



Governance Brief 29

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Summary

The federal government of Somalia's budget for 2024 was approved by the parliament in a joint session on December 9, 2023. The 2024 budget totals \$1, 079,315,784, a 4 percent increase from last year's \$977 million budget. Even though the theme of this year's budget remains 'Relying on Our Domestic Revenue', 66.7 percent of the appropriated budget (\$694.6 million) is expected from donors while domestic revenue is \$346.2 million, or 33.3 percent. In the expenditure plan, the budget allocates 20 percent to social service delivery; 24.5 percent goes to defense and security sector institutions; and 22.3 percent is allocated to economic development institutions. This brief analyzes the 2024 federal budget and its main allocations for the administration, security, social services, and economic development sectors. Finally, the brief outlines key recommendations including continuing accountability strengthening measures to reduce corruption and the perception of corruption. The brief also recommends improving social services including health and human capital through quality education and an increased budget for health services. Finally, it calls for increasing domestic revenue and decreasing the reliance on donor support.

About Somali Public Agenda

Somali Public Agenda is a nonprofit 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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Review of the Federal Government of Somalia's First Billion-dollar Budget for 2024

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Introduction:

On December 9, 2023, the Somali Federal Parliament approved the appropriated Federal Government of Somalia's (FGS) budget for the 2024 fiscal year in a joint session. The budget was for the first time over one billion USD – \$1, 079,315,784. Before the parliamentary review and approval of the budget, the cabinet approved the budget of \$1,025,687,991 on October 28, 2023, which was \$5.3 million less than the version finally approved by the parliament.

Revenue generation sources

The 2024 FGS budget projected \$346.2 million (or 33.3 percent of the budget) from domestic revenue. This marks the highest domestic revenue budget projected and \$63 million (18 percent higher than the \$283 million domestic revenue budget anticipated to be collected in 2023. However, the increase in domestic revenue is coupled with an increase in donor revenue, which is \$694 million, or a 4% increase from the 2023 donor budget, which was 667 million. There is a fiscal deficit of \$38 million compared to last year's \$27 million. This suggests that the government needs to find alternative funding sources to close this gap. Nonetheless, here are the major sources of the 2024 domestic revenue.

Customs and other import duties: The projected budget for 2024 anticipates a revenue of \$164 million from customs duties and levies on the significant volume of goods being imported and exported through the primary ports of entry in Mogadishu. This represents a \$46 million increase compared to last year's projected customs revenue of \$123 million. It is worth noting that customs and other import duties will generate \$163 million; other import duties are anticipated to produce \$144 million. The remaining \$19 million will come from Khat imports, which is a \$1 million decrease from last year's \$20 million projection for this item. This coincides with Somalia's admission into the East African Community (EAC) bloc. Khat and other import levies could drop as the integration is harmonized in the coming years.

Taxes on goods and services: This category has also experienced an increase. It contributes \$46 million to domestic revenue. Of this amount, \$22 million is expected to come from the taxation of imported goods, while the sales of air ticket services are projected to generate \$7 million. Moreover, the telecommunications industry is estimated to contribute \$6 million, and the hotel sector is expected to generate \$2 million in tax revenue. The significant contribution from air ticket services indicates either a rise in domestic and international travel or improved domestic revenue collection from the sector.

Tax on income, profit, and capital gain: Overall, this tax category is projected to generate a total of \$23 million in revenue. Income tax contributions from government employees are expected to amount to \$7 million, while private sector employees' income tax is anticipated to generate \$10 million. This marks a significant increase from the previous year's projected revenue of \$6 million from the public sector and \$8 million from the private sector. Additionally, income tax payable by corporations and enterprises is projected to contribute \$4 million, representing a \$1 million increase compared to the previous year's revenue of \$3 million.

Donor Support: 66.7%, or \$694 million, of the budget will come from external donors. The donor support is further categorized into two types: budget support and project support. The increase in budget support is noteworthy, rising from \$30 million in the previous year to \$68 million in the current year – an increase of more than double. This indicates a growing commitment from governments to provide direct budgetary support to the government, potentially reflecting increased confidence in the country's economic and governance systems. Moreover, the increase in project support from \$603 million in 2023 to \$626 million in 2024 demonstrates a continued reliance on international partners. Thus, the continued donor dependency should be gradually reduced. This could be done through strengthening the domestic tax base and tax administration as well as an efficient use of resources and effective transparency and accountability in public finance.

