

2022

BUDGET BRIEF SOMALILAND

ABDIWAHAB SANCAWL



2,200	2,200
2,200	2,200
2,200	2,200
2,200	2,200
2,200	2,200
15,187	15,281
348	440
15,545	15,727
3,183	3,683
\$ 12,362	12,044

1.47	\$	1.41
1.46	\$	1.39
8,397		8,555
8,489		8,646
\$ 0.40	\$	0.32



Budget Brief Somaliland 2022

ABDIWAHAB SANCAWL

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ISIR Think Tank

The Institute for Strategic Insights and Research (ISIR) is an independent, non- partisan organization that uses research to inform its policy advocacy work.

It undertakes impartial policy research, training and analysis to organizations and decision-makers in the horn of African region who are working toward innovative thinking to stimulate formulation of sound public policies leading to positive outcomes in the fields of peace & security, good governance, safeguarding human rights and democracy



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INTRODUCTION

The Somaliland government recently released the budget for the 2022 financial year. The total budget for the current financial year is USD 412 million, a 16.7 percent increase from the 2021 budget which was USD 340 million. ISIR Think Tank has undertaken an analysis of the budget as presented in this document. The analysis is done at three levels. First, there is a highlight of the macroeconomic outlook and the sources of revenue, after which follows a presentation of the sectoral expenditure allocations. Finally, the last section benchmarks the standard best budgetary practices and draws conclusions while making recommendations for adoption by the various government actors.



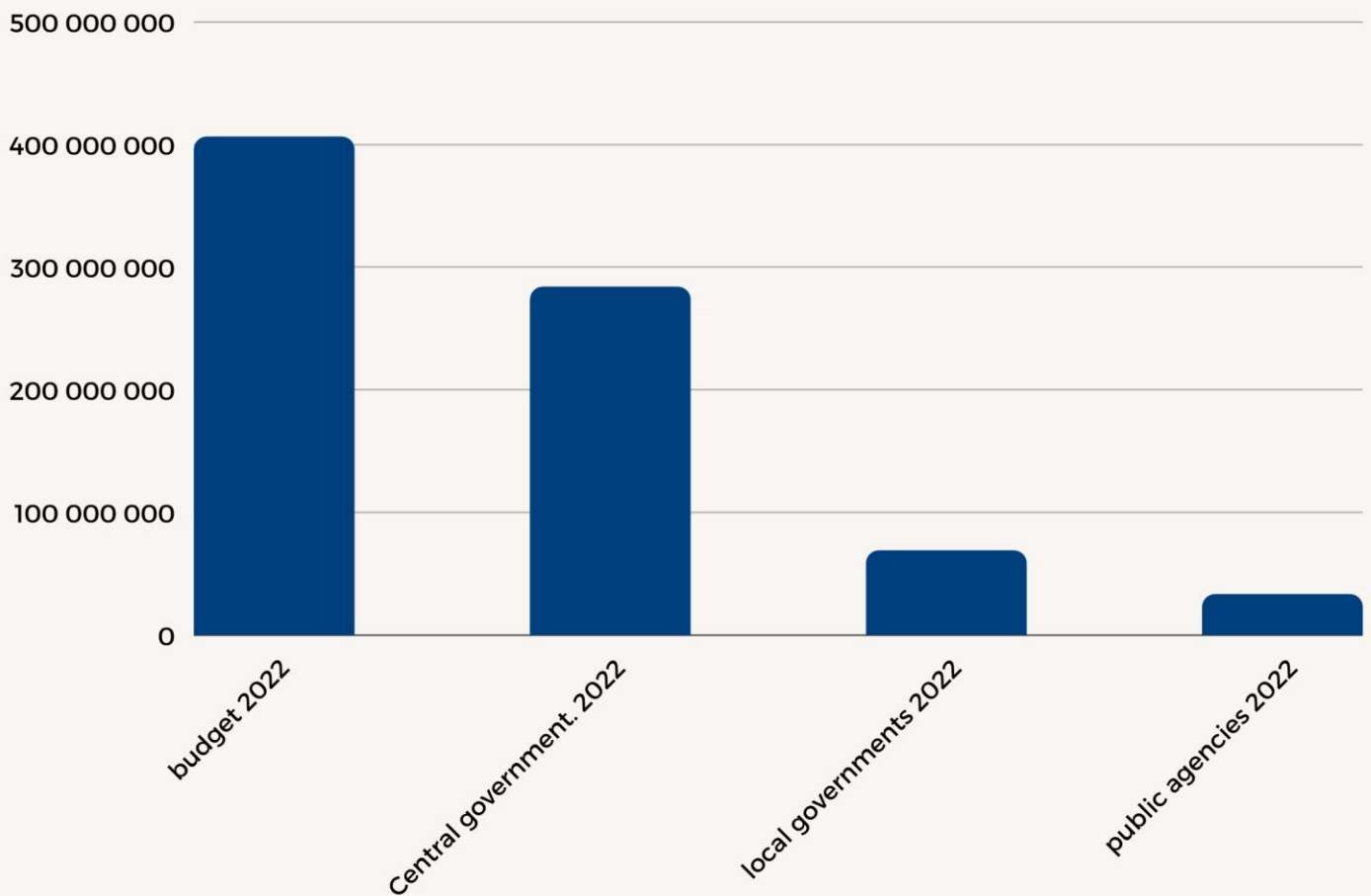
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BUDGET OVERVIEW

**THE REVENUE IS
PROJECTED TO
INCREASE 16.76%.**

The national 2022 budget was released amid growing concerns of the new Covid 19 variant, the Omicron Variant, and impending droughts in the country. These two variables add a layer of fragility to the already weak economy. This may complicate the predictability of the projected revenue streams and expenditure, in turn hampering the government's performance. Despite these conditions, the revenue is projected to increase by 16.76% in the current financial year. The budget caters for all government expenditure including central government entities, local government, and other government agencies.



Out of the 412 million USD budget for 2022, the Central Government budget has been allocated \$ 283,582,693, equivalent to 70% of the total budget. This is an 11% increase from the 2021 budgetary allocation. Local governments on the other hand got an allocation of \$68,573,912, which constitutes 15% of the total budget. This is a 44% increase from the previous year. The independent public agencies account for 8% of the total 2022 budget, a 12% increase from the 2021 allocation. Aid projects take up 7% of the 2022 budget which anticipated a substantial increase of 58% at Joint UN Joint Program on local Governance (JLPG) particularly and SDF 10% respectively, although the world Bank projects expected to decrease 19% this year.

The projected revenue increase in the financial year 2022 is expected to be largely driven by the Ministry of Finance's recent improvement in tax collection measures such as GST, increased tax compliance and enforcement efforts, and registration of taxable businesses and properties. Domestic revenue sources are the dominant government income sources and account for 93% of the total budget, while development aid from multilateral institutions and foreign governments accounts for the remaining 7% of the total annual budget. Customs tax continues to be the main revenue generator with a projected revenue of \$ 219 million in the financial year 2022, accounting for approximately 77% of the total tax revenue.



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- Furthermore, it is projected that the post COVID19 economic recovery and the resultant economic growth will increase tax revenues. According to the Ministry of Finance, domestic revenue is anticipated to increase by 15% in the financial year 2022. The areas that are expected to drive this increase are: The expansion of the scope of goods and servicetax (GST)
- The increase in the tax imposed on non-essential goods such as cosmetics, cigarettes and luxury cars
- The tax received from livestock exports
- Incomes from government ministries and agencies such as work-permits issued by the ministry of labor, the permits for media and telecom companies, among others
- Revenue from Covid 19 test fees for the departing air travelers, which has been included in the 2022 budget
- Revenue from quality control agencies who charge fees on imported goods



Somaliland's Economy at a Glance

Gross Domestic Product (GDP)

The Somaliland economy is estimated to have contracted by -2% in 2020 as a result of the various disruptions brought about by the COVID-19 pandemic. This is in contrast to the previous year, 2019, during which the country's GDP grew by 6.5%—the highest growth since 2013. This growth was spurred by significantly higher household consumption and investment. The GDP contraction in 2020 is comparable to the -1.3% contraction in 2017 which was mainly driven by the banning of livestock export to Saudi Arabia. However, this contraction was exacerbated by the impact of the COVID-19 pandemic on consumer demand, among other things.

	2020	2019
 GDP	-2 %	6,5 %
 Livestock	-33 %	
 Travel	-54 %	

In 2020, livestock export was 33% lower than it was in 2019 as a result of lower demand from Saudi Arabia during the Hajj—resulting in significantly lower income. Moreover, travel restrictions in 2020 led to a 54% decrease in the number of passenger arrivals into the country (i.e. Foreign and diaspora arrivals) leading to decreased spending from these relatively higher income groups. The IMF estimates that a 1 percentage point increase in GDP growth drives down undernourishment by 0.95%, with the elasticity more pronounced for poorer countries than high-income countries. The estimated -2% contraction in 2020 in Somaliland is therefore quite significant especially to the food security situation and should inform the government's short-term policies and fiscal responses.



INFLATION

Average prices in Somaliland in 2020 were less stable compared to 2019. The COVID-19 pandemic brought about unprecedented supply and demand disruptions with differing impacts on average prices (i.e., increasing and decreasing pressures respectively). Average prices increased at a higher rate in the first half of 2020 (an average of 0.73% per month) compared to the same period in 2019 (0.33% on average). This increase was mainly attributed to a sharp increase in the Food Crops & Related items inflation in March 2020. On the other hand, in the second half of 2020, average prices decreased by 0.2% per month. The annual headline inflation for 2020 was 3.5%, down from the 4.6% recorded in 2019

and the 8% in 2018. While both the Food crops & related items and Energy, Fuels and Utilities annual inflation rates increased by 14.5% and 3.9% respectively in 2020 compared to the 6.6% and -6.7% in 2019, the core inflation rate decreased to 2% compared to the 5.6% inflation rate of 2019. The decrease in the headline inflation rate in 2020 was mainly attributed to lower consumer demand brought about by the impact of COVID-19 on income levels (Ministry of Finance & Development)

0.73%

Inflation 2020

Source 2022 macroeconomic outlook paper.
The 2021 data is not available to the public yet



EXCHANGE RATE

According to the Ministry of Finance & Development's 2020 annual report, the Somaliland shilling exchange rate against the US dollar continued to be stable in 2020 (i.e., hovering around the Bank of Somaliland target of 8,500 SLSh/USD). The average exchange rate in 2020 was 8,541 SLSh/USD, representing a 1.1% appreciation from the 8,638 SLSh/USD in 2019. The slight appreciation of the SLSh against the USD seems to be a response to the decrease in the annual headline inflation rate brought about by lower consumer demand.

8,541 SLSH/USD

Exchange rate 2020

Source 2022 macroeconomic outlook paper. The 2021 data is not available to the public yet

REMITTANCES

Despite the unprecedented disruptions caused by the COVID-19 pandemic globally, both inward and outward remittances in Somaliland in 2020 were higher than they were in 2019 and 2018. This indicated the Somaliland's resilience (i.e., including the resilience of the diasporacommunity). Inward remittances in 2020 increased by 15% while outward remittances increased by 0.12%. The fact that livestock exports decreased in 2020 due to lower demand of livestock during the 2020 Hajj in Saudi Arabia most likely triggered the significant increase in inward remittances in 2020.

Source 2022 macroeconomic outlook paper.
The 2021 data is not available to the public yet



TRADE

The livestock sector contributes significantly to Somaliland’s economy and constitutes the main source of income for the vast majority of Somalilanders. In 2020, COVID-19-induced social- economic disruptions (e.g., the cancelation of the Hajj to all non-Saudi residents) led to significantly lower export of livestock compared to 2018 and 2019 as shown in figures 6 below —resulting in much lower income from this trade. Somaliland exported 1,277,900 heads of livestock in 2020, representing a 33% and 9% decrease from 2019 and 2018 respectively. Sheep & Goat exports accounted for 98% of the decrease in exports in 2020. Total Sheep & Goat exports which accounted for about 87% of Somaliland’s livestock exports in 2020 was 1,105,057—which was 605,589 lower than in 2019.

