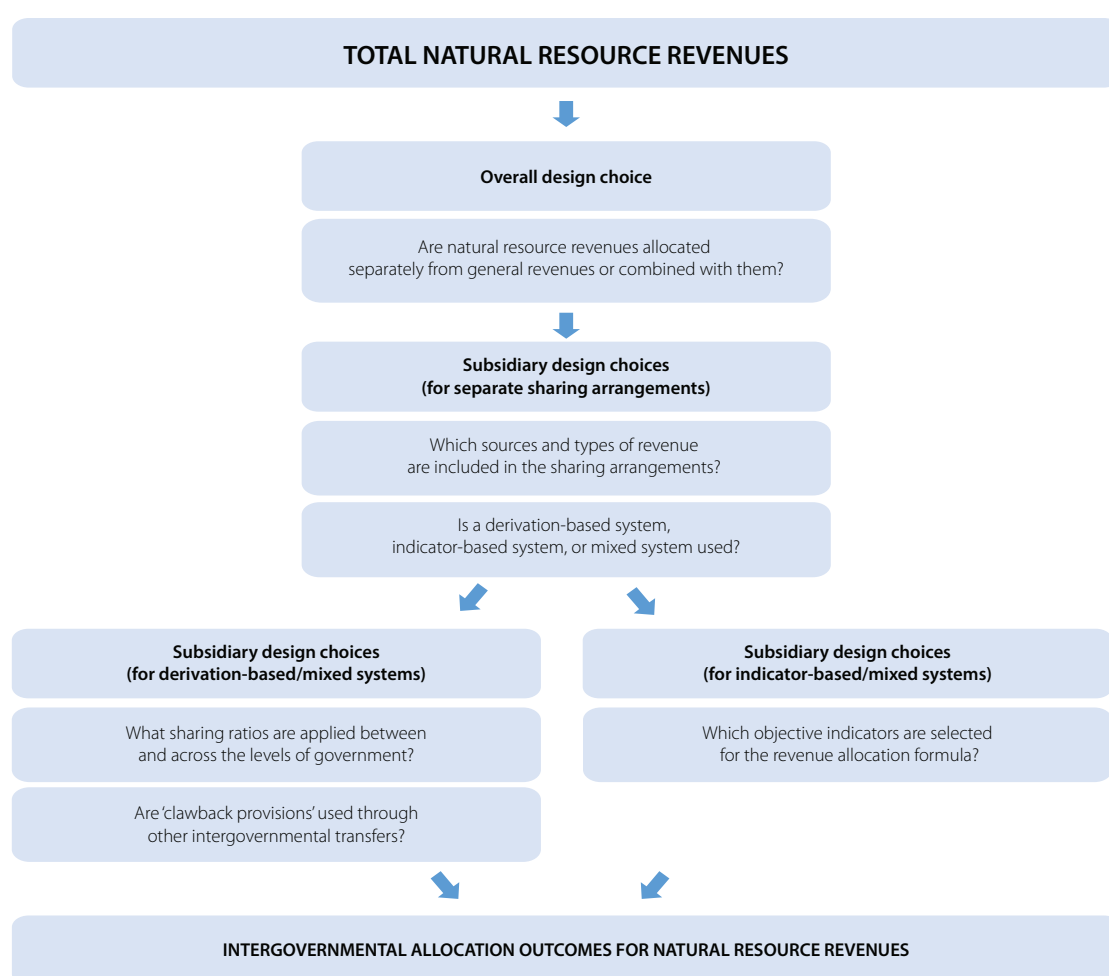
Figure 7 provides a simplified schematic summary of the main choices involved in designing the arrangements for natural resource revenue sharing. The organisation of the chapter broadly follows this same decision flow.

Frameworks for managing natural resource revenues

Natural resource revenues have specific and distinctive characteristics that make their management challenging. The resources are finite; once exhausted, there is not a continuing or renewable stream of revenues. The resources usually are not evenly distributed across political or administrative boundaries within a country, and the revenue-generating production tends also to be concentrated geographically. Moreover, revenues are volatile and often large enough to create significant distortions in the domestic economy.

International practice suggests that governments require several tools to manage these challenges effectively. Intergovernmental revenue-sharing arrangements are only one element in a broader natural resource revenue management framework. First, appropriate macroeconomic policies are needed to mitigate distortions in the domestic economy. Common instruments used by governments are fiscal rules and stabilisation funds. Second, decisions are needed on saving a share of the current revenues to facilitate smoothing of public expenditure and to defer some of the benefit for future generations. Establishment of savings funds is an instrument that is commonly used for this purpose. Third, public expenditure planning and budget allocations are based on a medium-term approach that is aligned to the country's development priorities. This approach facilitates improved scrutiny and appraisal of public investment decisions, while avoiding surges of unproductive spending.

Figure 7: Simplified flowchart of critical choices in policy design for natural resource revenue sharing



Source: Authors' formulation.

Fourth, policies are established for the intergovernmental sharing of natural resource revenues. These policies may, in some cases, involve or include specific revenue-sharing arrangements (for example, those that are applicable only to natural resource revenues) between and across different tiers of government.

Following the simplified flowchart for designing revenue sharing arrangements (Figure 7), there are four major policy choices for government.

Policy choice 1: General revenue pooling or separate revenue sharing

Governments have a policy choice about whether to treat natural resource revenues as part of the general revenue pool, or to treat the intergovernmental sharing of natural resource revenues separately.

Some countries do not distinguish their natural resource revenues from any other form of government revenue. The revenues are collected by the central government (or, in certain cases, by subnational government) and pooled with all other forms of revenue. They are used to fund the country's overall public expenditure, including any fiscal transfers to subnational tiers of government.

Other countries establish separate policy arrangements for natural resources, in parallel with the allocation of general fiscal revenues (Box 5).

The policy objectives of maintaining separate natural resource revenue-sharing arrangements vary across governments. They may include:

- *Provision of a fiscal benefit to the producing regions.* For example, the policy may recognise ownership claims by the subnational jurisdictions in which the natural resources are located, or it may seek to compensate for any

negative social and environmental impacts of localised resource extraction.

- *Equalisation of the fiscal benefits from natural resources across all regions, irrespective of location.* For example, the policy may attempt to raise national living standards equitably and to support sustainable economic development nationwide, or it may seek to prevent or mitigate the risks of violent conflict from an unequal distribution of natural resources.

More than thirty countries have separate revenue-sharing arrangements. There is no agreed 'best' practice among these two broad approaches. It is a political decision.

Benefits and risks of using separate revenue-sharing arrangements

International experience indicates that, to be effective, separate natural resource revenue-sharing arrangements need to be carefully designed, with close account taken of both economic and political factors. Weak or ill-considered design of these arrangements increases financial governance risks and can fuel corruption, socioeconomic inequality, and violent conflict.

The quality and legitimacy of the process for negotiating these arrangements can matter as much as the eventual design of the arrangements, especially in politically fractious or conflict-affected states. In Bolivia, the Democratic Republic of Congo, Mongolia, and Papua New Guinea, revenue-sharing agreements helped to encourage adversarial parties to engage in structured negotiations over revenue sharing rather than resorting to conflict to achieve their objectives. In Indonesia, special natural resource revenue-sharing agreements helped to end years of violent conflict in West Papua and Aceh.

BOX 5

Country approaches to revenue sharing

Examples of countries that do not distinguish natural resource revenues from other revenues include Algeria, Myanmar, Norway, Oman, Qatar, Saudi Arabia, and the United Kingdom.

Examples of countries that have separate revenue-sharing arrangements include Argentina, Australia, Brazil, Canada, India, Mexico, Nigeria, Pakistan, and the United States (all federal states); as well as Bolivia, Ecuador, Ghana, Indonesia, Mongolia, and Peru (all unitary states).

