

FEDERAL GOVERNMENT OF SOMALIA



CITIZENS' GUIDE TO THE 2018 BUDGET

Dear Taxpayers and Citizens of Somalia,

Welcome to the Citizens' Guide to the 2018 Budget, a document whose sole purpose is to increase the public's understanding of the Federal Government of Somalia's (FGS) budget. The draft budget was submitted to Parliament on 14th Nov 2017. Following discussions and debate, Parliamentarians approved the budget in December 2017, which directs the spending of the FGS from 01 January 2018 to 31 December 2018 (fiscal year 2018). This Guide explains the FGS's budget for fiscal year 2018 in a simplified way and also summarizes the Appropriations Act, which implements the budget. The Guide reflects the Federal Ministry of Finance's unwavering commitment to budget transparency and informed debate, including the dedicated staff of the Directorate of Budget.

In this Guide, the term 'budget' means the annual estimates of the revenues and expenditures of the FGS. These estimates aim at implementing policy decisions made by the FGS while considering macroeconomic objectives. The budget, of course, is more than just numbers; it reflects the FGS's policy priorities, and ultimately, is about rebuilding the Somali state and delivering more and better services to the Somali people.

For those readers that are interested in specific information about the fiscal year 2018 budget, please visit the FGS budget website at <http://www.budget.gov.so> or www.mof.gov.so

MACROECONOMIC OBJECTIVES

The 2018 budget aims to achieve the following macroeconomic objectives in 2018:

- Increase real GDP growth rate to reach 3.5 percent
- Ensure inflation remains around 1.5 percent in line with the 2017 levels
- Increase job creation through project activities
- Increase domestic revenue collections by 14 percent
- Ensure the government wage bill stays below 50 percent of total expenditure
- Continue implementing the currency reform

Achievement of the above objectives will depend on the following basic assumptions:

- Continued consolidation of peace, security, stability and order in the country
- Existence of favorable weather conditions, which allow good production of food, cash crops and livestock
- Improved implementation and governance of government projects
- Stability among the economies of Somalia's major trading partners

REVENUE SOURCES

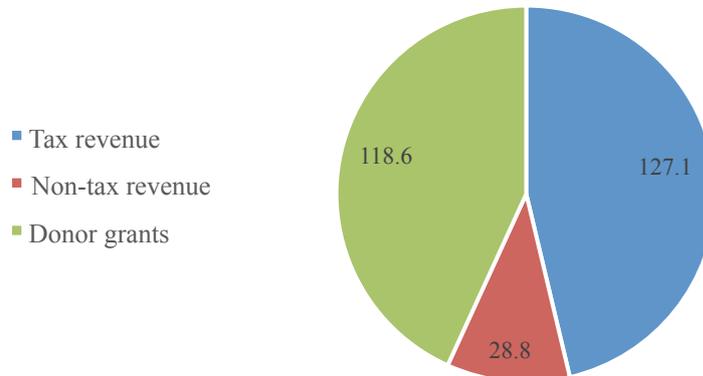
The FGS expects to raise \$274.6 million in 2018 from the following sources:

- \$127.1 million from Tax Revenue (including payroll tax, corporate tax, import duty, sales tax and excise duty)
- \$28.8 million from Non-Tax Revenue (visa fees, departure fees for passengers on international flights only, license fees, stamp duty)
- \$118.6 million from donor grants from both multinational institutions (World Bank and African Development Bank) and individual governments (particularly Turkey, Saudi Arabia, Qatar and the European Union).

The FGS continues to strengthen its capacity to mobilize domestic resources in order to strengthen service delivery. A number of new initiatives were launched in 2017, which included reaching tax agreements with airlines and telecommunications companies as well as reversing an income tax exemption on parliamentarians. In 2018, a 5 percent sales tax is being implemented, while taxes on companies operating from Mogadishu International Airport are being re-introduced. These combined efforts are having a very positive impact on domestic revenue, which has grown from US\$110

million in 2016 to US\$141 million in 2017 and is projected at US\$156 million in fiscal year 2018. In addition to reducing Somalia’s dependence on foreign assistance, these reforms are helping the FGS to achieve key requirements to reach debt relief under the Heavily Indebted Poor Countries (HIPC), which will open up new credit opportunities to fund additional services across the country.

