

FEDERAL GOVERNMENT OF SOMALIA



**2025 BUDGET
POLICY FRAMEWORK PAPER**

3rd October 2024

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EXECUTIVE SUMMARY

GDP growth

The size of Somalia's economy grew from \$10.4 billion in 2022 to \$11.5 billion in 2023 and is estimated to increase to \$12.5 billion in 2024 and \$13.5 billion in 2025. In terms of growth rates, the economy grew by 2.8% in 2023 compared to 2.4% in 2022. Growth forecasts for 2024 and 2025 are 3.7% and 3.9% respectively, on the backdrop of a rebound in agriculture production and exports, upward trend for FDI during the post-HIPC period, and a projected increase in remittances as global inflation eases the pressure on the disposable income of the diaspora community.

Key Macroeconomic Assumptions for the Medium-Term 2025-2027

Variable	2019	2020	2021	2022	2023	2024	2025	2026	2027
Nominal GDP (m\$)	9,420	9,204	9,839	10,420	11,515	12,489	13,541	14,686	15,913
Real GDP (m\$)	9,915	9,885	10,172	10,420	10,711	11,108	11,541	12,002	12,495
Growth (%)	2.7%	-0.3%	2.9%	2.4%	2.8%	3.7%	3.9%	4.0%	4.1%
Inflation (%)	4.5%	4.3%	4.6%	6.8%	5.7%	4.1%	3.8%	3.6%	3.4%
Exports (m\$)	1,120	970	1,532	1,804	2,080	2,394	2,749	3,096	3,468
<i>o/w Exported Goods</i>	554	545	717	704	859	1,020	1,205	1,392	1,590
<i>o/w Exported Services</i>	566	425	815	1,100	1,221	1,374	1,544	1,704	1,878
Imports (m\$)	5,239	5,381	6,544	8,182	9,099	9,983	10,877	11,806	12,891
<i>o/w Imported Goods</i>	3,622	3,849	4,790	6,340	7,014	7,678	8,339	9,027	9,839
<i>o/w Imported Services</i>	1,617	1,532	1,754	1,842	2,085	2,305	2,538	2,779	3,052
Remittances (private, \$m)	1,427	1,618	2,118	2,142	2,367	2,607	2,867	3,157	3,501
Official Development Assistance (ODA, \$m)	1,904	2,084	2,265	3,442	3,605	3,894	3,917	4,025	4,235
<i>o/w On-budget aid</i>	87	229	147	459	420	518	291	200	100
<i>o/w Off-budget aid</i>	1,817	1,856	2,118	2,983	3,185	3,376	3,626	3,825	4,135
FDI	447	534	512	542	599	674	731	793	859

Source: Federal MOF; IMF reports

Budget strategy to achieve envisaged growth

The budget for 2025 aims to focus on the following priorities to achieve the forecasted growth rate of 3.9%:

- i) Strengthening security, given that security is the foundation for sustainable economic growth and stability.
- ii) Implementation of measures to improve efficiency, effectiveness, coordination and productivity of the civil service and public expenditure in FGS and FMSs. This will include among others:
 - (a) Require every MDA to develop a five-year strategic plan.
 - (b) Implement program-based budgeting on a pilot basis—*the plan is to submit to Cabinet a revised budget in April 2025, which shall be containing program-based budgets for 12 pilot MDAs.*
 - (c) Require every MDA to provide to MOF a quarterly budget utilization report including performance against selected key performance indicators.
 - (d) Finalize and launch the Somalia National Transformation Plan.
- iii) Continue boosting SMEs and household incomes through the following:
 - (a) Support to Somalia Development and Reconstruction Bank—AfDB has provided funding to SDRB through the Financial Sector Development Project.

- (b) Support to Gargaara—receives funding from the World Bank.
- (c) Continued provision of 0.5% of the revenue from Hamar Port to Somalia Chamber of Commerce and Industry.
- iv) Enhance maritime surveillance to prevent illegal fishing.
- v) Boost agricultural production through rehabilitation of relevant infrastructure, with support from AfDB-funded BREFONS Project, Barwaaqo Project, Somalia Food Systems Resilience Project, etc.
- vi) Continue building human capital by investing in Somalis through better education and health in line with the strategic plans for education and health sectors. Support in this area continues to be largely funded by donors thru RCRF, Global Partnership for Education (GPE), Damal Caafimaad, RAJO KAABA, etc.
- vii) Continue efforts towards reconstruction of Somalia’s energy and roads infrastructure to lower the cost of doing business. Support in this area also continues to be funded by donors particularly the World Bank and AfDB.
- viii) Support to MDAs to implement regional integration commitments expected to boost growth in export and import trade (to and from EAC) following Somalia’s entry into the East African Community.

Fiscal Policy

Fiscal policy in FY2025 shall be guided by the post-HIPC economic agenda whose medium-term fiscal objectives are to:

- i) Increase domestic revenue to cover operating expenditures of the FGS by 2027.
- ii) Increase domestic revenue to GDP ratio by 0.3 percentage points annually over the medium term.
- iii) Prioritize expenditure interventions that are expected to have high multiplier effects on economic growth.
- iv) Start working towards complying with the macroeconomic convergence criteria for the East African Community, starting with the following two criteria:
 - a. Fiscal deficit ceiling of 3% of GDP.
 - b. Ceiling on gross public debt of 50% of GDP in net present value terms.
- v) Improve efficiency and effectiveness in the implementation of projects and public expenditures.

Estimated Revenue

Government revenue and grants is projected to increase to \$1.33 billion (9.84% of GDP), which will be an increase of 28.1% in comparison to the budget of \$1.04 billion (8.3% of GDP) in 2024. Domestic revenue is projected to increase to \$430.3 million (3.18% of GDP) in 2025, an increase of 24.3% (\$84.1 million) over the budget for 2024. The increase in revenue will mainly be aided by the following:

- i) Anticipated increase in economic growth;
- ii) Improved tax enforcement and compliance;
- iii) Introduction of digital systems for tax collection e.g., POS gadgets, NTR portal;
- iv) Various new tax revenue measures introduced in the Medium-Term Revenue Roadmap (MTRR) for 2024-2027.

Donor Grants are projected at \$903 million of which \$167.9 million is budget support while \$735.1 million is project grants. Budget support from multilateral institutions is projected to reduce significantly over the medium term due to a change in World Bank policy for countries with moderate risk of debt distress that replaces the previous 50:50 mix of grants and loans with 100% loans (with 50-year maturity). This policy is projected to start impacting Somalia in 2025.

FGS Fiscal Framework FY2025

In US\$ Million	2022 Actual	2023 Actual	2024 Budget	2025 Budget	Change in Amount	Change %	Share %
1. Revenue and receipts	721.9	737.2	1,040.8	1,333.4	292.5	28.1%	100%
Domestic Revenue	262.7	329.5	346.2	430.3	84.1	24.3%	32.3%
Taxes	181.7	224.6	241.4	295.3	53.9	22.3%	22.1%
Tax on income, profit and capital gain	18.7	24.4	23.2	38.0	14.8	63.8%	2.9%
Taxes on property	-0	-0	-	-	-	0.0%	0.0%
Taxes on goods and services	25.8	38.6	46.6	56.1	9.5	20.3%	4.2%
Taxes on international trade and transactions	116.2	154.1	164.5	186.2	21.7	13.2%	14.0%
Other taxes	21.1	7.6	7.0	14.9	7.9	111.9%	1.1%
Other revenue	81.0	104.9	104.8	135.1	30.26	28.9%	10.1%
Donor revenue	459.2	407.7	694.6	903.0	208.4	30.0%	67.7%
Budget support	177.9	130.5	185.0	167.9	-17.1	-9.2%	12.6%
Project support	281.3	277.2	509.7	735.1	225.5	44.2%	55.1%
2. Expenditure	731.4	720.3	1,079.3	1,358.7	279.4	25.9%	100%
Operating expenditure	456.5	468.2	569.7	623.6	53.9	9.5%	45.9%
Compensation of employees	257.9	290.1	356.8	364.3	7.5	2.1%	26.8%
Use of goods and services	93.6	92.6	115.5	132.7	17.2	14.9%	9.8%
Consumption of fixed capital	7.8	5.2	11.2	15.2	4.0	35.8%	1.1%
Interest and other charges	12.7	13.2	9.8	13.8	4.0	40.8%	1.0%
Grants	84.5	67.1	73.3	92.5	19.3	26.3%	6.8%
Other expense (Contingency)	-	-0	3.0	5.00	2.0	66.7%	0.4%
Donor-funded Special projects	274.9	252.1	509.7	735.1	225.5	44%	54.1%
Compensation of employees	1.6	2.1	4.1	5.3	1.2	30.0%	0.4%
Use of goods and services	47.1	45.6	209.0	259.2	50.3	24.1%	19.1%
Consumption of fixed capital	5.4	9.2	52.6	164.8	112.2	213.3%	12.1%
Interest and other charges	-0	-0	-	-0	-	0.0%	0.0%
Subsidies	5.1	5.4	13.2	13.3	0.1	0.9%	1.0%
Grants	26.7	59.2	145.2	147.0	1.8	1.2%	10.8%
Social benefits	188.9	130.6	85.6	77.0	-8.6	-10.0%	5.7%
Other expense	-0	-	-	68.4	68.4	0.0%	5.0%
3. Balance	-9.5	16.9	-38.5	-25.4	13.1	-34.1%	0.0%
Repayment of external debt	-0	-	1.4	1.4	-	0.0%	0.0%

Government Expenditure

Government expenditure is projected at \$1.36 billion in FY2025 compared to \$1.08 billion estimated for FY2024, which will be an increase of 25.9%. Operating expenditures [that are funded from Government local funds] are projected at \$623.6 million and donor-funded special projects spending at \$735.1 million. The 25.9% increase in expenditure is due to the need to undertake critical expenditures necessary for strengthening security (which is the foundation for economic growth), recruitment of new teachers to enhance human capital development efforts over the next 10 years, and the need to enhance capital expenditure (CAPEX) to improve economic growth.

CAPEX is expected to increase three-fold by \$116.2 million in 2025, an increase of 182% over the budget for 2024. Much of the increase will come from donor funded projects, estimated to increase from a budget of \$52.6 million in 2024 to \$164.8 million in 2025, an increase of \$112.2 million (213.3%). On the other hand, Capex to be funded from FGS local funds is estimated to

increase from the budget of \$11.2 million in 2024 to \$15.2 million in 2025, an increase of \$4 million (40.8%). Some of the individual capital projects to absorb these funds include:

- i) *Rehabilitation of Elnino damaged River Embankment in H/Shabelle*
- ii) *Rehabilitation of Elnino damaged River Embankment in Jubaland*
- iii) *Additional Afgoye river embankment sites*
- iv) *Construction of Jowhar Road*
- v) *Construction of Dhul Alle Road in Luuq*
- vi) *Rehabilitation of additional Afgoye River Embankments in Southwest*
- vii) *Rehabilitation of Barawe TB Unit HF*
- viii) *Rehabilitation of Bula Bartire Irrigation Canal*
- ix) *Rehabilitation of Bulo Burde Health care Unit*
- x) *Rehabilitation of fish landing sites for Hirshabelle*
- xi) *Rehabilitation of fish landing sites for Jubaland*

Fiscal Deficit

The fiscal deficit excluding project grants is projected at \$25.4 million in 2025, or 0.19% of GDP. This fiscal deficit is consistent with the respective EAC Monetary Union Criteria which requires that the overall fiscal deficit in member countries should not exceed 3% of GDP.

Staffing

Staff numbers for MDAs are expected to remain within the 2024 levels except for the Ministry of Education, where an additional 3000 school teachers are planned to be recruited in 2025 which will increase the staff numbers in the social sector accordingly. The table below shows the civil service staff numbers by sector budgeted for 2025:

Sector	Grade A	Grade B	Grade C	Grade D	Total
Administration	2,554	646	572	2,677	6,449
Security	94	38	29	92	253
Economic	972	553	346	318	2,189
Social	539	148	94	150	931
Total	4,159	1,385	1,041	3,237	9,822

Public Debt

Somalia's total debt stock stood at \$2.25 billion at the end of June 2024, which is 18.1% of GDP. Repayment of external debt is projected at \$1.4 million in FY2025, same amount as budgeted for FY2024. The interest paid on existing debt is estimated at \$13.8 million in 2025 compared to the budget of \$9.8 million in 2024, whereas repayment of the principle is estimated at \$1.4 million, which brings total debt service to \$15.2 million in 2025. This will mean that for every \$100 collected as domestic revenue and budget support, \$2.54 will be spent on debt service in 2025.

Grants to Federal Member States (FMSs)

Grants are estimated to increase by \$19.6 million in 2025, overall, an increase of 9% in comparison to the planned transfers for 2024. The table below summarizes the planned grants by category.

Planned Grants to FMSs and other Government Organizations in 2025

Recipient	2021 Actual	2022 Actual	2023 Actual	2024 Budget	2025 Budget
Total Grants	52.31	111.15	72.73	183.19	228.43
Grants from FGS Local Fund	42.20	84.45	45.08	66.78	81.42
Grants to other government entities	0.91	1.02	0.91	0.91	0.91
Somali Chamber of Commerce	0.46	0.51	0.46	0.46	0.46
Development Bank of Somalia	0.46	0.51	0.46	0.46	0.46
Grants to FMS	41.29	83.42	44.17	65.87	80.51
Somaliland	0.40	15.13	3.00	-	-
Puntland	6.70	14.99	6.55	10.33	10.35
Jubaland	4.34	10.43	4.66	8.26	9.72
South West State	5.31	9.36	3.89	7.50	9.02
Galmudug	5.54	9.18	3.94	7.54	9.52
Hirshabelle	5.35	8.97	3.85	7.51	10.25
Benadir Regional Administration	13.65	15.36	18.28	24.73	31.64
Grants thru Donor Projects	10.10	26.71	27.65	116.40	147.01
Puntland	2.29	7.21	2.84	11.35	6.74
Jubaland	2.66	3.87	8.39	30.19	30.10
South West	3.51	8.44	7.60	27.16	31.41
Galmudug	1.39	3.66	3.22	14.70	21.50
Hirshabelle	0.26	2.38	3.46	20.10	26.76
Benadir Regional Administration	-	1.13	2.14	10.71	30.49
Not Elsewhere Specified	-	-	-	2.19	-

Note: this table excludes grants to international organizations.

I. INTRODUCTION

1. This Budget Framework Paper (BFP) is prepared in accordance with the requirements Article 18 of the Public Finance Management Act (2025), which in essence requires the Minister of Finance to provide information that provides the rationale for and explanation of the budget, as well as detailed supporting technical information. It indicates the link between Government's overall policies and the annual budget, setting out how the Government intends to achieve its short and medium-term policy objectives through the annual budget.

2. The BFP is organized as follows:

- Section 2 provides the recent economic developments at the global, regional and domestic levels and how these influence the forecasts for 2025 and the medium term.
- Section 3 provides the macroeconomic and fiscal outlook for 2025, which provides the growth forecasts and basis for resource projections for 2025, the proposed budget strategy and priorities to achieve the envisaged growth, fiscal policy and the current budget principles and fiscal rules.
- Section 4 provides the fiscal framework for 2025 including the aggregate revenue and expenditure forecasts for 2025, the fiscal deficit and how it is planned to be financed, and the detailed explanations for the 2025 revenue and expenditure estimates.
- Section 5 provides financial and non-financial key performance indicators that are proposed for each MDA to track and show results achieved with the resources provided to it during each fiscal year track.

