

*Maamul Goboleedka Somalia Hirshabelle*



*Hirshabelle State of Somalia*

# Budget Framework Paper

FY 2025

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## ABBREVIATIONS

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AMISOM	African Union Mission in Somalia
BFP	Budget Framework Paper
EPHS	Essential Package of Health Services
FGS	Federal Government of Somalia
FMIS	Financial Management Information System
GDP	Gross Domestic Product
ICT	Information, Communication and Technology
IMF	International Monetary Fund
HSS	Hirshabelle State of Somalia
MDA	Ministries, Departments and Agencies
MoF	Ministry of Finance
MoPIC	Ministry of Planning and International Cooperation
NDP	National Development Plan
PFM	Public Financial Management
RHMT	Regional Health Management Teams
RMS	Revenue Management System

## INTRODUCTION

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The Hirshabelle State of Somalia's (HSS) Annual Budget is the key instrument through which the Government implements its policies. The Budget Framework Paper (BFP) provides the link between Government's overall policies and the Annual Budget. It lays out the fiscal framework and strategy for the budget, as well as provide medium-term indicative revenue and expenditure projections based on an analysis of prior budget outturns. The BFP's macroeconomic framework then provides indicative expenditure allocations to guide the Ministry of Finance (MoF) and other Ministries, Departments and Agencies (MDA) when preparing expenditure budgets as laid before Parliament. The BFP summarizes Government interventions in FY 2025 and the medium-term and is aligned with the State's Strategic Priorities, Federal National Development Plan (NDP) 2020-2024 and National Transformation Plan.

The BFP has following sections:

### **Part 1: MACROECONOMIC OUTLOOK AND POLICY MEASURES**

This section provides an overview of Government's macroeconomic policies, an analysis of recent macroeconomic performance, and macroeconomic assumptions over the medium-term. It lists out the priorities listed in the National Development Plan (NDP) that is set to end in 2024, and the new National Transformation Plan.

### **Part 2: FISCAL FRAMEWOERK**

This section includes the policy plans for own-source tax and non-tax revenue and external resources from the Federal Government and the State's international development partners consistent with the macroeconomic forecast. It concludes by indicating the resources available to Government for implementation of its strategic objectives and policy priorities.

### **Part 3: BFP ASSUMPTIONS AND EXPENDITURE ALLOCATIONS**

This section provides indicative expenditure allocations by function and by Government MDA based on the Government's strategic priorities which include security and improving the efficiency of public service delivery. This section places a specific emphasis on measures necessary to drive efficient public spending. This BFP does not include specific details of proposed Ministry/Department/Agency policy plans and expenditures. However, as the Government matures, a specific emphasis will be placed on the development of detailed sector plans and expenditures for each MDA.

### **Part 4: RISKS TO THE BUDGET**

These risks are specific to Hirshabelle and identify factors that could influence both macroeconomic and fiscal conditions. Key among issues is the ongoing limits on data on macro-fiscal conditions.

# 1 MACROECONOMIC AND POLICY BACKGROUND

## 1.1 MACROECONOMIC POLICY FRAMEWORK

The State's overarching macroeconomic goal is to create a stable macroeconomic environment to support inclusive and sustainable growth and socio-economic development. Over the medium term, the specific macroeconomic objectives of the State are to achieve and maintain a rate of real economic growth between 3 – 5% per annum. The 9<sup>th</sup> national development plan has been formulated to be compliant with the requirements for an interim Poverty Reduction Strategy Paper which allowed Somalia, as a participant of the Heavily Indebted Poor Countries (HIPC) Initiative, to apply for debt relief. This completion point was met in December 2023. The government aims to provide services to its citizens necessary for development. Hence this plan focuses on increasing revenue, improving economic growth, and developing equitable revenue-sharing systems. Reducing poverty and improving national resilience underpin its overall agenda.

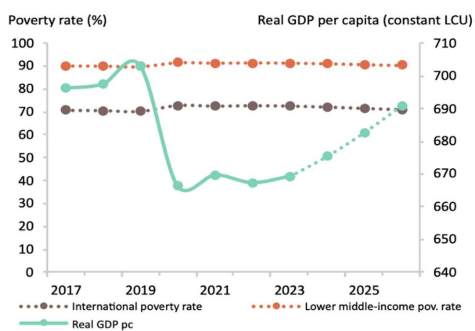
## 1.2 NATIONAL MACROECONOMY

Table 1 details key macroeconomic assumptions underlying the macroeconomic framework for FY 2025, covering Gross Domestic Product (GDP) and consumer prices.

