



Somalia's 2025 Federal Budget: Rising Domestic Revenue & Persistent Donor Dependence

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Summary

- » Somalia's 2025 federal budget increased to \$1.32 billion, with 67% funded by donors and \$429 million expected from domestic revenue—a 24% rise from 2024.
- » Budget priorities include administration (\$427.7 million), social services (\$328.8 million), economic development (\$330.6 million), and defense & security (\$255.3 million), with major increases for education, health, labor, and infrastructure.
- » Despite revenue gains, Somalia remains heavily donor-dependent, and challenges such as limited transparency, underfunded oversight bodies, and unrealized fiscal federalism persist.
- » The brief recommends implementing fiscal federalism, improving transparency in asset reporting, investing in revenue infrastructure, and adopting performance-based budgeting.

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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Introduction

On October 8, 2024, Somalia's Council of Ministers approved the Federal Government's 2025 budget, amounting to \$1,342,467,311 (or \$1.34 billion). After review, the two Houses of Parliament revised the figure and approved a final version of \$1,318,415,492 (or \$1.32 billion) on November 4, 2024. This brief analyzes the structure and priorities of the 2025 federal budget, focusing on revenue sources and sectoral allocations. It concludes with policy recommendations aimed at improving fiscal sustainability, reducing donor dependency, and strengthening accountability in public finance.

Revenue Generation Sources

The 2025 federal budget continues to rely on both domestic revenue and donor support. Domestic revenue is projected at \$429 million, reflecting a 23.99% increase from 2024. This growth trend mirrors the 18% increase seen last year, indicating some progress in fiscal capacity. The bulk of domestic revenue will come from taxes and administrative fees.

Customs and import duties are expected to generate \$186 million in 2025, a \$22 million increase from 2024. Most of this revenue originates from the Mogadishu seaport and Aden Adde International Airport, which collectively bring in \$160 million. Khat duties remain steady at \$19 million, while taxes on exports are limited to \$6 million—underscoring Somalia's significant trade imbalance and import dependency.

Taxes on goods and services are projected at \$56 million, up from \$46 million in 2024. This includes income from telecommunications (\$9 million), hotel taxes, electric utilities, and airline ticket sales. The telecommunications sector saw a notable increase from \$4 million in 2024, and taxes on imported goods rose from \$22 million to \$27 million. Interestingly, the introduction of a [5% sales tax in August 2024](#) has yet to significantly impact revenue, suggesting delays or inefficiencies in its implementation (it has yet to be implemented outside of Mogadishu).

Taxes on income, profit, and capital gains are projected at \$38 million—up from \$23 million in 2024. Public employee income tax is expected to generate \$9 million, private employee contributions \$16 million, and property income tax \$4 million. Corporate and enterprise taxes will contribute \$7 million, up from \$4 million, though this is still modest for a private-sector-driven economy. This shortfall may stem from the country's lack of a comprehensive citizen identification system, a gap that the

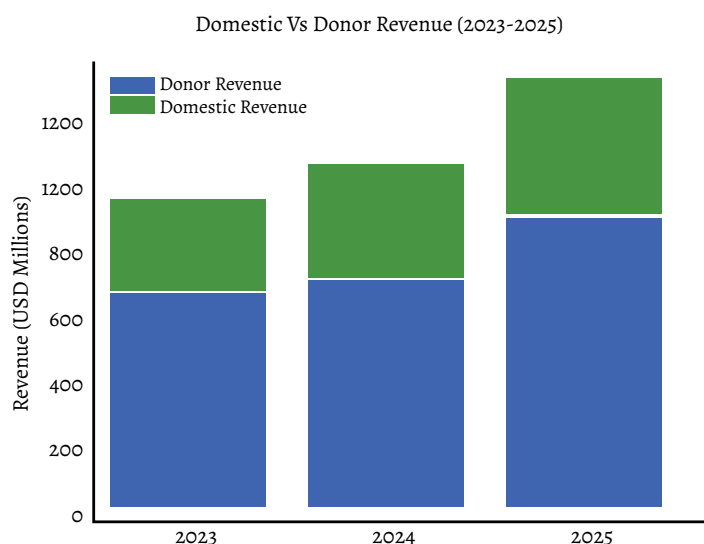
National Identification and Registration Agency (NIRA) could help bridge by expanding registration and Know Your Customer (KYC) compliance.

