



# Governance Brief 18

July 2022

## Summary

The federal government of Somalia's budget for 2022 was approved by the parliament in a joint session on 30 June 2022. This approval would ideally come in the last week of December last year. However, due to the protracted indirect elections, the budget approval process was delayed for six months. The 2022 budget totals \$929.9 million, a 27 percent increase on last year's \$671 million. Although the theme of this year's budget is 'Reliance on our domestic revenue', 73.2 percent of the budget (\$694.7 million) is expected from donors through project support (\$485.5 million or 52 percent) and budget support (\$209.2 million or 22 percent). 34.8 percent of the budget goes to social service delivery; 18.3 percent goes to defense and security sector institutions, while 8.9 percent) was allocated to the economic development institutions. Although the annual government budget has progressively increased by around \$816 million over the past 9 years, more than half of the budget (52 percent of the total budget) is made up of donor-funded projects. This brief examines the 2022 federal government budget for security, social services, and economic development and puts forward policy considerations.

## About Somali Public Agenda

Somali Public Agenda is a non-profit public policy and administration research organization based in Mogadishu. Its aim is to advance understanding and improvement of public administration and public services in Somalia through evidence-based research and analysis.

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# Reviewing the Federal Government of Somalia's 2022 near billion-dollar budget: development priorities and donor dependence

## Introduction

The constitutional mandate of the federal parliament ended on 27 December 2020. Somalia was in the middle of indirect parliamentary elections in December 2021, and there was no legitimate parliament that could approve the 2022 budget. The new parliament was sworn in on 14 April 2022 and the speakers of the parliament were subsequently elected.

The Federal Government of Somalia (FGS) had been using a contingency three months budget in the first quarter of 2022. In mid-March, the Council of Ministers approved a contingency budget of \$206.5 million for the second quarter of the year assuming that by June there would be a legitimate parliament that would approve the federal government budget for 2022. On May 26, the Council of Ministers again approved a budget appropriation of \$918.7 million for 2022. After three days of a joint House of the People and the Upper House session where members of the parliament questioned the Minister of Finance on the closure of the previously approved budgets – for which they later formed a committee – the bicameral parliament approved the federal government 2022 budget on 30 June 2022.

The total budget appropriated for the 2022 fiscal year is \$929.9 million. This is a significant \$258 million increase from last year's \$671 million, which itself was a \$195 million increase from the 2020's \$476 million. The enacted budget is \$11.2 million higher than the executive budget proposal (\$918.7 million) approved by the Council of Ministers. This indicates the authority of the parliament, which revisited some areas of the budget. The parliament, for instance, increased the defense and security budget to \$2.7 million and created a budget of \$836,520 for the Somali Petroleum Authority, which the executive budget proposal did not allocate any budget.

## Somalia Budget Proposals Between 2013 and 2022

Over the last ten years, the annual government budget has progressively increased reaching almost a billion in 2022. Yet, 73 percent of the budget is expected from budgetary and project support from bilateral and multilateral donors.

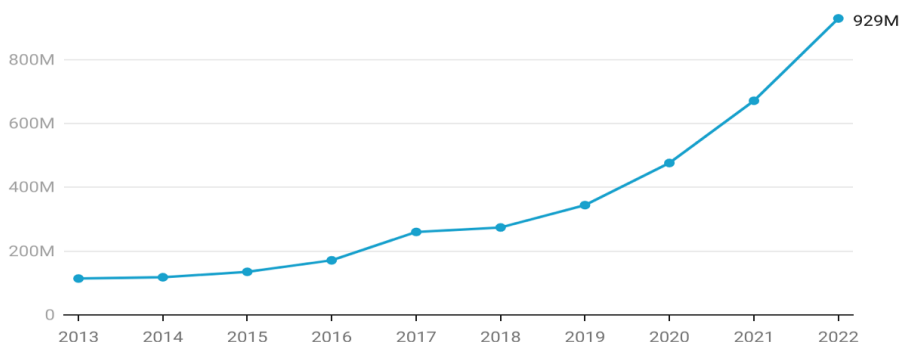


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The theme of this year's budget is 'Reliance on our domestic revenue'. The expected domestic revenue is \$250 million (26 percent of the budget), which will be generated mainly from tax on income, profits, goods and services, and international trade and transactions. This means that the government projects a decline of \$10 million of its anticipated domestic revenue of \$260.1 million for 2021. It could mean that the government became more realistic in its projection since the actual domestic revenue collected in 2021 was \$229.6 million (\$30.5 million below the projection).

A total of \$694.7 million in donor revenue coming from budget support (\$209.2 million or 22 percent of the budget) and project support (\$485.5 million or 52 percent of the budget) is expected to complement the domestic revenue. This accounts for a \$283 million increase in the donor revenue from last year's \$411.7 million. The government expects to cover only 26.8% of the annual budget while the remaining 73.2% will be covered by international donors.