Table 1 – National Macroeconomic Assumptions

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

Source: WEO Data, IMF, April 2024



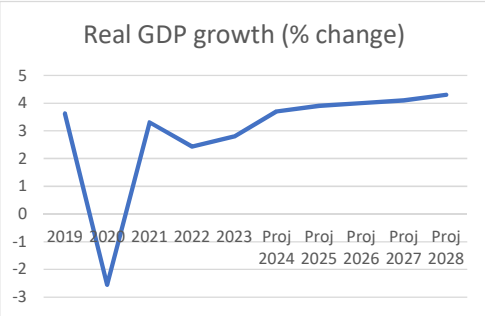
Source: World Bank MPO, 2024

services sectors. Agriculture accounted for over 60 percent of GDP over the last decade (2011 – 2022),

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

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. Somalia’s key export products include live animals that account for approximately 80% of the total export earnings(NEC Somalia, 2023). With continuing rates of poverty – the international poverty rate (\$2.15 in 2017 PPP) as a percentage of GDP is projected to be 72.1% in 2024. The unemployment rate was pegged at 20% in 2022. This

means the government has a huge task of finding employment for a large working population. 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). Private remittances play a critical role, forecasted at 20.4% of GDP in 2024.



Source: WEO Data, IMF, April 2024

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. The current

account balance is buoyed by private remittances and official grants. While exports have recovered faster than imports, especially the export of livestock, the trade balance is projected at -58.5 for 2024, driven down by high imports as the country continues to be highly reliant on them. (World Bank MPO, 2024).

The price inflation due to the Russia-Ukraine war, internal conflict, and the 2020-2023 drought led to a food price crisis. Favourable rains in 2023 have eased food prices. FEWSNET’s report in May projected that staple food availability is broadly normal across Somalia and retail of imported foods also remains stable. However, areas with internally displaced persons (IDPs) continue to have poor purchasing capacity to access food and essential non-food items.

### 1.3 LOCAL MACROECONOMY

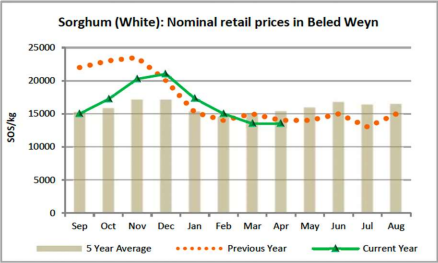
Hirshabelle contains areas of growth for horticulture, oil crops, coarse grains, and sesame; as well as coastal areas for fisheries with some limited sheep and other livestock (e.g., camel) production.

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.

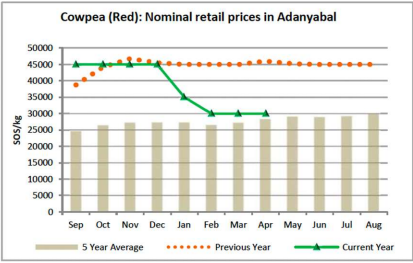
The state includes about 600 km of the river Shabelle. It offers the potential for significant commercial production of coarse grains of cotton. Sunflower and soya beans. sizeable areas of agricultural land in the middle Shabelle region are available and affordable. There is one port El Macan.

# 1.4 LOCAL PRICES

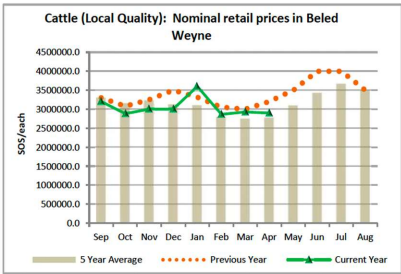
The below graphs show the changes in key livestock and crop prices in Hirschabelle state.



The prices in the current year show a significant spike in December 2023 and then in January 2024, followed by a sharp decline from February onwards, remaining lower than the previous year's prices from March through to April.



The current year shows a declining trend in prices starting from January, which contrasts sharply with the previous year's stable prices at approximately 45,000 SOS/kg throughout the observed period.



The prices for local quality cattle in the current year show a significant peak in December 2023, followed by a sharp decline from February 2024 onwards. The current year's prices are consistently lower than the previous year's prices from February through August, despite a brief convergence in November and a peak in December.

## 1.5 POLICY BACKGROUND

This section sets out the key policy priorities that the Ministries and Agencies intend to achieve for the new fiscal year. The policy priorities are underlined by the National Development Plan. At the Federal Member State level, the Ministry of Planning and International Cooperation (MoPIC) will, in close collaboration with other Hirshabelle Ministries, develop a prioritized plan that is aligned with national priorities but considers the unique, required public investments necessary to achieving longer term macroeconomic growth and broader stability. In the absence of a state development plan, Hirshabelle uses the NDP to delineate its policy priorities for the fiscal year.

### 1.5.1 National and State Development Plan

The NDP is the main policy framework underpinning the Federal Government's socio-economic development policy objectives over the FY2020 to FY2024 fiscal years. The poverty strategy for NDP-9 is organized into four pillars:

- Inclusive and Accountable Politics.
- Improved Security and the Rule of Law.
- Inclusive Economic Growth (including increased employment) and
- Improved Social Development.