Sources: Anderson (2019), Bauer et al. (2016), Bauer and Gankhuyag (2020), Brosio and Singh (2015), and Morgandi (2008).

By contrast, badly designed arrangements produce high risks of negative outcomes. For example, revenue flows exceeded subnational absorptive capacity in Brazil, Colombia, Peru, and South Sudan, which led to wastage of resources and corruption. In Nigeria and Peru, volatile revenue flows led to boom-and-bust cycles in subnational expenditure, destabilising local service delivery and management of the local economy. The revenue-sharing arrangements in Brazil and Nigeria exacerbated significant inequality among regions. In Iraq and Peru, there was violent contestation over the terms of revenue-sharing agreements.

Cross-country experience suggests, in general, that the risks are heightened when revenue-sharing arrangements create a high disparity in the share of revenues flowing to producing regions compared to non-producing regions in a country. Other intergovernmental fiscal transfers may be introduced to offset these imbalances (for example, clawback provisions).

Policy Choice 2: Which revenues to include in separate sharing arrangements

Natural resources can generate a range of different and distinct revenues. There is a question about which of these revenues should be subject to specific sharing arrangements, and which should be allocated as part of the common pool. Irrespective of the type of arrangement (for example, derivation, indicators, or mixed; see below), there are policy choices about which natural resource revenues to include.

Petroleum revenue types and volumes depend in part on the fiscal arrangements negotiated with the producers. Revenues may include a share of profit oil, royalties,⁴⁹ bonuses (such as signature bonuses), fees for leases and permits, and any tax liabilities on the producer (including corporate income tax, capital gains tax, withholding tax, sales or value-added tax, property tax, land tax, and/or customs duties).

Many countries share only certain categories of revenue through separate sharing arrangements. They pool the remainder with other government revenues without distinction and use them to fund the national budget, including general intergovernmental fiscal transfers. The onshore or offshore location of the natural resources may be a point of distinction when considering the coverage of revenue-sharing arrangements (Table 5).

TABLE 5 Revenues typically shared with subnational governments

Onshore petroleum revenues	Onshore petroleum revenues
- Royalties - Licence fees - Signature bonuses - Property taxes - Land taxes	- Typically none

Source: Bauer et al. (2016).



⁴⁹ Royalties are rents paid to the owner of a natural resource—usually the government—in exchange for the right to exploit it.

The general rationale for this categorisation is as follows:

- Revenues such as royalties, licence fees, and taxes on property and land are more commonly subject to specific sharing arrangements. The rationale is that they tend to be less volatile and more predictable, as well as relatively straightforward to calculate, attribute, and collect.
- Corporate income taxes, taxes on goods and services, and dividends from government equity are types of revenues not commonly shared through separate arrangements. Corporate income taxes are complicated to administer and thus generally considered to be better pooled centrally as part of general budgetary resources.
- Revenues arising from offshore petroleum production are not commonly shared with subnational governments. Offshore production generates fewer negative impacts for adjacent populations, which reduces the justification for separate and specific revenue sharing. There are some exceptions. For example, Brazil, Canada, and Malaysia share a proportion of their offshore revenues with the adjacent regions.

Policy Choice 3: Allocation method for revenue-sharing arrangements

There are two different allocation methods used by countries to determine the distribution of natural resource revenues among subnational governments: *derivation basis or indicator basis* (Table 6). They may also be combined in a *mixed system* based on both derivation and indicators. Each of these revenue-sharing regimes has pros and cons.

Distribution based on origin of natural resource extraction (derivation-based system)

In derivation-based systems, an agreed portion of the revenues collected from the natural resources extracted in a particular region is returned to that region through intergovernmental transfers. Thus, it is the origin of the natural resources that determines the distribution of the ensuing government revenues. The rationale for derivation-based systems is to compensate producing regions for the costs of extraction (for example, economic, social, and environmental costs) and for the depletion of a finite natural asset.

In some countries, subnational governments have the right to collect directly—and to retain wholly or in part—certain specified taxes on natural resource production in their region (for example, Argentina, Australia, Canada, and the United States). The more common arrangement, especially in less advanced economies, is for the central government to collect all revenues and to transfer an agreed portion of those revenues to the subnational governments where the natural resource extraction takes place. This model is used, for example, in Brazil, the Democratic Republic of Congo, Indonesia, Nigeria, Peru, and Venezuela.

Derivation-based systems are common in natural resource producing countries because of the political claims from producing regions linked to their endowment of natural assets. There are downsides, however. Fiscal volatility can cause challenges for PFM at the subnational level. Tensions or conflict with the general government can then arise if there is price

TABLE 6 Country choices of allocation method for revenue sharing

Derivation-based system	Indicator-based system	Mixed system (part derivation, part indicators)
(With central government revenue collection)		
- Brazil	- Bolivia	- India
- Colombia	- Ecuador	- Malaysia
- Democratic Republic of Congo	- Mexico	- Mongolia
- Ghana		- Nigeria
- Indonesia		- Uganda
- Peru		
- Venezuela		

Sources: Anderson (2019), Bauer et al. (2016), Bauer and Gankhuyag (2020), Brosio and Singh (2015), and Morgandi (2008).

volatility. Highly uneven regional distribution of revenues can stoke political tensions if other regions experience a fiscal disadvantage.

Distribution based on a set of objective indicators (indicator-based system)

For indicator-based systems, pre-established objective indicators are used to determine the subnational allocations of revenue. Those cross-region comparative indicators may include criteria covering population size, poverty level, geographical remoteness, education levels, revenue-generating capacity, and/or other variables. Thus, it is broadly the level of need—assessed by the set of proxy indicators—that determines the subnational distribution of natural resource revenues.

This approach maintains the treatment of natural resource revenues as a special category and does not combine them with the general pool of government revenues. It does not differentiate among different subnational governments according to whether natural resources are extracted in those regions. Producing regions are not privileged in fiscal terms based on their natural resources. Examples of countries employing this model include Bolivia, Ecuador, and Mexico.

Evidence suggests that indicator-based systems, which determine revenue sharing based on need, have proved effective at addressing poverty and horizontal inequality (for example, in Mexico and Mongolia). They do not lead to the same volatility as derivation-based systems, and the PFM challenges are smaller. However, these systems can be difficult to administer if a complex set of multiple indicators is used. The technical rationale may also face political objections.

Mixed approach using both derivation and indicators

Some countries employ a combination of both methods—derivation and indicators—to distribute natural resource revenues to subnational governments. This mixed approach is used, for example, in India, Malaysia, Mongolia, and Uganda.

There is a choice regarding the proportion of revenue to allocate by derivation and the proportion to allocate based on indicators. The objective

is often to combine the merits of each system and to navigate any political pressures for either preferential or equitable treatment. Risks may arise if the system is excessively complicated to administer and explain, or if the system is expected to serve multiple different policy objectives.

Policy Choice 4: Revenue-sharing ratios between and across levels of government

Another key policy choice involves the amount or proportion of revenues to be shared through the chosen arrangements, and the balance of allocations both vertically (between tiers of government) and horizontally (among different subnational governments). Decisions on these choices vary considerably from country to country and often reflect political settlements.

Distribution between the central government and subnational governments

Vertical distribution describes the allocation of revenues between different levels of government. It can range from highly centralised, with minimal natural resource revenues shared with subnational governments, to highly decentralised, with most resource revenues collected by subnational governments. The sharing arrangements may cover two or more tiers of government, depending on the broader constitutional and legal arrangements. For example, local governments at the third tier may or may not be entitled to a share of natural resource revenues.