II. RECENT ECONOMIC DEVELOPMENTS

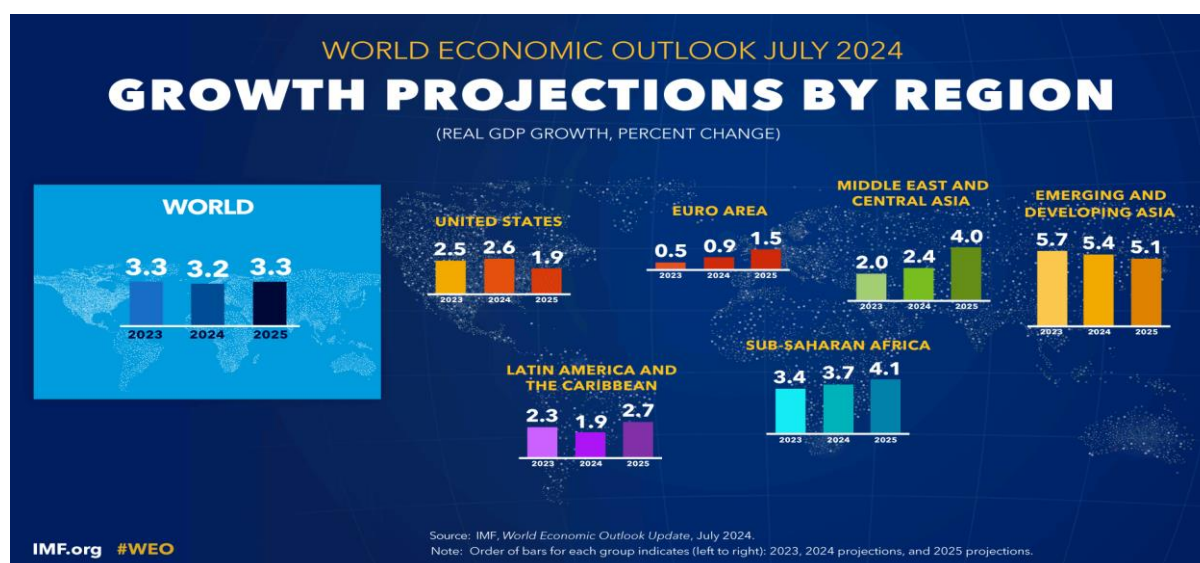
Global Economic Developments

Global growth

3. Global growth was 3.3% in 2023 and is expected to drop to 3.2% in 2024 and rebound to 3.3% in 2025 according to the WEO report of July 2024 (see Figure 1). Growth in the USA is estimated at 2.6% in 2024 and expected to drop to 1.9% in 2025. Growth in the euro area has increased from 0.5% in 2023 to 0.9% in 2024 and projected to increase further to 1.5% in 2025. In the Middle East and Central Asia, growth is estimated to increase from 2% in 2023 to 2.4% in 2024 and 4% in 2025. Growth prospects for Sub Sahara Africa are also quite promising, where growth is estimated to increase from 3.4% in 2023 to 3.7% in 2024 and to 4.1% in 2025.

4. *The envisaged drop in growth in 2025 for the USA can be concerning for Somalia, since the USA happens to be the largest source country for remittances to Somalia. This could imply that weaker remittance flows could be expected in 2025. Remittances not only boost the meager incomes of families in Somalia but also allow the private sector to do business. On the other hand, the 2025 growth projections for the Euro area, Middle East and Sub Sahara Africa are promising. These three regions happen to be among Somalia's largest export markets. Higher growth in these regions could mean higher demand for Somalia's exports if the markets are well exploited, which will mean higher export earnings to compensate for the potential weaker remittance flows from North America.*

Figure 1: Growth projections for the World and by region



Source: IMF, World Economic Outlook July 2024 Update

Global Inflation

5. Global headline inflation stood at 9.4% for 2023 but is expected to fall from an annual average of 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025, with advanced economies returning to their inflation targets sooner than emerging markets and developing economies.

Global Employment

6. The global unemployment rate improved from 5.3% in 2022 to 5.1% in 2023, which is a modest improvement but is set to worsen again, bringing the rate back to around 5.2% in 2024. The employment situation continues to be uneven among higher-income countries, where the jobless rate in 2023 was 8.2% compared to 20.5% in lower-income countries.

Global Trade

7. The value of global trade fell by 3% to \$31 trillion in 2023 from \$30.1 trillion in 2022. The downturn was driven by less demand in developed economies and weaker trade in East Asia and Latin America which resulted in a 5% fall in trade in goods and an 8% growth in services, fueled by a nearly 40% surge in tourism and travel-related services. Trade in environmental products grew in 2023, with electric cars sparking trade growth in motor vehicles. Global goods trade is expected to pick up gradually in 2024 following a contraction in 2023 that was driven by the lingering effects of high energy prices and inflation. In 2025 global trade is projected to grow by 3.3%. However, regional conflicts, geopolitical tensions and economic policy uncertainty continue to pose substantial downside risks to the forecast.

8. Developing countries experienced a sharper decline in trade, with their imports and exports falling by 5% and 7%, respectively, compared to a 4% drop in imports and 3% in exports for developed nations. Most regions saw negative trade growth in 2023. The exception was a significant increase in intra-regional trade in Africa. Despite the overall decline, 2023 saw a 2% rise in trade for environmental products, driven primarily by soaring electric car sales. Trade in electric vehicles grew by 60%, highlighting shifting market demands and preferences.

World Commodity Prices

9. Global demand growth for **oil** is estimated to half in 2024 compared to 2023. However, global energy consumption will grow by 1.8% in 2024, largely driven by strong demand in Asia. This notwithstanding, broad-based geopolitical tensions present significant risks to the energy market outlook. Although the Israel-Hamas war has not yet directly impacted oil and gas production, the war and the security crisis in the Red Sea pose a threat to energy supply and prices. For instance, Qatar Energy, one of the world's largest exporters of liquified natural gas, halted shipping via the Red Sea since January due to security concerns and rerouted some shipments around southern Africa. Similar diversions are expected to result in delays and raise costs of oil and gas deliveries. Potential deepening or extension of OPEC+ supply cuts could also tighten global oil markets, adding upward pressure to prices. However, robust output across non-OPEC countries, such as the US, Brazil, Guyana and Canada, is expected to offset the reductions from OPEC+ producers.

10. Prices for the major **food** commodities are expected to continue a downward trend over 2024, owing to moderate global demand and adequate supplies of major crops, particularly corn and soybean. Global corn production is projected to expand by 6.6% in the marketing year 2023-2024, year-on-year, with the biggest gains expected in the US, Argentina and China.

Foreign Direct Investment

11. In 2023, Foreign Direct Investment stood at an estimated \$1.37 trillion, a marginal increase of 3% compared with the previous year 2022. This slight increase was attributed to higher investment in some European countries. Foreign direct investment flows to developing countries declined in 2023, falling by 9% to \$841 billion, with a 12% drop in the developing countries of Asia and a 1% fall in Africa. Growth in FDI is expected to accelerate from 3.3% in 2023 to 4% in 2024 in Sub-Saharan Africa, and from 2% to 3.4% in the Middle East and Central Asia. However, many factors, including geopolitical risks and high debt levels in some countries could hinder foreign direct investment. For most of Africa and the Middle East, it is still natural resources that will attract tens of billions of FDI in 2024.

World Migration

12. By mid-year 2023, there was an estimated total of 36.4 million refugees and 6.1 million asylum-seekers worldwide. Displacement within and from Africa remains a major feature of the region. The majority of internal displacements in Africa in 2022 occurred in sub-Saharan Africa, with most triggered by conflict and violence. About 21 million Africans were living in another African country, a significant increase from 2015, when around 18 million Africans were estimated to be living outside of their country of origin but within the region. The number of Africans living in different regions also grew during the same period, from around 17 million in 2015 to over 19.5 million in 2020. The Democratic Republic of the Congo (over 4 million) and Ethiopia (more than 2 million) had the largest internal displacements due to conflict and violence. Somalia, with 621,000 displacements caused by conflict, had the third largest in the region. The largest disaster displacements were recorded in Nigeria (around 2.4 million), followed by Somalia (1.2 million), Ethiopia (873,000) and South Sudan (596,000).

Economic Developments and Prospects in Sub-Saharan Africa

13. Growth is expected to accelerate from 3.3% in 2023 to 4% in 2024 in Sub-Saharan Africa. East African economies are expected to grow by 5.1% in 2024 and 5.7% in 2025 buoyed by the service, tourism and transport sectors. The service sector in Kenya and Tanzania has been the driving force of economic growth in the region. The region will also benefit from the African Continental Free Trade Area (AfCFTA) since trade growth is expected to spur demand for higher production capacity and investments in cross-border infrastructure. On the other hand, illicit trade, counterfeit and substandard goods, high cost of electricity and transport, and currency depreciation are among the issues that could affect growth in the region.

Domestic Economic Developments and Prospects

Developments in the Real Sector

Growth in GDP

14. The size of Somalia's economy grew from \$10.4 billion in 2022 to \$11.5 billion in 2023 and is estimated to increase to \$12.5 billion in 2024 and \$13.5 billion in 2025. In terms of growth rates, the economy grew by 2.8% in 2023 compared to 2.4% in 2022. Growth forecasts for 2024 and 2025 are 3.7% and 3.9% respectively, although this growth could be tempered by (i) the prolonged Russia-Ukraine conflict (which has disrupted grain supply to Somalia (up to 90% of Somalia's wheat imports come from Russia and Ukraine), (ii) the ongoing Israel-Palestine conflict which has affected the global supply chain leading to inflation both globally and domestically, and (iii) the effects of the recent drought in Somalia.

15. The observed expansion of Somalia's economy of 2.8% in 2023 and 3.7% projected for 2024 are on account of a rebound in agriculture production and exports as crops and livestock recovered more from the effects of drought and floods that weakened agricultural production in 2021 and 2022. Growth in 2025 is expected to rise to 3.9 percent as crops and livestock recover more fully, FDI is expected to trend upwards during the post-HIPC period, and remittances are projected to increase as global inflation eases the pressure on the disposable income of the diaspora community.

Inflation

16. Inflation has increased over the last two fiscal years. In 2021 and 2022 inflation was 4.6% and 6.8% respectively, mainly driven by challenges in global supply chains (*caused by Russia-Ukraine war which disrupted global food markets and energy prices thereby making Somalia a victim of external price shocks*) and the increase in severe drought conditions which caused widespread damage to livestock and crops thereby disrupting domestic food supply and amplifying price hikes. Average inflation in 2023 was 5.7% and expected to reduce further to 4.1% in 2024 and 3.8% in 2025, due to lower food prices resulting from increased supply following improvements in the weather conditions.

Private Sector Credit

17. Credit to the private sector is growing. It increased from \$206 million in 2019 to \$319 million in 2021 to \$496 million in 2023. It is estimated at \$615 million in 2024 and at \$777 million in 2025. The increase in private sector credit reflects the improving business conditions and demand for working capital.

Financial Sector Developments

18. Somalia has continued to make progress towards establishing a functional monetary policy and an enabling financial sector. Efforts towards rebuilding the country’s financial sector in 2024 have included the following, among others:

- i) Continued working on formulating the monetary and exchange rate policy frameworks for the currency reform aimed at reintroducing Somalia Shillings (SOS) as legal tender by replacing old and counterfeit notes in circulation.
- ii) Continued strengthening the Financial Reporting Center’s capacity to review and assess suspicious financial transactions.
- iii) Continued implementing outreach and training campaigns aimed at improving the integrity of the financial sector.
- iv) Submitted amendments to the 2016 AML/CFT Law to Parliament in March 2024 in preparation for the MENA-FATF Mutual Evaluation Assessment.
- v) The Central Bank of Somalia (CBS) developed and communicated an action plan to improve the quality of data submitted by commercial banks.

External Sector Developments

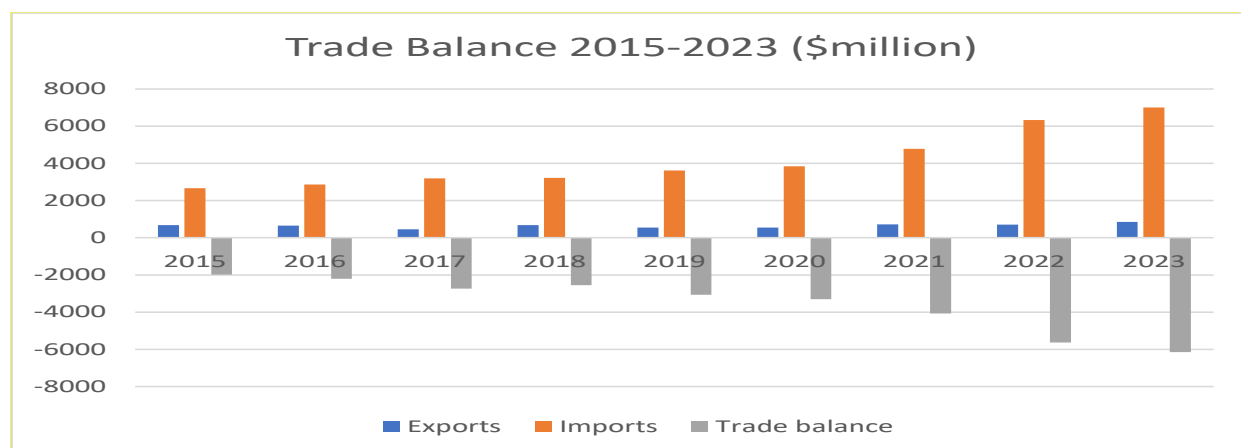
External Trade

19. Exports of goods increased significantly, growing by 22% from \$704 million in 2022 to \$859 million in 2023. This rise reflects recovery from the effects of the severe drought in 2020 to 2021, which affected livestock production—which is Somalia’s main export product. Exports of goods are projected to increase to \$884 million in 2024 and \$912 million in 2025.

20. Imports of goods also increased, growing by 10.6% in 2022 from \$6,340 million in 2022 to \$7,014 million 2023. This growth was also largely driven by construction materials, food and household articles. Imports of goods are projected to increase to \$7,503 million in 2024 and \$8,054 million in 2025.

21. Figure 2 shows the performance of exports and imports of goods and the trade balance since 2019.

Figure 2: Goods Trade Balance



Source: Data from IMF

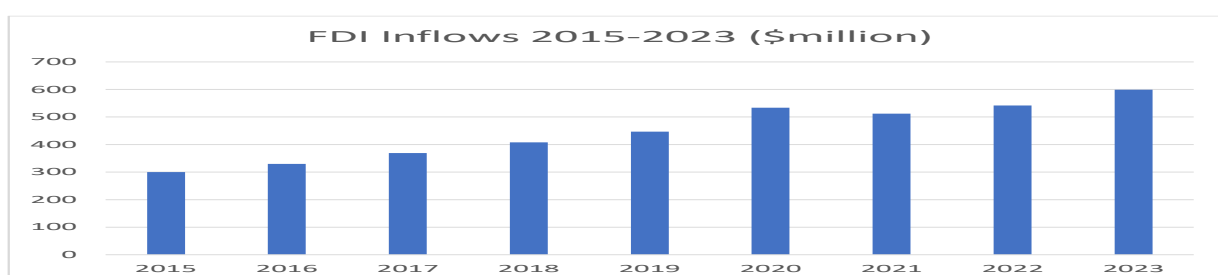
Remittances

22. Remittances have continued to increase since 2021. Remittances increased by 10.5% from \$2.14 billion in 2022 to \$2.37 billion in 2023 as economic conditions in source countries where the diasporas live, continued to improve as the global economy continued its post-pandemic recovery. Remittances are projected at \$2.5 billion in 2024 and \$2.6 billion in 2025.