Despite the theme 'Reliance on our domestic revenue', the budget clearly illustrates the heavy reliance on budgetary support from other countries and international organizations. Although the budget reached close to a billion for the first time, this increase reflects the increased budgetary and project support pledges by bilateral and multilateral donors, as opposed to increasing state revenue generation capacity.

A significant portion of the budget (\$323.7 million or 34.8 percent) was budgeted for social service delivery. \$170.3 million (or 18.3 percent) goes to defense and security sector institutions. \$83 million (or 8.9 percent) was allocated to the economic development institutions.

### Somalia Budget 2022: Allocation by Ministry & Agencies

More than 70 percent of the entire budget has been allocated to just 5 ministries: labour, finance, defence, national security and health.

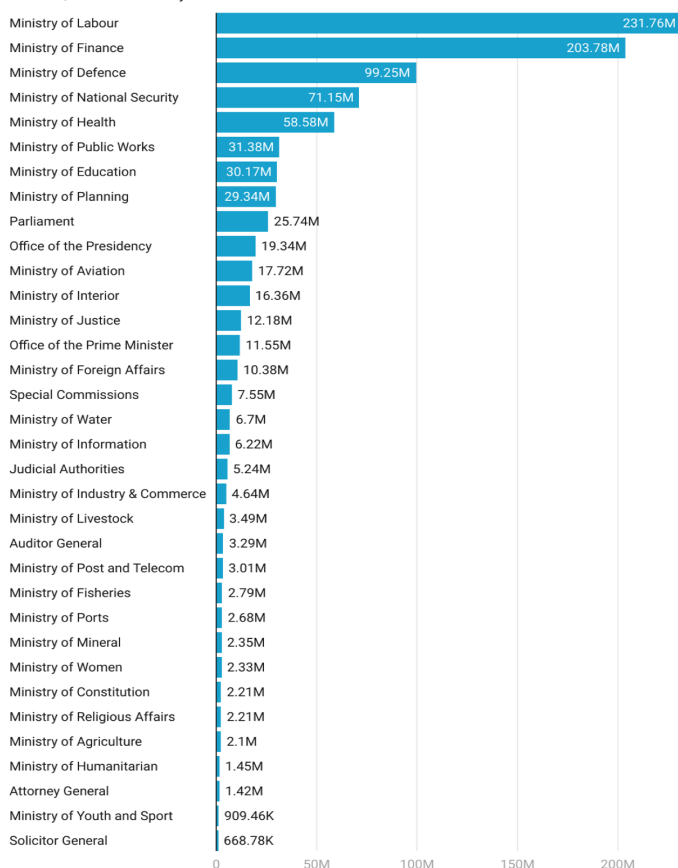


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### Priorities for social services

The 2022 federal government budget allocates \$323.7 million for five social service ministries namely the Ministry of Labor and Social Affairs, the Ministry of Education and Higher Education, the Ministry of Health, the Ministry of Youth and Sport, and the Ministry of Women and Human Rights Development. This accounts for 34.8 percent of the overall budget. It is a significant increase that should be commended. In 2021, the social services budget was \$109 million (16.2 percent of the total budget), which means a whopping \$214 million (more than double) increase for the social services sector. Three years ago, in 2019, the budget appropriated for all social service ministries was a mere \$26.4 million.

One reason for the budget increase in social services is the specific donor projects related to labor and social affairs. The labor and social affairs budget receives a staggering \$231.7 million budget in 2022. This is a \$187.1 million increase from last year's \$44.6 million budget. However, the Ministry of Labor and Social Affairs itself directly receives only \$1.7 million of the budget. \$230 million goes to donor-sponsored projects.

\$157.2 million out of the \$320 million donor budget is appropriated for the Baxnaano Project (also known as Shock Responsive Safety Net for Human Capital Project). Funded through the pre-arrears clearance grant from the International Development Association (IDA) of the World Bank as part of the National Social Protection Policy, the [Baxnaano project](#) implementation is led by the Ministry of Labor and Social Affairs (MoLSA) and aims to "provide cash transfers to targeted poor and vulnerable households and establish the key building blocks of a national shock-responsive safety net system". The project also expects to do a social registry of approximately 200,000 poor and vulnerable households (about 1.2 million individuals) who are projected to benefit from the project's nutrition-linked cash transfers.

A significant portion of the social service budget (\$58.6 million) – about 18 percent – goes to the Ministry of Health (\$3.7 million) and health-related projects (\$55 million) including \$44 million projects – Damal Health Project (\$22 million) and Somalia COVID-19 Emergency Vaccination Project (\$22 million) – funded by the World Bank. Last year, the budget for the health sector was \$33.6 million. The Covid-19 pandemic was a key factor in why the healthcare budget has significantly increased in the past few years.