Other revenue or administrative fees: Revenue collected through fees and administrative charges – excluding taxes – is projected to amount to \$104 million, compared to \$93 million last year. This increase can be related to the publicly televised corruption charges brought against officials from the immigration department, Aden Adde International Airport, the Ministry of Labor and Social Affairs, and the Central Bank by the Benadir regional court. This shows that corruption and perceptions of corruption may be starting to be addressed in government offices, particularly revenue-generating institutions. The anticipated increase in revenue from this category can be observed in Table 1.1, where work permits and visa fees are expected to rise. Similarly, passport fees are set to incrementally increase. However, it is expected that revenue from harbor fees and administrative charges will decline.

Table 1.1: Other revenues

Types of fees	2023 budget	2024 budget
Visa fees	\$6 million	\$7 million
Passport fees	\$7 million	\$10 million
Airport fees	\$2 million	\$3 million
Fishing license fees	\$5 million	\$5 million
Telecommunication spectrum fees	\$6 million	\$7 million
Harbor fees (Albayrak)	\$37 million	\$29 million
Customs harbor fees	\$4 million	\$6 million
Administration charges	\$5 million	\$1 million
Work permit fees	700,000	\$2 million

Expenditure areas

A significant portion of the budget is allocated to recurrent administrative expenditures. The approved federal government budget for 2024, amounting to \$1 billion, has been allocated to various departments and areas. The areas that are mostly funded in the budget include administration, security, economic services, and social services, respectively.

Administration

The administration offices and ministries, as shown in Table 1.2, have the highest allocated expenditures in the entire budget. \$382 million, or 35.3%, is going to administrative bodies. Although the Office of Presidency, Office of Prime Minister, Ministry of Interior, Federal Affairs, and Reconciliation (MOIFAR), Ministry of Religious Affairs, and Endowment haven't changed from last year's allocation, the two Houses of Parliament have seen an increase of \$5 million. This increase reflects the recent increase in the salaries of the members and allowances of members of the parliament.

There is a limited budget for the judiciary branch. The budget for judiciary institutions was mostly reduced, as shown in Table 1.2. The relatively low allocation for the judiciary sector raises concerns about the independence and effectiveness of the judicial system in the country. The limited budget for the judiciary may also affect public confidence in the court system. This also comes at a time when courts have started hearing and adjudicating corruption cases.

The independent commissions have also seen a 50% decrease in their budget allocation. The elections and anti-corruption commissions are among the least funded of these. It is important to note that the anti-corruption commission members were dissolved although the commission for civil servants still operates. The elections commission is subject to the ongoing constitutional

amendment process. In these cases, the reduction of the budgets for these commissions is understandable.

Types of fees	2023 budget	2024 budget
Office of the Presidency	\$11 million	\$11 million
The two Houses of Parliament	\$29 (million)	\$34 (million)
Office of the Prime Minister	\$9 (million)	\$9 (million)
Ministry of Foreign Affairs	\$10(million)	\$9 (million)
Ministry of Finance	\$180 (million)	\$224 (million)
Ministry of Planning, Investment, and Economic Development (MoPIED)	\$42 (million)	\$35 (million)
Ministry of Interior, Federal Affairs, and Reconciliation (MOIFAR)	\$23 (million)	\$23 (million)
Ministry of Religious Affairs and Endowment	\$3 (million)	\$3 (million)
Ministry of Justice and Reconciliation	\$14 (million)	\$13 (million)
Judicial Authorities	\$6 (million)	\$5 (million)
Attorney General	\$1 (million)	\$1 (million)
Solicitor General	\$ 708, 000	\$ 706,400
Auditor General	\$3 (million)	\$3 (million)
Special Commissions	\$8 (million)	\$4 (million)

Budget for defense and security institutions

The second-largest portion of the budget after administrative expenses is appropriated to defense and security institutions. A total sum of \$255 million or 24.5 percent has been allocated, indicating a notable increase of \$58 million from the previous year's amount of \$197 million. This \$255 million allocation is further split between defense and security institutions. Specifically, the defense sector will receive \$178 million. Within this allocation, \$5 million is designated for the Ministry of Defense, while \$170 million is allocated to the armed forces, reflecting a significant increase from the previous year's budget of \$113 million. Additionally, the military court is allocated \$3 million, which is a significant increase from the previous year's budget of \$1.7 million. This allocation indicates a recognition of the importance of maintaining the functioning of the military courts to address legal matters related to crimes within the security sector and insurgent groups as well as ensure

accountability within the security sector.

Moreover, the allocation of \$93,000 for orphans and disabled military personnel is lower than the previous year's figure of 115,000, which had remained the same for many years. Despite the decrease, this budget for orphans and disabled military personnel demonstrates a continued commitment to providing support and assistance to those affected by the conflict. This allocation can contribute to the welfare and rehabilitation of individuals impacted by the war, including the families of fallen soldiers and disabled veterans. This is anticipated to increase in number with the government's promised engagement in the second phase of its war against Al Shabaab. However, it would have been appreciated if the appropriation for orphans and disabled military personnel rose alongside the increase of the total budget instead of facing this reduction.