Source 2022 macroeconomic outlook paper. The 2021 data is not available to the public yet



IMPORT

The nominal value of Somaliland's imports in 2020 was approximately \$2 billion, estimated to have decreased compared to 2019. Imports decreased by 1.2% in the second quarter of 2020. These decreases were observed in April and May, coinciding with the enforcement of trade, travel and other social restrictions around the world to mitigate the spread of the COVID-19.

Source 2022 macroeconomic outlook paper. The 2021 data is not available to the public yet



MSC

INVESTMENT BUSINESS REGISTRATION

About 90% of the registrations were in Hargeisa, while 5% of the new businesses were registered in Berbera.

49%

Services sector

25%

Import sector



In 2020, the Ministry of Trade, Industry and Tourism registered 662 businesses. This is significantly lower than the 1,139 businesses registered in 2019—in other words, there were 477 fewer business registrations in 2020 compared to 2019. Most of the registrations were made in the professional services sector and the import sector—accounting for 49% and 25% of the registrations in 2020 respectively. Both sectors also accounted for most of the registrations in 2019, at 45% and 19% of the total businesses registered respectively. Geographically, about 90% of the registrations were for Hargeisa, while 5% of the new businesses were registered in Berbera. This can be attributed to the fact that Hargeisa is the capital and commercial city of Somaliland.

With respect to the number of licenses issued to registered businesses, there were 666 renewed licenses and 733 new licenses issued in 2020. Not surprisingly, most of the licenses were issued to businesses in Hargeisa—accounting for 86% and 83% of new and renewed licenses, respectively. Considering the 662 business registrations made in 2020, the 666 new licenses issued shows that some of them were issued to businesses that registered in 2019 or earlier. Business licenses and business registrations on their own do not say much about the state of investment in Somaliland. More variables (e.g., building and construction permits) need to be tracked in order to get a clearer picture of investment in the country.

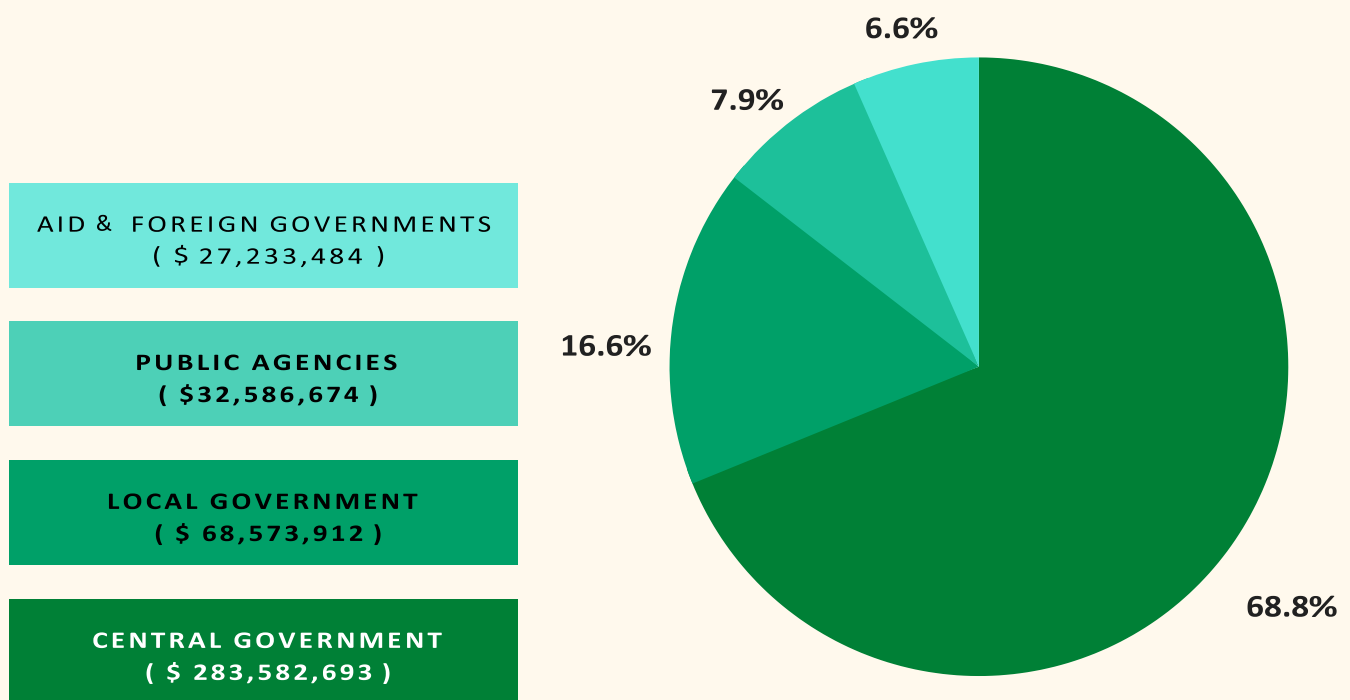
FINANCING OF THE BUDGET

REVENUE



EXPENDITURE

FINANCING OF THE BUDGET



The approved budget covers four major areas such as central government, local governments, other public agencies and aid from multilateral and governments.

Priorities of the budget

The government has set an allocation of 23% of the budget for priority sectors that reflect national development plan II goals, hence the areas of priority are the following.



Security

- Recruiting of additional security force
- 30% salary increase for the Army and other security forces



Water

- Hargeisa water extension
- Drilling water earth dams and wells



Environment

- Grazing range conservation



Health

- Construction of MCHs
- Prevention of Covid 19 and promotion of public Healthawareness
- Modernization of regional hospital and Hargeisa hospital in particular



Governance

- Expedite the recognition campaign
- Decentralization governance at the eastern regions
- Increasing contingency fund
- Investment of fiber optic cable
- Youth national service scheme
- Capacitating judiciary branch
- Strengthening statistics
- Elections



Education

- Research
- Upgrading the quality of technical schools
- Literacy program



Production

- Purchase of fishing boat
- Purchase of laboratory for livestock test
- Conduct marine research
- Fishery Community subsidy



Infrastructure

- Hargeisa city development fund



Other allocations

- Radio FM purchase
- Job creation especially startup cost
- Youth development

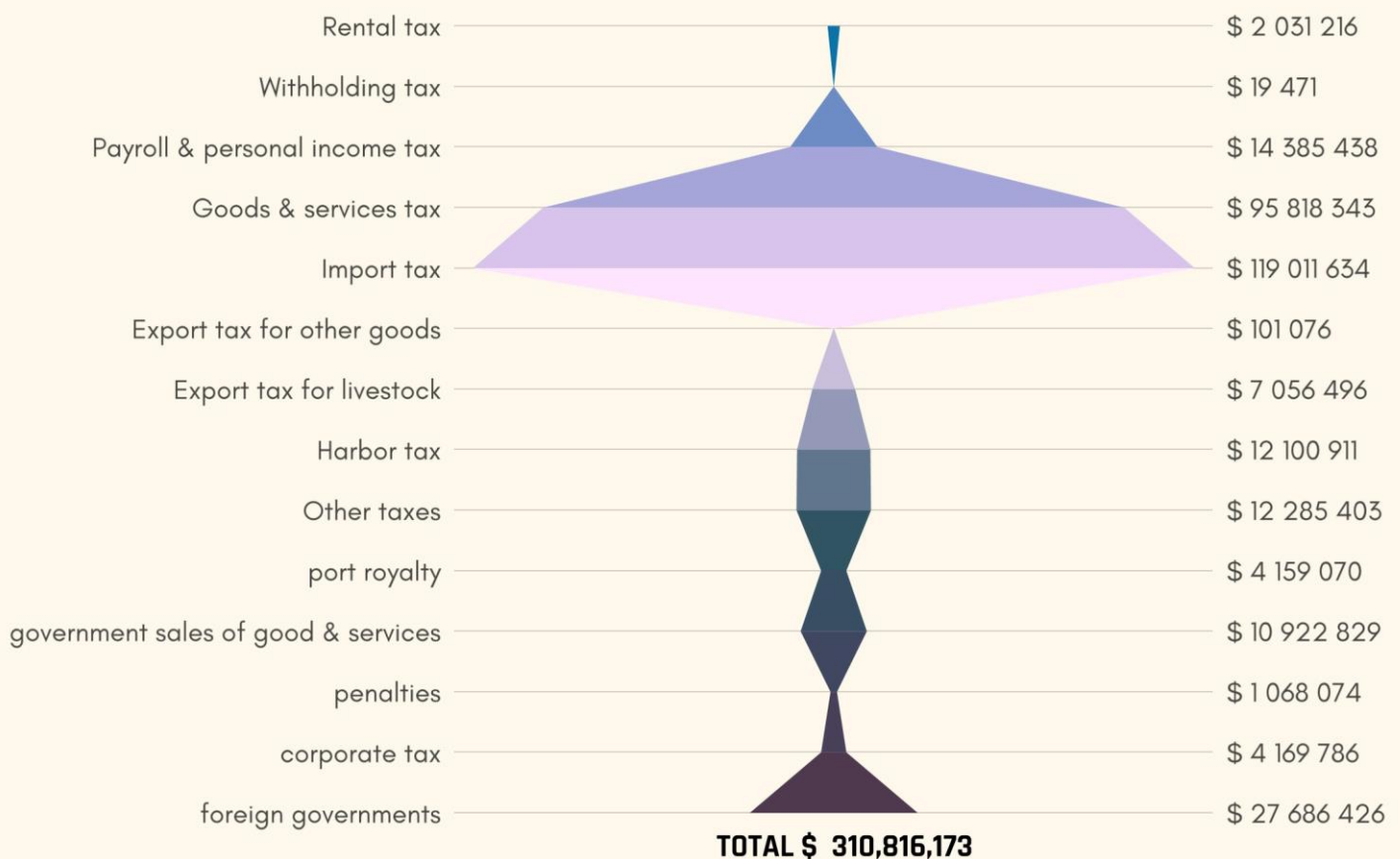
Fiscal policy

For the last two years, the Covid 19 pandemic has weakened the country's economy. To accelerate the economic recovery and enhance the purchasing power of the citizens, the government is pursuing to the following fiscal policies:

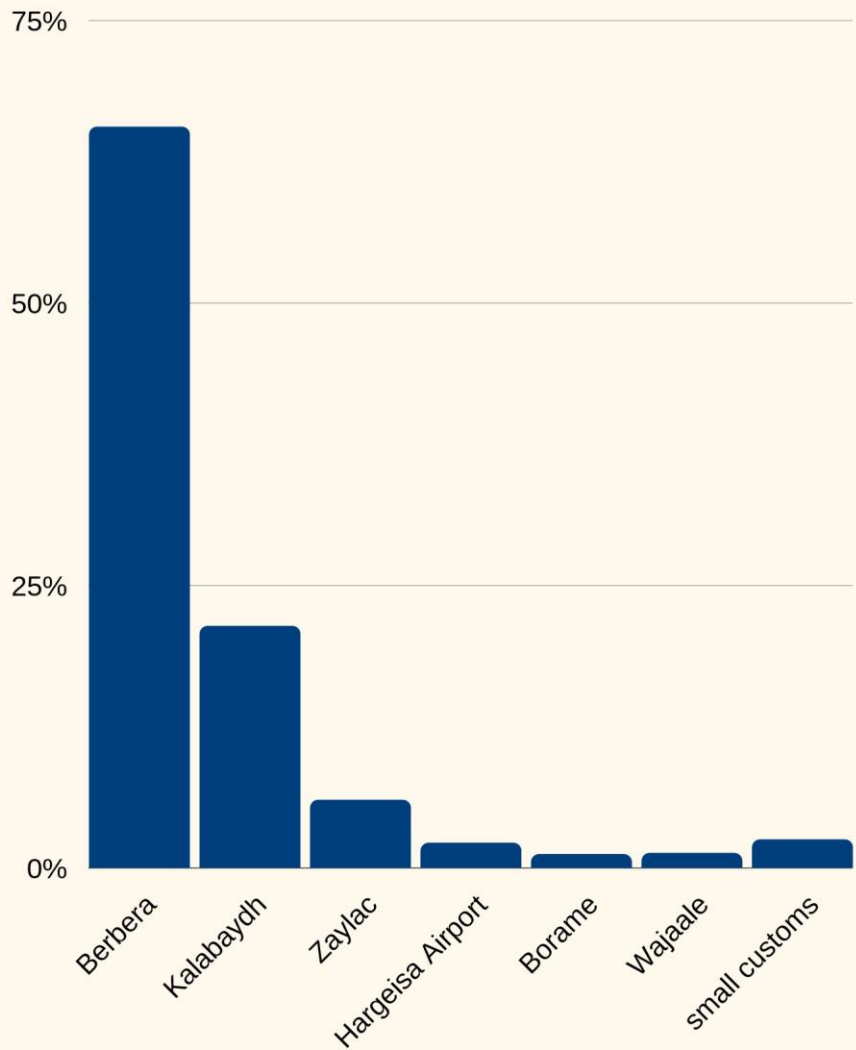
- 10 percent tax cuts for imported foodstuff
- Balancing the Budget
- Increase inland revenue.
- Promote and protect local production
- Construct Industrial zones
- Increase youth employment through a National Youth Service scheme
- Allocation of contingency fund
- Inclusion of COVID 19 recovery measures in the budget
- Stopping illegal fees
- Easing tax payment processes
- Implementing the Somaliland Financial Information Management System (FIMs)
- Enhancing public participation in the budgeting processes