The education sector receives the third largest portion of the social service budget (\$30.1 million). The budget was allocated to the Ministry of Education, Culture and Higher Education (\$8.4 million), donor-funded education projects (\$12.1 million), the Somali National University (\$7.2 million), the Somali Academy of Science and Arts (\$1.1 million), and the Intergovernmental Academy of the Somali Language (\$1.4 million).

Although the overall education budget increased by \$1 million, the budget for the Ministry of Education was reduced from \$10.5 million in 2021 to \$8.4 million in 2022 (the Ministry of Education budget in 2020 was \$15.1 million). One reason for this reduction in the past two years could be that the Ministry handed over the management of the 24 public schools in Mogadishu to the Benadir Regional Administration (BRA). The Somali National University budget experienced a decrease from \$8.3 million in 2021 to

\$7.2 million in 2022 (a \$1.1 million reduction). A significant portion (\$12.1 million) was allocated to education projects, which had a budget of \$7.7 million in 2021. These include Somali Education Human Capital Project (\$3.1 million) funded by the World Bank and the Global Partnership for Education's \$1.5 million budget. It is not clear (at least from the budget) who will implement these projects and where they will be undertaken.

The budget appropriated for the Ministry of Women and Human Rights increased from \$990,644 million in 2021 to \$2.3 million in 2022. The primary reason for this increase is the donor-funded \$1.1 million project(s) under the ministry. The Ministry of Youth and Sports budget was slightly increased from \$675,436 in 2021 to \$909,460 in 2022. Although the majority of the Somali population are youth, there are no donor-supported youth projects under the Ministry of Youth and Sports.

Although it is encouraging and positive that the budget for social services increased from a mere \$8.3 million (2017) to \$323.7 million (2022) in six years, this increase does not reflect government prioritization of social service delivery. In contrast, the upsurge reflects the donor interests and their funding for health, education and labor, and social affairs sectors.

### Budget for defense and security institutions

Out of the \$170.3 million appropriated for defense and security institutions (up from \$163.8 million in 2021), \$99.2 million goes to defense while the remaining \$71.1 million goes to security institutions. The defense budget has slightly increased by \$3.5 million from the 2021 budget of \$95.7 million. The security institutions' budget (\$71.1 million) increased by \$3 million from the 2021's \$68.1 million. This means that an average of \$3.25 million increased for both defense and security institutions.

#### Somalia Budget 2022: Security Sector Allocation

The gov't expects to spend about a quarter of the budget on the defence and security sector.

■ Other Ministries (81%) ■ Defence (11%) ■ National Security (8%)

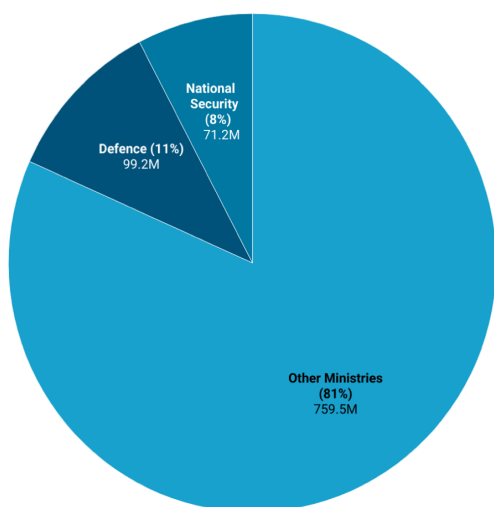


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Of the \$99.2 million defense budget, \$1.3 million goes to the Ministry of Defense. This is consistent with the 2020 and 2021 reduction of the Ministry of Defense's budget (\$1.3 million in 2021 and \$1.2 million in 2020) from its \$2.6 million budget in 2019. The majority of the defense budget (\$96.4 million) goes to the Armed Forces; in 2021, the armed forces had a budget of \$93 million (and also \$81.1 million in 2020). The Military Court receives a \$1.5 million budget, the same as in 2021, 2020, and 2019. The orphans of the deceased armed forces and disabled forces were appropriated a mere \$115,000, also the same as in the last three years.

Of the \$71.1 million budget for security, \$1.2 million goes to the Ministry of National Security, a slight reduction from its \$1.9 million budget for 2021. The remaining budget goes to other national security institutions including the Police (\$46 million), NISA (\$18.5 million), the Immigration Department (\$5 million), and \$282,235 for security-related projects.