Figure 1: Estimated Revenues in the 2018 Budget (in US\$ millions)



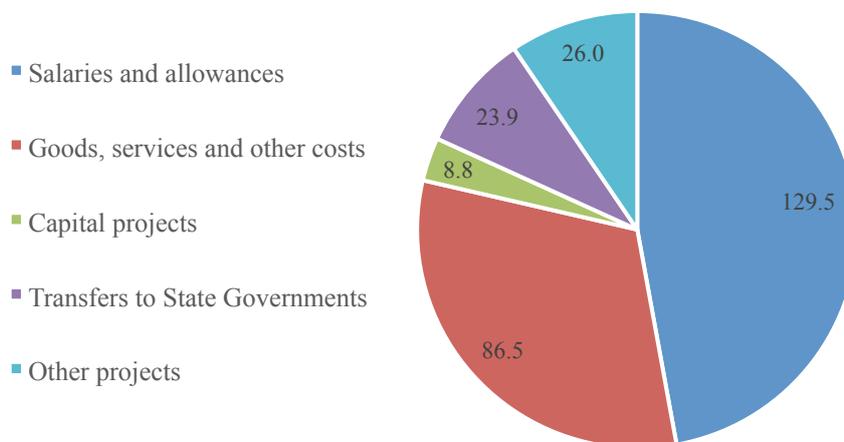
SPENDING PRIORITIES

The FGS will allocate the \$274.6 million in projected revenues to the following spending categories:

- \$129.5 million for salaries and allowances for public servants and Members of Parliament
- \$86.5 million for the purchase of goods and services (running costs) and other costs
- \$8.8 million for capital projects in ministries, departments and agencies
- \$23.9 million for transfers to support service delivery in State Governments
- \$26 million for projects

The FSG is committed to ensuring that the revenues that are collected from the Somali people are invested in the development of their country. As an example of this commitment, this year’s budget was drafted with the provision that no more than 50 percent should be used to pay salaries and allowances. This ensures that the limited resources are invested in projects and infrastructure that will boost economic growth and create more opportunities for Somalis across the country. In 2018, salaries and wages are expected to consume 47 percent of total expenditures (Figure 2).

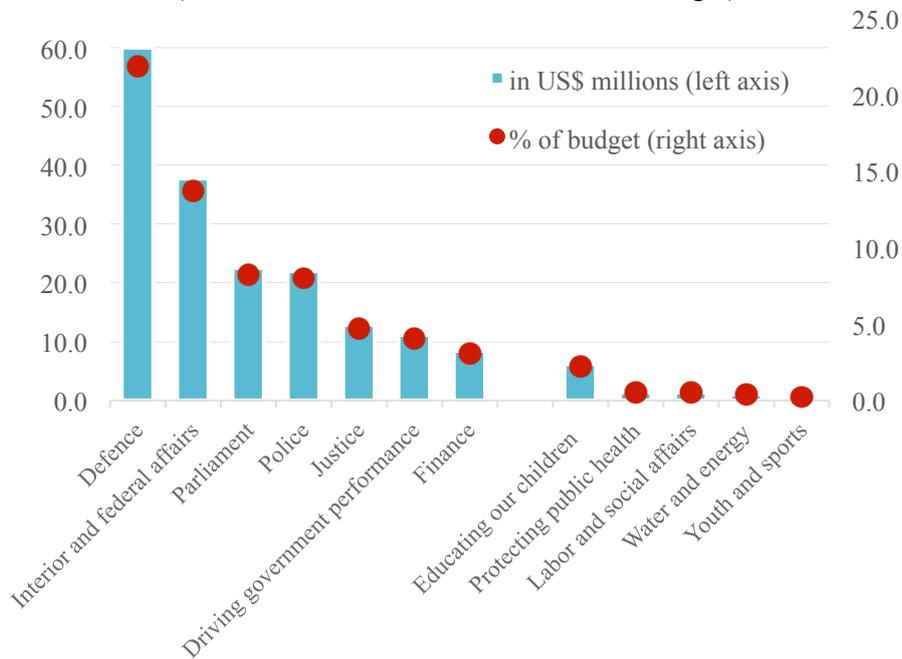
Figure 2: Estimated Expenditure in the 2018 Budget (in US\$ millions)