SOURCE OF REVENUE

The projected revenue excluding local government revenue will be derived primarily from tax levied on imports, exports, customs tax and other taxes. In addition, there is the 2% tax charged in the Eastern Regions known as International Trade Tax which is administrated by customs. The Inland Revenue Tax is the second largest share of tax revenue. This includes sales tax, excise duty, registration tax, other tax on goods and services, income and profit tax, payroll and workforce tax, among others. Domestic revenue is the major state income and accounts for 93% of the total budget, while development aid from multilateral institutions and foreign governments accounts for 7%. Customs tax continues to be the main revenue generator, contributing a projected revenue of \$ 219 million in the financial year 2022, which translates into approximately 77% of the tax revenue. Usually, there are 11 heads or sources from which taxes, and other non-tax revenue, are derived. These include among others; rental tax, corporate tax or profit, payroll and personal income tax, withholding tax, goods and services tax, international trade (import and export) tax, other taxes, port royalty, revenue from government sales of goods and services, and revenue from penalties.

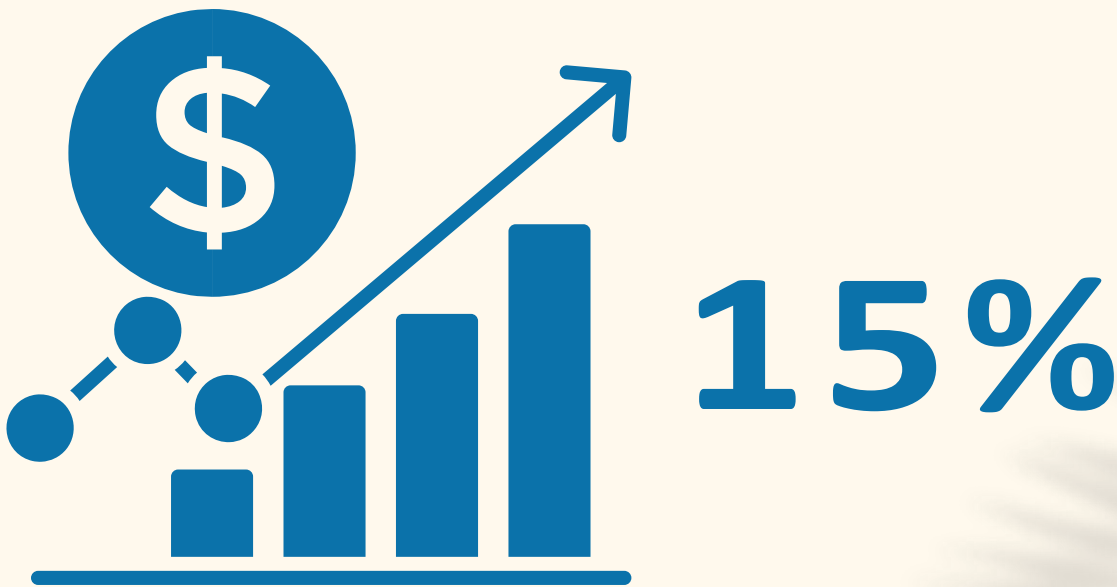


Customs



Customs duty makes up for 77% of the total tax revenue, which is the largest share of the tax revenue. Somaliland has 20 regional customs offices, including Berbera which contributes the highest share of the customs duty revenue at 65.6%. Others include Kalabaydh is the second biggest source of customs duty at 21.4%, Zaylac at 6%, Hargeisa Airport at 2.2%, Borame at 1.2%, Wajaale at 1.3% and other small customs offices which collectively make up for 2.5% of the customs duty revenue. Customs duty revenue is projected to increase by 13% in the financial year 2022.

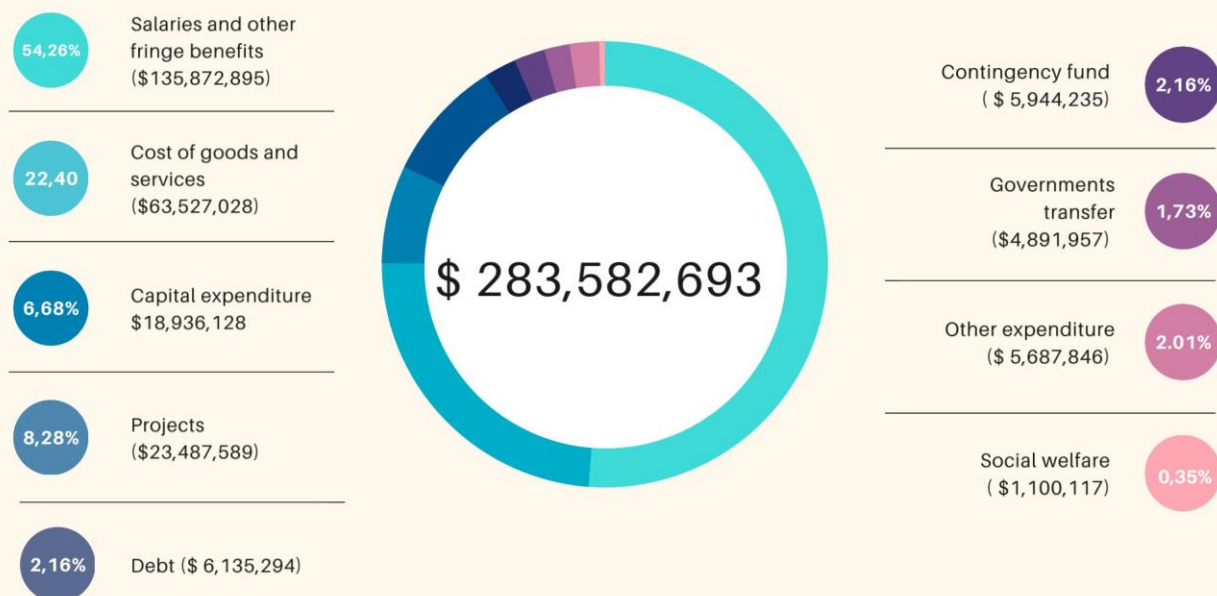
Inland revenue



Inland Revenue is the second largest source of state income, accounting for 20% of the total budget. Inland Revenue is expected to increase by 15% in the financial year 2022. Inland Income from Hargeisa is projected to increase by over 50%, from Berbera by 16.7%, from Borame by 4,9%, from Gabiley by 2.3% and other towns by 4.6%. Inland revenue consists of sales tax, excisetax, registration tax, other tax on goods and services, income and profit tax, payroll, and personal income tax.

EXPENDITURE ANALYSIS

The approved budget appropriated largest share to a recurrent or operating expenditure. Recurrent expenditure is consisting of salaries and other employee fringes, and cost of goods and services. The expenditure allocated to the developmental projects is also received minor share. The capital expenditure or long-lived assets has earmarked for, such as purchase of automobiles, machines, boats, constructions like schools, bridges, free zone, maintenance, purchase of fiber optic, purchase of military hardware, and purchase of firefighting equipment etc. Debt, government transfer namely subsidy and grants that the government gives to the specific institutions, and other social welfare grants the government to the poor and vulnerable groups are among the appropriation of the budget. The following diagram classifies expenditure allocations excluding multilateral and foreign government aid, local government and public agencies

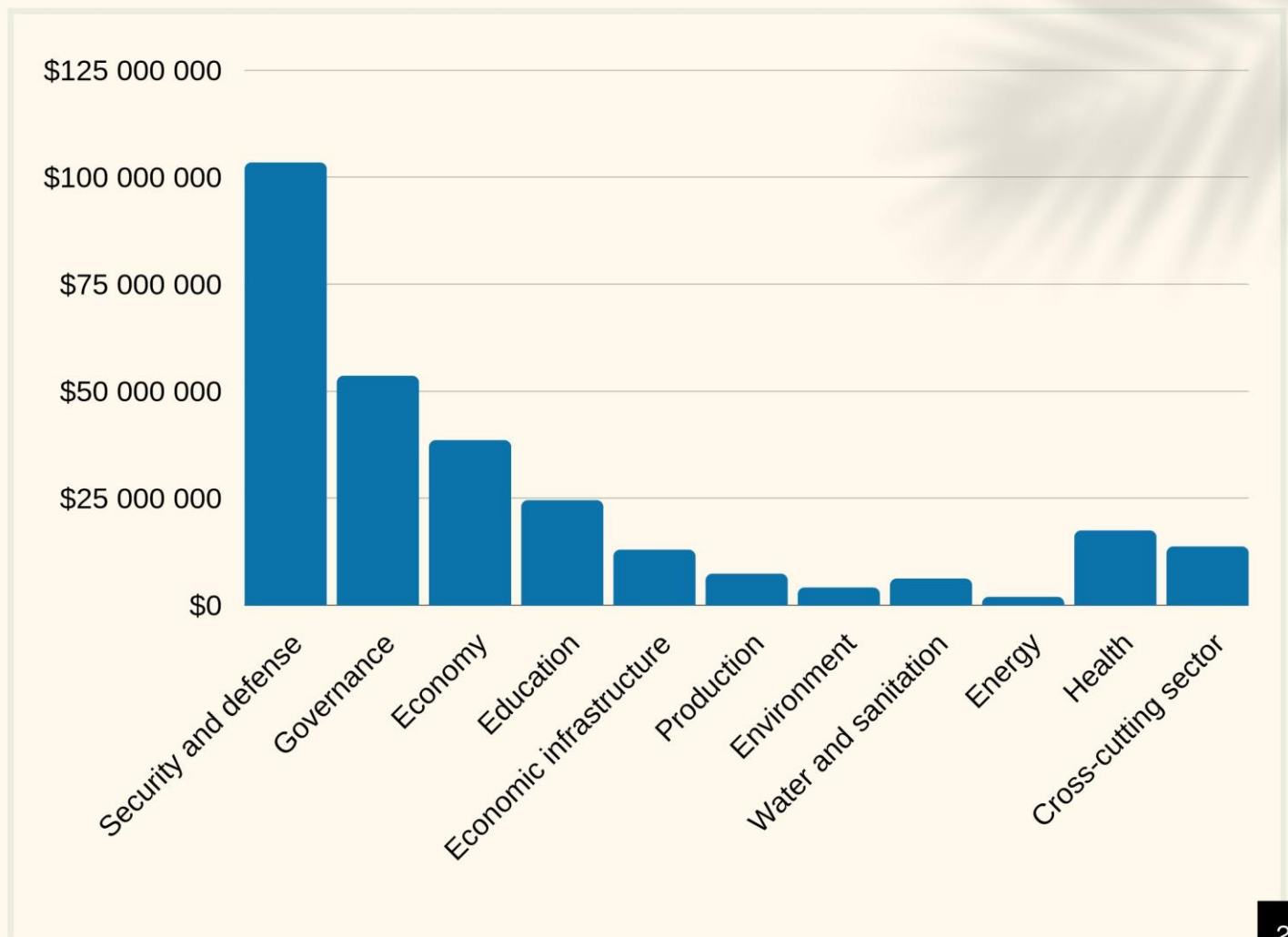




Recurrent expenditure such as salaries and cost of goods and services received the largest share of the budget at 78% with development expenditure taking a rather meagre share of 7.2% of the budget. Projects were assigned only 8.28% of the budget. The increase in recurrent expenditure could be attributed to the increased salaries and wages and other purchases. Around 2% of the budget will go towards repaying public debt, while the contingency fund is 2% of the budget. Notably, the election was also apportioned a percentage of the budget.