In some countries, the central government retains the majority share of natural resource revenues and shares only a relatively small portion with subnational governments. Examples are Afghanistan, Ghana, Indonesia, Mexico, and Myanmar. In other cases, such as Brazil, Bolivia, Nigeria, Peru, and the Philippines the central government shares a far larger portion of revenues with subnational governments.

Policy choices over the allocation of the natural resource revenues are distinct from the administrative question of revenue collection responsibilities. Specified revenues may be collected and shared centrally through intergovernmental transfers or may be assigned to the subnational governments to collect directly and retain.

Distribution among subnational governments

Horizontal distribution describes the allocation of revenues to subnational governments at the same level of government (that is, regional/state governments or local/district governments).

In countries where sharing arrangements are derivation-based, producing subnational governments receive more than non-producing subnational governments. Countries in which producing regions have a significant fiscal advantage include Argentina, Brazil, Canada, the Democratic Republic of Congo, Indonesia, Nigeria, Pakistan, and the United States.

The extent of the fiscal advantage varies from country to country. For example, it is high in Nigeria, but relatively small in Pakistan.

A complicating factor with horizontal distribution is that the territorial area of resource extraction may not match the subnational boundaries within the country. Terms such as producing regions, non-producing regions, and adjacent regions are often not clearly defined in law. It may be ambiguous whether a ‘producing’ area is that where the natural resource deposit is located or where production facilities are located.

Revenue allocation outcomes under different revenue-sharing regimes

Given the multiple design choices for revenue-sharing regimes in different countries, revenue allocation outcomes vary significantly across countries. At least three sets of decisions interact

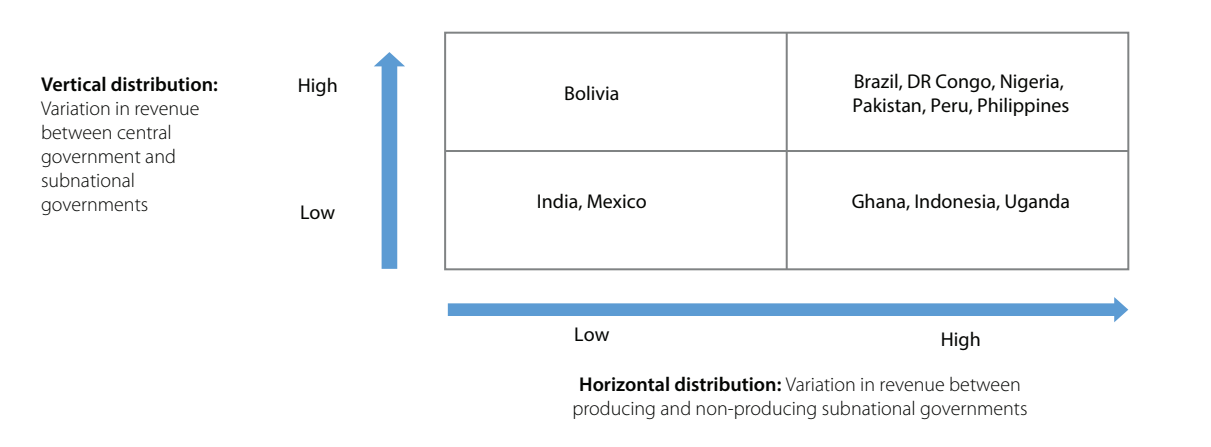
to determine the level and proportion of natural resource revenue allocation to each government:

- Type of sharing arrangement (derivation-based, indicator-based, or mixed).
- Selection of revenues to be shared (such as royalties, bonuses, fees, and tax liabilities; and onshore or offshore).
- Sharing ratios between and across levels of government (vertical and horizontal distribution).

These design choices will produce variations in the concentration of revenue allocations. As shown by Figure 8, some countries may decide to allocate a significant portion of natural resource revenues to subnational governments (the y-axis) and to concentrate a larger share of these revenues in producing rather than non-producing subnational governments (the x-axis). In so doing, they may concentrate a relatively large share of overall revenue in a subset of subnational governments. Examples of countries where natural resource revenue is allocated in this way are Brazil, the Democratic Republic of Congo, Nigeria, Pakistan, Peru, and the Philippines (Figure 8, top right quadrant).

By contrast, India and Mexico allocated a relatively small share of natural resources to subnational governments, and they are quite evenly distributed among subnational governments (Figure 8, bottom left quadrant). Most natural resource revenues are assigned to the central government, which allocates and distributes them as part of the federal budget.

Figure 8: Illustrative natural resource revenue allocation outcomes



Sources: Adapted from Anderson (2019), Bauer et al. (2016), Bauer and Gankhuyag (2020), Brosio and Singh (2015), and Morgandi (2008).

Each country's revenue-sharing regime relates to its own domestic political economy. Care must be taken, however, to analyse potential risks when designing or redesigning the arrangements. For example, if the overall value of natural resource revenues is substantial, a highly concentrated allocation to a small subset of subnational governments (Figure 8, top right quadrant) may pose fiscal risks (such as high revenue volatility or insufficient absorptive capacity) and political risks (such as perceptions of inequity or inequitable treatment among other subnational governments). These risks have materialised in Nigeria and Brazil in the form of significant inequality between regions, wastage of resources, and boom-and-bust expenditure cycles of expenditure.⁵⁰

The risk associated with a high concentration of resources in a small subset of subnational governments can potentially be offset through compensating revenue measures. For example, other general intergovernmental fiscal transfers may be designed to balance out high disparities in the allocation of natural resource revenues.

However, depending on the value of natural resource revenues allocated to producing subnational governments and the country's relative fiscal dependency on natural resources, the central government may have limited scope to provide such offsets.

Common features of well-functioning revenue-sharing arrangements

A review of international experience reveals that effective, well-functioning revenue-sharing arrangements often have some characteristics in common. These may be translated into a set of six lessons for the design or reform of natural resource revenue sharing in other countries.

1. *Simplicity.* Indicator-based systems require the collection of data for tracking at the subnational level, which can become unduly complicated and onerous if the allocation formula contains many components. Simpler systems are less prone to manipulation or error, especially in lower-capacity contexts. Complexity also increases if the sharing regime involves multiple tiers of government and multiple types of revenue.



⁵⁰ Bauer, Andrew, Uyanga Gankhuyag, Sofi Halling, David Manley, and Varsha Venugopal. 2016. *Natural Resources Revenue Sharing*. New York, NY: Natural Resource Governance Institute.

2. *Clarity and transparency.* Improving trust and addressing disagreements among levels of government requires transparent communication about the magnitude of revenues collected and transferred. For indicator-based systems, the basis for making the assessment and the actual calculations of revenue allocations should be disclosed. Arrangements should define clearly how areas of production will relate to territorial demarcations and boundaries.

3. *Stability and predictability.* Sharing arrangements should minimise the exposure of subnational governments to revenue volatility, as they have fewer coping mechanisms than the central government. Options include transferring to subnational governments only the more stable revenue streams, adopting an indicator-based sharing arrangement that can smooth revenue flows, or establishing stabilisation funds to save surplus revenues.

4. *Proportionality.* The amount of revenue assigned to different levels of government should broadly match their respective expenditure responsibilities and capabilities. There are risks of wastage and inefficient use of resources if revenues exceed those functional assignments. There are potential risks to legitimacy and delivery if the revenues fall short of the legally and constitutionally assigned functions at each level of government.

5. *Equity.* While there are arguments for giving some extra fiscal benefit to producing regions, for example to mitigate conflict risks or to compensate for extraction, major fiscal distortions between a country's regions should be avoided. Derivation-based systems tend to encounter equity challenges if there are sizeable, concentrated flows. Central governments typically want to achieve fairness in revenue allocations or to compensate for disparities through other fiscal transfers.