Priorities for economic services

In general, economic development institutions were allocated a total of \$232 million (or 22.3 percent of the total budget), compared to \$172 million last year. This is a significant \$60 million increase. The Ministries of Mineral Resources (\$3 million), Information (\$6 million), Transport and Ports (\$3 million), and Environment and Climate Change (\$1 million) have maintained their allocation levels from the previous year. However, the Ministry of Transport and Aviation has experienced a decrease in its budget allocation to \$12 million, down from \$18 million in 2023.

On the other hand, the Ministry of Agriculture has seen a substantial increase in its budget allocation, receiving an additional \$50 million compared to the previous year's allocation of \$1 million. This is a good example of how budget appropriation for Ministries fluctuates and depends on the availability of donor funding. The increase of the Ministry of Agriculture budget from \$1 million in 2023 to \$50 million in 2024 does not mean that the FGS is prioritizing agriculture over other sectors. It instead means that donors now have an additional \$50 million for agriculture, and it is this that is reflected in the FGS budget. Similarly, the Ministry of Fisheries and Marine Resources has experienced a significant increase of \$10 million, rising from \$2 million to \$12 million in 2024's budget.

The Ministry of Post and Telecommunication has witnessed a notable 50% increase in its budget allocation, going from \$6 million in 2023 to \$12 million in 2024. The Ministry of Livestock and Forestry has observed a slight increase in its budget allocation, which is from \$6 million to \$8 million.

Another significant change is seen in the Ministry of Public Work and Reconstruction, which has experienced a sharp decline in funding. Its budget allocation has decreased by \$42 million, dropping from \$96 million in

2023. This decline corresponds with the Ministry of Agriculture and Ministry of Fisheries' large increases. It means that significant increase in donor money to support public works and reconstruction was not available in 2024. This decline in donor interest in supporting reconstruction is now reflected in the instant decline of the Ministry of Public Works and Reconstruction budget by \$54 million.

Overall, the increases in funding for ministries such as Agriculture, Fishery & Marine Resources, and Post and Telecommunication suggest donor emphasis and priorities on sectors vital for economic growth and development, food security, and communications infrastructure. Conversely, the reductions in funding for transport and aviation and public work and reconstruction may indicate a reevaluation of priorities or cost-cutting measures in certain areas.

Budget for social services

After years of increase, the budget allocation for social services has experienced a decrease this year, with a total budget of \$208 million (20 percent of the total budget) compared to \$260 million in 2023. This reduction in the budget is evident in several ministries within the social services sector.

The Ministry of Health has seen a significant decrease in its budget allocation, from \$83 million in 2023 to \$52 million in 2024. Similarly, the Ministry of Labor and Social Affairs (MoLSA) has experienced a notable reduction of \$50 million from \$128 million in 2023 to \$78 million in 2024. The Ministry of Women and Human Rights has also faced a slight reduction, with its budget decreasing from \$2.9 million in 2023 to \$1.7 million in 2024. On the other hand, the Ministry of Youth and Sports has maintained the same budget figure as in 2023, with \$1 million. However, amidst these reductions, the Ministry of Education and Higher Education stands out with a significant increase in its budget allocation. It has risen from \$44 million in the previous year to \$75 million in 2024, a significant \$31 million increase.

One possible explanation for the decrease in funding for ministries such as Health, Labour, and Women and Human Rights could be that the donor-funded projects they were managing in the previous year are no longer active or have been scaled down. As a result, the budget allocated to these ministries has been adjusted accordingly.

The increased investment in education is promising, as it indicates a recognition of the importance of developing and probably an increase in access to education through public schools, recruitment of 3,000 teachers, and an improvement in the quality of those within the existing public schools. Nonetheless, the health sector demands equal attention to increase access to basic healthcare services and facilities for improved human capital as well as to tackle the maternal and newborn deaths.

Ways forward

- The 2024 budget displays promising growth in domestic revenue, accompanied by an increase in donor support. The allocation of funds towards sectors such as agriculture highlights a strong donor commitment to stimulating economic growth. The government must generate more revenue internally to reduce its reliance on external funding.
- The allocation of resources to economic development institutions is vital for fostering economic growth and creating job opportunities, which in turn can contribute to an increase in revenue through taxation.
- It remains crucial to continue combating corruption and addressing perceptions of corruption. Ensuring transparency and accountability in public funding is essential for establishing a social contract and improving service provision.
- The budget should also prioritize fiscal sustainability by including a contingency plan to address unforeseen emergencies.



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