#### Allocations for Defence and Security Agencies

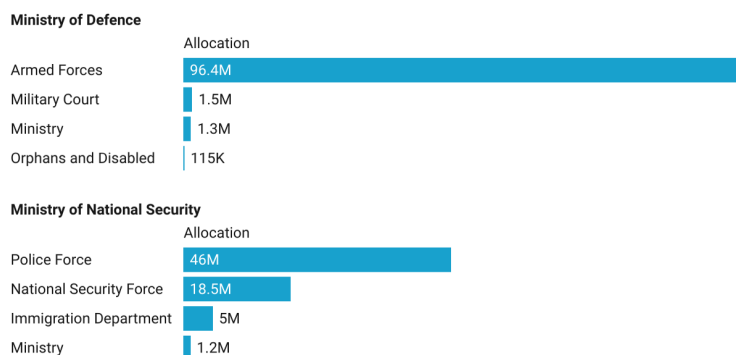


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As per the 2022 budget, 18.3 percent (\$170.3 million) is appropriated for spending on security. The security budget has been relatively consistent. It has experienced a stable budget appropriation in the past few years. In the 2021 budget, the defense and security budget accounted for 24.4 percent of the overall total. The reduction of the percentage of the defense and security budget to 18.3 percent of the total budget is only a reflection of the significant budget increase in other sectors, particularly the social service budget.

Although a modest budget has been appropriated for defense and security in the past few years, security remains one of the main challenges in Somalia. Whereas most of the security budget is expected to be paid through bilateral and multilateral budgetary support, it is not clear how the budget for security and defense in the last few years contributes to the overall security of the country.

## Revenue generation

The 2022 federal government budget allocates \$83 million (about 8.9 percent of the total budget) to economic development institutions. This represents a \$20.6 million increase from last year's \$62.4 million budget, which itself was a \$20.5 million increase from the 2020's \$41.9 million budget for economic services (an average of \$20.5 million increase in the past two years).

\$6.7 million was allotted across the Ministry of Energy and Water Resources (\$1.3 million) and donor-funded related projects (\$5.4 million) under the ministry. \$1.5 million goes to the Ministry of Petroleum. The Somali Petroleum Authority, which had a budget of \$0.5 million in 2021, has appropriated a budget of \$836,520 in 2022. \$5.5 million goes to the Ministry of Agriculture (\$2 million), and the Ministry of Livestock, with related projects (\$3.4 million). The Ministry of Livestock's 2021 budget was \$1.6 million. While the Ministry's share has been reduced to \$1 million this year, livestock-related projects are budgeted for \$2.4 million. \$2.8 million goes to the entire marine industry. There is a slight increase for the Ministry of Commerce and Industry (\$4.6 million, up from \$3.1 in 2021). The Ports authority receives the same \$2.6 million appropriated for 2021.

The Ministry of Transport and Aviation's budget, including the Civil Aviation Authority, has been allocated \$17.7 million, similar to its \$17.4 million in 2021. The Ministry of Posts and Telecommunications is appropriated a \$3 million budget, similar to its \$2.9 million in 2021 (including the National Telecommunication Authority). In contrast, there is a significant increase in the Ministry of Public Works and Reconstruction budget from \$14.6 million in 2021 (and \$4.1 million in 2020) to \$31.3 million in 2022.

Although the total budget for economic development was increased, the domestic revenue generation remains low (due to mainly security and capacity challenges) and the key economic sectors such as agriculture, livestock, and fisheries remain under-funded and less prioritized.

## Future outlook

Over the last ten years, the annual government budget has progressively increased by around \$816 million (from a total of \$114 million in 2013; \$118 million in 2014; \$135 million in 2015; \$171 million in 2016; \$260 million in 2017; \$274 million in 2018; \$344 million in 2019; \$476 million in 2020; \$671 million in 2021; to \$929.9 million in 2022).

In general, it is encouraging that the budget appropriation for social services in particular as well as the budget for economic development institutions has been increased in the 2022 federal government budget. That the budget reached almost a billion for the first time is also encouraging. However, it is important to note that 73 percent of the budget is coming from budgetary and project support from bilateral and multilateral donors. Particularly, it is worrying that more than half of the budget (52 percent of the budget) is donor-funded projects, which the federal government will have limited authority to manage. It also reinforces the culture of government officials chasing donor projects and disputes between ministries over their respective mandates and jurisdictions vis-à-vis donor monies.

Furthermore, it is worrying that the 2022 budget was only approved by the parliament on 30 June 2022, a result of the country's protracted political transition. Moreover, the budgets for the past three years were never formally closed by the federal parliament, and there is no clarity on whether these funds were spent as planned.

The Somali Public Agenda has been publishing reviews of the FGS budget for the last five years. However, apart from analyzing how the budget is allocated to the different government institutions – which helps us and citizens better understand the government priorities – we still cannot know whether these funds were used as planned or not. Enhancing accountability and transparency should be prioritized by the new administration.