6. *Formality.* Codifying the arrangements for revenue sharing and formalising them in legislation, regulation, or executive decree reduces ambiguity and helps to establish a

rules-based system. Legal formality also helps to ensure that the distribution of revenues takes place as intended. It strengthens accountability on the part of both central and subnational government entities for compliance with the established rules.

These features do not reveal or imply one type of system as objectively or consistently superior to the others; each regime has its pros and cons. They do nonetheless offer guidance for the development of revenue-sharing arrangements. Application of these design principles should help to establish an effective and well-functioning system.

Overview of petroleum revenue-sharing arrangements in Somalia

This section surveys briefly the petroleum revenue-sharing framework in Somalia, first in principle based on the legal and regulatory framework and then as anticipated in practice based on a modelling of production scenarios.

Legal and constitutional basis for natural resource revenue sharing

Somalia's 2012 Provisional Constitution required that intergovernmental arrangements be agreed for managing and sharing petroleum and mineral resources in the territory.

...the allocation of the natural resources of the Federal Republic of Somalia shall be negotiated by, and agreed upon, by the Federal Government and the Federal Member States in accordance with this Constitution (Provisional Constitution, Article 44).

For the petroleum sector, the 2018 Baidoa Agreement⁵¹ and the 2020 Petroleum Act give effect to this constitutional requirement. The fisheries sector is covered by separate agreements and legislation (Box 4).

The Baidoa Agreement was signed by the President of the FGS, the Presidents of the five FMS, and the Mayor of Banadir. It was subsequently incorporated into the Petroleum Act.⁵²

⁵¹ The Baidoa Agreement is formally titled, "Ownership, Management and Sharing of Natural Resources (Petroleum and Mining)."

⁵² Puntland disassociated itself from the Petroleum Act shortly after it was signed into law and asserted it to be 'unconstitutional'.

Petroleum revenue will be shared between the Federal State and the Regional Federal Member States in accordance with the agreement on the “Ownership, Management and Sharing of Natural Resources (Petroleum and Mining)” in light of Article 44 of the Federal Provincial Constitution (Petroleum Act, Article 6).

Amendments to Chapters 1–4 of the Federal Constitution were passed by the Federal Parliament in March 2024. The article on natural resources was revised as follows:

The committee in charge of allocation and acceleration of revenue collection will ensure that the income from natural resources is fairly shared by the Federal Government, Federal Member States and Local Governments of the Republic (Constitution as amended, Article 44).

This article is unclear as to whether intergovernmental sharing of natural resource revenue, including from the petroleum sector, will continue to be treated separately to other revenues. While it indicates that decisions on natural resource revenue sharing will be taken by a ‘committee,’ it does not specify the composition of the committee, nor the scope of its decision making with respect to revenue sharing.

The article contains other ambiguities. It prompts questions about the definition of ‘fairly shared,’ and about the future allocation method for revenue sharing (that is, whether it remains derivation-based or changes to an indicator-based or mixed system). These issues need to be clarified in the remaining chapters of the revised Constitution, specifically the fiscal chapter.

Until such time as the revised Constitution is finalised, the provisions of the Baidoa Agreement and Petroleum Act are assumed to remain in force.

Revenue-sharing terms in the Baidoa Agreement and the Petroleum Act

The current legal framework for petroleum revenue sharing in Somalia includes almost all sources and types of petroleum revenue (except for corporate income tax). It covers revenues from both onshore and offshore production.

The framework adopts a derivation-based approach, with specific revenue shares allocated to the designated ‘producing FMS’ and directly to the designated ‘producing district’ (located within the producing FMS). The FMS shares are substantial, and in some cases—notably the signing bonus, surface rent, and production bonus—exceed the share allocated to the FGS (Table 7).

TABLE 7 Intergovernmental revenue shares for each PSA in the current legal framework

Type of revenue	Percentage revenue shares for each PSA (%)			
	FGS	Producing FMS	Producing district	All other FMS (incl. Banadir)
Offshore profit oil	55	25	10	10
Onshore profit oil	30	30	20	20
Royalty	40	40	10	10
Signing bonus	40	60	-	-
Surface rent	30	50	20	-
License fee	50	50	-	-
Production bonus	30	50	10	10
Corporate income tax	100	-	-	-
Export tax	60	40	-	-
Capital gains tax	50	30	20	-
Seismic data	50	50	-	-
Capacity building	50	50	-	-
Local community development	-	30	70	-

Source: Baidoa Agreement (2018).

A specific revenue share, pertaining to each PSA, is allocated to the remaining group of five non-producing FMS as a bloc. The framework treats the Banadir Regional Authority as one of the FMS for these purposes. Hence, there are effectively six FMS for revenue-sharing purposes, of which only one will be designated the producing FMS for each PSA. The revenue share allocated to the non-producing FMS is therefore divisible by five.

Table 8 reconfigures the revenue shares to show explicitly the full share of revenue that will be distributed to each FMS for a single PSA. The shares for a producing FMS and its subsidiary producing district are combined to express the total revenues allocated to the producing state (that is, FMS plus district). This approach reflects the provisions of the 2012 Constitution on the structure of an FMS,

which comprises both the FMS government and the subsidiary local governments.⁵³ The shares to non-producing FMS are divided in the table into individual FMS allocations.

The relative de jure share allocated to the authorities in the state (combined FMS and district) where the production occurs becomes even more substantial through this lens. The total frequently matches or exceeds the FGS share and is many times greater than the share allocated to each non-producing FMS.

The policy choices on revenue sharing in Somalia that were implicitly formalised in the Baidoa Agreement and Petroleum Act are summarised in Table 9.

TABLE 8 Baidoa revenue shares by government entity

Type of revenue	Percentage revenue shares for each PSA (%)		
	FGS	Producing state (FMS, district)	Each non-producing FMS
Offshore profit oil	55	35	2
Onshore profit oil	30	50	4
Royalty	40	50	2
Signing bonus	40	60	-
Surface rent	30	70	-
License fee	50	50	-
Production bonus	30	60	2
Corporate income tax	100	-	-
Export tax	60	40	-
Capital gains tax	50	50	-
Seismic data	50	50	-
Capacity building	50	50	-
Local community development	-	100	-

Source: Adapted from Baidoa Agreement (2018).

⁵³ Article 48, 2012 Constitution.

TABLE 9 Somalia's current policy choices on petroleum revenue sharing

Policy choices for revenue sharing	Current policy framework in Somalia
Are natural resource revenues allocated separately from general revenues?	Separate arrangements are used for intergovernmental allocation of petroleum revenues.
Which sources and types of revenue are included in the sharing arrangements? [Separate revenue sharing]	Both sources of petroleum revenue (onshore and offshore) are included. Almost all types of revenue (except corporate income tax) are included.
Is a derivation-based system, indicator-based system, or mixed system used? [Separate revenue sharing]	A derivation-based allocation system is used.
What sharing ratios are applied between <i>and</i> across the levels of government? [Derivation-based system]	Sharing ratios provide for high vertical distribution (FMS against FGS) and high horizontal distribution (producing FMS against non-producing FMS).
What clawback provisions are used through other intergovernmental transfers? [Derivation-based system]	No compensating or offsetting intergovernmental fiscal transfers are currently in place.
Which objective indicators are selected for the revenue allocation formula? [Indicator-based system]	An indicator-based system is not currently used.

Note: Policy choices cross-reference the questions set out in Figure 7.

Scenario analysis for actual petroleum revenue shares in Somalia

Petroleum sector exploration and production are at a nascent stage in Somalia, so there has yet to be any significant application in practice of the allocation framework for revenue sharing. Only once the scale and locations of production are established, the fiscal terms in signed PSAs are confirmed, and the prevailing market prices become apparent will the *de facto* revenue distribution be discernible.

