

FEDERAL GOVERNMENT OF SOMALIA



CITIZENS' GUIDE TO THE 2018 BUDGET

Dear Taxpayers and Citizens of Somalia,

Welcome to the Citizens' Guide to the 2018 Budget, a document whose sole purpose is to increase the public's understanding of the Federal Government of Somalia's (FGS) budget. The draft budget was submitted to Parliament on 14th Nov 2017. Following discussions and debate, Parliamentarians approved the budget in December 2017, which directs the spending of the FGS from 01 January 2018 to 31 December 2018 (fiscal year 2018). This Guide explains the FGS's budget for fiscal year 2018 in a simplified way and also summarizes the Appropriations Act, which implements the budget. The Guide reflects the Federal Ministry of Finance's unwavering commitment to budget transparency and informed debate, including the dedicated staff of the Directorate of Budget.

In this Guide, the term 'budget' means the annual estimates of the revenues and expenditures of the FGS. These estimates aim at implementing policy decisions made by the FGS while considering macroeconomic objectives. The budget, of course, is more than just numbers; it reflects the FGS's policy priorities, and ultimately, is about rebuilding the Somali state and delivering more and better services to the Somali people.

For those readers that are interested in specific information about the fiscal year 2018 budget, please visit the FGS budget website at <http://www.budget.gov.so> or www.mof.gov.so

MACROECONOMIC OBJECTIVES

The 2018 budget aims to achieve the following macroeconomic objectives in 2018:

- Increase real GDP growth rate to reach 3.5 percent
- Ensure inflation remains around 1.5 percent in line with the 2017 levels
- Increase job creation through project activities
- Increase domestic revenue collections by 14 percent
- Ensure the government wage bill stays below 50 percent of total expenditure
- Continue implementing the currency reform

Achievement of the above objectives will depend on the following basic assumptions:

- Continued consolidation of peace, security, stability and order in the country
- Existence of favorable weather conditions, which allow good production of food, cash crops and livestock
- Improved implementation and governance of government projects
- Stability among the economies of Somalia's major trading partners

REVENUE SOURCES

The FGS expects to raise \$274.6 million in 2018 from the following sources:

- \$127.1 million from Tax Revenue (including payroll tax, corporate tax, import duty, sales tax and excise duty)
- \$28.8 million from Non-Tax Revenue (visa fees, departure fees for passengers on international flights only, license fees, stamp duty)
- \$118.6 million from donor grants from both multinational institutions (World Bank and African Development Bank) and individual governments (particularly Turkey, Saudi Arabia, Qatar and the European Union).

The FGS continues to strengthen its capacity to mobilize domestic resources in order to strengthen service delivery. A number of new initiatives were launched in 2017, which included reaching tax agreements with airlines and telecommunications companies as well as reversing an income tax exemption on parliamentarians. In 2018, a 5 percent sales tax is being implemented, while taxes on companies operating from Mogadishu International Airport are being re-introduced. These combined efforts are having a very positive impact on domestic revenue, which has grown from US\$110