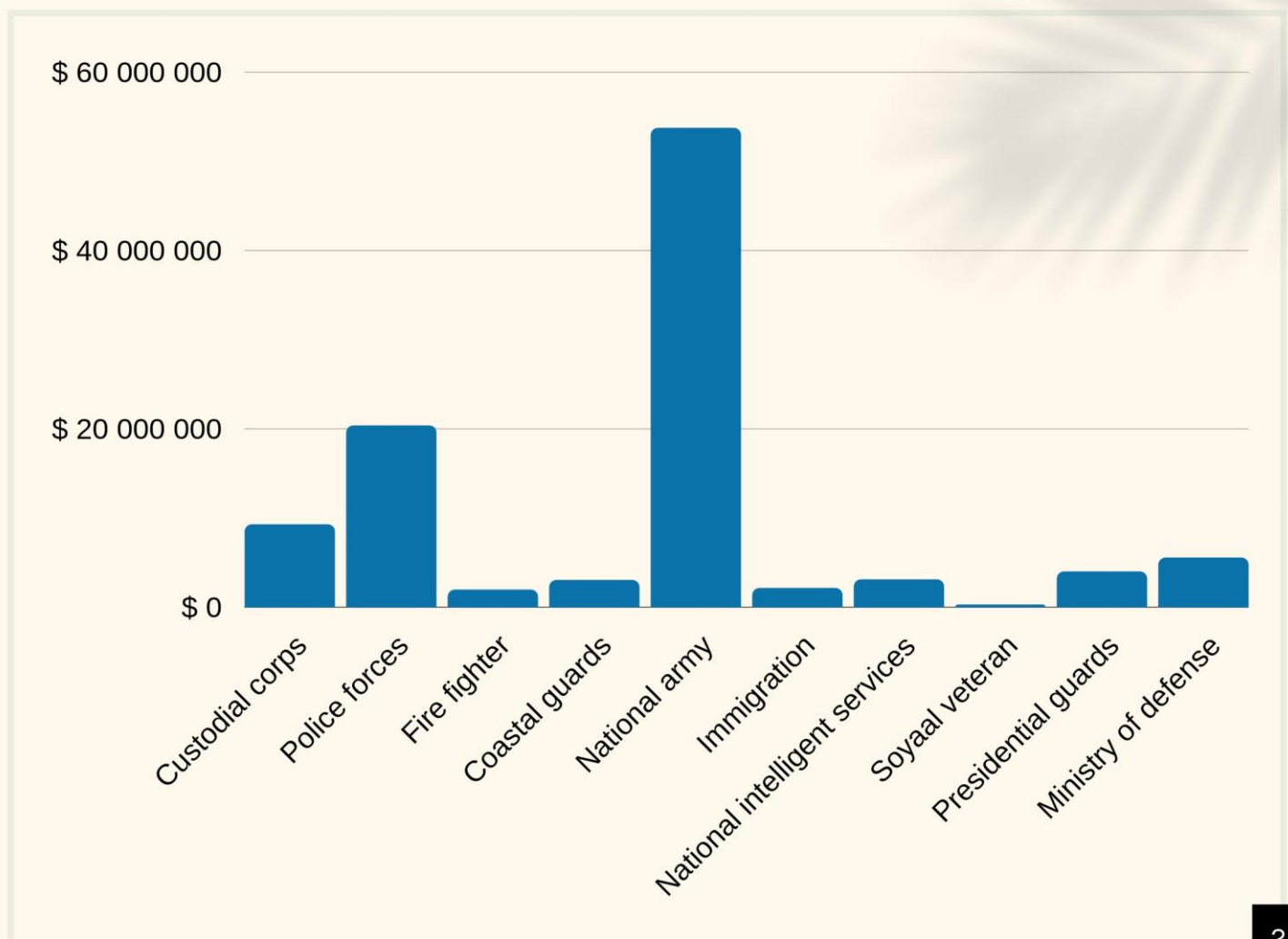
Sectoral analysis

In order to achieve national security and the set socioeconomic goals, the government has made allocation for 11 cross-cutting sectors in line with the budget priorities.



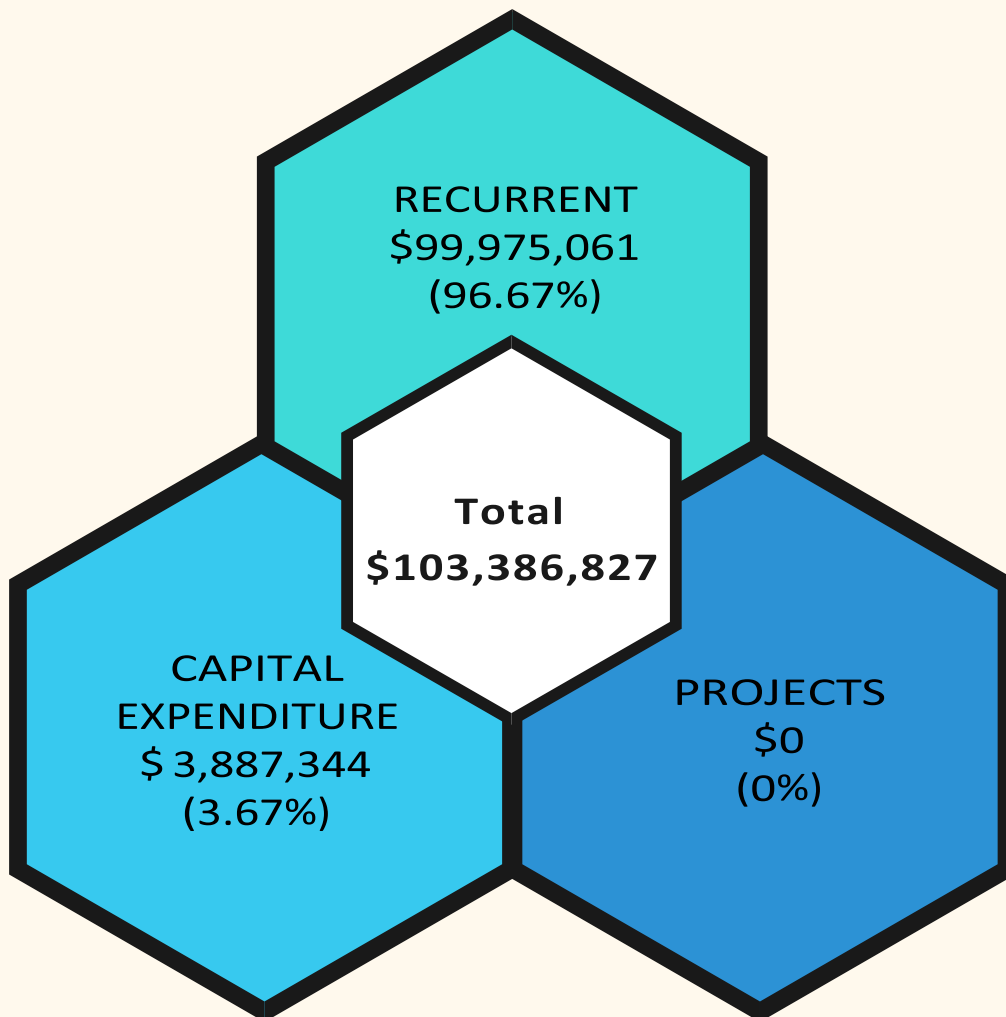
Security

The security sector received 36.46% of the overall expenditure budget, the largest allocation of the expenditure budget and a 15.88% increase from the previous year. The security sector consists of 10 institutions as illustrated in the table below:

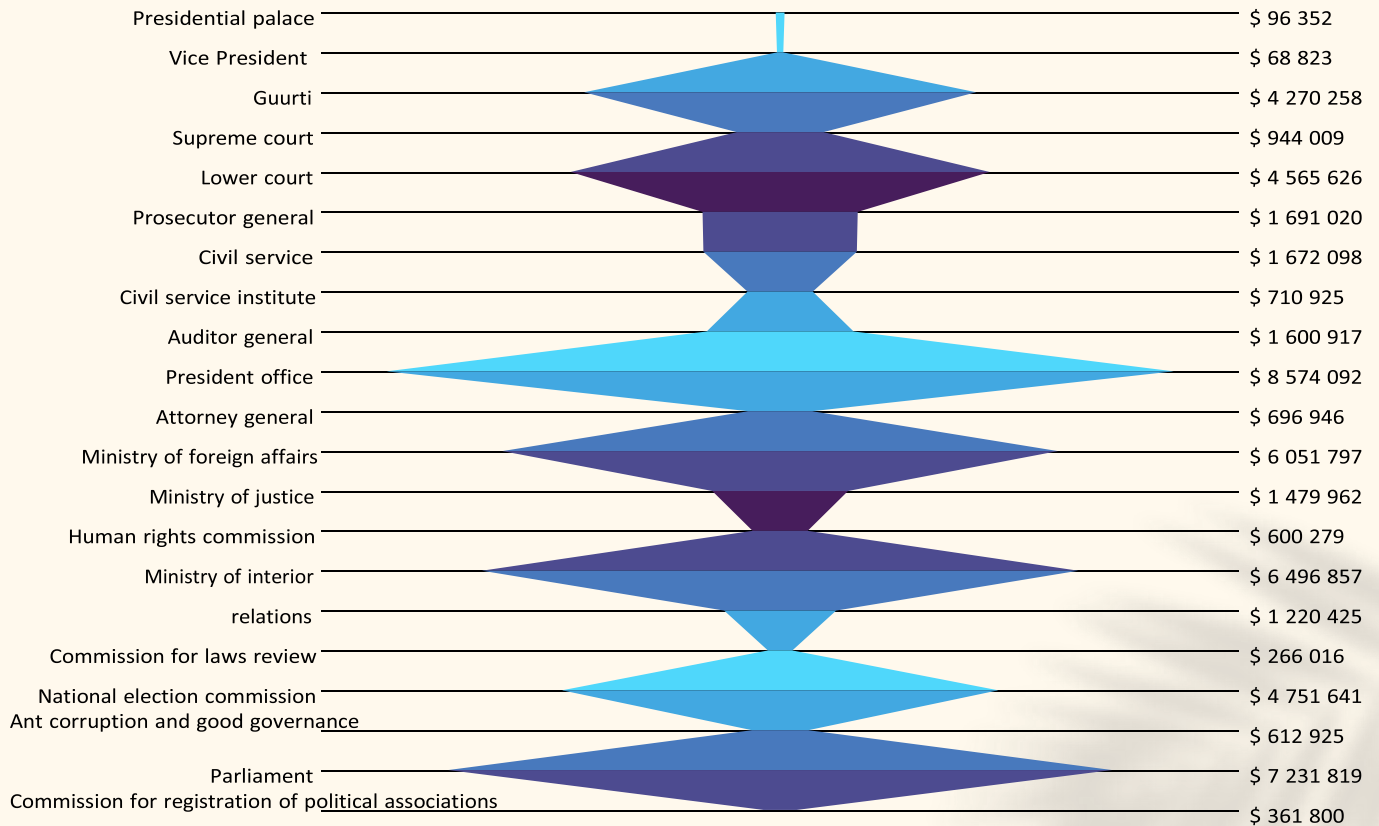


Security

The recurrent expenditure in the security sector got an allocation of 96.13% of the total sector's budget, while capital expenditure accounts for 3,67%. Projects were not allocated any share of the budget in the security sector.