For the purposes of policy review in the meantime, scenario analysis can be used to model the impact of the revenue-sharing terms contained in the Baidoa Agreement and the Petroleum Act. The Model PSA endorsed by the IMCC in November 2021 provides an approved set of assumptions for the fiscal terms that will pertain to the signed agreements. Furthermore, the seismic data on potential discoveries so far available informs a plausible classification of those FMS that anticipate production (producing FMS) and those FMS that do not (non-producing FMS).

Analysis carried out by the World Bank in 2018 modelled the potential impact of the revenue-sharing regime on the actual intergovernmental

distribution of revenues (Box 6). It indicated that the revenue allocation to the producing FMS (including the producing district) would be substantial, exceeding the allocation to non-producing FMS by a factor of 10 to 17. The revenue allocated to the FGS would not be sufficient to offset the disparities between the producing and non-producing FMS.

The World Bank analysis corroborates a *de jure* expectation that, unless the eventual distribution of commercial petroleum discoveries were to be dispersed evenly across all FMS, the terms of the allocation framework would grant the producing FMS (including the subsidiary producing district) a high fiscal advantage over the non-producing FMS. Equally, including almost all sources and types of revenues as part of the current revenue-sharing arrangements would restrict the FGS revenue share and would instead favour the producing FMS (including the subsidiary producing district).

In sum, the *de facto* vertical and horizontal distributions would be expected, in combination, to concentrate a substantial share of petroleum revenues on the subset of FMS where production occurs (Figure 9).

BOX 6

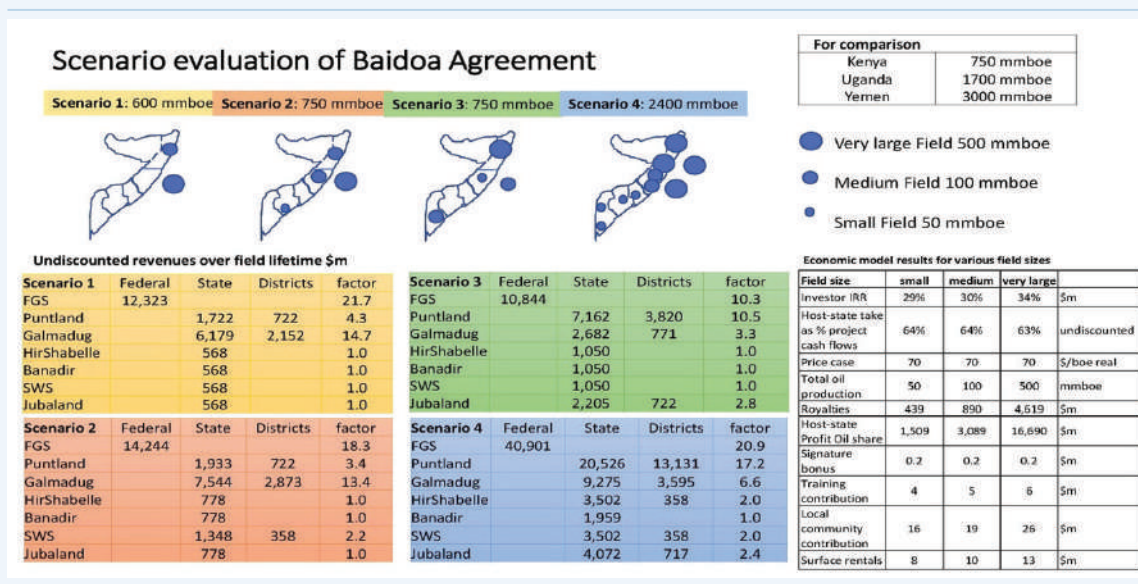
Scenario analysis for actual petroleum revenue shares

After the Baidoa Agreement was signed, the World Bank's petroleum team undertook a scenario analysis to understand how oil revenues would be distributed under different oil discovery scenarios. Using the fiscal terms of the Model PSA, the team calculated the various revenue streams to government for small, medium, and very large fields.

The analysis found that:

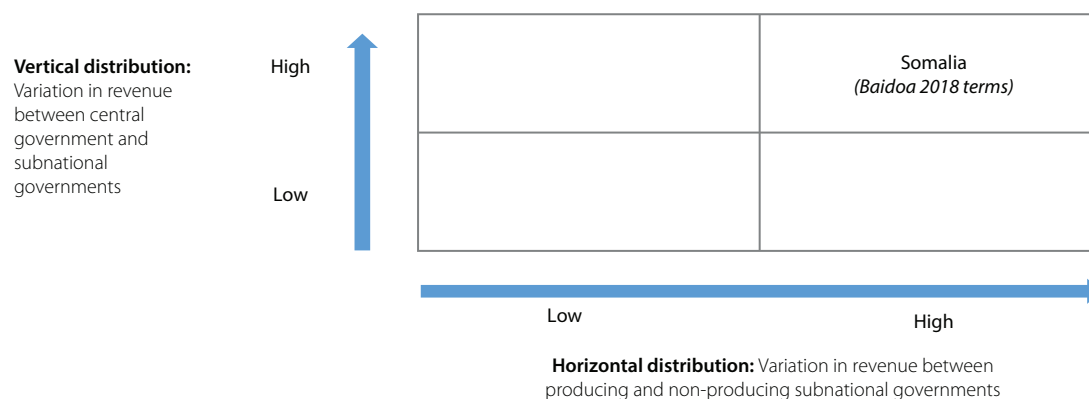
- Revenue allocation to the combined producing FMS and producing district would be greater than the allocation to a non-producing FMS by a factor of 10 to 17.
- Revenue allocation to the FGS would not be sufficient to enable it to offset the disparities between the producing FMS (combined FMS and district shares) and the non-producing FMS through compensating intergovernmental transfers.
- In one scenario, total FGS revenue would be less than that of the producing FMS (combined FMS and district shares).
- In all scenarios, a producing District would receive more revenue than a non-producing FMS.

The figure below lays out this impact analysis using purely hypothetical scenarios for discovery and production.



Source: Authors' formulation.

Figure 9: Somalia's natural resource revenue allocation under current terms



Source: Authors' formulation.

Somalia's framework compared to international practice

Distinctive aspects of Somalia's revenue-sharing arrangements

Many features of the revenue-sharing arrangements for petroleum in Somalia reflect common international practice. Separate sharing arrangements are commonplace in resource-rich countries, as are derivation-based revenue allocation systems. Many countries address the claims of producing regions by affording them some degree of fiscal advantage through revenue sharing. Codification of the arrangements in legislation, as is the case for Somalia, is considered good international practice.

Several aspects of Somalia's approach are not so typical, especially compared to other lower-income and lower-capacity countries. These less typical features warrant careful appraisal, as they may be sources of additional risk.

- All types of petroleum revenue, except for corporate income tax, are subject to sharing. Corporate income tax, capital gains tax, goods and services tax, and equity from government dividends tend to be volatile, unpredictable, or administratively complicated.
- Revenue from offshore production is subject to extensive sharing. It follows the same sharing regime as for onshore production across all revenue types, except for-profit oil. Yet offshore production will have limited onshore impacts on the adjacent region, and it may be difficult to determine which FMS and district are adjacent to an individual production block.
- A substantial share of revenues is allocated to the producing FMS and to the producing district (within the producing FMS). The amounts allocated are likely to exceed the absorptive capacity of the FMS and the district.
- Revenue shares are not matched to expenditure responsibilities. The FGS holds significant nationwide functional assignments under the Constitution and petroleum revenues

are anticipated to become the largest single source of domestic revenues. However, under the existing arrangements, depending on the petroleum discovery scenario, it will only receive between a third and a half of all revenues.