Foreign Direct Investment

23. FDI inflows have also continued to increase. FDI increased by 10.5% from \$542 million in 2022 to \$599 million in 2023 and is projected to further increase to \$628 million in 2024 and to \$660 million in 2025. The increase is primarily driven by increased investor confidence following giving HIPC debt relief to Somalia which culminated in 2023, and prospects in the petroleum sector.

Figure 3: FDI Trends 2015 – 2023



Source: IMF Data

Trade with East African Community

24. Somalia joined the EAC in 2023, which is expected to enhance regional trade between Somalia and other countries in the community. Exports to EAC countries amounted to \$0.80 million in 2022 and \$0.75 million in 2023, a decrease of 6.3%. On the other hand, as **Table 1&2 show**, imports from EAC countries totaled \$120.49 million in 2022 compared to \$132.34 million in 2021, a decrease of 9%. Imports data for 2023 are not yet available. In the case of financial year 2022, the data show Somalia registered a trade deficit of \$119.69 million from its trading with EAC partner countries.

Table 1: Value of Somalia’s Trade with EAC Partner States (\$ Million)

Country	Exports			Imports		
	2021	2022	2023	2021	2022	2023
Kenya	0.84	0.73	0.66	129.88	115.10	dna
Uganda	-	-	-	1.54	3.47	dna
Burundi	-	-	-	-	-	dna
Tanzania	0.00	0.03	0.06	0.59	1.13	dna
Rwanda	0.00	0.00	-	0.33	0.79	dna
Democratic Republic of Congo	0.02	0.04	0.03	0.00	-	dna
South Sudan	-	-	-	-	-	dna
Total	0.86	0.80	0.75	132.34	120.49	dna

Source: FGS Revenue Department

Table 2: Somalia's Goods Trade by Region (\$ Million)

Region	Exports			Imports		
	2021	2022	2023	2021	2022	2023
Advanced Economies	33.93	28.03	43.12	272.96	316.87	dna
- o/w Euro Area	18.07	16.61	8.89	150.85	158.44	dna
- o/w United States	1.09	1.08	3.00	55.45	90.21	dna
- o/w Others	14.77	10.34	31.23	66.66	68.22	dna
Emerging/Developing Economies	358.31	624.34	750.13	3,581.60	4,164.21	dna
- Emerging & Developing Asia	27.97	26.86	35.90	2,021.31	2,351.76	dna
- Emerging & Developing Europe	24.58	23.97	2.71	424.05	456.48	dna
- Middle East & Central Asia	254.09	523.39	692.57	421.31	517.58	dna
- Sub-Saharan Africa	38.76	35.27	6.56	648.43	790.69	dna
- o/w EAC	0.86	0.80	0.75	132.34	120.49	dna
- Western Hemisphere	12.91	14.84	12.40	66.50	47.70	dna
Total	392.24	652.37	793.25	3,854.56	4,481.08	-

Source: FGS Revenue Department

Fiscal Sector Developments

Revenue Performance January-August 2024

25. The main goal of the fiscal strategy in FY2024 was to attain the estimated growth rate of 3.7% for 2024 and preserving debt sustainability after reaching the HIPC completion point in December 2023. This was to be attained through the implementation of the Medium-Term Revenue Roadmap (MTRR) which targets increasing the domestic revenue to GDP ratio by at least 0.3 percentage points every fiscal year, and to control expenditure so that domestic revenues are able to cover operating expenditures of Government by 2027.

26. Government revenue and grants was planned to be \$1.04 billion (of which \$346.18m was domestic revenue and \$694.62m was grants). As at end August 2024, domestic revenue and grants amounted to \$580.60 million, representing 55.8% of the annual budget. Domestic revenue yielded \$241.2 million, representing 69.7% of the annual target. Donor grants amounted to \$339.39 million, representing 48.9% of the annual target (see Table 3).

Table 3: Revenue Performance January-August 2024 (3-digit level)

Code	Fiscal Variable	Budget 2024 (m\$)	Actual 2024 (m\$)				Expected Pfce 8 months 67%	Year on Year Growth	%share to total (Jan-Aug)
			Q1	Q2	Jul-Aug	Total Jan-Aug			
	Total Revenue	1,040.81	118.41	255.71	206.48	580.60	55.8%	91.7%	100.0%
	Domestic Revenue (Taxes + NTR)	346.18	91.71	89.35	60.15	241.21	69.7%	19.3%	41.5%
	Taxes	241.43	65.77	62.73	44.24	172.74	71.5%	22.7%	29.8%
111	Tax on income, profits and capital gains	23.22	8.78	8.94	6.95	24.67	106.2%	71.1%	4.2%
114	Taxes on goods and services	46.64	12.49	11.53	8.21	32.23	69.1%	33.6%	5.6%
115	Taxes on international trade and transactions	164.52	42.72	39.04	27.76	109.52	66.6%	12.4%	18.9%
116	Other taxes payable by businesses	7.05	1.77	3.22	1.33	6.32	89.7%	32.5%	1.1%
	Grants	694.62	26.70	166.36	146.33	339.39	48.9%	236.8%	58.5%
131	Grants from foreign governments	68.12	5.64	11.00	9.36	26.01	38.2%	3132.9%	4.5%
132	Grants from international organisations	626.50	21.06	155.36	136.97	313.38	50.0%	213.5%	54.0%
	Non-Tax Revenue	104.76	25.95	26.62	15.91	68.47	65.4%	11.5%	11.8%
141	Property Rent	-	0.20	0.14	0.09	0.44	#DIV/0!	92.5%	0.1%
142	Sales of goods and services	104.76	25.68	26.42	15.72	67.82	64.7%	10.9%	11.7%
143	Fines, Penalties and Forfeits	-	0.07	0.05	0.10	0.22	#DIV/0!	#DIV/0!	0.04%

Source: SFMIS and MOF calculations

Tax Expenditures

Table 4 indicates that tax expenditures are projected to decrease from \$17.84 million in 2023 to \$12.80 million in FY2024. This means the Government has been able to reduce the issuance of tax expenditures from a proportion of 5.4% to total domestic revenue in 2023 to 3.6% in 2024. Table 4 provides the total amounts of revenue foregone in form of tax expenditures from 2018 to 2024.

Table 4a: FGS Tax Expenditures 2018-2024

Fiscal Year	Tax Expenditures (in million\$)	Domestic Revenue (in million\$)	Tax exp as % of domestic revenue
2018	7.38	183.41	4.0%
2019	8.62	229.68	3.8%
2020	10.97	211.21	5.2%
2021	8.64	229.56	3.8%
2022	11.90	262.67	4.5%
2023	17.84	329.49	5.4%
2024 (projected)	12.80	357.50	3.6%

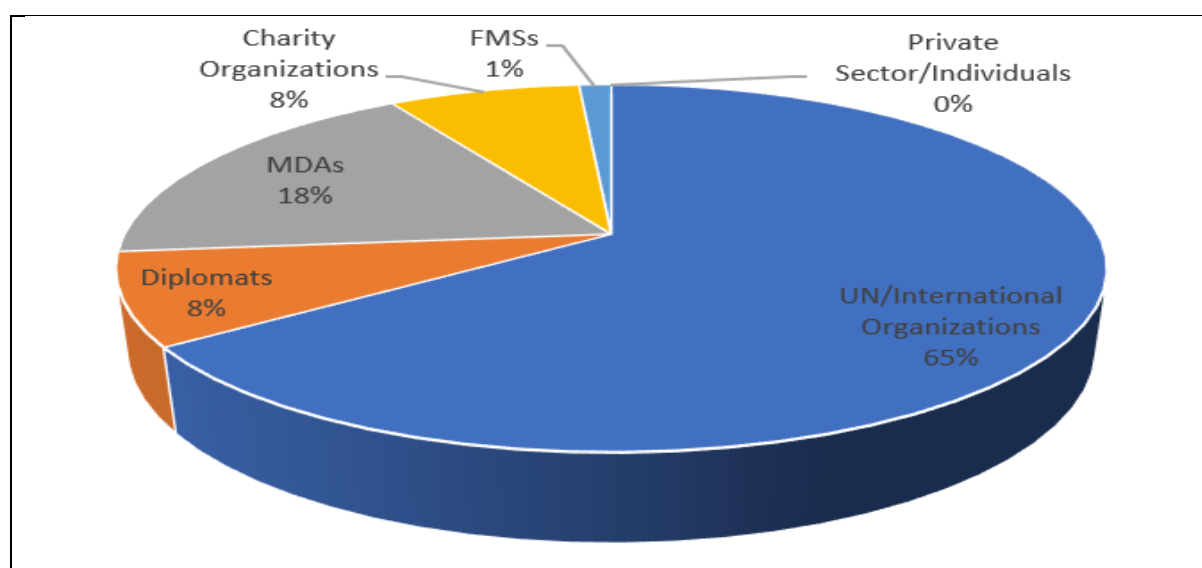
Source: FGS Revenue Department

Table 4b: Tax Expenditures by Beneficiary 2018-2024, in \$million

Beneficiaries	2018	2019	2020	2021	2022	2023	2024 (proj)
UN/International Organizations	4.98	5.93	7.94	6.57	7.78	dna	dna
Diplomats	0.46	1.29	1.53	0.91	0.97	dna	dna
MDAs	1.05	0.59	0.42	0.45	2.12	dna	dna
Charity Organizations	0.55	0.73	0.98	0.58	0.89	dna	dna
FMSs	0.27	0.07	0.09	0.06	0.15	dna	dna
Private Sector/Individuals	0.07	0.01	0.01	0.07	-	dna	dna
Total	7.37	8.62	10.97	8.64	11.91	17.84	12.80

Source: FGS Revenue Department

Figure 4: Tax Expenditure by Recipient, FY2022



Expenditure performance

27. The expenditure outturn for the first eight months of the financial year 2024 indicates that total expenditure was \$511.84 million, which was 47.4% of the annual budget but 55.8% higher than the spending in the same period (Jan-Aug) in 2023. On a pro-rata basis, the execution rate would at least be 67% for the eight months of the fiscal year so far covered. The low absorption is largely due to delayed disbursements of project grants (which is largely due to weaknesses in project planning and management of donor funded projects), and due to delays in accessing budget support funds.

Table 5: Expenditure Performance January–August 2024 (2-digit level)

Code	Fiscal Variable	Budget (m\$)	Actual 2024 (m\$)					Prfc	Year to Year Growth	%share (Jan-Jun)	%share (Budget 2024)
			Q1	Q2	Jul	Aug	Total				
1	Total Revenue	1040.81	118.41	255.71	54.48	152.00	580.60	55.8%	91.7%		
2	Expenditure	1079.38	126.39	249.07	70.88	65.50	511.84	47.4%	55.8%	100.0%	100.0%
21	Compensation of Employees	362.09	80.56	82.22	29.72	32.76	225.27	62.2%	23.1%	44.0%	33.5%
22	Use of goods and services	322.78	28.12	44.02	13.75	17.58	103.48	32.1%	45.1%	20.2%	29.9%
24	Interest and other charges	9.80	0.92	0.93	0.29	0.76	2.90	29.6%	-67.2%	0.6%	0.9%
25	Subsidies	17.36	1.66	1.51	1.63	0.41	5.21	30.0%	565.9%	1.0%	1.6%
26	Grants	197.41	13.92	35.56	14.87	7.47	71.82	36.4%	54.6%	14.0%	18.3%
27	Social benefits	103.18	0.00	82.55	9.00	0.15	91.71	88.9%	543.5%	17.9%	9.6%
31	Non Financial Assets	66.77	1.21	2.27	1.62	6.36	11.45	17.2%	190.5%	2.2%	6.2%
	Fiscal Balance	-38.58	-7.97	6.64	-16.40	86.50	68.76				

Expenditure by sector

28. The federal budget is built on four sectors namely administration and general services, security sector, economic services sector, and social services sector. Budget absorption for the first eight months of the fiscal year is shown in Table 6 below. In a nutshell—

- The **Administration sector** absorbed \$168.88 million as at end August 2024, which was 44.3% of the annual budget, 8.4% higher than what was spent in the same period last year, and 33% of total expenditure against the annual planned share of 35.3%.
- **Security** absorbed \$153.01 million as at end August 2024, which was 59.9% of the annual budget, 25.4% higher than what the sector spent during the same period last financial year, and 29.9% of total expenditure against the annual planned share of 23.7%.
- The **economic sector** absorbed \$76.45 million as at end August 2024, which was 32.7% of the annual budget, 166.1% higher than what the sector spent in the same period last year, and 14.9% of total expenditure—which was far lower than the planned share of 21.6% for 2024. The low execution rate (32.7%) is largely attributed to slow absorption of funds budgeted under donor funded projects.
- The **social sector** spent \$113.49 million as at end August 2024, representing 54.3% of the annual budget, 414.3% higher than what the sector spent in the same period last financial year, and 22.2% of total expenditure against the planned annual budget share of 19.3%.

Table 6: Expenditure performance by sector, January–August 2024

Sector	Budget (\$m)	Actual Jan-Aug 2024 (\$m)					Pfce%	YtY%	%share Jan-Aug	%share Budget 2024
		Q1	Q2	Jul	Aug	Total Jan-Aug				
Administration	381.25	49.42	66.26	27.35	25.84	168.88	44.3%	8.4%	33.0%	35.3%
Security	255.61	56.06	58.54	18.23	20.18	153.01	59.9%	25.4%	29.9%	23.7%
Economic	233.68	12.28	36.57	15.03	12.57	76.45	32.7%	166.1%	14.9%	21.6%
Social	208.85	8.62	87.70	10.27	6.90	113.49	54.3%	414.3%	22.2%	19.3%
Total	1,079.38	126.39	249.07	70.88	65.50	511.84	47.4%	-22.1%	100.0%	100.0%

Public Debt

29. Somalia's total debt stock stood at \$2.25 billion at the end of June 2024, which is 18.1% of GDP. The debt portfolio is made up of only external debt and it is divided into multilateral and bilateral creditors as well as and one loan (\$2.63 million) from a commercial creditor in Serbia. The debt portfolio is still characterized by a sizeable amount of debt arrears, accounting for 34.1% of the total debt stock. Table 7 shows the debt stock by creditor as at end June 2024. Repayment of external debt is projected at \$1.4 million in FY2025, same amount as in FY2024 (equivalent to 0.01% of GDP).

