

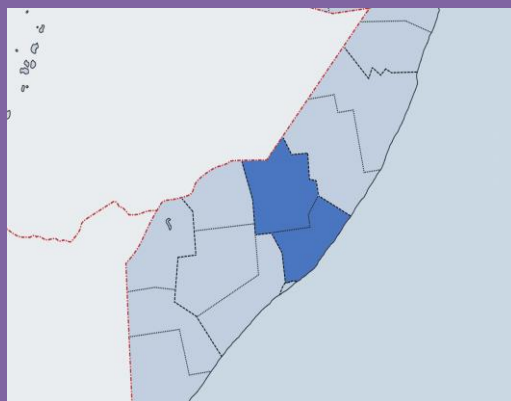


Citizens Budget 2025

HIRSHABELLE STATE OF SOMALIA



The 2025 Citizens Budget



The Hirshabelle State of Somalia publishes a citizen's budget version to ensure that all citizens have access to information about the state budget. This budget is prepared by the Budget Department in partnership with the Macro-Fiscal Department of the Ministry of Finance. The purpose of the Citizen Budget is to inform citizens about the key elements of the state budget, including projected revenues and expenditure details as well as development projects and programs in the state. The annual State Budget reflects the Government of Hirshabelle's policies, which are aligned with the State Strategic Development, aiming to improve the livelihoods of its citizens.

What is the State Budget?

The State Budget is a financial plan that outlines a government's expected revenues and expenditures for a specific fiscal year. It serves as a roadmap for how public funds will be allocated to various sectors, such as education, healthcare, infrastructure, and public safety.

The State Budget is usually developed through a collaborative process involving various government departments and is subject to approval by the legislative body. It plays a crucial role in governance and economic management, influencing public policy and services provided to citizens.

Key Sector Allocations in the 2025 Budget

Human Capital Investment

The government is dedicated to enhancing the social capital sector and FY2025 Budget contains important projects for human capital investment.

Education: Somali Human Capital Development project allocates \$3.2 million to the Ministry of Education and Tertiary with the aim to increase access to education for the citizens in the state.

Healthcare: DAMAL CAAFIMAAD is important project with estimated budget of \$229,750 supports The Ministry of Health and Social Care in enhancing health service delivery and strengthening health systems.

Investment in Infrastructure, Agriculture and Economic Development

- ❖ FY2025 State Budget contains the following development projects:
- ❖ Somali Urban Resilience project (\$6.5 million) is one of the key projects with the objective to strengthen the capacity of municipal governments to deliver resilient infrastructure including roads and improve urban service delivery.
- ❖ Barwaqo project with estimated budget of \$2 million aims to develop water, agriculture and environmental services for the communities in the state.
- ❖ Grandwater resilience project earmarks a total of \$640,600 for the Ministry of Water to implement projects that will provide citizens with access to clean and safe drinking water.
- ❖ Somali Food System Resilience project invests \$3.4 million in irrigation and overall agricultural development programs in the State.

Strengthening Institutions and Increase Domestic Revenue Mobilizations

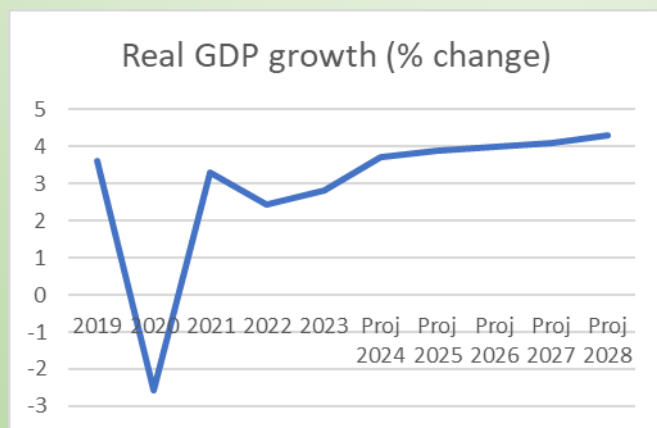
- ❖ FY2025 Budget contains important projects related to institutional building and enhancing state capacity including public financial management reforms and mobilizing domestic revenue projects from international donors and multilateral agencies.
- ❖ Revenue Enhancement project from the World Bank invests \$1.8 million in improving revenue management and administrations as well as capacity development.
- ❖ The State has made significant strides in increasing own source revenue to improve the public service delivery in Hirshabelle.

Macroeconomic assumptions of the State Budget

The Table below details key macroeconomic assumptions underlying the macroeconomic framework for FY 2025, covering Gross Domestic Product (GDP) and consumer prices.

	2021	2022	2023	Proj 2024	Proj 2025	Proj 2026	Proj 2027	Proj 2028
Nominal GDP (USD, billions)	9.839	10.42	11.68	12.804	13.891	15.059	16.31	17.638
Real GDP growth (% change)	3.308	2.433	2.8	3.7	3.9	4	4.1	4.3
Inflation, end of period consumer prices (% change)	5.667	6.056	6.601	4.3	3.7	3.5	3.3	3.1
Current account balance (% of GDP)	-6.816	-8.043	-9.577	-8.657	-8.84	10.505	-10.773	-10.366

Somalia completed the HIPC Completion Point milestone in December 2023, through which it has been given debt relief of USD 4.5 billion. This has decreased its external debt from 65% of GDP (2018) to 6% in 2023. It is estimated that its development partner support will reduce after the HIPC completion, so Somalia has the added challenge of funding its capital and recurrent budgets through its source revenue. Average real GDP growth has been under just under 3% between 2021-2023 and is projected to rise marginally in forward years.