Other revenue and administrative fees will contribute \$134 million in 2025, a \$30 million increase from 2024. This category includes visa fees (rising from \$7 million in 2024 to \$13 million in 2025), overflight fees (from \$20 million in 2024 to \$27 million in 2025), harbor fees managed by Albayrak (from \$29 million in 2024 to \$35 million in 2025), and administrative charges (from \$1 million in 2024 to \$10 million in 2025). These increases suggest improved collection efficiency and growing demand for government services.

One concern is the lack of transparency regarding revenue from the disposal of public assets. Despite reports of significant land sales in 2024, this category reflects a negative \$33,000—indicating no recorded income. This raises questions about accountability and suggests the need for clear, public reporting on asset sales.

Donor revenue continues to dominate the budget, totaling \$889 million or 67% of overall funding. This marks a \$190 million increase from 2024, despite the government's domestic revenue-focused rhetoric. After receiving debt relief, most countries gradually shift toward self-financing; however, Somalia remains highly dependent on external assistance. Implementing the Baidoa fiscal federalism agreement reached by members of the National Consultative Council (NCC) in March 2023 would enable a more equitable and effective revenue-sharing mechanism across federal and state levels—potentially increasing domestic revenue and reducing reliance on aid.

Figure 1.1: Domestic vs Donor Revenue (2023-2025)



Despite this dependency, there is a likelihood that President Donald Trump's suspension of foreign aid—primarily through the U.S. Agency for International Development (USAID) for economic assistance and military support—could affect the realization of the projected external budget support. This could pose a challenge to service delivery, as the country's domestic revenue currently only covers the operational costs of government institutions.

Expenditure Priorities

The total planned expenditure for the 2025 fiscal year amounts to \$1,318,415,492 (or \$1.32 billion), distributed across four main sectors: administration, defense and security, economic services, and social services. Compared to the previous year, most sectors have seen considerable increases, reflecting evolving government priorities and growing donor investments in infrastructure and human development.

Administration

Administrative spending remains the largest expenditure item in the 2025 budget, reaching \$427.7 million, up from \$382 million in 2024. This accounts for 32.4% of the total budget. The fact that the government's administrative costs match its total domestic revenue indicates a serious fiscal imbalance, leaving no funds for essential services. It highlights inefficiencies and an overreliance on aid. Urgent reforms are needed to reduce costs, increase revenue, and prioritize public service delivery.

The Ministry of Finance received the most significant increase, rising by \$38 million—from \$224 million in 2024 to \$263 million in 2025. Similarly, the Ministry of Interior, Federal Affairs, and Reconciliation (MoIFAR) saw its budget grow from \$23 million to \$36 million, signaling renewed focus on operationalizing the federal system.

Conversely, the Ministry of Planning, Investment, and Economic Development (MoPIED) experienced a decrease, with its allocation falling from \$35 million in 2024 to \$25 million in 2025. Several key institutions maintained similar funding levels as last year, including the Office of the Prime Minister (\$9 million), Ministry of Foreign Affairs (\$9 million), and the Ministry of Justice and Constitutional Affairs. Minor increases were observed in allocations for the Presidency, Parliament, Courts, Auditor General, and Attorney General—each rising by about \$1 million.

Independent commissions, including those responsible for elections and oversight, retained their limited allocation of \$4 million. The modest or stagnant funding for accountability institutions is a concern, especially in a context where transparency and good governance are critical for increasing tax revenue, improving accountability and increasing public trust in the government.

