

FEDERAL GOVERNMENT OF SOMALIA

CITIZENS' GUIDE TO THE 2019 BUDGET



Dear Taxpayers and Citizens of Somalia,

Welcome to the Citizens' Guide to the 2019 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 October 30th. Following discussions and debate, Parliamentarians approved the budget in December 2018, which directs the spending of the FGS from 01 January 2019 to 31 December 2019 (fiscal year 2019). This Guide explains the FGS's budget for fiscal year 2019 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 2019 budget, please visit the FGS budget website at www.mof.gov.so

MACROECONOMIC OBJECTIVES

The 2019 budget aims to achieve the following macroeconomic objectives in 2019:

- Increase real GDP growth rate to reach 3.5 percent
- Ensure inflation remains around 1.5 percent in line with the 201 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 \$344.2 million in 2019 from the following sources:

- \$135.2 million from Tax Revenue (including payroll tax, corporate tax, import duty, sales tax and excise duty)
- \$54.6 million from Non-Tax Revenue (visa fees, departure fees for passengers on international flights only, license fees, stamp duty)
- \$154.3 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 2019, which included License fees for telecommunications and fisheries, and bringing onto budget the overflight fees. These combined efforts are having a very positive impact on domestic revenue, which has grown from US\$110 million in 2016 to US\$272 million in 2018 and is projected at US\$189 million in fiscal year 2019. In