By focusing interventions in these four pillars, Somalia will address the root causes of poverty. These organizing pillars align with the three national development priorities identified. Cross-cutting policies (imperatives) are integrated into each pillar, representing an important strategy for both targeting and prioritizing interventions:

- Strengthen gender, human rights and other kinds of social equity
- Build the resilience of households, communities and the government
- Better manage Somalia's environment and its natural resources
- Prioritise durable solutions to long term displacement
- Strengthen the interface between humanitarian and development planning
- Make governance improvements a priority in each pillar

### 1.5.2 National Transformation Plan

**The key objectives of the NTP:**

- Provide guidance to the Federal Government of Somalia (FGS) for development interventions and investments over the next five years (2025-2029).
- Function as a structured roadmap for Somalia's socio-economic advancement.  
Promote alignment and synergy among various development initiatives across the Federal Republic of Somalia.
- Encourage collaboration among stakeholders involved in development and humanitarian planning.
- Empower Somalia to address and overcome developmental challenges.

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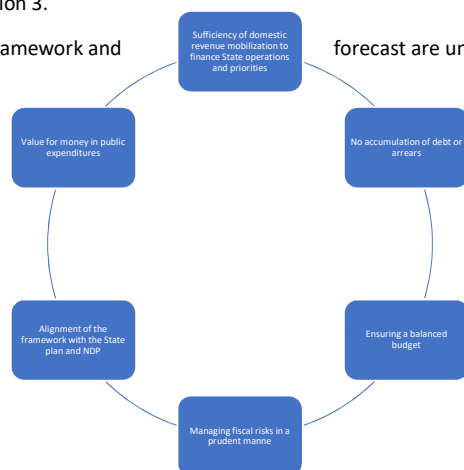
- Offer direction for resource allocation to drive national development and prosperity. The NTP represents a shift from a traditional development plan to a more focused transformation strategy.

## 2 FISCAL FRAMEWORK

The section focuses on i) the overall resources for the annual budget, which is broken down into domestic revenue and external grants and borrowing, and ii) the revenue enhancement strategy. In Somalia, the budget process begins with the calculation of the overall fiscal ceiling for the government, i.e., the resources available for State Budget Expenditure. These are obtained from revenue estimates of own-source tax and non-tax revenue, and federal and international grants. The government is required by law in the PFM Act to limit expenditure to the resources available to achieve its balanced budget objective, which is key to maintaining economic stability as the administration matures.

This overall fiscal ceiling for the whole government leads the way for the setting of individual ceilings for MDAs discussed in Section 3.

For FY2025, the fiscal framework and fiscal principles: forecast are underpinned by the following



### 2.1.1 Domestic Revenue

On domestic revenue, the focus in the medium-term is to ensure the expanded coverage of the Public Financial Management (PFM) system and improve collections through tax administration compliance.

The following table below indicate that that Hirshabelle like other FMSs is highly dependent on grants. Total domestic revenue collection has grown every year since 2017, except 2019 (reduction in tax – customs- and non-tax revenue) and 2021 where there was a reduction in grants.

Aggregate Revenue	2018	2019	2020	2021	2022	2023	Trends over time
<b>Tax Revenue</b>	<b>669,061</b>	<b>797,607</b>	<b>-</b>	<b>1,410,981</b>	<b>2,160,268</b>	<b>3,893,782</b>	
Payroll Tax - Government	-	-	-	-	68,611	114,596	
Payroll Tax - Non-Government	-	273	-	18,790	223,396	349,954	
Property Tax	-	-	-	-	24,364	-	
Turnover Tax	-	-	-	740,205	99,808	952,069	
Local Passenger Fees	-	-	-	-	1,260	770	
Road User Tax	533,269	797,333	-	651,986	1,459,207	1,753,343	
Customs duties - KHAT	135,792	-	-	-	190,000	399,175	
Revenue Collections from local Government	-	-	-	-	93,621	323,875	
Personal income tax on Public employee	-	-	-	-	-	-	
<b>Grants</b>	<b>2,615,476</b>	<b>5,183,746</b>	<b>10,074,411</b>	<b>3,392,187</b>	<b>8,842,759</b>	<b>11,349,140</b>	
Current Grants From International Organiza	258,476	653,946	385,814	203,281	127,636	2,369,831	
Grants from Federal Government of Somalia	2,357,000	4,529,800	9,688,597	3,185,906	8,715,123	8,979,310	
Grants from Local Government - Hirshabelle	-	-	-	3,000	-	-	
<b>Other Sources of Revenue</b>	<b>4,502</b>	<b>3,472</b>	<b>-</b>	<b>370,000</b>	<b>1,129,586</b>	<b>133,264</b>	
Local NGO's Registraton	-	-	-	-	11,400	12,600	
Education services fees	-	-	-	-	31,186	47,018	
Business and Profession Licenses	-	400	-	-	120,000	50,000	
Fishing Fees	-	-	-	30,000	27,000	-	
Landing Fees	-	-	-	90,000	20,000	-	
Livestock Fees	4,502	3,072	-	250,000	130,000	-	
Agricultural Fees	-	-	-	-	15,000	-	
Election Registration Fee	-	-	-	-	775,000	7,000	
Visa fees	-	-	-	-	-	1,645	
Work permit taxes	-	-	-	-	-	10,600	
Court filing fees	-	-	-	-	-	4,401	
<b>Total</b>	<b>3,289,040</b>	<b>5,984,825</b>	<b>10,074,411</b>	<b>5,173,168</b>	<b>12,132,613</b>	<b>15,376,186</b>	