Defense and Security

Defense and security spending in 2025 remains steady at \$255.3 million, the same as in 2024. This sector represents 17.5% of the total budget. The defense portion is allocated \$171 million, slightly down from \$178 million last year. The Ministry of Defense retained its \$3 million allocation, and the military court remains funded at \$3 million. The budget for orphans and disabled military personnel is unchanged at \$93,000.

Interestingly, funding for the Armed Forces dropped from \$170 million to \$163 million, despite Somalia's ongoing security operations against al-Shabaab. This reduction could be further affected by the recent U.S. funding cut, which directly affects support for the Danab Brigade.

The security sector saw a moderate increase, rising from \$77 million in 2024 to \$84 million in 2025. The police force received an additional \$3 million, bringing its budget to \$49 million. The National Intelligence and Security Agency (NISA) also experienced an increase from \$23 million to \$27 million, while allocations for the Ministry of Internal Security (\$1 million) and Immigration Department (\$5 million) remained unchanged.

Economic Development

Allocations for economic development sectors surged significantly in 2025, reaching \$330.6 million, a \$98 million increase from 2024's \$232 million. This boost reflects rising donor interest and a strategic shift toward infrastructure and production-based growth.

The Ministry of Public Works and Reconstruction recorded the most dramatic increase, from \$54 million in 2024 to \$104 million in 2025—nearly doubling its budget. The Ministry of Energy & Water Resources also received a substantial boost, rising from \$64 million to \$92 million, likely in response to growing demand for basic utilities and climate-resilient infrastructure.

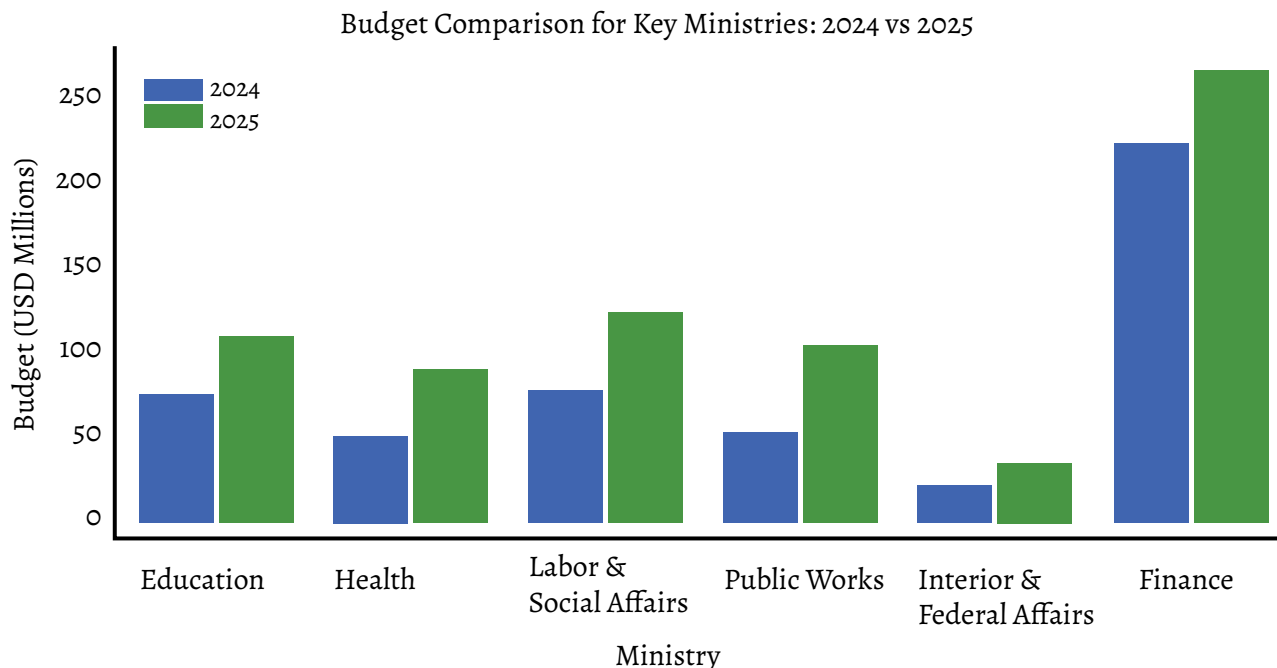
Other ministries retained their previous allocations, including the Ministries of Environment and Climate Change (\$1 million), Industry and Commerce (\$4 million), Transport and Ports (\$3 million), Information (\$6 million), and Minerals (\$3 million). Moderate increases were seen in the Ministry of Agriculture, which grew from \$50 million to \$57 million; the Ministry of Livestock and Forestry (from \$8 million to \$13 million); the Ministry of Fisheries and Marine Resources (from \$10 million to \$17 million); and the Ministry of Post and Telecommunications (from \$12 million to \$14 million). The Ministry of Transport and Aviation saw a slight decrease, dropping from \$12 million to \$11 million.