Table 7: Somalia Debt Stock by Creditor as at end June 2024

#	Creditor	Category	Face value	Interest arrears	Other fee arrears	Total debt stock
1	Government of Serbia	Commercial	1.51	1.12	-	2.63
2	Arab Fund for Economic and Social Development	Multilateral	74.87	126.04	0.05	200.96
3	Arab Monetary Fund	Multilateral	58.70	245.71	-	304.41
4	International Fund for Agricultural Development (IFAD)	Multilateral	1.88	-	-	1.88
5	International Monetary Fund (IMF)	Multilateral	95.33	-	-	95.33
6	Islamic Development Bank	Multilateral	25.83	1.07	-	26.90
7	OPEC Fund for International Development	Multilateral	36.39	-	-	36.39
8	Abu Dhabi Fund for Development	Non-Paris Club	94.22	170.59	0.02	264.83
9	Government of Algeria	Non-Paris Club	0.90	0.66	-	1.56
10	Government of Bulgaria	Non-Paris Club	5.53	5.90	-	11.43
11	Government of Iraq	Non-Paris Club	31.22	68.25	109.89	209.36
12	Government of Libya	Non-Paris Club	11.75	29.37	-	41.12
13	Government of Romania	Non-Paris Club	2.27	0.25	-	2.52
14	Kuwait Fund for Economic Development	Non-Paris Club	124.23	-	-	124.23
15	Saudi Fund for Development	Non-Paris Club	118.86	-	-	118.86
16	Government of Denmark	Paris Club	2.91			2.91
17	Government of Japan	Paris Club	8.70	1.89	7.78	18.37
18	Government of Russia	Paris Club	0.70			0.70
19	Government of Spain	Paris Club	40.53			40.53
20	United States of America	Paris Club	749.85			749.85
	Total		1,486.18	650.85	117.74	2,254.77
	<i>Nominal GDP</i>					12,489
	<i>Debt stock as % of GDP</i>					18.1%

Source: MOF DMU Quarterly Debt Reports

III. MACROECONOMIC AND FISCAL OUTLOOK FOR 2025

Growth forecast for 2025

30. The economy is projected to grow at 3.7% in FY2024, 3.9% in FY2025 and accelerate to an average of at least 4.1% over the medium term. This will largely be driven by two factors: (i) growth in remittances, private sector construction activities, and trade; and (ii) kicking off the implementation of the planned activities in the forthcoming National Transformation Plan (NTP, 2025-2029). This will grow the size of Somalia's GDP from \$11.5 billion in 2023 to \$12.5 billion in 2024 and to \$13.5 billion in 2025. This envisaged higher growth rate over the medium term is expected to translate into improved economic activity and creation of employment opportunities, assuming the macroeconomic assumptions will hold and policy reforms included in the NTP will be implemented effectively and sustainably.

31. The NTP will replace the NDP9/iPRSP and is expected to be launched before the end of 2024. It aims to steer Somalia towards sustainable development, economic stability, and long-term prosperity. It builds on the achievements of NDP-9, and it seeks to produce concrete plans to invest in agriculture, fisheries, livestock, roads, bridges, ports, airports, and other natural resources, among other economic infrastructures, to attain economic self-sufficiency.

32. The macroeconomic assumptions on which the 2025 economic outlook is based are summarized in Table 8 below.

Table 8: Key Macroeconomic Assumptions for the Medium-Term 2025-2027

Variable	2019	2020	2021	2022	2023	2024	2025	2026	2027
Nominal GDP (m\$)	9,420	9,204	9,839	10,420	11,515	12,489	13,541	14,686	15,913
Real GDP (m\$)	9,915	9,885	10,172	10,420	10,711	11,108	11,541	12,002	12,495
Growth (%)	2.7%	-0.3%	2.9%	2.4%	2.8%	3.7%	3.9%	4.0%	4.1%
Inflation (%)	4.5%	4.3%	4.6%	6.8%	5.7%	4.1%	3.8%	3.6%	3.4%
Exports (m\$)	1,120	970	1,532	1,804	2,080	2,394	2,749	3,096	3,468
o/w Exported Goods	554	545	717	704	859	1,020	1,205	1,392	1,590
o/w Exported Services	566	425	815	1,100	1,221	1,374	1,544	1,704	1,878
Imports (m\$)	5,239	5,381	6,544	8,182	9,099	9,983	10,877	11,806	12,891
o/w Imported Goods	3,622	3,849	4,790	6,340	7,014	7,678	8,339	9,027	9,839
o/w Imported Services	1,617	1,532	1,754	1,842	2,085	2,305	2,538	2,779	3,052
Remittances (private, \$m)	1,427	1,618	2,118	2,142	2,367	2,607	2,867	3,157	3,501
Official Development Assistance (ODA, \$m)	1,904	2,084	2,265	3,442	3,605	3,894	3,917	4,025	4,235
o/w On-budget aid	87	229	147	459	420	518	291	200	100
o/w Off-budget aid	1,817	1,856	2,118	2,983	3,185	3,376	3,626	3,825	4,135
FDI	447	534	512	542	599	674	731	793	859

Source: Federal MOF; IMF reports

Budget strategy to achieve envisaged growth

33. To achieve the strategic objectives of growing Somalia's economic growth and a faster reconstruction of the economy, the budget for FY2025 focuses on the following:

- i) Continue prioritizing funding to the security sector, given that security is the foundation for sustainable economic growth and stability.
- ii) Implement measures to improve efficiency, effectiveness, coordination and productivity of the civil service and public expenditure in FGS and FMSs. This will include among others:
 - (e) Require every MDA to develop a five-year strategic plan.
 - (f) Implement program-based budgeting on a pilot basis—the plan is to submit to Cabinet a revised budget in April 2025, which shall be containing program-based budgets for 12 pilot MDAs.
 - (g) Require every MDA to provide to MOF a quarterly budget utilization report including performance against selected key performance indicators.
 - (h) Finalize and launch the Somalia National Transformation Plan.
- iii) Continue boosting SMEs and household incomes through the following:
 - (d) Support to Somalia Development and Reconstruction Bank—AfDB has provided funding to SDRB through the Financial Sector Development Project.
 - (e) Support to Gargaara—receives funding from the World Bank.
 - (f) Continued provision of 0.5% of the revenue from Hamar Port to Somalia Chamber of Commerce and Industry.

- iv) Enhance maritime surveillance to prevent illegal fishing.
- v) Boost agricultural production through rehabilitation of relevant infrastructure, with support from AfDB-funded BREFONS Project, Barwaaqo Project, Somalia Food Systems Resilience Project, ...
- vi) Continue building human capital by investing in Somalis through better education and health in line with the strategic plans for education and health sectors. Support in this area continues to be largely funded by donors thru RCRF, Global Partnership for Education (GPE), Somalia Education for Human Capital Development Project, Damal Caafimaad, RAJO KAABA, ...
- vii) Continue efforts towards reconstruction of Somalia's energy and roads infrastructure to lower the cost of doing business. Support in this area also continues to be funded by donors particularly WB and AfDB.
- viii) Support to MDAs to implement regional integration commitments expected to boost growth in export and import trade (to and from EAC) following Somalia's entry into the East African Community.

Fiscal Policy for FY2025

34. Government's fiscal policy for FY2025 focuses on supporting efforts to achieve the estimated economic growth of 3.9% in FY2025 and reaching a growth rate of 4.1% in FY2027. As was the case for FY2024, the fiscal policy in FY2025 shall be guided by the post-HIPC economic agenda whose medium-term fiscal objectives are to:

- i) Increase domestic revenue to cover operating expenditures of the FGS by 2027.
- ii) Increase domestic revenue to GDP ratio by 0.3 percentage points annually over the medium term.
- iii) Prioritize expenditure interventions that are expected to have high multiplier effects on economic growth.
- iv) Start working towards complying with the macroeconomic convergence criteria for the East African Community, starting with the following two criteria:
 - a. Fiscal deficit ceiling of 3% of GDP.
 - b. Ceiling on gross public debt of 50% of GDP in net present value terms.
- v) Improve efficiency and effectiveness in the implementation of projects and public expenditures.

Budget Principles and Fiscal Rules

Budget Principles

35. The FY2025 budget has been prepared in accordance with a set of principles which have been agreed with the IMF under the ECF agreement and which are considered appropriate for sustainable fiscal management in Somalia during the post-HIPC era. The current principles that have been applied to the FY2025 budget include:

- i) The budget is prepared on a cash basis.
- ii) The budget is managed within a medium-term fiscal framework.

- iii) Budget arithmetic – to prepare realistic budgets founded on conservative revenue projections.
- iv) Grants – projections of grants from donors must be realistic, based on confirmed pledged grants, and ideally cover discretionary spending.
- v) The budget is limited to the funds that are under the control of the Government; and
- vi) Rules for cash management are included in the appropriations law passed by Parliament.

Fiscal rules

36. To assist adherence to the budget principles, the following set of fiscal rules has been established to be applied during the post-HIPC era. These rules are long-standing agreements with the IMF. The fiscal rules will be revisited as the country’s fiscal situation and development needs evolve. The fiscal rules include:

- i) Revenue – maintain a domestic revenue floor as agreed with the IMF whilst reducing dependence on grants over time.
- ii) Revenue increases from improved administration and the introduction of new tax measures will be directed to increased programmatic spending and not administrative costs.
- iii) Operating running costs of MDAs shall be equal or less than domestic revenues from FY2027 onwards.
- iv) Windfall revenues - will go toward paying down arrears and, if needed, replenishing the fiscal buffer.
- v) Fiscal buffer – comprising sufficient funds to cover 2-month of total FGS compensation plus food component for Somali National Army (SNA), and a replenishment trigger of 1-months coverage.
- vi) Expenditure – allow no expenditure arrears.

37. The adherence to the principles and rules over the recent years and projections for FY2025 are shown in the table below:

Budget trends in summary:	2022	2023	2024	2025
Balanced budget (YES)	NO	NO	NO	NO
Share of domestic revenue (Increasing)	36%	45%	33%	32%
Domestic revenue % of operating costs (target of 100%)	58%	70%	61%	69%
Share of wages compensation (Falling)	57%	62%	63%	58%
Share of capital (Increasing)	1.7%	1.1%	2.0%	2.4%
Increase in Domestic Revenue over previous year	14.4%	25.4%	5.1%	24.3%
Increase in Operating Expenditure over previous year	21.8%	2.6%	21.7%	9.5%
<i>Note: the trends do not include donor-funded special projects.</i>				

IV. FISCAL FRAMEWORK FOR FY2025

38. Resources available for spending in FY2025 and the medium term will be obtained from both domestic and external sources. This will particularly include domestic revenue (tax and non-tax revenue), budget support grants, project support grants, and where necessary, concessional borrowing. Government revenue and grants is projected at \$1.33 billion while Government spending is projected to amount to \$1.36 billion in FY2025. Table 9 shows the projected Government's fiscal framework for FY2025.

Table 9: FGS Fiscal Framework FY2025

In US\$ Million	2022 Actual	2023 Actual	2024 Budget	2025 Budget	Change in Amount	Change %	Share %
1. Revenue and receipts	721.9	737.2	1,040.8	1,333.4	292.5	28.1%	100%
Domestic Revenue	262.7	329.5	346.2	430.3	84.1	24.3%	32.3%
Taxes	181.7	224.6	241.4	295.3	53.9	22.3%	22.1%
Tax on income, profit and capital gain	18.7	24.4	23.2	38.0	14.8	63.8%	2.9%
Taxes on property	-0	-0	-	-	-	0.0%	0.0%
Taxes on goods and services	25.8	38.6	46.6	56.1	9.5	20.3%	4.2%
Taxes on international trade and transactions	116.2	154.1	164.5	186.2	21.7	13.2%	14.0%
Other taxes	21.1	7.6	7.0	14.9	7.9	111.9%	1.1%
Other revenue	81.0	104.9	104.8	135.1	30.26	28.9%	10.1%
Donor revenue	459.2	407.7	694.6	903.0	208.4	30.0%	67.7%
Budget support	177.9	130.5	185.0	167.9	-17.1	-9.2%	12.6%
Project support	281.3	277.2	509.7	735.1	225.5	44.2%	55.1%
2. Expenditure	731.4	720.3	1,079.3	1,358.7	279.4	25.9%	100%
Operating expenditure	456.5	468.2	569.7	623.6	53.9	9.5%	45.9%
Compensation of employees	257.9	290.1	356.8	364.3	7.5	2.1%	26.8%
Use of goods and services	93.6	92.6	115.5	132.7	17.2	14.9%	9.8%
Consumption of fixed capital	7.8	5.2	11.2	15.2	4.0	35.8%	1.1%
Interest and other charges	12.7	13.2	9.8	13.8	4.0	40.8%	1.0%
Grants	84.5	67.1	73.3	92.5	19.3	26.3%	6.8%
Other expense (Contingency)	-	-0	3.0	5.00	2.0	66.7%	0.4%
Donor-funded Special projects	274.9	252.1	509.7	735.1	225.5	44%	54.1%
Compensation of employees	1.6	2.1	4.1	5.3	1.2	30.0%	0.4%
Use of goods and services	47.1	45.6	209.0	259.2	50.3	24.1%	19.1%
Consumption of fixed capital	5.4	9.2	52.6	164.8	112.2	213.3%	12.1%
Interest and other charges	-0	-0	-	-0	-	0.0%	0.0%
Subsidies	5.1	5.4	13.2	13.3	0.1	0.9%	1.0%
Grants	26.7	59.2	145.2	147.0	1.8	1.2%	10.8%
Social benefits	188.9	130.6	85.6	77.0	-8.6	-10.0%	5.7%
Other expense	-0	-	-	68.4	68.4	0.0%	5.0%
3. Balance	-9.5	16.9	-38.5	-25.4	13.1	-34.1%	0.0%
Repayment of external debt	-0	-	1.4	1.4	-	0.0%	0.0%

Domestic Revenues

39. Domestic revenue in FY2025 is projected to increase to \$430.3 million (equivalent to 3.18% of GDP). Of the total domestic revenue projected for FY2025, \$295.3 million is expected to come from tax revenue while \$135.1 million is expected to come from non-tax revenues. This projection reflects an increase in domestic revenues by \$84.1 million (24.3% increase) compared to the budget for FY2024. The expected increase in domestic revenues is premised on an anticipated increase in economic growth, improved tax compliance and administration, introduction of digital systems for tax collection such as the Point of Sale (POS) gadgets and the planned NTR portal, and the various new tax revenue measures introduced in the Medium-Term Revenue Roadmap (MTRR) for 2024-2028.

Donor Resources

Budget support

40. Budget support in form of grants is projected to reduce significantly from \$185 million in FY2024 to \$167.9 million in FY2025. This reduction is largely due to a change in World Bank policy for countries with moderate risk of debt distress that replaces the previous 50:50 mix of grants and loans with 100% loans (with 50-year maturity). This policy is projected to start impacting Somalia in July 2025.

Project support

41. Project financing is projected to increase to \$735.1 million in FY2025 from \$407.7 million projected for 2024. The increase is on account of four new projects to start in 2025, and reprogramming of project resources that were not utilized in 2024.

Government Expenditure

42. FGS expenditure is projected to amount to \$1.36 billion in FY2025 from \$935.8 million projected for FY2024. This increase in expenditure is due to the need to undertake critical expenditures necessary for strengthening security (which is the foundation for economic growth) and recruitment of new teachers to enhance human capital development efforts over the next 10 years while at the same time maintaining prudence in fiscal management.