There was not any tax revenue in 2020 because of political instability but in 2021,2022,2023 and 2024 tax revenue has grown steadily. Other source of revenue in 2022 has increased and that increase was driven by election registration fees, which likely will be collected in 2025.

Grant projections are announced by federal government in Q3 only. **A new revenue model introduced in 2024 developed** domestic revenue projections for own source revenue (tax and non-tax) and demonstrates **the shortfall in target expenditure that must be met by grants**. The final revenue projections for 2024 and 2025 were calculated, using methods of inverse and median, and average collections.

Own source (tax and non-tax revenue) is expected to increase by 65 percent in FY2024 compared to FY2023 and by 21 percent in FY2025 compared to 2024. HSS needs 25.53.7 million from Grants to achieve its expenditure target in FY 2025.

Table 2 – Revenue Actual and Forecasts (Initial)

	2023 Actuals	FINAL PROJECTIONS 2024	Increase 2024/23	FINAL PROJECTIONS 2025	Increase 2024/25
Tax reveue	3,893,782	6,149,687	58%	7,473,505	22%
Non Tax Revenue	133,264	478,974	259%	552,520	15%
<b>Total OSR</b>	<b>4,027,045</b>	<b>6,628,660</b>	<b>65%</b>	<b>8,026,025</b>	<b>21%</b>
FGS Grants				<u>2,722,096</u>	
<b>Total OSR (FMS+FGS)</b>				<u>10,748,120</u>	

### 2.1.2 External Resource Commitments

During FY2025, a total of \$ 29,398,473 23,731,806.25 of external assistance will support the budget, this is the total of GGrants anticipated from FGS or international donor partners. This figure excludes for \$2.72 million expected from FGS, accounted above in OSR calculations. It is critical to note that these estimates are based estimates received from FGS or international donor partners.

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### Risks from Volatile Financing

Prior year reliance on external assistance has meant that revenue estimates have failed to meet expectations, often due to political, managerial, and technical issues and a lack of absorptive capacity within our institutions. Low levels of grantor disbursements are largely in response to low absorption by our Ministries particularly because of non-compliance with donor requirements. For Somalia to achieve debt relief through the HIPC initiative, the form of development partner funding will change from grants to loans, and DRM improvement will be crucial to ensure that it can meet its debt commitments.

### 2.1.3 Revenue Enhancement Strategy

After the completion point of the Heavily Indebted Poor Countries (HIPC) initiative, the Federal Member States (FMS) of Somalia continues to tackle domestic revenue mobilization reform. This involves the preparation of a tax policy statement and amendments to existing revenue laws. Efforts are underway to increase domestic revenue, which is instrumental in increasing development expenditure, and reduce over time the dependency on external budgetary contributions. The revision of the revenue law and the tax policy statement are critical to support these reform initiatives.

Since 2014, the state has been raising revenue from a wide range of sources under laws and regulations enacted by the state. The revenue has been collected by the Ministry of Finance and authorized tax collection agents and is accounted for in its annual audited accounts.

The state is refocusing its efforts on revenue collection, following a national agreement on revenue stream allocation, on streams that are exclusive to the state (key streams are: property tax, property transfer tax, state road tax, agricultural and market fees, and vehicle registration and licensing fees). In addition, the state will adopt a harmonized collection of revenue from shared taxes, including personal income tax, corporate income tax, sales tax, and rental income tax.

The state will look to harmonize its tax base (what or who is taxed) and its tax rates (the amount of tax that is paid), in step with other states and the Federal Government. Initially, it has adopted nationally agreed rates of tax for personal income tax and will further harmonize the tax base (for PIT, the types of employees and their income). With this harmonization objective in mind, the state has undertaken a revenue potential study to identify the potential revenue over the medium term (the next 3 to 6 years), taking account of state circumstances.