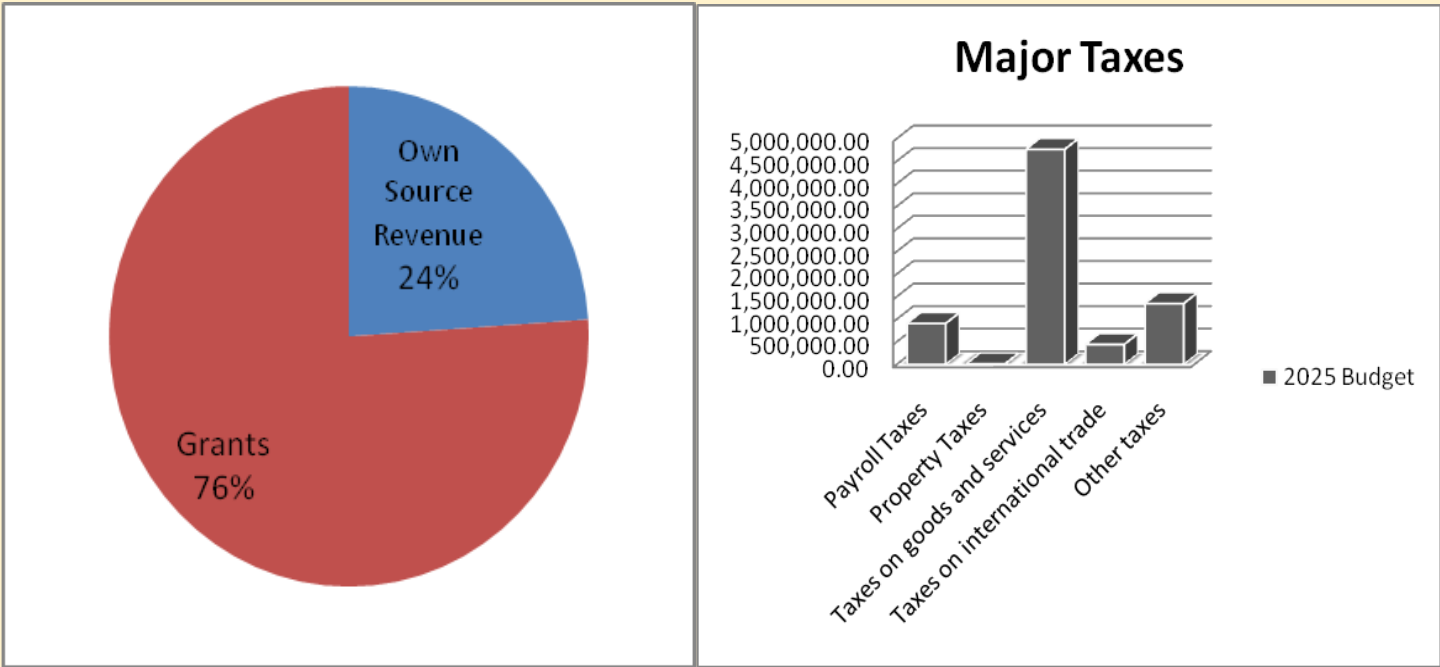


Somalia's economic growth is mostly driven by the agriculture and services sectors. Agriculture accounted for over 60 percent of GDP over the last decade (2011 – 2022), making it the largest contributor to the country's growth. Livestock is the largest subsector within the agricultural sector, accounting for about 40% of GDP. Inflation is projected to decrease compared to higher levels in 2021-2023 (a period impacted by COVID-19 and high international prices due to the Russia-Ukraine war). Domestic revenue mobilization has improved for the federal government of Somalia but the federal member states have a herculean task of meeting their expenditure needs through their source of domestic revenue as international grants may dwindle in the years to come. The World Bank projects that economic reforms and increased public investment with HIPC completion will attract foreign direct investment (FDI) encouraging the private sector. Somalia continues to face fragility, conflict, and climate shocks and all these factors will continue to impact growth going forward.

Hirshabelle contains areas of growth for horticulture, oil crops, coarse grains, and sesame; as well as coastal areas for fisheries with some limited sheep and other livestock (e.g., camel) production. The state is the largest producer of sesame in the country with an estimated 150,000 ha under production. The major value chains besides sesame include maize, beans, rice, and horticulture. The state includes about 600 km of the river Shabelle. It offers the potential for significant commercial production of coarse grains of cotton. Sunflower and soya beans. sizeable areas of agricultural land in the middle Shabelle region are available and affordable.

Revenue

Own source revenues are expected to account 24% of the total revenues of 2025 budget while the grants account for the remaining 76%. Total own source revenues are forecasted to reach \$8 million in 2025 an increase of about 15% compared to 2024 in an effort to reduce budget deficits. Tax revenues consistently comprise the largest source of domestic revenue and the taxes on goods and services represent the main source of tax revenues. The new progressive income tax and the reforms in the tax administration are expected to increase 2025 tax revenues compared to the previous year.



Expenditure

Total expenditure for 2025 budget is \$ **40.1** million (including donor funding). As the figure below illustrates government’s public expenditures are planned for the security, improving education and health services and investing in key economic infrastructures of the State.