Fiscal Deficit

43. The fiscal deficit for FY2025 is projected at 0.19% of GDP compared to a ratio of 0.31% of GDP estimated in FY2024. As Somalia has joined the East African Community and therefore required to implement the macroeconomic convergence criteria, the fiscal deficit of 0.19% of GDP programmed for FY2025 is at *least* consistent with the respective EAC Monetary Union Criteria which requires that the overall fiscal deficit does not exceed 3% of GDP.

Detailed Revenue Forecasts for 2025

Tax on income, profits, and capital gains

44. The table below summarizes what the FGS estimates to collect from personal and corporate income taxes. Overall, a total of \$38 million is estimated to be collected, out of which \$30.9 million will come from income taxes payable by individual, and \$7.1 million from corporate income taxes.

Description	2021 Actual	2022 Actual	2023 Actual	2024 Budget	2025 Budget	change	%
Tax on income, profit and capital gain	15.8	18.7	24.4	23.2	38.0	14.8	63.8%
Payable by individuals	14.9	16.8	20.9	19.0	30.9	11.9	62.3%
Public Sector	6.5	7.3	8.9	7.7	9.8	2.1	27.3%
Private Sector	7.8	8.9	10.9	10.1	16.2	6.1	60.7%
Property income	0.6	0.6	1.2	1.2	4.9	3.6	295.2%
Payable by corporation and other enterprises	0.9	1.9	3.5	4.2	7.1	3.0	70.3%
Payable by corporation	0.9	1.9	3.5	4.2	7.1	3.0	70.3%

45. Personal income tax collections from public sector employees are expected to increase by 27.3% on account of the planned recruitment of 3000 new school teachers in 2025 together with the impact of changes in tax brackets upon implementing the new income tax law from mid-2025.

46. Private sector income tax collections are anticipated to increase by 60.7% due to the improved tax administration that has since 2023 concentrated on identifying new taxpayers and enforcing deduction at source of payroll taxes by employers that were previously non-compliant. Property income taxes are also expected to increase two and half fold (year-on-year) on account of the ongoing tax enforcement drive that continues to utilize Benaadir Regional Authority’s database of property ownership to register and require landlords to pay rental income tax.

47. Corporate income tax is forecasted to bring in \$7.1 million in 2025, an increase of 70.3% in comparison to the budget for 2024. The increase will be on account of three factors:

- i) Improved tax administration that continues to identify and register companies that were previously outside the corporate tax net;
- ii) Improved tax audit that will utilize ICT technologies and the use of information collected from the use of POS machines for sales tax.

Taxes on goods and services

48. The table below summarizes what Government estimates to collect from taxes on goods and services. Overall, a total of \$56.1 million is estimated to be collected, out of which \$50.6 million will come from sales taxes, and \$5.5 million from urban road users’ tax and notary collection taxes.

Description	2021 Actual	2022 Actual	2023 Actual	2024 Budget	2025 Budget	change	%
Taxes on goods and services	23.4	25.8	38.6	46.6	56.1	9.5	20%
General taxes on goods and services	23.4	25.8	38.6	46.6	56.1	9.5	20%
Hotels	1.1	1.0	1.8	2.2	1.8	(0.4)	-17.9%
Telecommunications	3.7	2.9	1.9	5.4	9.0	3.6	67.8%
Electricity Companies	0.00	-	0.06	2.23	0.72	(1.5)	-67.8%
Airline tickets	1.0	4.4	6.1	7.9	8.3	0.4	5.0%
TV Cable providers	-	-	0.0	1.7	1.0	(0.7)	-40.3%
Pharmacy	-	-	0.0	0.6	-	(0.6)	-100.0%
Sales Taxes - Other Taxes on Sales	-	-	0.2	0.6	1.5	0.9	168.5%
Sales Taxes - on Other Imported Goods	17.7	17.5	24.7	22.6	28.0	5.3	23.6%
Turnover Tax	-	-	0.2	-	0.3	0.3	0.0%
Soft Drinks	-	-	0.0	0.0	0.0	0.0	10.6%
Urban Road Users Taxes (Tremistrale)	-	-	1.5	2.1	2.8	0.7	32.1%
Notary Collection Taxes.	-	-	2.2	1.4	2.7	1.3	94.7%

49. Overall, collection of taxes on the supply of goods and services is expected to increase by \$9.5 million (20% increase) in comparison to the budget for 2024. The increase is expected to be driven by the following:

- i) An increase in air travel which will mean more sales tax to be collected from sale of air tickets.
- ii) Increased audits using information collected from the POS machines. For instance, sales tax from telecoms is expected to increase by \$3.6 million, whereas sales tax from other businesses is expected to increase by \$0.9 million due to compliance with new digital collection measures and the enforcement regarding the use of POS machines.
- iii) Increase in imported goods, which is expected to increase sales tax from imported goods by \$5.3 million over the budget for 2024.
- iv) Increased enforcement in collection of notary taxes and the trimestral road users’ tax, which together is expected to bring in additional revenue of \$2 million over and above the budget for 2024.

Taxes on international trade

Description	2021 Actual	2022 Actual	2023 Actual	2024 Budget	2025 Budget	change	%
Taxes on international trade and transactions	109.0	116.2	154.1	164.5	186.2	21.7	13.2%
Customs and other import duty	97.4	101.4	135.8	144.4	160.4	16.0	11.1%
Import tax on Khat	11.6	13.7	17.2	19.0	19.7	0.7	3.6%
Taxes on Exports	0.0	1.0	1.0	1.1	6.1	5.0	457.8%

50. Collections from customs are anticipated to increase by \$21.7 million, an increase of 13.2% over the budget for 2024. The increase is expected to be driven by the following:

- i) Efficiency gains from the continued implementation of SOMCAS.
- ii) Continued improvements in customs administration, mainly in verification of import declarations (for khat and non-khat items) and cargo examination to ensure correct volumes are declared by importers, and improved supervision of customs staff.
- iii) Enhancements in cargo examination of exports.

Other taxes

Description	2021 Actual	2022 Actual	2023 Actual	2024 Budget	2025 Budget	change	%
Other taxes	14.6	21.1	7.6	7.0	14.9	7.9	111.9%
Stamp Duty on Customs	4.0	4.8	3.2	3.1	4.0	1.0	30.9%
Road Worthiness (Galawito)	1.5	1.2	0.1	1.5	1.5	0.0	0.0%
Stamp Duties on invoices and Contracts	3.5	2.3	2.3	0.8	3.3	2.5	295.8%
Stamp Duties on Food Items	5.5	5.8	1.9	1.6	3.0	1.4	82.3%
Signature Bonus	0.0	7.0	0.0	0.0	3.1	3.1	0.0%

51. Other taxes are forecasted to increase by \$7.9 million in 2025, an increase of 111.9% in comparison to the budget for 2024. The increase is expected to be driven by the following:

- i) Enhancement in verification of import declarations at customs, coupled with increased importation which is expected to lead to increased import transactions—which will mean more documents to be stamped. This is expected to increase revenue from stamp duty on customs documents by \$1.0 million, an increase of 30.9% over the budget for 2024.
- ii) Continued use and expansion of POS machines at businesses is expected to contribute to more invoices being generated and stamp duty levied on them.
- iii) Stamp duty on food items is expected to raise \$1.4 million additional revenues due to enforcement.
- iv) Revenue worth \$3.1 million is expected to be realized in 2025, from signature bonus as a result of granting licenses for petroleum exploration.

Non-tax revenue

Description	2021 Actual	2022 Actual	2023 Actual	2024 Budget	2025 Budget	change	%
Non-Tax Revenue	66.8	80.8	101.7	104.8	135.1	30.3	28.9%
Visa Fees	3.9	7.5	8.7	7.7	13.6	5.9	76.8%
Passport Fees	7.3	8.1	9.6	10.5	12.5	2.0	18.7%
Work Permit Taxes	0.7	0.4	2.5	2.1	3.1	1.0	49.7%
Airport Fees	2.8	3.1	4.0	3.9	4.5	0.7	17.2%
Overflight Fees (Iata)	11.3	15.1	20.5	20.1	27.5	7.4	36.7%
Business and Profession Licenses	-	-	1.8	2.0	2.4	0.4	22.1%
Radio and Tv Licenses	-	-	0.0	0.0	-	(0.0)	-100%
Local Ngo'S Registrations.	-	-	0.3	0.3	-	(0.3)	-100%
Local Company Registrations	-	-	0.2	0.2	-	(0.2)	-100%
Agriculture Fees.	-	-	0.0	0.0	-	(0.0)	-100%
Service Charges Fees	-	-	0.7	0.5	2.1	1.5	292%
Fishing Licenses Fees	2.6	0.0	0.0	5.6	6.6	1.0	17.9%
Driving Licenses Fee	-	-	0.1	-	-	-	0.0%
Number Plate Registration Fees	-	-	2.5	2.6	-	(2.6)	-100.0%
individual Id Fees	-	-	0.1	-	-	-	0.0%
Education Services Fees	-	-	0.2	0.2	-	(0.2)	-100.0%
Security Company Fees	-	-	0.1	-	-	-	0.0%
Telecommunication Spectrum Fees	1.2	4.1	8.4	7.8	9.4	1.6	20.6%
Other License Fees	1.3	1.3	0.1	0.0	0.0	(0.0)	0.0%
Election Registration Fee	-	2.3	0.0	0.1	-	(0.1)	-100.0%
Clearances Letter Fees	-	-	0.9	0.9	-	(0.9)	-100.0%
Court Filing Fees	-	-	0.8	0.4	-	(0.4)	-100.0%
Harbour Fees - Albayrak	25.6	29.3	30.3	29.6	35.3	5.7	19.3%
Customs Harbour Fees	4.7	4.9	6.4	6.2	6.7	0.5	8.2%
Administrative Charges	5.6	4.5	-	1.1	10.0	9.0	839.1%
Passenger Fee	-	-	2.1	1.8	-	(1.8)	-100.0%
Air Waybill Fee	-	-	0.0	0.0	-	(0.0)	-100.0%
Registration fees of Arrival and Departure	-	-	1.1	1.1	1.2	0.0	2.1%

52. Non-tax revenues are expected to increase by a total of \$30.3 million which will be an increase of 28.9% over and above the budget for 2024. The increase is expected to be generated from the following:

- i) An anticipated increase in visitors to Somalia following recent improvements in security in the country are expected to lead to a \$5.9 million increase from visa fees (76.8% increase in comparison to the budget for 2024).
- ii) There has been an increased demand for passports in the last two years and this trend is expected to continue in 2025 and over the medium term. The increased demand is expected to yield an increase of \$1 million from passport fees in 2025.
- iii) Airport service fees are expected to increase by \$0.7 million (17.2% increase) due to airport operations expansion.
- iv) Overflight fees are expected to increase by \$7.4 million (36.7% increase) due to anticipated increase in airlines' use of Somalia's air space as security in Somalia keeps improving.
- v) Growth in imports and exports cargo is expected to increase in 2025, which will mean more operations at Hamar Port, which is expected to increase revenue from port fees (both harbour fees and customs harbour fees) by \$6.2 million or 17.4% increase over the budget for 2024.
- vi) The planned digitalization of non-tax revenue collection through the installation of a non-tax revenue portal is also expected to contribute to growth in non-tax revenue collected in the country. The installation of the portal is expected to be completed in June 2025.

- vii) More fishing licences are expected to be issued in 2025 and over the medium. This is expected to increase revenue from fishing licences by \$1 million in 2025, an increase of 17.9% over the projected outturn for 2024.
- viii) Continued increase in economic activities as security keeps improving, thereby attracting more foreign workers with skills that are so much sought to come to Somalia for work purposes, which is expected to increase revenue from issuance of work permits by \$1.0 million or a 49.7% increase over the budget for 2024.
- ix) Enhanced use of penalties as an enforcement tool against non-complying the tax rules and regulations.

Grants from the international community

Description	2021 Actual	2022 Actual	2023 Actual	2024 Budget	2025 Budget	change	%
Grants	146.7	459.2	407.7	694.6	903.0	208.4	30%
Budget support	38.4	177.9	130.5	185.0	167.9	(17.07)	-9%
Grants from foreign governments	2.5	37.1	7.5	68.1	42.0	(26.1)	-38%
Turkey	2.5	27.5	7.5	30.0	30.0	-	0%
UAE	-	9.58	-	38.12	12.00	-26.1	-69%
Grants from international organizations	35.9	140.8	123.0	116.8	125.9	9.1	8%
WB - RCRF Budget Support	35.9	24.3	21.0	34.8	27.4	-7.4	-21%
World Bank – Performance Based Fund	-	8.06	5.00	-	10.00	10.0	0%
WB Development Policy Operation (DPO)	-	94.73	71.77	72.00	75.00	3.0	4%
European Union (EU)	-	13.72	22.29	10.00	10.00	-	0%
PROGRAMME	-	-	3.00	-	0.50	0.5	0%
OPEC	-	-	-	-	3.00	3.0	0%
Project support	108.3	281.3	277.2	509.7	735.1	225.5	44%
World Bank (WB)	102.4	274.0	270.9	456.0	633.8	177.8	39%
African Development Bank (AfDB)	4.0	4.9	4.4	30.1	67.9	37.8	125%
United Nations (UN)	2.0	2.2	0.8	0.0	4.8	4.8	0%
European Union (EU)	-	0.16	1.11	23.53	28.61	5.1	22%

53. Budget support is expected to decline by a total of \$17.07 million in 2025, overall, which will be a decrease of -9% in comparison to the projected receipts from budget support in 2024. Budget support from Turkey is expected to remain at the same level whereas the budget support from UAE is expected to decrease by 69%. Budget support whether bilateral or multilateral is generally expected to continue declining as Somalia continues to stabilize and register improvements in domestic revenue mobilization.

54. On the other hand, budget support from multilateral agencies is expected to increase by \$9.1 million in 2025, even as RCRFIII operations begin to wind down. The increase emanates from a new \$100 million Development Policy Financing Operation (P174889) from the World Bank to promote inclusive growth by strengthening intergovernmental fiscal relations and transparency and enhancing economic resilience and investment, of which \$75 million is expected to be disbursed in 2025.

55. Receipts from project support are also expected to increase by \$225.5 million in 2025, a 44% increase in comparison to the budget for 2024. The increase is expected to be driven by improvements in supervision of projects by the MOF and donors, which is expected to lead to increased disbursements to carry out the planned project activities. There will also be four new projects to start in 2025, that is, Financial Sector Development Project (FSDP), Support to Somalia Development and Reconstruction Bank, and African Climate Disaster Risk Financing Project all funded by the AfDB, and the Rural Livelihoods Resilience Programme (RLRP) funded by IFAD. Details of the project support grants are included in paragraph 68 below.