The current terms of Somalia's revenue-sharing arrangements place it in a category of elevated financial governance risk, with a large volume and proportion of revenue likely to be concentrated in a few subnational governments. Revenue modelling estimates that the revenues allocated to the producing FMS (including its subsidiary producing district) are likely to be at least 14 times greater than those allocated to each non-producing FMS. Significant disparities would then arise in levels of development across the country.

Taking stock of desirable international design features for revenue sharing

The review of comparative practice in this chapter points to six desirable design features for revenue-sharing arrangements. While there may be different ways to achieve these principles, experience suggests that arrangements with these features function more effectively.

Table 10 provides an assessment of Somalia's current revenue-sharing framework for petroleum with respect to the six identified features. It shows that Somalia's framework matches one of these features in full (formality), three only partially (simplicity, clarity/transparency, and equity), and two not at all (stability/predictability and proportionality). Although interpretations may vary and the salience of different features can be debated, it is evident that Somalia's current practice is not strongly consistent with recommended practice.

At present, this comparison serves mainly to highlight points of difference with the Somalia framework as it appears on paper. Once petroleum revenues come on stream in future years, the risk exposure from intergovernmental revenue sharing will be substantially elevated and the consequences may become significantly more material.

TABLE 10 Assessment of Somalia against recommended design features

Desirable design features	Conformance of Somalia's framework	Observations on Somalia's framework
1. Simplicity	Partially	✓ A straightforward derivation-based system is used, which avoids the need to assess indicators and collect associated data. ✗ Twelve different types of revenue (including capital gains tax) are subject to sharing arrangements, risking a high level of complexity. ✗ Sharing arrangements cover three tiers of government, adding a further layer of complexity.
2. Clarity and transparency	Partially	✓ 2018 Baidoa Agreement and 2020 Petroleum Act are public documents, and revenue allocations are explicitly presented. ✗ Uncertainties in territorial boundary demarcation make it challenging to identify the producing district eligible to receive onshore or offshore revenues.
3. Stability and predictability	No	✗ Sharing almost all revenue types without any stabilisation mechanism means that producing FMS will face significant revenue volatility, especially from profit oil (year-on-year variation) and capital gains (uneven occurrence).
4. Proportionality	No	✗ The FGS's allocated share of revenues vis-à-vis producing FMS does not appear commensurate with the national functions it holds (for example, national defence). ✗ Revenues allocated to the producing districts may exceed those to some non-producing FMS significantly, risking fiscal distortion between levels of government and breaking the link to functional assignments.
5. Equity	Partially	✓ Producing FMS are compensated for the impact of production within their territorial jurisdiction. ✗ A producing FMS (including the subsidiary producing district) may receive 14 times more revenue than a non-producing FMS, without any offsetting transfers (see World Bank modelling). ✗ Offshore revenue shares are allocated to the adjacent producing FMS, not distributed in equal parts among all FMS.
6. Formality	Yes	✓ Sharing terms are codified in the 2018 Baidoa Agreement and formalised in law through the 2020 Petroleum Act.

Source: Authors' analysis.

Considerations for a reappraisal of Somalia's approach to petroleum revenue sharing

Revision of Somalia's Constitution provides a necessary and timely opportunity to review the adequacy and appropriateness of the current framework for petroleum revenue sharing. The analysis in this chapter has aimed to situate current practice in wider international experience and to identify areas of deficiency or potential risk.

The framework of the 2018 Baidoa Agreement and the 2020 Petroleum Act provide a clear baseline for petroleum revenue sharing, which reflects the outcomes of intergovernmental negotiations at the time. Finding and formalising consensus was itself an important achievement. However, actual revenue flows were then a distant prospect and the allocations purely hypothetical. It was also unclear

how the broader agenda on domestic revenue mobilisation would progress over the ensuing decade and uncertain how intergovernmental political dynamics would evolve.

From the current vantage point, six years later, it is more apparent that the petroleum revenue-sharing arrangements codified in the Baidoa Agreement are likely to generate imbalanced allocations and lead to undesirable outcomes once petroleum revenues start to flow at scale. A rebalancing is strongly advisable.

There is no single 'correct' way to (re)design revenue-sharing arrangements. Broad options include modifying the current derivation-based approach, shifting to an indicator-based approach, or combining the two approaches in a mixed system. A more fundamental option would be to

move away from separate petroleum revenue-sharing arrangements altogether and to make petroleum revenues subject to the same revenue-sharing framework as tax and non-tax revenues. This approach was recommended by the NCC in March 2023.

Box 7 presents the technical contours of these potential options with the intention to inform further policy deliberation and discussion by the FGS and the FMS.

Political considerations are beyond the scope of this chapter, which focuses on the technical dimensions of petroleum revenue sharing.

However, it will clearly be vital for the selected approach to be acceptable to both the FGS and all of the FMS. From the perspectives of state building and economic development, it will also be critical for the selected approach to produce outcomes that are equitable and proportionate to functional responsibilities and expenditure assignments. It will be necessary to model the revenue impact of any new proposals before they are finalised or adopted.

The ongoing constitutional review process creates a highly opportune moment for the FGS and the FMS jointly to reappraise natural resource revenue sharing in Somalia and to seek agreement on a strengthened framework.

BOX 7

Options for review of Somalia's petroleum revenue-sharing arrangements

Guided by international practice, there are three broad technical approaches by which Somalia could strengthen its petroleum revenue-sharing arrangements.

1. Maintain a derivation-based sharing approach, while modifying the revenue shares and/or the types of revenues included.

This approach would involve modifying the terms of the framework to do one or more of the following:

- Reduce the scope of revenues subject to sharing (for example, by excluding offshore revenues and/or capital gains tax).
- Reduce the shares allocated to the producing FMS and the producing district.
- Increase the shares allocated to non-producing FMS.

It could also involve the introduction of parallel intergovernmental fiscal transfers to compensate non-producing FMS through clawback provisions.

2. Introduce an indicator-based sharing approach in place of, or alongside, the current derivation-based arrangements.

This approach would require changing the basis for sharing petroleum revenues and would involve the following:

- Decide which petroleum revenues are to be subject to sharing.
- Decide how shared revenues will be split between the FGS and the FMS.
- Decide on a formula for distribution of the total FMS share among the individual FMS.

3. Move away from separate petroleum revenue sharing, either partially or entirely, by pooling petroleum revenues with tax and non-tax revenues.

This approach would involve discontinuing the separate treatment of petroleum revenues through the following steps:

- Treat petroleum revenues in the same way as any other FGS revenue.
- Pay petroleum revenues into the Treasury Single Account as resources available for funding the budget.
- Allocate funds to the FMS as a part of the annual budgeting process, to be provided through intergovernmental fiscal transfers.

Source: Authors' illustrative analysis.



IV. Issues and Priorities for Financial Governance Going Forward

The FGS is guided by a long-term objective to transform Somalia into a middle-income country with a capable state by 2060. It is finalising the medium-term NTP, centred on economic growth, governance, service delivery, climate resilience, and social cohesion. The role, resources, and leadership of the Somali state, in close partnership with the private and non-profit sectors, will be central to putting this agenda into practice.

Post-HIPC strategic priorities for the FGS, as articulated in early 2024, remain critical conditions for future success:

- Scale up government financial resources.
- Manage the future affordability of the state.
- Achieve value for money from state resources.

Based on the foregoing review of developments and progress in 2024, there will be elements of strong continuity in the agenda for FGC engagement and advice in the year ahead. The following is a multifaceted set of policy and institutional priorities:

- **Constitutional revisions and the fiscal chapter**
 - Maintain the prominence of fiscal issues and considerations as part of the constitutional reform process
 - Ensure vertical consistency between the Constitution and primary legislation.
 - Ensure horizontal consistency between the fiscal chapter and other chapters with fiscal provisions.