When looking at the different programs and services supported by the 2018 budget, defence along with internal and federal affairs account for just over one-third of total spending (Figure 3). Given that the primary role of all governments is to ensure the safety and security of their citizens, the high budget priority given to these issues in the current Somali context is sensible. As a small but rapidly growing government, basic administrative functions, including the Parliament, police, justice and

finance also rank among the largest beneficiaries of the 2018 budget, as do efforts to improve the overall performance of the government. At the same time, the FSG is dedicated to expanding investments in social services. Currently education, health, water and youth-related programs and services amount to around 5 percent of total spending, but these foundational investments are expected to grow as the country’s revenue potential continues to improve.

Figure 3: Estimated Expenditure on Programs and Services in the 2018 Budget
(in US\$ millions and as a % of the total budget)



	<p>Driving Government Performance</p>	<p>\$11.1 million (4% of total budget) for recurrent expenditure for the President and Prime Minister's Offices, and the Civil Service Commission.</p>	
<p>Parliament</p>	<p>\$22.6 million (8.2% of total budget) for legislative activities (both Senate and People’s House)</p>		
	<p>Preserving the Environment</p>	<p>\$0.4 million for environmental protection</p>	
<p>Foreign Affairs</p>	<p>\$5.5 million (2% of budget) for foreign affairs and support to embassies abroad</p>		
	<p>Finance</p>	<p>\$8.4 million (3% of total budget) for Public Finance Management (accounting, revenue collection, expenditure management)</p>	
<p>Economic Planning</p>	<p>\$1.5 million (0.5% of total budget) for Planning for Somalia's economic development</p>		



Interior and Federal Affairs

\$37.7 million (13.6% of total budget) to take care of Interior and Federal Affairs, fostering reconciliation after the 25 year civil war, and subventions to Regional States

Refugees \$0.4 million contribution towards welfare of Refugees and Internally Displaced Persons (IDPs)



Religious Affairs

\$0.8 million for fighting extremism through Religious Affairs

Justice

\$12.9 million (4.7% of total budget) to cover federal justice services including the judiciary, legal services, courts, prisons, constitutionalism



Auditor General

\$1.4 million (0.5% of total budget) for detecting and preventing errors and fraud in public financial management through external audit

Disaster Management (helping those in need)

\$0.8 million for Humanitarian Affairs and Disaster Management

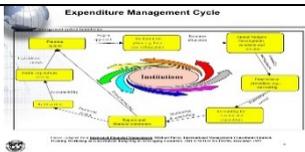


Capacity Injection Project

\$7.6 million (2.8% of total budget) to strengthen the staffing and institutional capacity of selected line ministries and central agencies to perform core government functions.

Special Financing Facility for Local Development Project

\$3.5 million (1.3% of total budget) to support the construction and reconstruction of infrastructure and the development of public service delivery capacity in targeted areas of Somalia and support FGS and regional administrations' capacity to respond to eligible crises or emergencies.

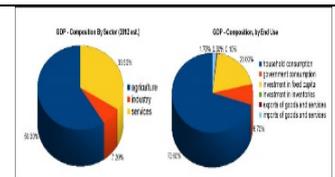


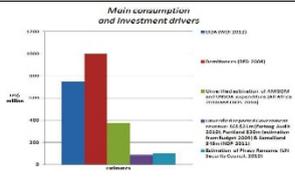
Public Finance Management (PFM)

\$6.9 million (2.5% of total budget) to establish and strengthen institutional capacity for the management of public funds in central finance agencies and targeted sectors.