Detailed Estimates of Budgeted Expenditures

56. The planned FY2025 Budget expenditures, compared with spending in the previous two fiscal years, are presented in the following table:

Table 10: Planned Expenditure for FY2025

In US\$ Million	2022 Actual	2023 Actual	2024 Budget	2025 Budget	Change in Amount	Change %	Share %
Total Expenditure (operating exp + donor projects)	731.4	720.3	1,079.3	1,358.7	279.4	25.9%	100%
Compensation of employees	259.6	292.2	361.0	369.7	8.7	2.4%	27.2%
Use of goods and services	140.7	138.2	324.5	392.0	67.5	20.8%	28.8%
Consumption of fixed capital	13.2	14.4	63.8	180.0	116.2	182.2%	13.3%
Interest and other charges	12.7	13.2	9.8	13.8	4.0	40.8%	1.0%
Subsidies	5.1	5.4	13.2	13.3	0.1	0.9%	1.0%
Grants	111.2	126.3	218.5	239.6	21.1	9.6%	17.6%
Social benefits	188.9	130.6	85.6	77.0	-8.6	-10.0%	5.7%
Other expense	-	-	3.0	73.4	70.4	2347.6%	5.4%
Operating expenditure	456.5	468.2	569.7	623.6	53.9	9.5%	45.9%
Compensation of employees	257.9	290.1	356.8	364.3	7.5	2.1%	26.8%
Use of goods and services	93.6	92.6	115.5	132.7	17.2	14.9%	9.8%
Consumption of fixed capital	7.8	5.2	11.2	15.2	4.0	35.8%	1.1%
Interest and other charges	12.7	13.2	9.8	13.8	4.0	40.8%	1.0%
Grants	84.5	67.1	73.3	92.5	19.3	26.3%	6.8%
Other expense (Contingency)	-	-0	3.0	5.00	2.0	66.7%	0.4%
Donor-funded Special projects	274.9	252.1	509.7	735.1	225.5	44%	54.1%
Compensation of employees	1.6	2.1	4.1	5.3	1.2	30.0%	0.4%
Use of goods and services	47.1	45.6	209.0	259.2	50.3	24.1%	19.1%
Consumption of fixed capital	5.4	9.2	52.6	164.8	112.2	213.3%	12.1%
Interest and other charges	-0	-0		-0	-	0.0%	0.0%
Subsidies	5.1	5.4	13.2	13.3	0.1	0.9%	1.0%
Grants	26.7	59.2	145.2	147.0	1.8	1.2%	10.8%
Social benefits	188.9	130.6	85.6	77.0	-8.6	-10.0%	5.7%
Other expense	-0			68.4	68.4	0.0%	5.0%
compensation as share of operating costs	56.5%	62.0%	62.6%	58.4%			

Compensation of employees

	Description	2022 Actual	2023 Actual	2024 Budget	2025 Budget	change	%	Share %
21	Compensation of employees	259.6	292.2	361.0	369.7	8.7	2.4%	100%
211	Wages and salaries	259.6	292.2	361.0	369.7	8.7	2.4%	100%
2111	Wages and salaries in cash	154.4	166.4	212.2	205.4	-6.8	-3.2%	56%
2112	Wages and salaries in kind	-	-	-	-	0.0	0.0%	0%
2113	Allowances in cash	89.7	104.6	116.2	124.4	8.2	7.0%	34%
2114	Other employees costs	15.5	21.2	32.6	39.9	7.3	22.5%	11%

57. The cost of compensation for employees is forecast to increase by \$8.7 million in 2025, which will be an increase of 2.4% in comparison to the budgeted spending on compensation of employees in 2024. The increase will be driven by the following:

- Recruitment of 3,000 school teachers whose annual salaries are estimated to cost \$7.5 million.
- Increased recruitment of staff in existing projects to strengthen project planning and execution, which is expected to increase the budget for compensation of employees for projects by \$1.2 million.

58. Staff numbers for MDAs are generally expected to remain within the 2024 levels except for the Ministry of Education, where an additional 3000 school teachers are planned to be recruited in 2025 which will increase the staff numbers in the social sector accordingly. The table below shows the civil service staff numbers by sector budgeted for 2025. **Annex 1**

presents the staffing headcount planned for fy2025, excluding SNA, Police, the NSF, and Custodian Corps.

Table 11a: Planned FGS Staffing for 2025 by Grade

Sector	Grade A	Grade B	Grade C	Grade D	Total
Administration	2,554	646	572	2,677	6,449
Security	94	38	29	92	253
Economic	972	553	346	318	2,189
Social	539	148	94	150	931
Total	4,159	1,385	1,041	3,237	9,822

Table 11b: Planned FGS Staffing for 2025 by category

2025	Permanent civil servants	Civilian temporary workers	Appointee	DG and DDG	MDA Guards	Total
Administration	2,706	564	463	319	2,397	6,449
Defence and Security	140	15	6	18	74	253
Economic Services	1,752	79	43	136	179	2,189
Social Services	721	23	15	79	93	931
TOTAL	5,319	681	527	552	2,743	9,822

Purchase of Goods and services

59. The table below shows the breakdown of the use of goods and services (running costs) of the FGS for the 2025 budget.

	Description	2022 Actual	2023 Actual	2024 Budget	2025 Budget	change	%	Share %
22	Use of goods and services	140.7	138.2	324.5	392.0	67.5	20.8%	100%
221	Travel and conference	10.9	12.5	23.0	29.6	6.6	28.8%	8%
2211	Travel and conference expenses	10.9	12.5	23.0	29.6	6.6	28.8%	8%
222	Operating expenses	26.2	21.3	32.8	37.8	5.0	15.2%	10%
2221	Utilities	5.7	4.9	7.2	8.5	1.3	18.7%	2%
2222	Communications	0.3	0.6	2.7	1.8	-0.9	-34.4%	0%
2223	Fuel and lubricants	8.0	7.7	10.3	12.2	1.9	18.3%	3%
2224	Materials and supplies	6.8	6.0	8.1	10.0	1.9	23.3%	3%
2225	Maintenance and repairs	5.4	2.0	4.5	5.3	0.8	18.3%	1%
223	Rent	2.7	2.7	5.6	8.2	2.6	47.2%	2%
2231	Rent	2.7	2.7	5.6	8.2	2.6	47.2%	2%
224	Other operating expenses	56.2	59.5	205.1	253.2	48.0	23.4%	65%
2241	Education and training expense	4.3	2.4	20.1	38.6	18.4	91.4%	10%
2242	Consulting and professional expense	43.6	45.6	172.0	187.6	15.6	9.1%	48%
2243	Financing costs	8.1	8.2	12.1	21.6	9.5	78.2%	6%
2244	Advertisement and subscriptions	0.2	0.3	0.7	1.1	0.4	57.2%	0%
2245	Insurances charges and premium	0.0	3.1	0.2	4.3	4.1	2383.1%	1%
225	Army operations	4.3	6.8	9.7	7.3	(2.4)	-24.8%	2%
2251	Police - Materials, supplies and services	0.1	0.2	0.1	0.4	0.30	250.0%	0%
2252	National Security - Materials, supplies and services	3.6	5.3	5.5	4.3	(1.13)	-20.6%	1%
2253	Military - Materials, supplies and services	0.5	1.3	4.1	2.6	(1.58)	-38.3%	1%
2254	Custodian - Materials, supplies and services	-	-	-	-	0.0	0.0%	0%
226	Other General Expenses	40.4	35.3	48.3	55.9	7.6	15.7%	14%
2261	Other General Expenses in goods and services	40.4	35.3	48.3	55.9	7.58	15.7%	14%
28	Other expenses	-	-	3.0	73.4	70.4	2347.6%	100%
282	Transfers not-elsewhere classified	-	-	3.0	73.4	70.4	2347.2%	100%
2821	Current transfers not elsewhere classified	-	-	3.0	73.4	70.4	2347.2%	100%

60. The budget for the use of goods and services is expected to increase by \$67.5 million in 2025, overall, an increase of 20.8% over the budget for 2024. The assumptions behind the estimated increased budget for use of goods and services are provided below:

- Travel and conference expenses are expected to increase by \$6.6 million (28.8% increase), due to inflation and anticipated increase in external travel e.g. to participate in EAC meetings and activities.
- Utilities will increase by \$1.3 million (18.7%) due to expected increase in inflation.
- Communications will decrease by \$0.9 million (-34.4%), due to expected tightening in expenditure control.
- Fuel and lubricants are expected to increase by \$1.9 million (18.3%) largely due to expected increase in inflation, and anticipated increase in operations in security and administration sectors.
- Materials and supplies are estimated to increase by \$1.9 million (23.3%), due to inflation and increase in demand for materials for office use.
- Maintenance and repairs are estimated to increase by \$0.8 million (18.3%), to ensure government buildings are maintained in good condition and to repair offices such as in MOF where ceilings fell down in some of the offices.
- Rent is estimated to increase by \$2.6 million (47.2%), due to expansion of project operations among other assumptions.
- Education and training expenses are estimated to increase by \$18.4 million (91.4%), to cater for increased demand for relevant skills training in various MDAs to improve productivity of staff, and for readiness to implement reforms such as public investment management, etc.
- Consulting and professional expenses are estimated to increase by \$15.6 million (9.1%), due to addition of three new projects in 2025, and improvements in supervision and delivery of donor funded projects, which in turn is expected to lead to an increase in consultancy and professional operations.
- Financing costs are estimated to increase by \$9.5 million (78.2%), due to the anticipated increase in project disbursements (due to improvements in project supervision and delivery), and due to an increase in the number of projects which translate to increased audits.
- Advertisements and subscriptions are estimated to increase by \$0.4 million (57.2%), to cater for the high demand for MDAs to increase visibility regarding their achievements to enable the public appreciate the public services delivered using their tax money.
- Insurance charges budget shows an increase of \$4.1 million (2383%), however it is due to reclassification of some insurance charges that were previously being charged on 2242 (consulting and professional expenses) and are now to be classified under the right code (2245).
- Materials and supplies for army operations are estimated to decrease by \$2.4 million (-24.8%). The decrease is largely due to once-off expenditures incurred in 2024 which are not expected to be incurred again in 2025.
- General expenses are estimated to increase by \$7.6 million (15.7%), partly due to the anticipated increase in inflation for common items often purchased by MDAs, and an

increase in demand for materials and supplies needed by MDAs to carry out their operations.

Capital expenditure

61. The table below shows the estimated budget for capital expenditure for the 2025 budget.

	Description	2022 Actual	2023 Actual	2024 Budget	2025 Budget	change	%
31	Acquisition of non-financial assets	13.2	14.4	63.8	180.0	116.2	182%
311	Fixed assets	13.2	14.4	63.6	179.8	116.2	183%
3111	Buildings and structures	0.9	0.5	16.3	53.7	37.4	229%
3112	Machinery and equipment	2.5	10.1	29.4	113.2	83.8	285%
3113	Other fixed assets	9.7	3.9	17.7	12.7	-4.9	-28%
3114	Weapons systems	-	-	0.2	0.2	0.0	0%
314	Non-produced assets	-	-	0.2	0.2	-	0%
3144	Intangible non-produced assets	-	-	0.2	0.2	0.0	0%

62. The budget for capital expenditure (capex) is expected to increase three-fold by \$116.2 million in 2025, an increase of 182% over the budget for 2024. Much of the increase will come from donor funded projects, estimated to increase from the projected outturn of \$27.2 million in 2024 to \$164.8 million in 2025. Capex to be funded from the Government Fund is estimated to increase from the projected outturn of \$1.3 million in 2024 to \$15.2 million in 2025. The programmed capex for 2025 is planned to be spent on the following:

- i) 29.8% of the planned capex will go to buildings and structures
- ii) 62.9.0% will go to machinery and equipment
- iii) 7.3% will be spent on other fixed assets e.g. weapons systems, intangible assets, etc.
- iv) Some of the individual capital projects to absorb these funds include:
 - (a) Rehabilitation of Elnino damaged River Embankment in Hirshabelle
 - (b) Rehabilitation of Elnino damaged River Embankment in Jubaland
 - (c) Additional Afgoye river embankment sites
 - (d) Construction of Jowhar Road
 - (e) Construction of Dhul Alle Road in Luuq
 - (f) Rehabilitation of additional Afgoye River Embankments in Southwest
 - (g) Rehabilitation of Barawe TB Unit HF
 - (h) Rehabilitation of Bula Bartire Irrigation Canal
 - (i) Rehabilitation of Bulo burde Health care Unit
 - (j) Rehabilitation of fish landing sites for Hirshabelle
 - (k) Rehabilitation of fish landing sites for Jubaland

Interest on debt

63. The budget for interest paid on the existing public debt is estimated at \$13.8 million in 2025 compared to the budget of \$9.8 million in 2024 (see table below). This will mean an increase of \$4 million or an increase of 41% over the budget for 2024. Table 12 presents the planned debt service payments to be made in 2025. This will also mean that for every \$100 collected as domestic revenue and budget support, \$1.57 will be spent on debt service in 2025.

	Description	2022 Actual	2023 Actual	2024 Budget	2025 Budget	change	%
24	Interest	12.7	13.2	9.8	13.8	4.0	41%
2411	Interest payable to nonresidents	12.7	13.2	9.8	13.8	4.0	41%

Table 12: Planned debt service payments in 2025

Creditor	Principle	Interest	Total
1. IMF	-	1.42	1.42
2. IFAD	0.21	0.01	0.22
3. OPEC	-	0.18	0.18
4. Russia (blocked funds)	1.25	0.18	1.43
5. Russia (short-term debt)	0.14	0.01	0.15
6. Saudi Fund for Development	1.55	1.55	3.10
7. Kuwait Fund for Arab Economic Development	0.85	1.81	2.66
Subtotal Total	3.99	5.17	9.16
Debt Arrears			4.64
Grand Total			13.80
<i>Debt service as % of revenue (dom rev + BS)</i>			2.54%

Subsidies

64. Subsidies are programmed to increase slightly by \$0.1 million in 2025, which will be a 1% increase in comparison to the budget for 2024. Subsidies are funded by the World Bank under the SCALE-UP Project and benefit the energy sector with the aim to bring down energy tariffs.

	Description	2022 Actual	2023 Actual	2024 Budget	2025 Budget	change	%
25	Subsidies	5.1	5.4	13.2	13.3	0.1	1%
2521	Private non financial enterprises	5.1	5.4	13.0	12.0	-1.0	-8%
2533	Subsidies payable to households in their capacity as producers	-	-	0.2	1.3	1.1	700%

Grants to Federal Member States (FMSs)

	Description	2022 Actual	2023 Actual	2024 Budget	2025 Budget	change	%
26	Grants	111.2	126.3	218.5	239.6	21.1	10%
262	Grants to international organizations	1.3	33.9	30.0	9.6	(20.3)	-68%
2621	Current grants to international organizations	1.3	33.9	30.0	9.6	-20.3	-68%
2622	Capital grants to international organizations	-	-	-	-	0.0	0%
263	Grants to other general government unit	109.9	92.4	188.5	229.9	41.4	22%
2631	Current grants to other general government unit	100.5	77.6	127.0	135.4	8.5	7%
2632	Capital grants to other general government unit	9.4	14.8	61.5	94.5	32.9	54%

65. Grants are estimated to increase by \$21.1 million in 2025, overall, an increase of 10% in comparison to the budget for 2024. Grants are of three types:

- Grants to international and local organizations (funded from FGS local funds);
- Grants to FMSs transferred from FGS local funds, which are determined through agreed formulae; and
- Grants funded by donors mostly the World Bank and EU, which are subject to performance agreements based on progress made towards implementation of agreed PFM reforms.

66. Table 13 below provides the distribution of grants that are estimated to be transferred in 2025 by category and recipient.