- **Domestic revenue mobilisation**
 - Increase the tax base and tax compliance for corporate income tax, especially for large businesses.
 - Achieve customs harmonisation across all FMS.
 - Increase gradually the reference values for duty on imports towards the actual value of goods.
 - Revise the charging regime for air navigation fees.
 - **Public expenditure and fiscal management**
 - Implement medium-term expenditure planning for the security sector.
 - Develop institutional capacity to scrutinise and negotiate loan terms and fiscal liabilities.
 - Strengthen institutional capacity for public debt strategy and management.
 - Analyse the lessons and strategic implications of post-HIPC financing in other countries.
 - Analyse scenarios, incidence, and implications for reductions in official development assistance and develop options to respond.
 - **Natural resource management**
 - Complete the disclosure and/or publication of fiscal terms from signed PSAs.
 - Strengthen performance management of all existing PSAs.
 - Complete the legal and regulatory framework for the petroleum sector.
 - Develop institutional capacity in the petroleum sector (MPMR, Somalia Petroleum Authority).
 - Increase fisheries revenue by expanding tuna licensing to other entities, increasing the number of licensed vessels, and introducing a royalty on catch.
 - Review revenue-sharing arrangements for the petroleum sector and develop potential redesign options.
 - **Public sector contracts**
 - Strengthen further the role and functioning of the IMCC.
 - Implement competitive tendering as the default practice in sector institutions.
 - Retender the contracts for security sector rations and fuel.
 - Resolve the status and future of concessions for passport production and visa issuance.
 - Public-private partnerships:
 - Establish the Concessions Technical Unit and build capacity to assess contingent liabilities in PPP contracts.
 - Build awareness of PPP contract management responsibilities.
 - Commence regular reporting on active PPP contracts.
 - Assess existing PPP fiscal risks.
 - **Major infrastructure and investment projects**
 - Development of Mogadishu seaport:
 - Finalise the feasibility study for a new port.
 - Implement a competitive tender for construction and operation of the new port.
 - Prepare for the wind-down and handover of the existing port.
 - 'New Mogadishu' development scheme:
 - Carry out detailed project preparation and appraisal.
 - Conduct analysis of fiscal and financial liabilities.
 - Pursue financing options and dialogue with multilateral and sovereign partners.
 - Establish cross-institution governance and oversight.
 - **Financial sector development**
 - Currency reform preparation:
 - Strengthen CBS capacity on monetary policy reserve management.
 - Initiate the establishment of a currency board.
 - Extend CBS regulatory coverage to foreign exchange bureaus, asset financing companies, microfinance providers, and insurance companies.
 - Extend SIPS coverage to include MMOs.
 - Continue to strengthen e-KYC processes.
 - Somali Development and Reconstruction Bank:
 - Update the governance framework.
 - Recapitalise and resume lending.
 - Strengthen management (or disposal) of the property portfolio.
- None of these priorities and actions should be viewed in isolation, nor in merely procedural and compliance terms. In all cases, they are intended to contribute to the FGS's objectives of economic growth, governance, service delivery, climate resilience, and social cohesion. If pursued actively and coherently, they will help measurably in the work to build a capable state that can lead the delivery of the Centennial Vision 2060 for Somalia.

Appendix A: Role of the Financial Governance Committee

Purpose and scope

The FGC is a high-level strategic advisory body to the FGS. Its purpose is to support improvements in financial governance as a foundation for economic and social development, political stability, and overall good governance (Box A-1).

BOX A-1 Scope of financial governance

The term 'financial governance' covers a broad agenda. It spans the mobilisation, management, and oversight of public resources—including public money and other public assets such as land, property, and natural resources—as well as the regulation and oversight of the financial sector.

Sound financial governance plays a vital role in creating and maintaining the enabling environment needed for sustained economic development and foreign investment.

Financial governance addresses both the current integrity and performance of public resource management, as well as active reform measures to drive further improvement. Transparency, accountability, and anticorruption are often central priorities for countries seeking to strengthen financial governance.

The principal institutions that are typically responsible for financial governance are the MoF, CBS, and the Supreme Audit Institution. In addition, the Office of the President, the Office of the Prime Minister, the Council of Ministers, and the Parliament all have a crucial guiding influence.

The FGC was established in early 2014 by mutual agreement between the FGS, international financial institutions, and bilateral development partners. It provides a forum for confidential discussion and advice on FGS strategic priorities and reform actions. The FGS gives serious consideration to advice provided by the FGC and seeks to implement it unless it believes there is a compelling reason not to do so.

The scope of FGC dialogue covers:

- How improvements in financial governance can contribute to the broad, long-term economic development agenda for Somalia.
- How FGS policies, institutional reforms, and technical capacity can strengthen the overall financial governance environment and reduce financial governance risks.
- How the FGS can address and resolve any specific financial governance issues or challenges that arise in the short term.
- How the FGS can engage with the international community to enhance the scale, sources, terms, and effectiveness of development finance and technical assistance.

The FGC collectively adjusts its strategic agenda and areas of priority according to the evolving context and needs in Somalia, in line with its mandate.⁵⁵ The FGC screens potential topics using the following criteria:

- Topics should be of critical importance to maintaining or strengthening financial governance in the short, medium, or long term.
- The FGC should have a comparative advantage, beyond the ordinary role of other institutions and mechanisms, in addressing a topic.
- There should be a realistic prospect that FGC involvement can achieve a positive impact.

⁵⁵ The mandate of the FGC is renewed periodically by agreement between the FGS and the four international sponsoring institutions (African Development Bank, European Commission, International Monetary Fund, and World Bank). It was last renewed formally in June 2024, for a two-year period.

Individual FGC members and other financial governance stakeholders may propose specific topics for consideration by the FGC.

The scope of FGC engagement and advice since 2014 has encompassed revenue mobilisation, public expenditure management, natural resource management, public procurement and concessions, protection of public assets, fiscal sustainability, intergovernmental fiscal relations, asset recovery, and central bank governance. Advice has covered matters of policy development, institutional strengthening, and implementation. While the FGC focuses primarily on the federal government level, it has also addressed matters of fiscal federalism that are relevant to the FMS.

The FGS assigned the FGC a specific mandate in 2014 to review and provide advice on all concession agreements⁵⁶ and all FGS procurement contracts of US\$5 million or higher in value. In the past decade, the FGC has formally reviewed more than 60 concession agreements and procurement contracts (Appendix B). It has successfully supported the FGS to conduct competitive procurement transactions, to renegotiate concession contracts, and to resolve contractual disputes.

The FGC provides advice to the FGS through a combination of in-person dialogue, written advisory notes, and expert technical analysis. Advisory notes are discussed in FGC meetings, and meeting decisions reflect the collective view of all FGC members. The topics covered by FGC Advisory Notes follow the area of engagement by the FGC. The FGC discussions are confidential, but meeting summaries are published on the MoF website.⁵⁷

Membership and organisation

Members of the FGC are appointed from both Somali institutions and international partners. The FGC is chaired by the Minister of Finance, and it includes the Governor of the CBS and senior representatives of the President and the Prime Minister.⁵⁸ The President of the SDRB was added to the FGC as an additional FGS representative in 2024.

International members of the FGC include representatives of the World Bank, IMF, African Development Bank, and bilateral development partners, including the European Commission. The FGC receives expert support from a dedicated Concessions Adviser and an FGC Secretariat. Funding for FGC operations is provided by the World Bank, through the Multi-Partner Fund,⁵⁹ and the European Commission.