The state is preparing new legislation that will give effect to the harmonised revenue streams and tax rates. The new legislation will impose fairer, simpler and more effective taxes on these revenue streams, so that tax is neither excessive nor difficult to understand and comply with. In the medium-term, revenue collection will focus on personal income tax on employees, an estimated turnover tax for business, road user taxes, vehicle registration fees and a number of service fees and charges. The revenue streams will be reviewed regularly to take account of performance and any new federalism and harmonisation commitments.

#### **Customs revenue**

Significant changes have occurred since 2023, including Somalia's signing of two international agreements: the Greater Arab Free Trade Agreement (GAFTA) and the East African Community (EAC). These agreements involve Free Trade Agreements (FTAs) that eliminate tariffs on goods traded between member countries. The **National Economic Council Working Paper, October 2023: Assessing the Viability of Somalia's Integration Into the East African Community states that:**

- Somalia's domestic income primarily comes from customs taxes.
- It is crucial for Somalia to diversify its revenue sources and reduce its dependence on customs duties.
- Suggested areas for increased taxation include goods and services (VAT), income, and profits.

Customs revenues are expected to decline as a percentage of total revenue in states joining the EAC. However, the decline may be minimal due to increased intra-EAC trade and adherence to EAC Customs Union Protocol provisions, potentially enhancing revenue collection from international trade and domestic taxes.

FGS has promulgated regulations that will improve compliance, leading to improved revenue yields; among these are:

- Customs Broker Regulations. These regulations will improve the governance of Customs Brokers, ensuring all Brokers have the required qualifications to act as a Broker by passing an examination before being issued a license.
- Customs Enforcement Regulations. These set out core powers and duties to enable customs officers to administer the Customs Law. The regulations provide the powers to seize goods and apply penalties when a Customs offense has been committed.

SOMCAS is in the process of full implementation in FGS and JSS, hopefully to be achieved in July/August 2024. Implementation of trade facilitation measures has provided new impetus with the joining of the EAC. Somalia is expected to adopt and implement the EAC Elimination of Non-Tariff Barrier Act 2017 accede to the WTO and ratify the WTO Trade Facilitation Agreement. These measures will improve the efficiency of the movement of goods across Somalia's borders and encourage international investment. Somalia will also be required to implement the WTO Valuation Agreement, by aligning with EAC valuation rules and calculating the Customs value of goods using the price paid or payable.

Any potential loss of Customs revenue through the TFAs may be mitigated by the implementation of many of the above measures.

### 3 EXPENDITURE MEASURES AND BFP CEILINGS

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This section focuses on expenditure measures for FY 2025 and the BFP ceiling model. The assumptions for the MDA ceilings model are explained and provisional individual ceilings are presented.

#### 3.1.1 Expenditure

The BFP provides the minimum need for each ministry (fixed commitments and salaries) and accounts for an additional top up provided to each ministry based on its policy priority status. The total expenditure ceiling is balanced with the own source revenue for each state. After this, additional grants from FGS, donors for projects and salaries are considered in the calculation of the total allocation available to each ministry

~~The current draft of the BFP provides the minimum need for each ministry (fixed commitments and salaries). An additional top up is provided to each ministry based on its policy priority status. The total expenditure ceiling is balanced with the own source revenue for each state. Additional grants from FGS, donors for projects, and salaries are not considered in this estimation, as full information for FY 2025 is not available yet. It is expected that the Budget Department will allocate the expected 2025 funding from FGS and donors based on policy priorities. This can be included in the second draft of the BFP.~~

#### 3.2 KEY INITIATIVES

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In the 2025 budget, the allocation for health and education has been increased, dedicating 8% of our total budget to health and 18% for education. This signifies a significant investment in core services that directly impact the well-being and future of our citizens.

We continue to allocate more than 50% of the budget towards government operations, including Finance, Parliament, Presidency, and Interior Ministries, as they play a pivotal role in the proper functioning of our government. This allocation ensures the stability and continuity of our government's critical functions.

Economic development is a key driver for achieving our goals. Ministries of importance in this budget include Fishery & Marine Resources, Agriculture and Irrigation, Commerce & Industry, Labor and Employment, Livestock, Forestry and Vegetation, Petroleum and mining, Planning, Investment and International, and Water, Energy and Minerals.

#### THE BFP

This BFP has attempted to reconcile the Federal NDP, the international Sustainable Development Goals, and State priorities and plans. In subsequent years, this process will be a whole-of-government effort with all State MDA involved in a planning process, each developing comprehensive, detailed business plans that articulate specific policy objectives, activities, key performance indicators, and cost proposals. In the absence of these plans, developing sectoral allocations and ascertaining intra-policy priorities will remain challenging and a high-level exercise.