Table 13: Planned Grants in 2025 by category/Recipient

Recipient	2021 Actual	2022 Actual	2023 Actual	2024 Budget	2025 Budget
Total Grants	52.31	111.15	72.73	183.19	228.43
Grants from FGS Local Fund	42.20	84.45	45.08	66.78	81.42
Grants to other government entities	0.91	1.02	0.91	0.91	0.91
Somali Chamber of Commerce	0.46	0.51	0.46	0.46	0.46
Development Bank of Somalia	0.46	0.51	0.46	0.46	0.46
Grants to FMS	41.29	83.42	44.17	65.87	80.51
Somaliland	0.40	15.13	3.00	-	-
Puntland	6.70	14.99	6.55	10.33	10.35
Jubaland	4.34	10.43	4.66	8.26	9.72
South West State	5.31	9.36	3.89	7.50	9.02
Galmudug	5.54	9.18	3.94	7.54	9.52
Hirshabelle	5.35	8.97	3.85	7.51	10.25
Benadir Regional Administration	13.65	15.36	18.28	24.73	31.64
Grants thru Donor Projects	10.10	26.71	27.65	116.40	147.01
Puntland	2.29	7.21	2.84	11.35	6.74
Jubaland	2.66	3.87	8.39	30.19	30.10
South West	3.51	8.44	7.60	27.16	31.41
Galmudug	1.39	3.66	3.22	14.70	21.50
Hirshabelle	0.26	2.38	3.46	20.10	26.76
Benadir Regional Administration	-	1.13	2.14	10.71	30.49
Not Elsewhere Specified	-	-	-	2.19	-

Note: this table excludes grants to international organizations.

Social benefits

67. The budget for social transfers in 2025 is estimated to decrease by \$8.6 million, a decrease of -10% in comparison to the projected outturn for 2024. Social benefits are basically cash transfers to vulnerable communities to assist them improve their livelihoods as they strive to get out of poverty. All social benefits are funded by donors, mainly the World Bank. The table below provides details by object code.

	Description	2022 Actual	2023 Actual	2024 Budget	2025 Budget	change	%
27	Social benefits	188.9	130.6	85.6	77.0	(8.6)	-10%
271	Social Security benefits	121.2	104.6	60.0	77.0	17.0	28%
2711	Social security benefits in cash	96.9	78.7	60.0	77.0	17.0	28%
2712	Social security benefits in kind	24.2	25.8	-	-	0.0	0%
272	Social Assistance Benefits	67.8	26.0	25.6	-	(25.6)	-100%
2721	Social assistance benefit in cash	61.8	-	-	-	0.0	0%
2722	Social assistance benefit in kind	6.0	26.0	25.6	-	-25.6	-100%

Donor-funded project spending

Code	Expenditure type	2023 Actual	2024 Budget	2024 Outturn	2025 Budget	Change in Amount	Change %
21	Compensation of employees	2.50	4.11	3.27	5.35	1.23	30.0%
2111	Wages and salaries in cash	-	-	-	0.11	0.11	
2113	Allowances in cash	1.20	3.10	2.36	4.68	1.57	50.6%
2114	Other employees costs	1.30	1.01	0.91	0.56	- 0.44	-44.1%
22	Use of goods and services	90.86	208.97	91.25	259.23	50.27	24.1%
2211	Travel and conference expenses	6.49	15.40	6.31	21.50	6.10	39.6%
2221	Utilities	1.48	1.27	0.13	2.07	0.81	63.6%
2222	Communications	0.72	2.72	0.86	1.79	- 0.94	-34.4%
2223	Fuel and lubricants	0.52	1.14	0.20	1.76	0.62	54.3%
2224	Materials and supplies	1.71	2.96	1.02	4.65	1.69	57.1%
2225	Maintenance and repairs	1.05	2.31	0.81	2.67	0.36	15.8%
2231	Rent	0.69	1.91	2.89	4.22	2.31	121.0%
2241	Education and training expense	6.19	17.91	1.23	35.39	17.48	97.6%
2242	Consulting and professional expense	67.02	156.44	75.29	170.51	14.07	9.0%
2243	Financing costs	3.62	4.83	1.52	6.46	1.63	33.8%
2244	Advertisement and subscriptions	0.29	0.68	0.78	1.07	0.39	57.2%
2245	Insurances charges and premium	0.11	0.17	0.13	4.27	4.10	2383.1%
2261	Other General Expenses in goods and services	0.97	1.24	0.07	2.89	1.64	132.6%
25	Subsidies	9.00	13.16	13.20	13.28	0.12	0.9%
2521	Private non financial enterprises	9.00	13.00	9.00	12.00	- 1.00	-7.7%
2533	Subsidies payable to households in their capacity as producers	-	0.16	4.20	1.28	1.12	700.0%
26	Grants	119.34	145.21	109.61	147.01	1.80	1.2%
2621	Current grants to international organizations	58.50	28.88	45.68	-	- 28.88	-100.0%
2631	Current grants to other general government unit	26.73	54.79	22.07	52.53	- 2.25	-4.1%
2632	Capital grants to other general government unit	34.12	61.55	41.86	94.48	32.93	53.5%
27	Social Benefits	174.00	85.60	147.38	77.00	- 8.60	-10.0%
2711	Social security benefits in cash	115.00	60.00	106.62	77.00	17.00	28.3%
2722	Social assistance benefit in kind	59.00	25.60	40.76	-	- 25.60	-100.0%
28	Other expenses	-	-	-	68.43	68.43	
2821	Current transfers not elsewhere classified (Contingency)	-	-	-	68.42	68.42	
2831	Premiums, fees, and current claims	-	-	-	0.01	0.01	
31	Acquisition of non-financial assets	37.16	52.60	27.20	164.83	112.23	213.3%
3111	Buildings and structures	7.37	15.84	0.17	49.70	33.85	213.7%
3112	Machinery and equipment	18.83	24.53	13.68	108.45	83.92	342.2%
3113	Other fixed assets	10.95	12.23	13.35	6.68	- 5.55	-45.4%
	Total	432.86	509.66	391.91	735.13	225.47	44.2%

68. A total of \$735.1 million is budgeted to be spent on the various activities that are funded by donor project grants. This will be a 44% increase in comparison to the budget for 2024. Table 14 below provides details on FY2025 planned spending for each project, as well as the development objective of each project. The table also provides details on project costs and the proportion of funds that has been utilized from the start of the project to end August 2024.

Table 14: Planned Spending for Donor Projects in FY2025

Project Name	Start Date	Closing Date	Total Project Cost	% funds absorbed from start to 2024	Planned exp in 2025	Overall Project Objective
WORLD BANK					\$630.52m	
1. Somalia Recurrent Cost and Reform Financing Project - Phase III	2022	2025	\$214m	67%	\$10.27m	Strengthen Resource management systems, Inter-governmental fiscal framework, and Service delivery systems in health and education in FGS and FMSs.

Project Name	Start Date	Closing Date	Total Project Cost	% funds absorbed from start to 2024	Planned exp in 2025	Overall Project Objective
2. Somali Crises Recovery (SCRCP) Project	2020	2025	\$187.5m	74%	\$27.90m	Support recovery of livelihoods and infrastructure in flood and drought affected areas and strengthen capacity for disaster preparedness nationwide.
3. Somali Capacity Advancement, Livelihoods & Entrepreneurship, Through Digital Uplift Project (SCALED-UP)	2019	2025	\$101m	42%	\$38.11m	Support progress toward increased access to basic digital financial and government services targeting entrepreneurship and employment, particularly for women.
4. De-Risking, Inclusion and Value Enhancement of Pastoral Economies- DRIVE Project	2022	2027	\$40m	3%	\$9.03m	Enhance pastoralists' access to financial services for drought risk mitigation, include them in the value chains, and facilitate the livestock trade in the Horn of Africa.
5. Somalia Urban Resilience Project PH2	2020	2026	\$253.5m	43%	\$65.36m	Strengthen public service delivery capacity of local governments, increase access to climate-resilient urban infrastructure and services and to provide immediate and effective response to an eligible crisis or emergency in selected areas.
6. Somali Electricity Sector Recovery Project (SESRP)	2022	2026	\$150m	3%	\$65.80m	Increase access to lower cost and cleaner electricity supply in the project areas and to reestablish the electricity supply industry.
7. Somalia Water for Rural Resilience - Barwaaqo Project	2023	2028	\$70m	19%	\$17.26m	Develop water, agriculture, and environmental services for rural communities in Somalia's dry lands.
8. Somali Integrated Statistics and Economic Planning Capacity Building Project	2020	2025	\$25m	71%	\$3.93m	Strengthen the national statistical system in the collection, processing and dissemination of poverty and selected macro-economic data to inform development policy and poverty reduction activities.

Project Name	Start Date	Closing Date	Total Project Cost	% funds absorbed from start to 2024	Planned exp in 2025	Overall Project Objective
9. Groundwater for Resilience Project (GW4R)	2020	2028	\$30m	11%	\$6.27m	Increase sustainable access and management of groundwater as a key contribution to strengthen the climate resilience of targeted communities in the Horn of Africa region.
10. Shock Responsive Safety Net for Human Capital Project	2019	2025	\$65m AF: \$253m	92%	\$117.00m	Support development of national cash transfer program (Baxnaano) to increase resilience of poor and vulnerable households through income support.
11. Shock Responsive Safety Net for Locust Response Project	2020	2024— <i>Closed</i>	\$40m AF: \$75m	97%	-	Protect food security and livelihoods of poor and vulnerable households affected by the locust outbreak and strengthen social protection systems for preparedness.
12. Improving Healthcare Services in Somalia Project (Damal Caafimaad)	2021	2025	\$100m	32%	\$47.37m	Improve coverage of essential health and nutrition services in project areas and strengthen stewardship capacity of Ministries of Health.
13. Somalia COVID-19 Emergency Vaccination Project	2021	2025	\$68m	38%	\$34.90m	Support FGS to acquire and deploy Project COVID-19 vaccines and to strengthen national immunization capacity.
14. Eastern Africa Regional Digital Integration Project (EA-RDIP)	2023	2028	\$80m	1%	\$11.79m	Promote digital integration and connectivity in Somalia and the Eastern Africa region.
15. Somalia Food Systems Resilience Project (FSRP)	2023	2029	\$150m	12%	\$50.35m	Develop value chains that are pivotal to national and regional food security and economic growth, with potential to contribute to national food security and resilience and to create jobs.
16. Somalia Education for Human Capital Development Project	2022	2026	\$45m	14%	\$17.14m	Increase access to primary education in underserved areas, with a focus on girls, and improve quality of instruction.
17. Somalia Empowering	2023	2027	\$52m	0%	\$21.83m	Improve literacy and numeracy skills of women

Project Name	Start Date	Closing Date	Total Project Cost	% funds absorbed from start to 2024	Planned exp in 2025	Overall Project Objective
Women through Education and Skills Project - RAJO KAABA						in selected areas and to prepare women for leadership roles.
18. Somalia - Horn of Africa Infrastructure Integration (SHIP)	2023	2026	\$63m	1%	\$32.65m	Contribute to enhancing connectivity among countries in Horn of Africa and access to seaports; facilitation of domestic and regional trade and economic integration, and road safety.
19. Somali Sustainable Fisheries Development (SSFD) Project	2023	2029	\$1.3Mm AF: \$55m	2%	\$15.17m	Improve the sustainable management of selected fisheries and enhance the capacity of targeted coastal communities to benefit from fisheries production.
20. Somalia Enhancing Public Resource Management Project	2023	2027	\$75m	3%	\$21.42m	Strengthen institutional capacity, transparency, and accountability in managing public resources at the federal and state levels.
21. Accelerating Sustainable and Clean Energy Access Transformation in Somalia Project	2024	2028	\$118.5m	0%	\$16.98m	Increase access to clean energy through private sector participation in Somalia.
AFDB					\$64.41m	
22. Strengthening Institutions for Economic Policy Management and Infrastructure Development (SIEPMID)	2019	2024	\$4.2m	84%	\$0.50m	Enhance institutional capabilities in economic planning to anchor government's formulation, implementation and coordination of macro-economic and fiscal policies; enhance data quality and reporting and technical skills development critical for the reconstruction and development phases of the Somali economy.
23. Strengthening PFM And Debt Management Project (PFMDM)	2022	2025	\$2.7m	48%	\$0.93m	Improve Somalia's PFM and debt management capacity for greater economic stability and resilience.

Project Name	Start Date	Closing Date	Total Project Cost	% funds absorbed from start to 2024	Planned exp in 2025	Overall Project Objective
24. Institutional Support for Economic Governance Project (ISEGP)	2024	2026	\$13.5m	2%	\$6.54m	Strengthen domestic revenue mobilization, public expenditure management, and accountability for greater economic resilience consistent with NDP-9 strategic priorities.
25. Regulatory Authority for Energy Sector Project	2021	2024	\$1.4m	73%	\$0.24m	Develop a regulatory capacity building framework for the Somali electricity sector.
26. Program to Build Resilience for Food and Nutrition Security in The Horn of Africa	2022	2027	\$24.7m	2%	\$12.43m	Increase productivity of agropastoral production systems, increase incomes from agropastoral value chains and enhance adaptive capacity of the people to better prepare for and manage climate risks and variation.
27. Road Infrastructure Program	2019	2027	\$63.6m	6%	\$31.98m	Support and improve Somalia's economic growth by providing enhanced transport facilities that are reliable and cost-effective to support economic and social development as well as improve stability of the country.
28. Skills for Employability, Inclusion and Productivity SEIP Project	2023	2026	\$7.9m	5%	\$4.65m	Strengthen technical and vocational skills development in order to enhance youth employability and contribute to inclusive growth.
29. Statistics Development Support Project	2022	2025	\$3.3m	61%	\$0.62m	Strengthen the national statistical system (NSS) to produce and disseminate statistical information for evidence-based policy formulation, planning and decision making.
30. Households' Access to Renewable Energy and Advanced Cooking Technologies	2023	2026	\$8.04m	2%	\$1.90m	Improve energy services in Somalia's urban and rural communities, thereby contributing to economic growth and improved health outcomes, while

Project Name	Start Date	Closing Date	Total Project Cost	% funds absorbed from start to 2024	Planned exp in 2025	Overall Project Objective
(HAREACT) project						reducing any adverse environmental impacts.
31. Financial Sector Development Project (FSDP)	2024	2027	\$6.6m	0%	\$4.64m	Improve capacity of financial institutions including Central Bank of Somalia, Somalia Development and Reconstruction Bank, and the Financial Reporting Center (FRC) to formulate efficient credit delivery, and to implement anti-money laundering and counter-terrorism financing measures.
32. African Disaster Risk Financing (ADRFi)	2025	2028	\$17.5m	N/A	\$3.49m	Enhance Somalia's ability to evaluate climate-related risks and costs, respond to disasters and review adaptation measures at both national and regional levels.
33. Catalyzing Economic Growth in Somalia thru Somalia Development and Reconstruction Bank	2025	2026	\$1.3m	N/A	\$0.75m	Support MSMEs with grants thru Somalia Development and Reconstruction Bank (SDRB) to stimulate demand and create a ripple effect throughout the economy.
EU					\$28.61m	
34. GPE –System Capacity Grant (SCG)	2024	2027	\$225.3m	0.10%	\$0.73m	Strengthen country's capacity to transform its education systems.
35. GPE System Transformation Grant (STG) Project	2024	2027	\$5.96m	6%	\$18.51m	Enhance equitable access to quality and inclusive education in rural and urban areas by addressing supply and demand barriers.
36. GPE –Girls Education acceleration (GEA)	2024	2027	\$1.88m	12%	\$9.37m	Enhance equitable access to quality girl's education in rural and urban areas.
37. Somali Strengthening Education and Training Project	2023	2024— <i>closed</i>	\$0.50m	38%	-	Protect children from the physical dangers around them including abuse, exploitation and recruitment into armed groups. Strengthen resilience of education and training programmes and

Project Name	Start Date	Closing Date	Total Project Cost	% funds absorbed from start to 2024	Planned exp in 2025	Overall Project Objective
						life skills through holistic participation of communities. Promote conflict sensitivity, peace and resilience.
38. Social Transfers to vulnerable Somali people (SAGAL Project)	2022	2024— <i>closed</i>	\$1.0m	98%	-	<i>Protect and promote socio-economic opportunities for vulnerable population through provision of cash based social transfers in Juba River, Shabelle, Somaliland and Central-North Corridors in Somalia.</i>
UN					\$4.78m	
39. Rural Livelihoods Resilience Programme (RLRP-IFAD)	2024	2032	\$11.6m	0%	\$4.78m	Sustainably increase productivity, incomes and nutrition security and enhance the resilience of rural smallholder families in Somalia.