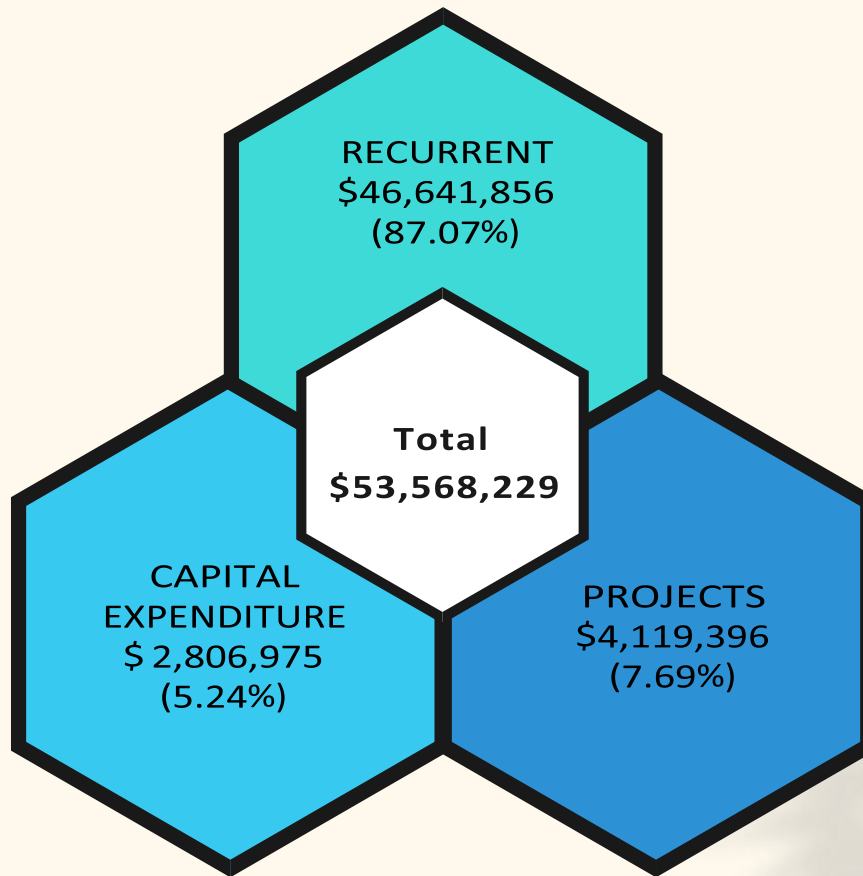
Governance



The governance sector has been allocated \$ 53,568,229 which represents 18,89% of the total budget and a 7,04% increase from the previous financial year. This sector is made up of 23 institutions.

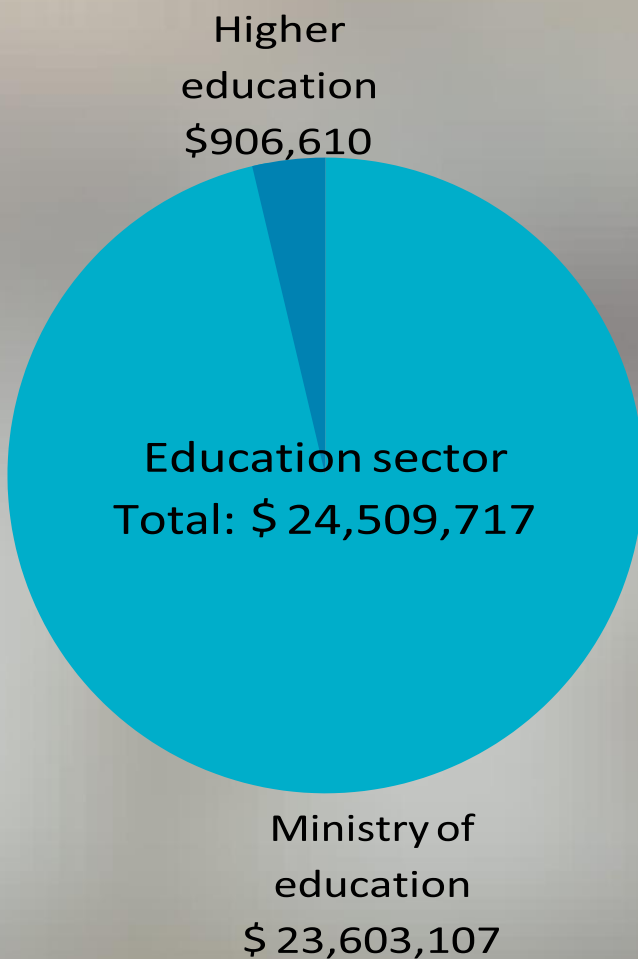
Governance

EXPENDITURE



The recurrent expenditure in this sector takes up a sizable share of 87.07% of the budget, while the capital expenditure gets 5.24%. Projects were apportioned 7.69% of the budget. The increase in the project budgetary allocation can be attributed to the upcoming presidential elections, which falls under projects of the governance sector.

Education sector

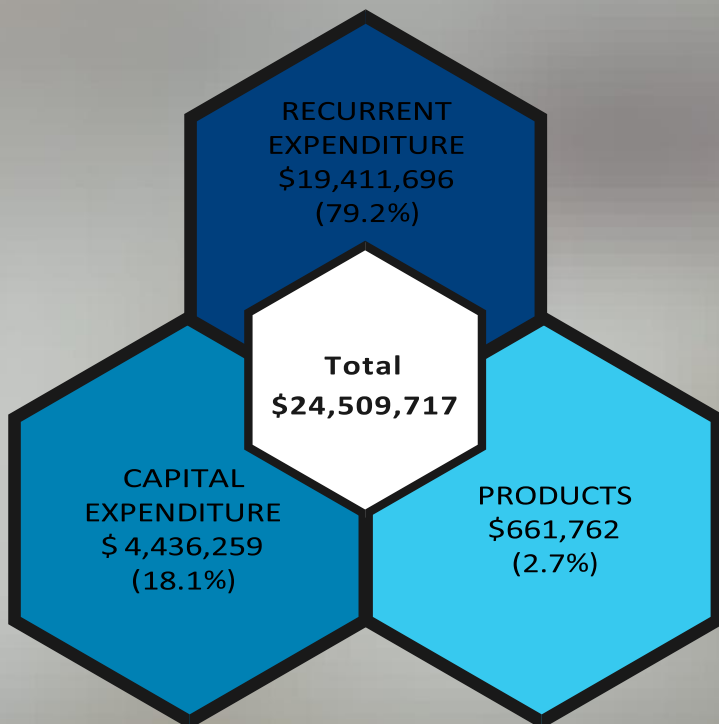


To increase the quality of education and increase school enrollment by recruiting 300 more teachers as stipulated in the ministry's plan, the government has allocated \$ 24,509,717 to the education sector, which constitutes 8.64% of the total budget and a 7.32% increase from the previous financial year.

Education sector

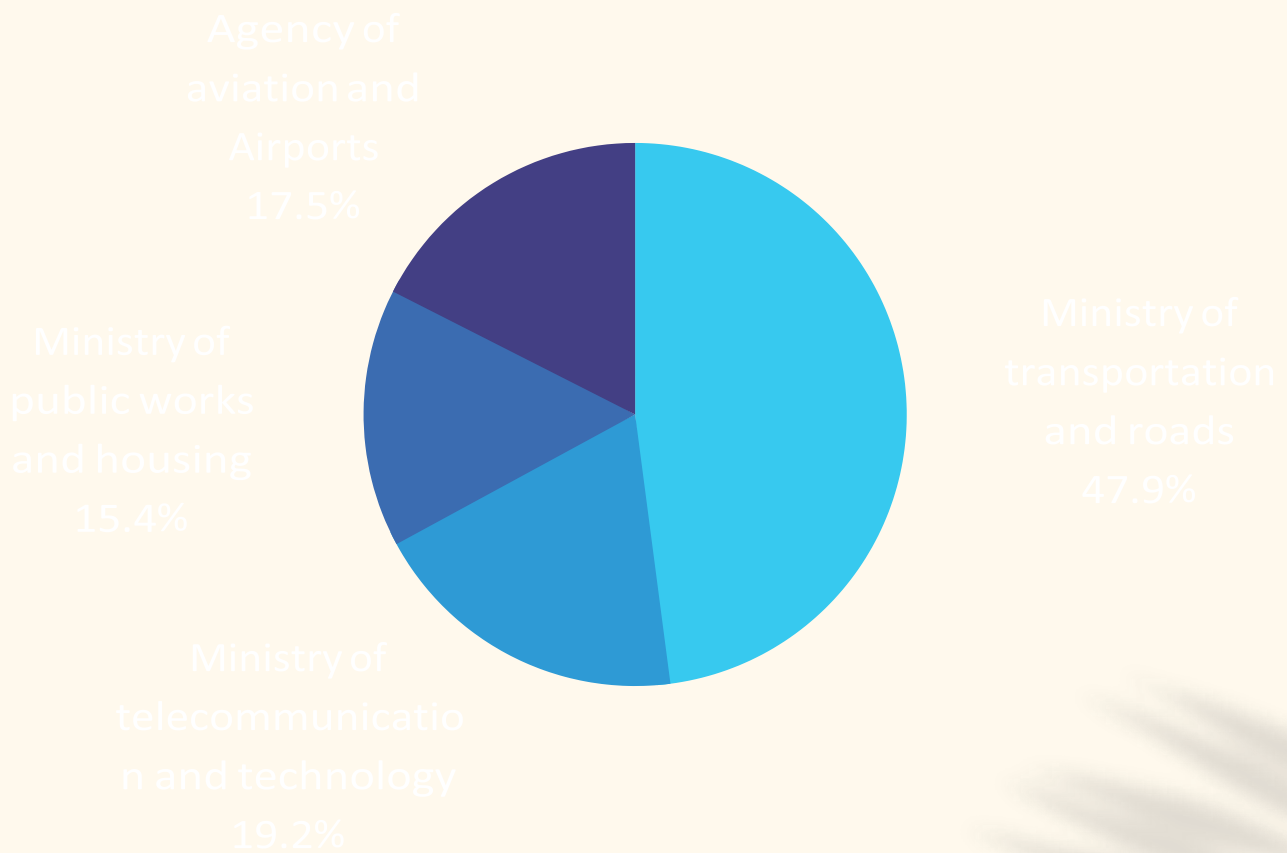


Expenditure



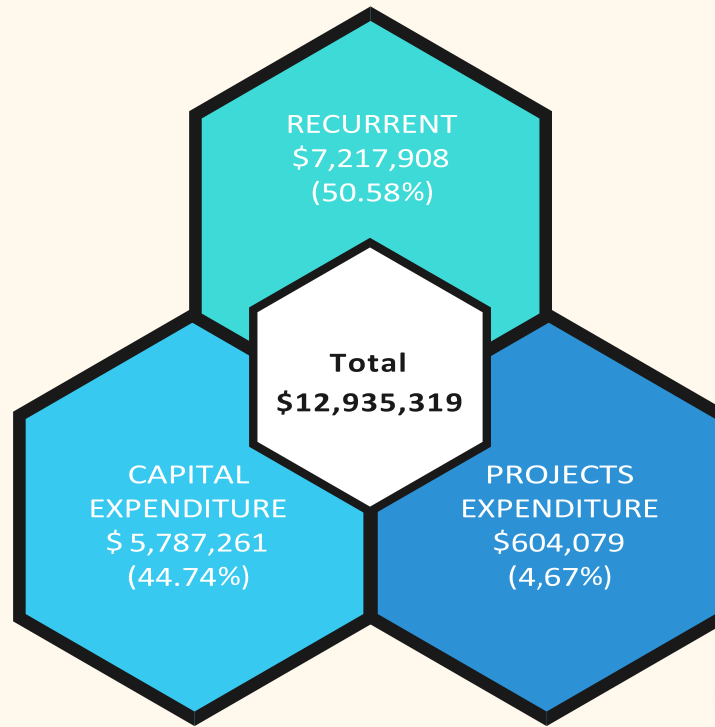
Moreover, the recurrent expenditure in this sector received a 79.2% share of the sectoral budget, while the capital expenditure and projects were allocated 18,1% and 2.7% respectively.