Economic and Financial Governance (EFGP)

\$2.6 million (0.9% of total budget) to establish a macroeconomic and budget framework that is conducive to fiscal discipline, strategic and efficient in allocation and use of public resources, thereby contributing to a stable macroeconomic environment.





Recurrent Costs and Reform Financing Project (RCRF)

\$2.2 million (0.8% of total budget) to enable the Somali Government to achieve reliable and transparent financing of critical civil service operations to help strengthen the legitimacy of the state.

Somali Core Economic Institutions & Opportunities Project (SCORE)

\$3.2 million (1.2% of total budget) to improve the enabling environment for private and financial sector development; and to catalyze private investment and job creation.



Support to Stabilization (S2S) Project

\$0.9 million (0.3% of total budget) allocation for 2018. This is a UN funded project and supports the FGS efforts in stabilizing the newly recovered areas of South Central Somalia, through establishment of caretaker and interim local administrations

Somali Urban Investment Planning Project \$6 million (2.2% of total budget) to provide: (i) an assessment of the feasibility of, and preliminary plans for, selected urban investment, and institutional strengthening activities in southern Somalia, Puntland, and Somaliland, and (ii) enhanced project preparation and implementation capacity of participating agencies.



Defence

\$60 million (21.6% of total budget) investment for Defence and national security; \$1.5 million (0.5%) for ensuring justice and discipline in the military and \$0.1 million for supporting needy orphans of fallen soldiers.

Police

\$22 million (7.9% of total budget) investment in Police for keeping law and order



Immigration

\$4.1 million (1.5% of total budget) to support border protection through Immigration

Water and Energy

\$1.1 million (0.4% of total budget) for recurrent spending to support policy making for water and energy development



Minerals development

\$1.3 million (0.5% of total budget) for recurrent spending in 2018 to support policy work for mineral development

Agriculture, Livestock, Fisheries \$3.6 million (1.3% of total budget) for recurrent spending to support the rebuilding of policy and administrative structures for agriculture, livestock, fisheries, forestry development and marine research





ICT

\$5.3 million (1.9% of total budget) for recurrent spending to strengthen policy and administrative functions for the Information, Posts and Telecommunication Sector.

Somali Telecommunication Authority \$1.1 million (0.4% of total budget) to establish the Somali Telecommunication Authority as required by the new Telecom Law (2017)



ICT Sector Support Project \$3.4 million (1.2% of total budget) to support the ICT Sector in Somalia by contributing to establishing an enabling environment and by encouraging efficiency and equity in access to connectivity.

Public Works and Reconstruction

\$1.2 million (0.4% of total budget) for recurrent spending and limited capital spending towards policy making for the Public Works and Reconstruction Ministry.



Transportation Services

\$3.1 million (1.1% of total budget) to support policy and administrative functions in the transportation ministries covering aviation, ports, roads, meteorology

Serving Businesses (Industry and Commerce) \$2.1 million (0.7% of total budget) to support the ministry responsible for industry and commerce in the Federal Government.



Protecting Public Health

\$1.4 million (0.5% of total budget) for health care administration, and interventions for malaria, TB and HIV

Educating our children \$6.1 million (2.1% of total budget), out of which \$2.6 million for the Primary and Secondary Education, \$2.9 million for Somali National University, \$0.3 million for the Somali Academy of Sciences and Arts, and \$0.3 million for the Somali Inter-governmental Academy.



CHILD LABOUR



Labor and Social Affairs

\$1.4 million (0.5% of total budget) for regulating the labor industry and social affairs within the Federal Government

Youth and Sports

\$0.7 million (0.2% of total budget) to support youth activities including sports



Gender

\$0.9 million (0.3% of total budget) to support gender mainstreaming and human rights research through the Ministry responsible for Women and

Human Rights.

What are your ideas, questions, thoughts or comments on the 2018 budget? Do you need more information than is provided in this booklet? Is there anything more you would like us to know? Was this booklet useful, easy to read and understand? Please let us know....write to us or contact us at:

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