The FGC meets in Mogadishu on a regular basis.⁶⁰ Representatives from other FGS institutions may be invited to FGC meetings to discuss a specific agenda item. Those participants typically include the minister and/or a senior government official with designated responsibility in FGS for the topic under discussion.⁶¹

⁵⁶ Concession agreements grant an interest in a public asset to a private entity for a specified period in return for a fee, royalty, or other consideration, whereas procurement contracts govern the purchase of public goods, works, and services.

⁵⁷ Financial Governance Committee webpages: <https://mof.gov.so/publications/financial-governance-reports>

⁵⁸ In 2024 these participants included the Chief Economic Adviser to the President, the Senior Economic Adviser to the Prime Minister, the Permanent Secretary of the Office of the Prime Minister, and the Chief of Staff to the President.

⁵⁹ The Multi-Partner Fund is funded by Denmark, the European Union, Finland, Germany, Italy, Norway, Sweden, Switzerland, the United Kingdom, the United States, and the State and Peacebuilding Fund.

⁶⁰ The FGC held 66 meetings between 2014 and 2024, with six meetings in a typical year.

⁶¹ In 2024 these attendees included the Minister of Fisheries, the Minister of Transport, the Director General of the Somalia Civil Aviation Authority, the Director General of the Immigration and Citizenship Agency, the Director General of the Ministry of Petroleum and Mineral Resources, and the Manager of the Mogadishu Port Authority.

Appendix B: Contracts and tender documents reviewed by the FGC

#	FGS institution	Contract	Contractor	Contract type	FGC formal review
1	Central Bank of Somalia	Asset recovery	Shulman, Rogers, Gandal, Pordy & Ecker PA	Concession	
2	Defence	Supply of 6 marine patrol boats	AMO Shipping Company Ltd.	Procurement	2014
3	Defence	Equipping and training Coast Guard	Atlantic Marine and Offshore Group	Procurement	
4	Fisheries and Marine Resources	Protecting, licensing, and promoting policy and institutional development of fisheries sector	Somalia-FishGuard Ltd.	Concession	2014
5	Galmudug Regional Government	Oil production sharing agreement	Petro Quest Africa (CN)	Concession	2014
6	Petroleum and Mineral Resources	Seismic data analysis	Mubadala Oil and Gas Holding Company LLC (CN)	Concession	2014
7	Petroleum and Mineral Resources	Seismic exploration	Soma Oil and Gas Exploration Limited	Concession	2014
8	Petroleum and Mineral Resources	Geospatial analysis	CGG Data Services AG/Robertson GeoSpec International Ltd.	Concession	2014, 2015, 2016
9	Petroleum and Mineral Resources	Acquisition, processing, and marketing of geophysical data	TGS-NOPEC Geophysical Company ASA	Concession	2014
10	Ports and Shipping	Management of port operations	Albayrak Turizm İnşaat Ticaret A.Ş.	Concession	2014, 2020
11	Ports and Shipping	Harbour, fishing port, and related infrastructure developments	Great Horn Development Company	Concession	2014
12	Ports and Shipping	Lease and concession for operating Mogadishu port container terminal	Mogadishu Port Container Terminal and Simatech International	Concession	2014
13	Transport and Aviation	Airport operations	Favori LLC	Concession	2014, 2019
14	Commerce and Industry	Import/export quality assurance	Proje Gözetim Mühendislik (PGM Project)	Concession	2015, 2016
15	Finance	Khat tax collection on behalf of FGS	The ADCO Group of Companies	Concession	2015
16	Petroleum and Mineral Resources	Collation, analysis, and marketing of petroleum data	Spectrum ASA	Concession	2015
17	Power and Water	Electricity generation	Polaris Energy SDN BHD	Concession	2015
18	Central Bank of Somalia	Land lease and redevelopment	Riverside Holding	Concession	2016, 2018

#	FGS institution	Contract	Contractor	Contract type	FGC formal review
19	Finance	Collection of property transfer registration tax	M&T Solutions Ltd	Concession	2016
20	Finance	Collection of road tax	Smart General Service Ltd.	Concession	2016
21	Somali Police Force	Police rations	Perkins Logistics	Procurement	2016
22	NISA	NISA rations	Horn Logistics	Procurement	2016
23	Internal Security	Scanning services for Mogadishu port	M&T Solutions Ltd	Concession	2016
24	Petroleum and Mineral Resources	Model terms for petroleum exploration, development, and production	Model Oil and Gas Production Sharing Agreement	Concession	2016, 2019, 2021
25	Ports and Shipping	Management and operation of a container yard and freight station at Mogadishu dry port	Mogadishu International Port and Simatech International	Concession	2016
26	Posts and Telecoms	Telecoms gateway	VBH Holdings SPA	Concession	2016
27	Transport and Aviation	Vehicle licensing	Modern Technology Ltd.	Concession	2016
28	Defence	SNA Rations	AGETCO	Procurement	2017
29	Defence	SNA Rations	Kasram	Procurement	2017
30	Transport and Aviation	Airport taxi shuttle service	Sahel	Concession	2017
31	Defence	Logistics	SKA	Unclear	2018
32	Education	Textbooks	Beder Printing House	Concession	2018
33	Internal Security	Visas	Empire Tech Solutions Ltd.	Concession	2018, 2023
34	Internal Security	Passport Production	Ebtakartaat Smart System/Al-Madina Development and Supply	Concession	2018, 2022
35	Justice	Prisons rations	Bakhaari Logistics	Procurement	2018
36	Presidency	Rations	Regional Suppliers Company Ltd.	Procurement	2018
37	Transport and Aviation	Airport hotel	Sat Service LLC	Concession	2018
38	Defence	SNA Rations – Lot 1	Scandinavian Trading	Procurement	2019
39	Defence	SNA Rations – Lot 2	East Africa Trading	Procurement	2019
40	Education	Certificates	Security Printing Press	Concession	2019
41	Somali Police Force	Police rations	Muna Transport	Procurement	2019
42	NISA	NISA rations	Express logistics	Procurement	2019
43-48	Information, Culture, and Tourism	6 leases for development of property in Mogadishu	Various	Concession	2019
49	Immigration Directorate	Passport Production Services	Tender documents	Concession	2020
50	Defence	SNA Rations – Lot 1	United Group of Companies	Procurement	2021
51	Defence	SNA Rations – Lot 2	Scandinavian Trading	Procurement	2021

#	FGS institution	Contract	Contractor	Contract type	FGC formal review
52	Somali Police Force	Police rations	Hanad Construction & General Trading	Procurement	2021
53	Justice	Prisons rations	Bakhaari Logistics	Procurement	2021
54	Somalia Bureau of Standards	Consignment Based Import Conformity Assessment Program	Tender documents	Procurement	2021
55	Somalia Civil Aviation Authority	Overflight debt collection services	NAVPASS LLC	Procurement	2021, 2025
56	Ports and Maritime Transport	Certification and Registration Services for Maritime Vessels	American Registry of Shipping	Concession	2021
57	Petroleum and Mineral Resources	7 Production Sharing Agreements	Coastline Exploration	Concession	2023
58	Defence	SNA Rations – Lot 1	United Group of Companies	Procurement	2023
59	Defence	SNA Rations – Lot 2	Scandinavian Trading	Procurement	2023
60	Somali Police Force	Police rations	Real Gold Construction and General Services	Procurement	2023
61	NISA	NISA rations	Express logistics	Procurement	2023
62	Justice	Prisons rations	Sam Logistics	Procurement	2023
63	Somalia Bureau of Standards	Product conformity assessment (PCA) services	Tender documents	Concession	2023, 2024
64	Ports and Maritime Transport	Electronic Cargo Tracking Notice	Premier Technology Supply and Services Company	Concession	2023
65	Finance	Rental income tax collection	MGS Soft Inc	Concession	2024
66	Petroleum and Mineral Resources	3 Production Sharing Agreements	GulfSom Energy	Concession	2025

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