Infrastructure sector



The government has apportioned \$12,935,319 for the development and maintenance of public infrastructure. This translates into 4.56% of the total budget. This sector is very critical for economic development; hence, the government has allocated almost half of the expenditure to capital expenditure such as upgrading ICT infrastructure, implementing postal service, purchase of fiber optic cable, and the renovation of roads and bridges.

Infrastructure sector



Expenditure

The recurrent expenditure in this sector takes up 50.58%, the capital expenditure 44.47%, while projects account for 4.67% of the sectoral budget.

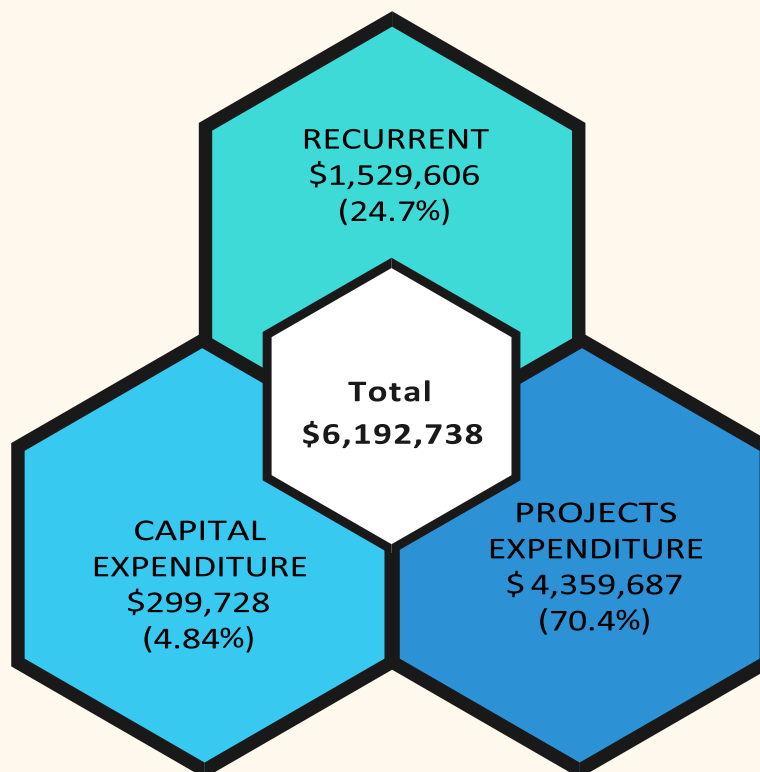
Water



Ministry
of water
100%

The ministry of water is the only institution in the water sector. The government allocated \$ 6,192,738, or 2.18% of the budget to the water sector.

Expenditure



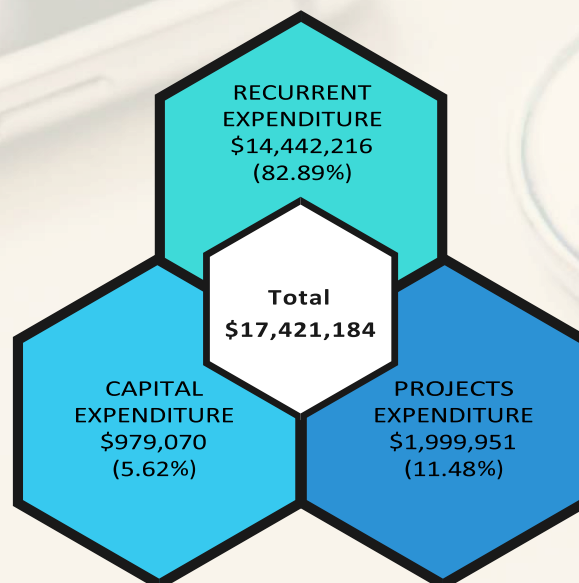
The project expenditure receives a substantial share of the sectoral budget allocation at 70%. This can be attributed to the water extension project of Hargeisa city, construction of earth dams, and drilling water wells. The recurrent expenditure received an allocation of 24.7% of the budget while capital expenditure got 4.84%.



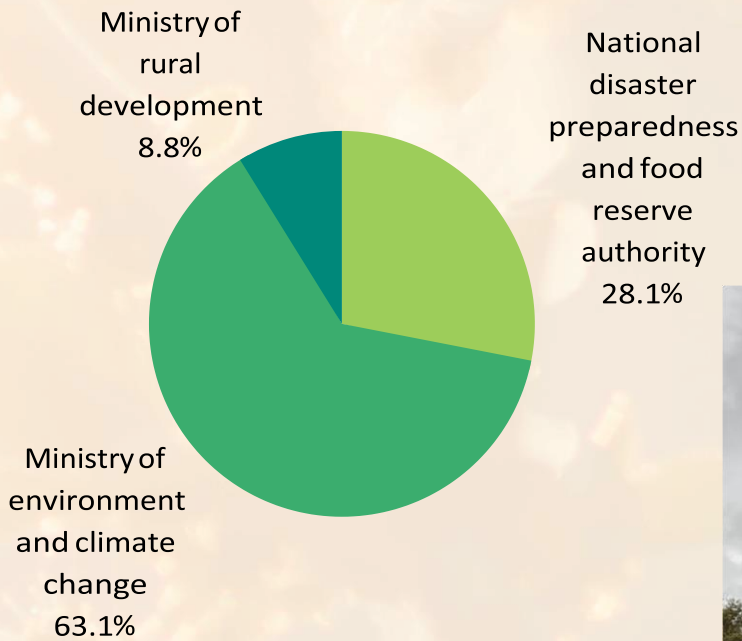
The health was apportioned 6.41% of the total country's budget which is \$17,421,184 and 33.5% higher than it was in the last financial year. This sector is composed of four institutions.

Expenditure

The recurrent expenditure constitutes the largest share of the budget at 82.89% followed by projects which were allocated 11.78%. Capital expenditure was set at 5.62% of the overall sectoral budget.

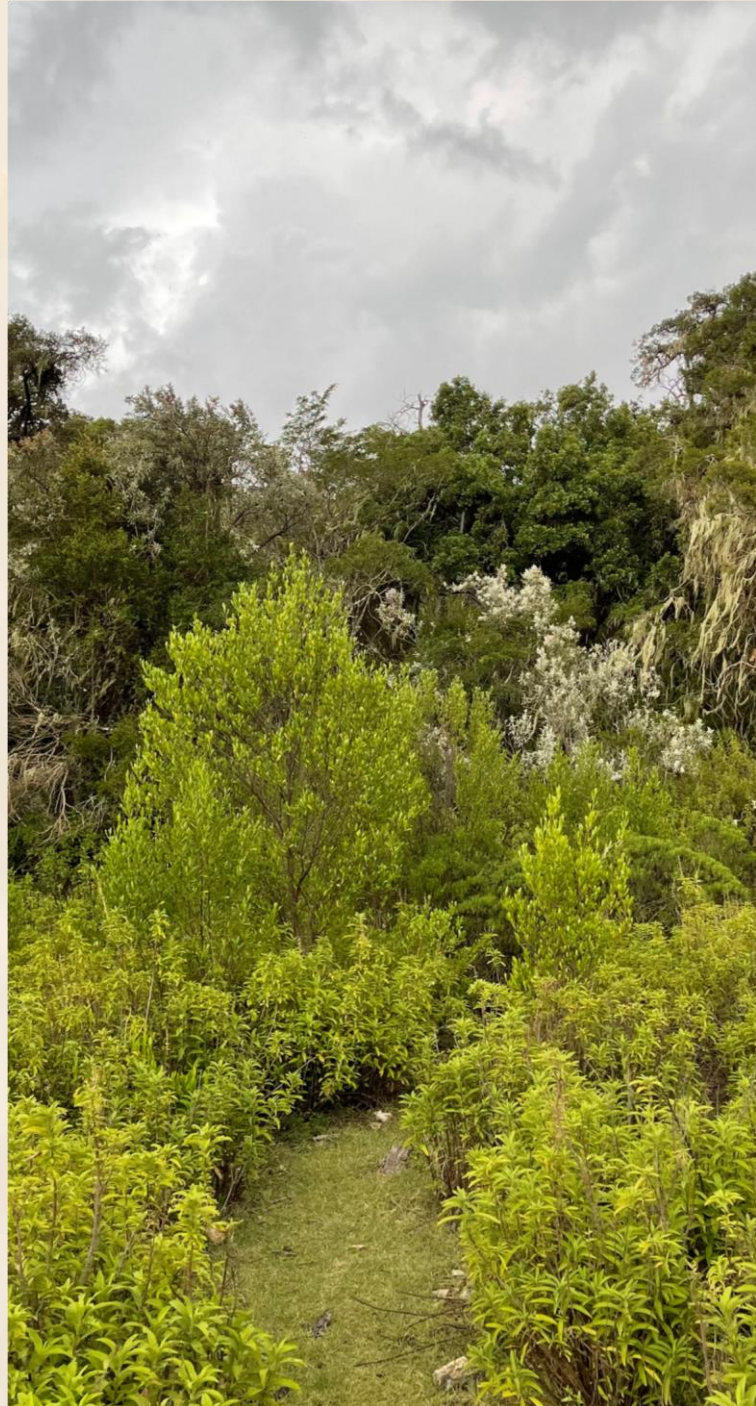
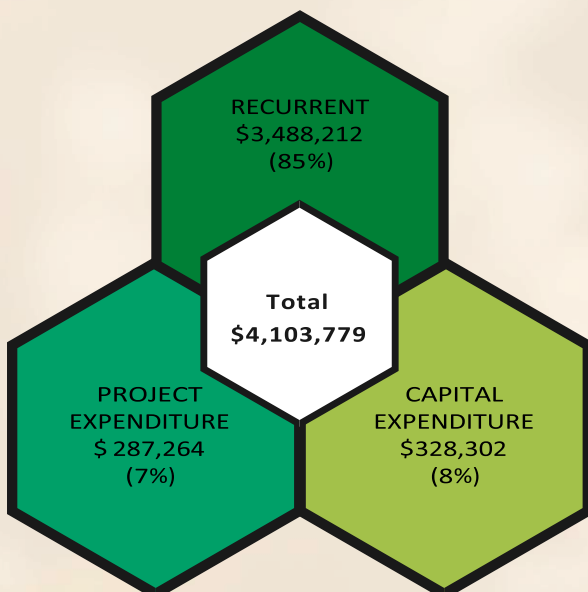


Environment

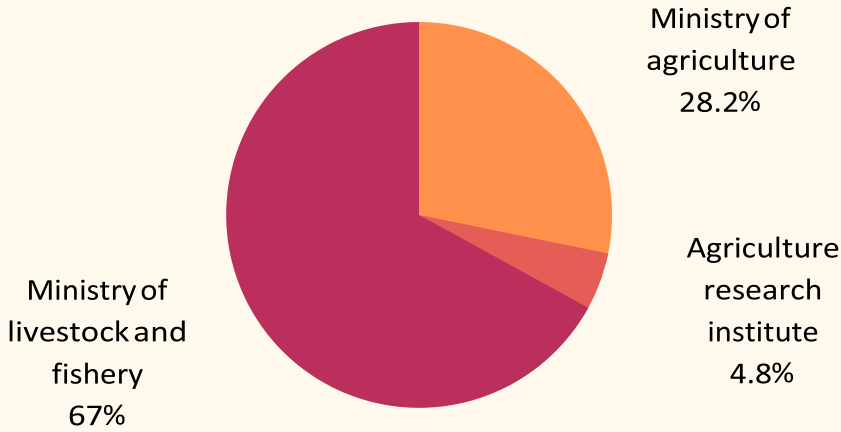


The Environment Sector got a \$ 4,103,779 allocation which represents 1.45% of the budget. In this sector, the government has given priority emergency response measures and protection of the environment. This sector is made up of three institutions.