#### 3.3 HOW ARE CEILINGS MADE

To determine the requirements for each Ministry for the new budget we need to break down:

- 1) **Minimum requirement:** What is the requirement to continue current operations and policy, and meet requirements from prior commitments (e.g., rental, water, etc)
- 2) **Additional resources:** What are the new priorities for this budget year for the Government: once it has been established what is already committed

Ceilings are built up from:



- **Wages:** are determined by the levels of historic recruitment, we are trying to determine what is the minimum level of salary required to meet current staffing needs, based on 2023 expenditure
- **Donor Support:** allocated to specific ministries, covering RCRF and others.
- **Fixed Commitments:** the amount required to meet the basic operating costs because of prior commitments (e.g., rent of buildings, electricity to power these buildings) based on budget 2024
- **Other: the new amount** will allow Ministries to expand recruitment and other important agendas.

The budget aims to allocate new funding, within guidelines.

#### Fiscal Policy Guidelines

- No broad increase in salaries from government budgets. However, a certain portion of salaries is funded by donor projects. The total wage expenditure remains similar to 2024.
- Balanced budget: the revenue will need to equal total expenditure

Table 3 – Components of Fixed Commitments (Total)

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Fixed Commitments	2022 Budget	2022 Actual	Execution	2023 Budget	Execution	2024 Budget
<a href="#">Bank charges</a>					0%	200
<a href="#">Electricity</a>					5%	80,000
<a href="#">Gasoline</a>						
<a href="#">Internet fees</a>					0%	30,000

<a href="#">Office Rent</a>					<a href="#">0%</a>	<a href="#">84,000</a>
<a href="#">Water</a>					<a href="#">0%</a>	
<a href="#">Audit fees</a>					<a href="#">0%</a>	
<a href="#">Satellite fees</a>					<a href="#">92%</a>	<a href="#">60,000</a>
<a href="#">Maintenance and repair of equipment and h</a>					<a href="#">0%</a>	
<a href="#">Maintenance and repairs of building</a>					<a href="#">0%</a>	
<a href="#">Maintenance and repairs of furniture and fit</a>					<a href="#">0%</a>	<a href="#">400,000</a>
<a href="#">Maintenance of equipment</a>						
<a href="#">Maintenance of furniture &amp; fittings</a>						
<a href="#">Maintenance of Vehicles</a>						
<a href="#">Diesel and oil</a>					<a href="#">0%</a>	<a href="#">500,000</a>
<a href="#">Maintenance and repairs of vehicles, boats a</a>					<a href="#">0%</a>	
<a href="#">Total</a>						<a href="#">1,154,200</a>
<b>Fixed Commitments</b>						
Bank charges	17,034	49	0%	17,020		
Electricity	70,100	4,593	6%	87,300		
Gasoline	331,400	39,996	12%			
Internet fees	48,400	288	1%	68,200		
Mobile Phone Expenses	12,600	-	0%			
Office Rent	107,400	4,900	5%	93,000		
Telephone fees	5,550	-	0%	11,450		
Water	47,220	23	0%	56,000		
Audit fees	20,000	-	0%	20,000		
Maintenance and repair of equipment and heavy	107,500	-	0%	108,000		
machineries						
Maintenance and repairs of building		-		60,000		



Maintenance and repairs of furniture and fittings	2,200	-	0%	8,360
Maintenance of equipment		-		
Maintenance of furniture & fittings		-		
Maintenance of Vehicles		-		
Diesel and oil		-		322,200
Maintenance and repairs of vehicles, boats and vessels	440,000	-	0%	440,000
Information, computer, and telecommunication (CIT) equipment	38,700	-	0%	39,000
	<b>1,257,104</b>	<b>49,849</b>		<b>1,330,530</b>
<b>Fixed Commitments</b>	<b>2023 Budget</b>	<b>2023 Actual</b>	<b>Execution</b>	<b>2024 Budget</b>
Bank charges	17,020	71	0%	200
Electricity	87,300	4,355	5%	80,000
Gasoline		-		
Internet fees	68,200	-	0%	30,000
Office Rent	93,000	-	0%	84,000
Water	56,000	-	0%	
Audit fees	20,000	-	0%	
Satellite fees	60,000	55,000	92%	60,000
Maintenance and repair of equipment and heavy machineries	108,000	-	0%	
Maintenance and repairs of building	60,000	-	0%	
Maintenance and repairs of furniture and fittings	8,360	-	0%	400,000
Maintenance of equipment		-		
Maintenance of furniture & fittings		-		
Maintenance of Vehicles		-		
Diesel and oil	322,000	-	0%	500,000
Maintenance and repairs of vehicles, boats and vessels	440,000	-	0%	
<b>Total</b>	<b>1,339,880</b>			

The table above shows the components of fixed commitments at the moment. Below shows the split of the components for the previous 2023 actual and 2024 budget.