Overall, the funding trends in this sector suggest renewed attention to public infrastructure, resource management, and connectivity. However, performance monitoring remains essential to ensure that these financial increases translate into measurable development outcomes.

Social Services

The social services sector received the most substantial funding increase in 2025, with allocations jumping from \$208 million in 2024 to \$328.8 million—an increase of \$120 million. This represents a quarter of the entire budget, reflecting a much-needed investment in health, education, and social protection.

The Ministry of Labor and Social Affairs (MoLSA) saw its budget rise to \$123 million, recovering from a dip in 2024 (\$78 million) and returning to near its 2023 level of \$128 million. The Ministry of Education and Higher Education continued its upward trajectory. Its budget increased from \$44 million in 2023 to \$75 million in 2024, and now to \$110 million in 2025. This sustained growth indicates the government's deepening commitment to expanding access to education, recruiting teachers, and improving learning quality across the country.

Figure 1.2: Budget comparison for key ministries (2024 vs 2025)

The Ministry of Health also received a notable boost, with its allocation growing from \$52 million in 2024 to \$91 million in 2025—a \$39 million increase. This enhanced investment is a positive step toward addressing Somalia's healthcare challenges, particularly maternal and child health. In contrast, the Ministries of Sports and Youth, and Family and Human Rights, each maintained their previous allocation of \$1 million, reflecting stagnant prioritization of these critical but often underfunded areas.

While increased funding for education and health is commendable, the current levels still fall short of the country's actual needs. Many children remain out of school, and access to quality healthcare is limited in several regions. Greater coordination with state-level authorities and strategic planning are essential to ensure equitable service delivery.

Way Forward

To enhance fiscal sustainability and ensure effective budget implementation, several strategic measures are needed. First, the federal government and federal member states must finalize and operationalize the Baidoa fiscal federalism agreement reached in 2023. A harmonized and equitable revenue-sharing system would help broaden the domestic tax base and reduce reliance on donor funding over time.

Second, there is a pressing need to increase transparency and oversight of public asset sales. The

absence of recorded income from 2024 land disposals highlights a troubling accountability gap. The Ministry of Finance should publish detailed reports on asset sales and maintain a publicly accessible registry of transactions, especially considering the size of its own budget in comparison to other key ministries (see Figure 1.2). This would enhance transparency and accountability, ensuring that the public can track and assess the management of government assets.

Third, Somalia must invest in revenue-generating infrastructure, particularly at the Mogadishu seaport and Aden Adde airport. Upgrading these facilities and enhancing customs enforcement would improve collection and increase fiscal space. Enhancing domestic revenue generation is crucial particularly the shift of the USAID which might follow by other donors. As mentioned above, transparency is a key tool to build confidence in the government's ability to manage resources effectively and sustainably.

Finally, it is critical to align rising budgets with performance outcomes. While sectors such as education, health, and public works have seen large increases, robust monitoring and evaluation mechanisms are needed to track results. Introducing a performance-based budgeting framework can help ensure that government spending translates into measurable improvements in infrastructure, social services, and public trust.