Expenditure

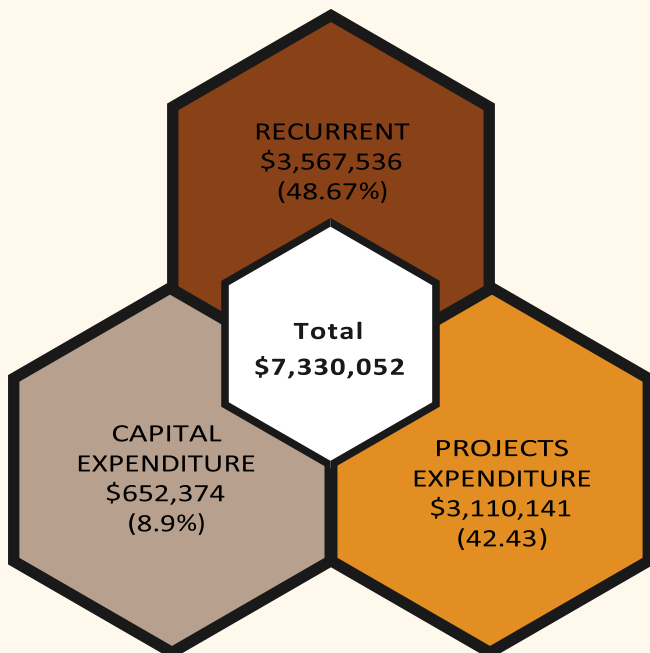


Production Sector



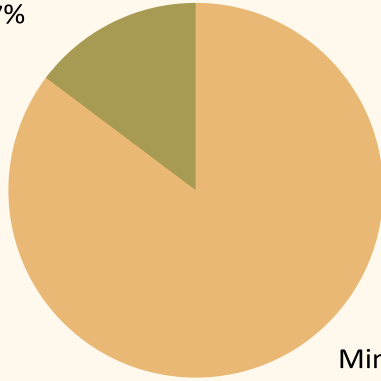
The production sector was allocated \$7,330,052; this accounts for 2.58% of the budget appropriation. The sector's priorities are the purchase of fishing boats, purchase of laboratory equipment for livestock testing, conducting marine research, and offering fishery communities a subsidy.

Expenditure



Energy Sector

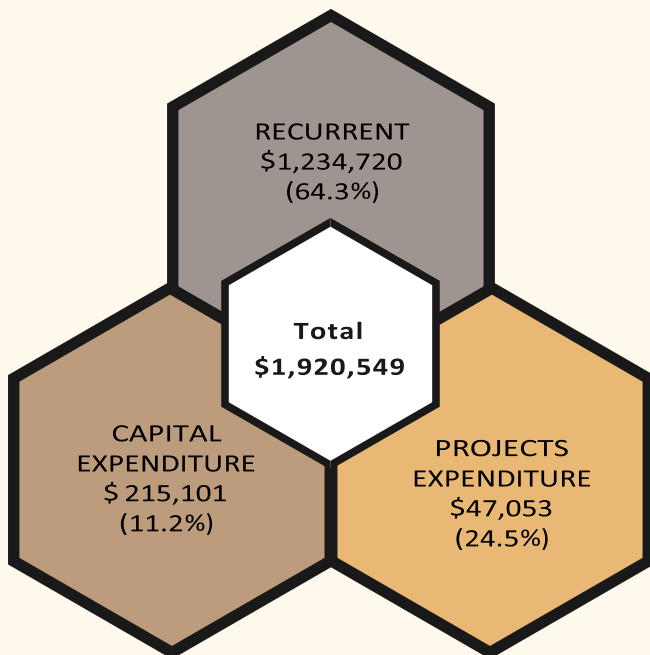
Commission of
energy
14.7%



Ministry of
mineral and
energy
85.3%

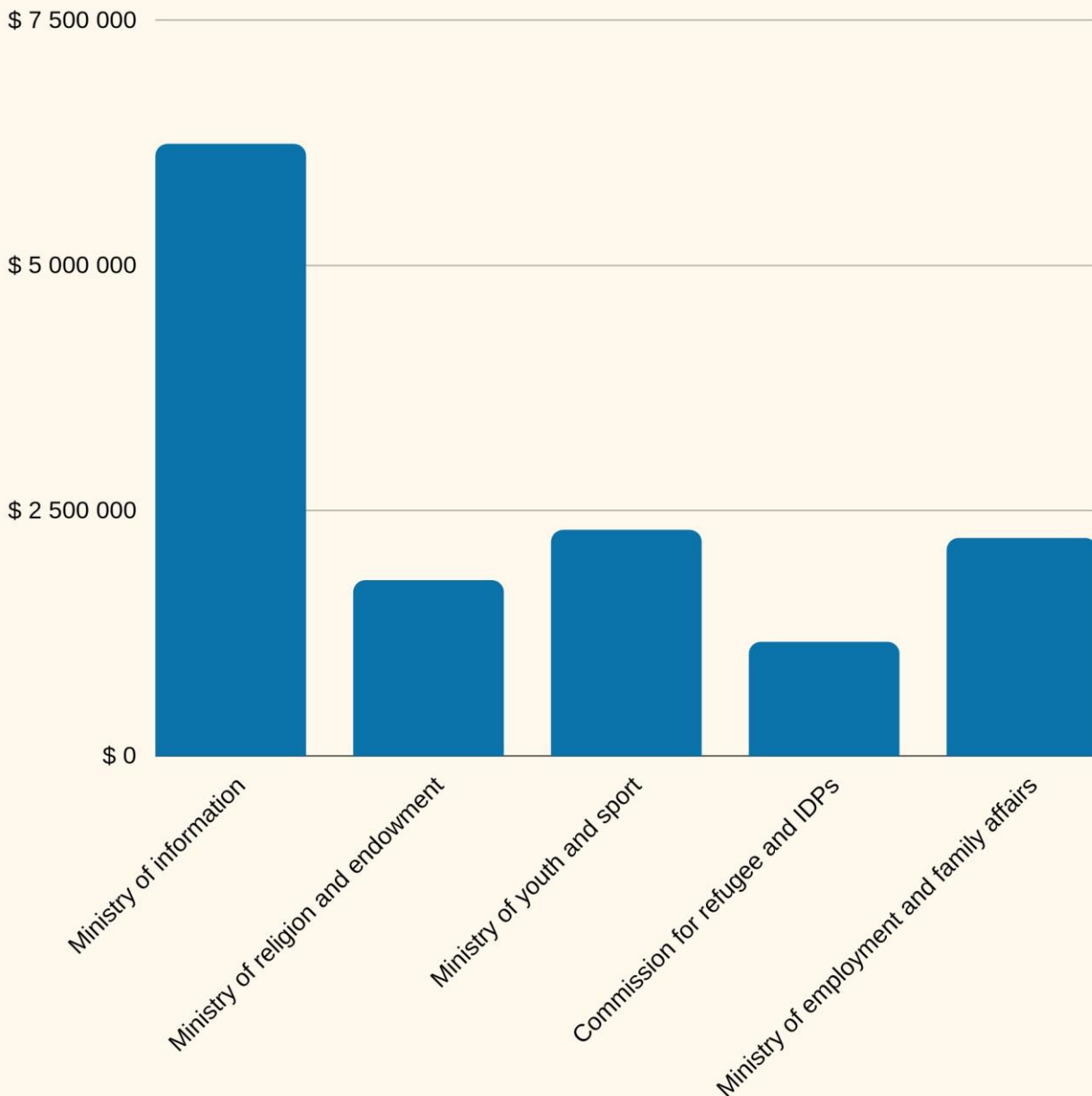
The energy sector received \$1,920,549 which represents a meagre 0,68% of the national budget. This sector received no priority expenditure though it incurs 11.2% of capital budget, while recurrent expenditure and projects were allocated 64.29% and 24.5% respectively. The sector is comprised of only two institutions.

Expenditure

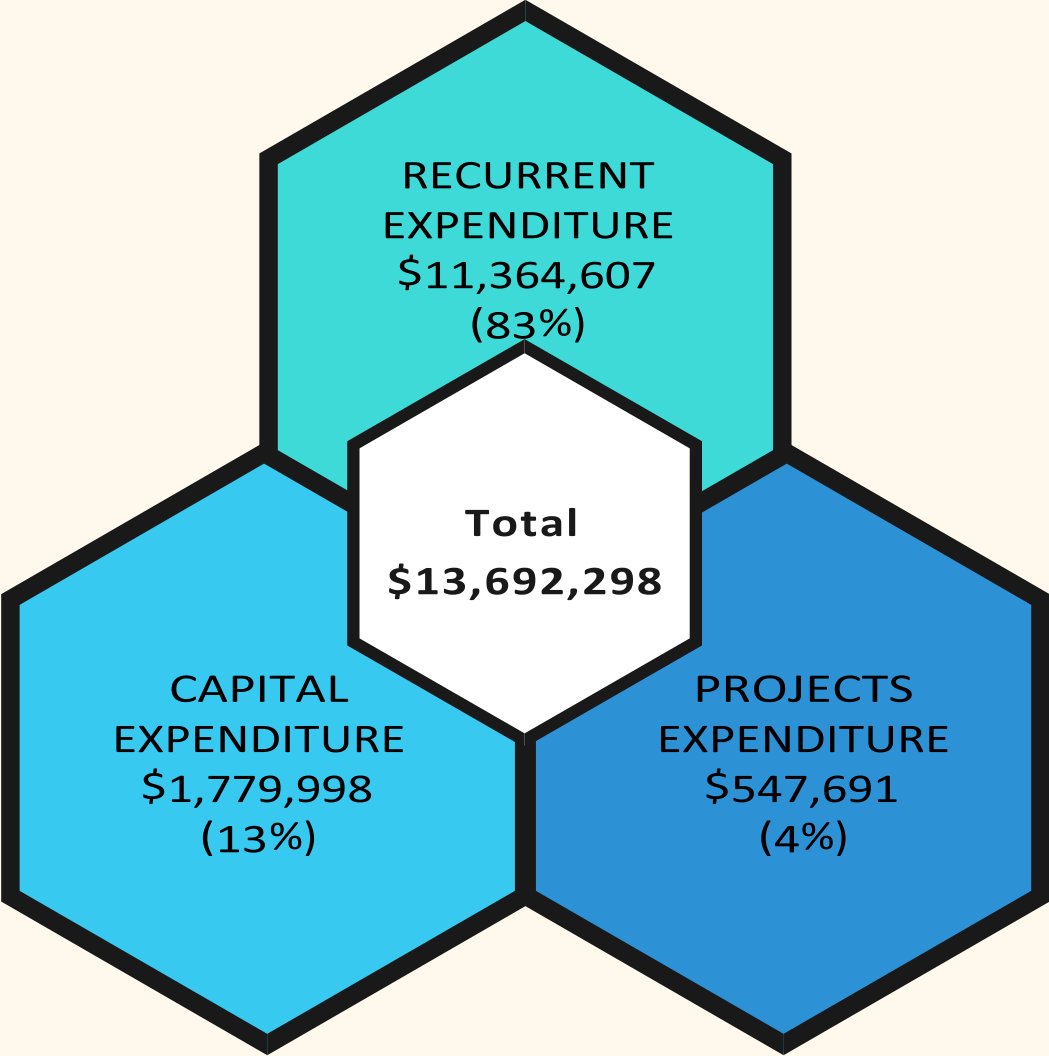


CROSS-CUTTING SECTOR

This sector was allocated \$ 13,692,298 which accounts for 4.83% of the budget. The sector combines four ministries and one public agency. The recurrent expenditure of the sector received 85.67% of the total sector's budget and capital expenditure accounts for 13.9%. Project expenditure was allocated 4.29%