Table 4 – FY 2023 Performance against Categories

	2022 Actual				
	Government Funded Salaries	Donor Funded	Fixed Commitments (Government Funded)	Other	TOTAL
Auditor General's Office	-	70,028	-	-	70,028
Civil Service Commission	-	83,214	-	-	83,214
Hirshabelle Parliament	813,000	468,000	-	-	1,281,000
Ministry of Fishery & Marine Resources	-	-	-	-	-
Ministry of Youth and Sports	-	-	-	-	-
Ministry of Agriculture and Irrigation	-	-	-	-	-
Ministry of Commerce & Industry	-	-	-	-	-
Ministry of Constitution & Federal Affairs	-	-	-	-	-
Ministry of Education and Tertiary	1,410	935,731	5,287	3,760	946,188
Ministry of Environmental and Sea Protection	-	-	-	-	-
Ministry of Finance and Economic Development	16,200	399,533	4,566	1,500	421,799
Ministry of Health and Social Care	-	1,441,023	-	-	1,441,023
Ministry of Humanitarian and Disaster Management	-	400,000	-	-	400,000
Ministry of Information and Culture	-	-	-	-	-
Ministry of Interior and Local Government	-	422,731	-	1,198,451	1,621,182
Ministry of Justice & Judicial Affairs	-	-	-	-	-
Ministry of Labor and Employment	-	-	-	-	-
Ministry of Livestock, Forestry and Vegetation	-	-	-	-	-
Ministry of Petroleum and mining	-	-	-	-	-
Ministry of Planning, Investment and International Cooperation	-	-	-	-	-
Ministry of Ports and Maritime Transport	-	-	-	-	-
Ministry of Postal, Communication and Modern Technology	-	-	-	-	-
Ministry of Public Works and Reconstruction	-	76,066	-	-	76,066
Ministry of Reconciliation and Resettlement	-	150,000	-	200,000	350,000
Ministry of Rehabilitation and Disarmament	-	-	-	-	-
Ministry of Religious and Endowments	-	-	-	-	-
Ministry of Security and Rehabilitation	1,152,132	3,579,000	-	0	4,731,132
Ministry of State Presidency	232,965	318,844	39,996	70,000	661,805
Ministry of Transport, Air and Land	-	-	-	-	-
Ministry of Water, Energy and Minerals	-	-	-	-	-
Ministry of Women & Human Rights	-	-	-	-	-
Ministry of Rural Development	-	-	-	-	-
<b>TOTAL</b>	<b>2,215,707</b>	<b>8,344,169</b>	<b>49,849</b>	<b>1,473,711</b>	<b>12,083,436</b>

N.B. All government funded salaries are from Fund code 11, the donor funded spending largely represent RCRF funds

Commented [AJ7]: Update

Table 5 –FY 2024 Budget against Categories

-	2023 Budget
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Commented [AJ8]: Update 2024 budget

	Government Funded-Salaries	Donor-Funded Salaries	Fixed Commitment	Other	TOTAL
Auditor General's Office	14,400	67,416	25,400	2,800	110,016
Civil Service Commission	51,900	78,564	2,200	7,300	139,964
Hirshabelle Parliament	2,632,340	-	199,450	378,000	3,209,790
Ministry of Fishery & Marine Resources	64,580	15,420	8,700	21,300	110,000
Ministry of Youth and Sports	64,580	15,420	8,700	21,300	110,000
Ministry of Agriculture and Irrigation	64,580	290,420	8,700	21,300	385,000
Ministry of Commerce & Industry	64,580	15,420	8,700	21,300	110,000
Ministry of Constitution & Federal Affairs	64,580	15,420	8,700	21,300	110,000
Ministry of Education and Tertiary	64,580	1,290,654	8,700	21,300	1,385,234
Ministry of Environmental and Sea Protection	64,580	315,420	8,700	21,300	410,000
Ministry of Finance and Economic Development	587,112	895,109	80,080	572,065	2,134,365
Ministry of Health and Social Care	64,580	1,502,898	8,700	21,300	1,597,478
Ministry of Humanitarian and Disaster Management	64,580	15,420	8,700	21,300	110,000
Ministry of Information and Culture	126,980	15,420	8,700	81,300	232,400
Ministry of Interior and Local Government	64,580	1,055,812	15,400	4,030,420	5,166,212
Ministry of Justice & Judicial Affairs	64,580	15,420	8,700	21,300	110,000
Ministry of Labor and Employment	64,580	15,420	8,700	21,300	110,000
Ministry of Livestock, Forestry and Vegetation	64,580	240,420	8,700	21,300	335,000
Ministry of Petroleum and mining	64,580	15,420	8,700	21,300	110,000
Ministry of Planning, Investment and International Cooperation	64,580	565,420	8,700	21,300	660,000
Ministry of Ports and Maritime Transport	64,580	15,420	8,700	21,300	110,000
Ministry of Postal, Communication and Modern Technology	64,580	15,420	8,700	21,300	110,000
Ministry of Public Works and Reconstruction	64,580	67,410	68,700	21,300	221,990
Ministry of Reconciliation and Resettlement	64,580	15,420	8,700	426,720	515,420
Ministry of Rehabilitation and Disarmament	80,000	-	8,700	21,300	110,000
Ministry of Religious and Endowments	64,580	15,420	8,700	21,300	110,000
Ministry of Security and Rehabilitation	4,304,581	15,420	557,100	23,800	4,900,901
Ministry of State Presidency	768,424	257,904	173,400	599,821	1,799,549
Ministry of Transport, Air and Land	64,580	15,420	8,700	21,300	110,000
Ministry of Water, Energy and Minerals	64,580	515,420	8,700	21,300	610,000
Ministry of Women & Human Rights	64,580	15,420	8,700	21,300	110,000
Ministry of Rural Development	80,000	-	8,700	21,300	110,000
<b>TOTAL</b>	<b>10,131,077</b>	<b>7,389,586</b>	<b>1,330,530</b>	<b>6,612,126</b>	<b>25,463,319</b>