V. FINANCIAL AND NONFINANCIAL PERFORMANCE INDICATORS

69. Starting FY2025, MDAs are required to compile and present Key Performance Indicators (KPIs) for their core mandates/activities as part of Government’s reform initiatives to increase productivity of public expenditure—where every MDA will be required to show results achieved with the resources provided to it during each fiscal year. As a starting point, possible measurable and monitorable KPIs have been proposed for each MDA, against which baseline values are to be constructed and targets established.

70. The monitoring of the KPIs will be done on a quarterly basis. Every MDA will track the indicators and include in their quarterly budget performance reports the status of the KPIs. The MOF will thereafter compile all the reports and present a consolidated report to Parliament as required by Article 2 and 8 of the PFM Act. The proposed KPIs for each MDA are provided in Annex 2.

Annex 2: MDA Key Performance Indicators/Targets for FY2025

❖ ADMINISTRATION SECTOR

010100: Office of the Presidency

KPIs	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of community functions attended				
iii) No. of events on mass mobilization towards poverty reduction, peace & development				
iv) No. of regional and international meetings attended				
v) No. of Heads of State hosted				

010201: Office of the Parliament - Peoples' House

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of bills enacted into law				
iii) Bills passed as a percentage of bills introduced in Parliament				
iv) No of outreach parliamentary programmes				
v) No. of plenary sittings				

010202: Members of Parliament Senate

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of bills enacted into law				
iii) Bills approved as a percentage of bills submitted by the Lower House				
iv) No of outreach parliamentary programmes				
v) No. of plenary sittings				

010300: Office of the Prime Minister

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of Cabinet meetings held				
iii) No. of government performance reports produced				
iv) No. of bills submitted to Parliament for enactment				
v) % of bills submitted to Parliament returned for redrafting				

010400: Ministry of Foreign Affairs

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of foreign investors assisted/facilitated				
iii) No. of foreign market deals for Somalia products secured				
iv) No. of international and national ceremonies facilitated				
v) Efforts taken to attract tourists to Somalia				

010401: Embassies

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of visas issued				
iii) No. of Somalis in Diaspora assisted/facilitated				
iv) No. of foreign market deals for Somalia products secured				
v) No. of Presidential and other VIP visits facilitated				

010500: Ministry of Finance

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) Revenue collection achievement ratio (actual/target%)				
iii) No. of compliant taxpayers on inland tax register				
iv) % of funds released against originally approved estimates				
v) Value of public investments implemented in the country				
vi) Total amount of external resources mobilized				

010501: Accountant General

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) % of MDA with clean audit reports				
iii) % of cost centers receiving quarterly releases as per approved cash flow plans				
iv) No. of expenditure transactions processed in SFMIS				
v) Average time spent to process payments				

010502: General Activities for the Government

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) Value of transfers to FMS				
iii) Value of transfers to regional and international organizations				
iv) Value of debt repayments				

010503: Directorate of Financial Reporting Center

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of AML/CFT cases registered				
iii) AML/CFT cases investigated/processed as % of cases registered				
iv) No. of desktop compliance audits for reporting entities conducted				
v) Value of assets or funds frozen				

010504: Public Procurement Authority

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of procurement audits conducted				
iii) Number of procurement contracts prepared				
iv) % of contracts subject to open competition				
v) No. of existing concessions				

010600: Ministry of Planning

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of macroeconomic studies or performance reports published				
iii) % of MDAs with strategic plans aligned to NDP/NTP				
iv) Level of compliance of MDA budgets to NDP/NTP				
v) No. of innovation solutions identified and promoted				

010601: National Statistics Agency

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of statistical reports released				
iii) No. of survey reports produced				
iv) No. of statistical data types/indicators produced				
v) Quality of data produced (high/medium/low?)				

010700: Ministry of Interior and Federal Affairs

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of inter-regional conflicts resolved				
iii) No. of NGOs registered				
iv) No. of rural community development projects supported				

010701: Somali Refugee and IDPs Commission

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of refugees supported				
iii) No. of refugees resettled				
iv) No. of new refugees registered				
v) No. of IDP camps in the country				

010702: National ID Authority DADSOM

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of new national IDs issued to citizens				
iii) No. of IDs renewed				

010703: Somali Disaster and Humanitarian Management Agency

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of relief supplies provided to disaster victims				
iii) Value of relief supplies provided to disaster victims				
iv) No. of disaster incidents recorded				
v)				

010800: Ministry of Religious Affairs and Endowment

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of initiatives to increase awareness and practice of Islam				
iii) No. of people facilitated for Hajj and Umrah				
iv) No. of Islamic clergy supported				
v) No. of graduates from madrassa				

010900: Ministry of Justice

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of legislative reviews conducted				
iii) No. of judges, prosecutors, and legal professionals trained				
iv) No. of Somalis provided with legal representation and advice				
v) No. of legal reports produced				

010901: Custodian Corps

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of prisoners fed				
iii) No. of prisoners trained in vocational skills				
iv) No. of prisoners counselled/rehabilitated				
v) Warden/prisoner ratio				

011001: Supreme Court

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of cases registered				
iii) No. of cases heard				
iv) No. of cases concluded				
v) Cases concluded as % of total cases in court system				

011002: Banadir Regional Court

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of cases registered				
iii) No. of cases heard				
iv) No. of cases concluded				
v) Cases concluded as % of total cases in court system				

011003: Appeal Court

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of cases registered				
iii) No. of cases heard				
iv) No. of cases concluded				
v) Cases concluded as % of total cases in court system				

011005: Judiciary Service Committee

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of complaints or recommendations about the Judiciary and administration of justice received				
iii) No. of programs carried out to improve public awareness on administration of justice				
iv) Average time taken from filing to disposal of cases				
v) Average No. of cases handled per judicial officer				

011100: Attorney General

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of matters/cases handled				
iii) No. of contracts reviewed				
iv) Case/matter turnaround time (average No. of days)				

011200: Solicitor General

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of legal cases against government handled				
iii) % of legal cases against government won				
iv) Legislative and legal drafting assignments handled				
v) No. of laws published in official gazette				

011300: Auditor General

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) Date audit report on financial statements issued				
iii) No. of financial and technical audit reports issued				
iv) No. of audit recommendations issued				
v) % of MDAs implementing audit recommendations				

012200: National Reconciliation Commission

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of cases/complaints handled (political/security related)				
iii) No. of cases/complaints handled (natural resources related)				
iv) No. of cases/complaints handled (economic related)				
v) No. of cases/complaints handled (social/cultural related)				

012400: Human Rights Commission

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of human rights-related cases registered				
iii) No. of human rights-related cases arbitrated/resolved				
iv) No. of people/victims assisted				

012500: Independence Constitution Review and Imp. Commission

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of constitution-related studies conducted				
iii) No. of constitution-related review submissions received				
iv) No. of constitution outreach activities conducted				

012600: National Civil Service Commission

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of civil servants				
iii) % of approved posts filled				
iv) % of civil servants' performance appraised				
v)				

012700: The Independent Commission for Combating Corruption

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of corruption cases registered				
iii) No. of corruption cases investigated				
iv) No. of anti-corruption public awareness events conducted				
v)				

❖ SECURITY SECTOR

020100: Ministry of Defense

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) Level of security for people and property (high/medium/low)				
iii) Effectiveness in response to national threats (high/medium/low)				
iv) Level of professionalism of armed forces				

020101: Armed Forces

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) Level of security for people and property (high/medium/low)				
iii) Effectiveness in response to national threats (high/medium/low)				
iv) Level of professionalism of armed forces				

020102: Military Court

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of cases registered				
iii) No. of cases heard				
iv) No. of cases concluded				
v) Cases concluded as % of total cases in court system				

020103: Disabled and Orphans Organization

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of orphans supported				
iii) No. of disabled soldiers supported				

020200: Ministry of Internal Security

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) Level of security for people and property (high/medium/low)				
iii) Level of professionalism of security agencies (high/medium/low)				
iv) Level of readiness/capacity for security personnel to address internal and external threats				

020201: Police Force

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of arrests made				
iii) No. of cases investigated/submitted to court				
iv) No. of traffic accidents recorded				
v) Police/population ratio (federal level)				

020202: National Security Force

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) Level of security for people and property (high/medium/low)				
iii) Level of professionalism of security agencies (high/medium/low)				
iv) Level of readiness/capacity for security personnel to address internal and external threats				

020203: Immigration Department

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of passports issued				
iii) No. of visa applications handled				
iv) No. of border passes issued				
v) Revenue from visas				

❖ ECONOMIC SECTOR

030100: Ministry of Water and Energy

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) % of population with access to clean water				
iii) % of population with access to electricity				
iv) Price of electricity per kW				
v) % of boreholes that are functional				

030200: Ministry of Mineral

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of mineral exploration programmes				
iii) % of mineral exploration programmes monitored				
iv) No. of mineral licenses granted				

030201: Somalia Petroleum Authority

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of petroleum exploration programmes				
iii) % of petroleum exploration programmes monitored				
iv) No. of petroleum licenses granted				

030300: Ministry of Agriculture

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) Value of seeds procured and distributed				
iii) Value of agricultural exports recorded				
iv) No. of farmers trained				
v) Value of food supplied by WFP				

030400: Ministry of Livestock and Forestry

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) Value of livestock exported				
iii) No. of livestock dips				
iv) No. of regions with technical capacity to control major epidemic livestock diseases				
v) No. of trees planted				

030500: Ministry of Fishery and Marine Resource

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) Value fish exports				
iii) Total No. of fishing vessels licensed				
iv) No. of foreign fishing vessels issued				
v) Government revenue collected from fishing activities				

030501: Somali Marine Research

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of scientific marine research studies conducted				
iii) No. of fisheries-related offenses registered				
iv)				
v)				

030502: Offshore and Fisheries Development Project

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of outreaches to promote cooperation between FGS and fishermen				
iii) No. of promotion events to market marine resource products				
iv) No. of fishermen trained				

030600: Ministry of Information

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of national events televised on national TV				
iii) No. of national events broadcasted on national radio				
iv) No. of shows/events held at National Theatre				

030700: Ministry of Communications and Technology

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) Internet uptake (% of population accessing the Internet)				
iii) No. of telephone lines				
iv) No. of EVC transactions				
v) Value of EVC transactions				

030701: National Communication Agency

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of radio stations licensed				
iii) No. of TV stations licensed				
iv) Value of spectrum allocations?				
v) Revenue from spectrum users				

030800: Ministry of Public Work & Reconstruction

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) Length (km) of roads paved				
iii) % of road network in good condition				
iv) % of government buildings in good condition				

030900: Ministry of Transportation and Aviation

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of motor vehicles registered (FGS)				
iii) No. of motor vehicles tested for road worthiness				
iv) No. of driving licenses issued				

030901: Civil Aviation and Metro-Authority

KPI	Baseline 2024	Target Values		
		2025	2026	2027
Budget absorption rate (actual/budget%)				
No. of airline flights arrivals recorded				
No. of air overflight traffic recorded				
No. of air passengers (domestic) handled				
No. of air passengers (international) handled				

031000: Ministry of Transport and Ports

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of ships licensed				
iii) No. of transportation boats licensed				

031001: Hamar Port Authority

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of ships arrivals recorded				
iii) Value of cargo (imports) recorded				
iv) Value of cargo (exports) recorded				
v)				

031100: Ministry of Industry & Commerce

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) Value of exports				
iii) No. of MSMEs registered/licensed				
iv) No. of traders facilitated				
v) Value of new investments recorded				

031101: Somali Quality Assurance Agency

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of standards developed				
iii) No. of instruments for weights and measures verified				
iv) No. of consignments inspected				
v) No. of products certified				

031200: Ministry of Environment and Climate Change

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of field inspection visits				
iii) % of forests restored and protected				
iv) No. of trees grown in terrestrial ecosystems				
v) No. of climate adaptation actions implemented				

❖ **SOCIAL SERVICES SECTOR**

040100: Ministry of Health

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of patients attended to				
iii) No. of children immunized				
iv) No. of health workers trained				
v) Value of medicines procured and distributed				
vi) No. of government ambulances				

040200: Ministry of Education and Higher Education

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of primary pupils enrolled				
iii) No. of secondary students enrolled				
iv) No. of people enrolled in TVET institutions				
v) No. of students enrolled in universities				
vi) % of primary pupils passed examinations				
vii) % of students passed examinations				
viii) No. of graduates from TVET institutions				
ix) No. of students graduated from universities				
x) No. of scholarships granted				

040201: Somali National University

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of students enrolled at SNU				
iii) No. of students graduated				
iv) % of final year students graduated				
v) No. of research papers published				
vi) No. of innovative ideas/solutions developed				

040202: Somali Academy of Sciences and Arts

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of artists trained				
iii) No. of art exhibitions or documentaries				
iv) No. of art and culture activities/events/performances organized				
v) No. of external participants in art and culture activities/events/performances				

040203: Intergovernmental Academy of Somali Language

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of in-person Somali language courses conducted				
iii) No. of online Somali language courses conducted				
iv) No. of people trained in use of Somali language				
v)				

040300: Ministry of Labor and Social Affairs

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of job creation projects with Somalia youths created				
iii) No. of jobs created?				
iv) Unemployment rate in Somalia				
v) No. of work permits issued				
vi) No. of TVET centers				
vii) % of TVET centers that are operational				
viii) No. of labor complaints registered				
ix) No. of workplace inspections carried out				
x) No of labor disputes investigated and settled				

040400: Ministry of Youth and Sports

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of youths trained in entrepreneurship skills on starting business				
iii) No. of TVET programs				
iv) No. of youths rehabilitated				
v) No. of national sports events organized				

040500: Ministry of Women and Human Rights Development

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of MDAs that have mainstreamed gender into their plans and budgets				
iii) % increase in No. of girls enrolled in primary school				
iv) % increase in No. of girls enrolled in secondary school				
v) % increase in No. of girls enrolled in university				

040501: Somali Disable Agency

KPI	Baseline 2024	Target Values		
		2025	2026	2027
i) Budget absorption rate (actual/budget%)				
ii) No. of programs carried out to prevent causes of disability				
iii) No. of disabled persons supported				
iv) No. of jobs created for individuals with disabilities				
v) No. of advocacy services events carried out advocating for rights and interests of people with disabilities				