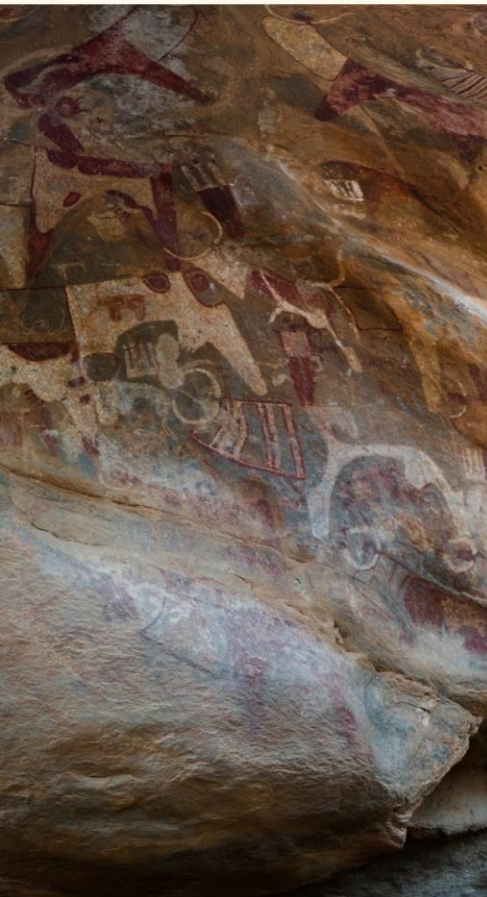
CROSS-CUTTING SECTOR EXPENDITURE



CONCLUDING REMARKS

The highlights attempt to benchmark the budget for the 2022 financial year against standard best practice budgets. By best practice standard budget, we mean the salient features of the ideal budgets used by a majority well performing governments around the world. The 2022 budget document is relatively clear in terms of sectoral classifications and coverage such as the inclusion of Covid 19 prevention and control expenditure, but it reveals a stark gap that needs improvement in the fiscal years to come. The significant features missing from the budget are the following:

- > The budget document shows priority areas within the sectors but no exact percentages allocated to the priority areas. There are no ministries or sectoral narrative statements explaining the activities to be funded, their objectives and expected results.
- > There is no statement of extra budgetary revenue or off -budget revenue, only the official revenue and expenditure
- > There is no statement of earmark tax such as taxes appropriated to the regions that customs located under law no 23
- > The document lacks detailed breakdowns of the allocation of recurrent expenditure, development or capital expenditure.
- > Inland revenues are not categorized as heads or sectors which complicates the classification of the goods and services tax which have both inland and custom character, meaning that as depicted on the table on page 57-59, the goods and services tax have been collected from both customs and inlands.
- > The data used to account for the inflation variable is unreliable and inconsistent with the accurate data which shows that currently, inflation is at around 4%
- > The balance of payment account is missing in the macroeconomic outlook section and remittance cannot act as a proxy for the balance of payment. Even remittances are hardly to account for because there are many informal channels through which outflow and inflow remittances are done. This is because the concerned institutions have neither technology nor capacity to formalize and capture accurate data of remittance flows.
- > There is no detailed statement of liabilities or debt



LOCAL COUNCILS

Local Councils have multiple sources of revenue meant for improving public service delivery including; basic education, health, and sanitation of cities. In the financial year 2022, Somaliland Local Council budget is estimated to be 528,878,259,786 SL Shillings , an equivalent of 62,220,972 US Dollars (Sixty-two million two hundred twenty thousand nine hundred seventy-two USD). This budget will mainly be spent on recurrent expenditure including payment of salaries and other overhead expenses. Recurrent expenditure has increased by 49 percent in the financial year 2022 compared to the financial year 2021. Overall, it is estimated that the budget of Somaliland Local Councils increased by 44 percent. Development projects' budgetary allocation increased by 17percent while the operation cost expenditure increased by 49 percent in the current financial year.

The Central Government will fund 12.5 percent of the overall Local governments' budget while 10 percent will be sourced from the customs and revenue collected by the Local governments. The Somaliland Regional and District Administration Law No. 23/2019 sets an Allocation of Intergovernmental Fiscal Transfer of 12.5%. Districts in the Grade A rank were allocated 6% of the 12.5%, Districts in the grade B rank were allocated 2%, Districts in the grade C rank were allocated 3%, while Districts in the grade D rank were allocated 1.5%. Given that 12.5% of the Central Government's budget is 166,436,879,835 Somaliland shillings, (\$ 19,580,809.39), table 1 below shows a breakdown of the amount allocated to each district.

Table 2 presents the budget allocation for grade A districts out of the 12.5% allocation from the central government. Notably, there is an amount of 24,555,115,587 shillings (\$2,888,837.13). Similarly, there is an undocumented amount of 11,304,695,202 Shillings (\$1,329,964.14) in the Grade B Districts allocation as shown in table 3.

Table 1: Allocation of Intergovernmental fiscal transfers 12.5% as per Law No-23/201

	DISTRICT	FISCAL	TRANSFERS	AMOUNT IN SHILLING	AMOUNT IN USD
District Grade	A	6%	48%	79,889,702,321	\$ 9,398,788.51
District Grade	B	2%	16%	26,629,900,774	\$ 3,132,929.50
District Grade	C	3%	24%	39,944,851,160	\$ 4,699,394.25
District Grade	D	1.5%	12%	19,972,425,580	\$ 2,349,697.13
		12.5%	100%	166,436,879,835	\$ 26,629,900,774

Table 2: Grade A Districts Budget Allocation out of the 12.5% budget allocation from the 2022 Central Government budget

	DISTRICT	BUDGET CODE	AMOUNT IN SHILLING	AMOUNT IN USD	%
District Grade (A)	HARGEISA	1330201	24,000,000,000	\$ 2,823,529.41	43%
District Grade (A)	BURCO	1330201	10,000,000,000	\$ 1,176,470.59	18%
District Grade (A)	BORAMA	1330201	5,640,000,000	\$ 663,529.41	10%
District Grade (A)	ERIGAVO	1330201	4,500,000,000	\$ 529,411.76	8%
District Grade (A)	BERBERA	1330201	4,393,887,734	\$ 516,927.97	8%
District Grade (A)	LASANOD	1330201	4,000,699,000	\$ 470,670.47	7%
District Grade (A)	GABILEY	1330201	2,800,000,000	\$ 329,411.76	5%
			55,334,586,734	\$ 6,509,951.38	100%

Source: Budget 2022 and Law 23/2019

Table 3: Grade B Budget Allocation out of the 12.5% budget allocation from the Central Government

	DISTRICT	BUDGET CODE	AMOUNT IN SHILLING	AMOUNT IN USD	%
District Grade (B)	CEEL-AFWEYN	1330201	3,208,388,000	\$ 377,457.41	21%
District Grade (B)	BUUHOODLE	1330201	3,208,000,000	\$ 377,411.76	21%
District Grade (B)	BADHAB	1330201	3,200,000,000	\$ 376,470.59	21%
District Grade (B)	SAYLAC	1330201	3,158,817,572	\$ 371,625.60	21%
District Grade (B)	ODWEYNE	1330201	2,550,000,000	\$ 300,000.00	17%
			15,325,205,572	\$ 1,802,965.36	100%

Source: Budget 2022 Book Volume 2

TABLE 4: CUSTOM'S REVENUE FORECAST BY LOCATION AND 10% SHARE REVENUE BY DISTRICT IN 2022

Grade	City	Budget Code	Revenue per Custom	USD	Revenue from 10% in Customs	USD	% Revenue to 10%
A	Berbera	1140828	1,217,249,294,283	143,205,799.33	88,634,429,205	\$ 10,427,579.91	64.99%
A	Gabiley	1140828	398,094,827,128	46,834,685.54	31,800,600,000	3,741,247.06	23.32%
B	Saylac	1140828	111,525,044,485	13,120,593.47	7,870,641,240	925,957.79	5.77%
A	Hargeisa	1140828	42,138,435,396	4,957,462.99	2,700,000,000	317,647.06	1.98%
D	Wajaale	1140828	24,027,893,447	2,826,810.99	1,941,538,000	228,416.24	1.42%
C	Baligubdle	1140828	7,258,367,229	853,925.56	849,200,000	99,905.88	0.62%
A	Laasanood	1140828	8,390,023,387	987,061.57	800,000,000	94,117.65	0.59%
A	Borama	1140828	22,678,450,987	2,668,053.06	612,000,000	72,000.00	0.45%
D	Cadaadley	1140916			390,000,000	45,882.35	0.29%
A	Ceerigabo	1140828	2,815,874,680	331,279.37	235,000,000	27,647.06	0.17%
D	Faraweyne	1140828	6,540,971,786	769,526.09	180,000,000	21,176.47	0.13%
D	Allaybaday	1140828	4,020,260,457	472,971.82	102,180,000	12,021.18	0.07%
A	Burco	1140828	5,132,035,283	603,768.86	100,000,000	11,764.71	0.07%
D	Lughaya	1140828	443,633,164	52,192.14	50,000,000	5,882.35	0.04%
D	Daarasalam	1140828			40,000,000	4,705.88	0.03%
D	Sabawanaag	1140828			25,000,000	2,941.18	0.02%
C	Caynabo	1140828	1,736,929,430	204,344.64	15,000,000	1,764.71	0.01%
D	Arabsiyo	1140828	288,838,096	33,980.95	10,800,000	1,270.59	0.01%
D	Xagal	1140828			10,000,000	1,176.47	0.01%
D	Dacarta	1140828			6,000,000	705.88	0.00%
D	Sheikh	1140828			5,000,000	588.24	0.00%
				217,922,456.38	136,377,388,445	16,044,398.64	100%



CONCLUDING REMARKS FOR LOCAL GOVERNMENTS

Some critical observations arising from an in-depth review of the 2022 Local Council budgetary allocation;

- Decentralized services are not legally, administratively, and financially clear. These services need to be clarified to avoid overlaps and duplication of efforts in service delivery
- Local governments spent a significant amount of money in decentralized services like MCHs, Education, Police stations, religious premises, etc. Yet the central government assigned separate budgets through Line ministries like Ministries of Health, Education, Security, etc
- A high number of entities will receive financial support from the Local Governments which will reduce the development budgetary allocation to such projects as building of Madarasas, Mosques, Police stations, MCH, etc.
- Local Governments collect several types of taxes, and at the same time Ministry of Finance also collects taxes. However, there is a lack of knowledge transfer and coordination between the two levels of governance. One of the reasons for this is the fact that the Ministry of finance operations are well-financed, and its staff are well trained compared to the Local Government tax collectors

POLICY RECOMMENDATIONS FOR CENTRAL GOVERNMENT

After a rigorous and in-depth analysis of the 2022 national budget, the ISIR Think Tank makes the following recommendations:

01

The budget should include all revenue and all expenditure of all sectors of government be it local governments and other agencies

02

Separate reports of the sectoral allocation of recurrent expenditure and capital expenditure should be included in the document

03

Off the budget or extra budgetary funds should be included in the document

04

A statement of tax expenditure and tax earmarking, such as COVID 19 test revenue, pension, and other allocations that are off budget for example the 10% allocation to areas situated in customs duty regions as per law no.23

05

A statement of a state liabilities or debts

06

A narrative statement explaining the sectoral activities to be funded their objectives and results should be included

07

The government should establish a central statistical bureau that produces reliable data

08

The government should establish a national accounting standard board to facilitate tax collection

09

Payroll and personal income tax should be progressive, meaning that taxes should be applied at the same rate to all tax payers.

10

The government should establish pension fund that can play fiduciary role

11

Inland revenue should be classified as heads, so that it can be easily traced.



RECOMMENDATIONS FOR LOCAL GOVERNMENTS

1. There is a need to enhance the Local Councils budgeting process to include development indicators and expenditure priorities geared towards the improvement of livelihoods that change the lives of the society to progress and development, the only indicators of Somaliland Local Council budget is revenue and expenditure allocations
2. During setting Local Council budget there should be more allocation for infrastructural development for all sectors of social development. The allocation should be more focused on social needs as opposed to the high recurrent expenditure.
3. Through training, data sharing, and enforcement, the Central Government and Ministry of Finance should help Local Government in Revenue Management.
4. Local Government should provide information to the public regarding the number of projects delivered within a fiscal year. This will increase transparency and trust, and in the long run, it will motivate citizens to actively pay their taxes, thereby increasing revenue.

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