**N.B.** All government funded salaries are from Fund code 11, the donor funded spending largely represent RCRC funds.

2024 Budget					
	Government Funded Salaries	Donor Funded	Fixed Commitment (Government Funded)	Other	TOTAL
	18,000	72,420	-	1,500	91,920
	14,400	78,564	-	1,500	94,464
	1,504,000	-	184,000	30,000	1,718,000
	32,220	25,056	-	2,400	59,676
	32,220	15,420	-	2,400	50,040
	32,220	976,316	-	2,400	1,010,936
	32,220	15,420	-	2,400	50,040
	32,220	15,420	-	2,400	50,040
	32,220	3,617,516	-	128,600	3,778,336
	32,220	411,241	-	2,400	445,861
	219,840	784,453	80,200	40,000	1,124,493
	32,220	2,519,979	-	2,400	2,554,599
	32,220	108,865	-	2,400	143,485
	94,620	15,420	60,000	2,400	172,440
	32,220	1,214,758	-	2,450,040	3,697,018
	56,220	15,420	-	2,400	74,040
	32,220	15,420	-	2,400	50,040
	32,220	313,909	-	2,400	348,529
	32,220	15,420	-	2,400	50,040
	32,220	449,880	-	2,400	484,500
	32,220	15,420	-	2,400	50,040
	32,220	15,420	-	2,400	50,040
	32,220	15,420	-	2,400	50,040
	32,220	-	-	302,400	334,620
	32,220	-	-	2,400	34,620
	32,220	15,420	-	2,400	50,040
	1,032,220	15,420	100,000	102,400	1,250,040
	624,000	226,824	730,000	270,000	1,850,824
	32,220	15,420	-	2,400	50,040
	32,220	1,879,456	-	2,400	1,914,076
	32,220	92,420	-	2,400	127,040
	32,220	-	-	2,400	34,620
<b>TOTAL</b>	<b>4,336,580</b>	<b>12,972,117</b>	<b>1,154,200</b>	<b>3,381,640</b>	<b>21,844,537</b>

N.B. All government funded salaries are from Fund code 11, the donor funded spending largely represent RCRF funds

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### Factoring Influencing Ceilings

- 1) **Recruitment of new staff from end 2023 to end 2024:** the 2023 actual reflects the level of spending based on all staff employed during the year. 2024 budget represents staffing with planned recruitment.
- 2) **The level of likely revenue,** this determines the overall envelop and how much we have left over to allocate after we have met the needs for baseline salaries and fixed commitments.

#### *To finalize the ceilings, we need to know:*

- 1) What the level of staffing will likely be in 2025, and thus a reasonable estimate for the salary needs in 2025 (with no additional recruitment)
- 2) What is the likely donor support (including RCRF) and how will this be allocated?
- 3) The likely available revenue for 2025
- 4) What factors influence the size of fixed commitments (e.g., inflation)
- 5) Which are the priority Ministries for new spending and new recruitment.

Table 6 – Ceiling Shares and Policy **Priorities**

Commented [AJ9]: Update

	Share of Other		Share of Total		Priority	2024	
	2022 Actual	2023 Budget	2022 Actual	2023 Budget		Proposed Other	Proposed Total
Auditor General's Office	0.0%	0.0%	0.6%	0.4%	Low	0.1%	0.5%
Civil Service Commission	0.0%	0.1%	0.7%	0.5%	Low	0.3%	0.5%
Hirshabelle Parliament	0.0%	5.7%	10.6%	12.6%	High	13.4%	8.6%
Ministry of Fishery & Marine Resources	0.0%	0.3%	0.0%	0.4%	Low	0.5%	0.3%
Ministry of Youth and Sports	0.0%	0.3%	0.0%	0.4%	Low	0.5%	0.3%
Ministry of Agriculture and Irrigation	0.0%	0.3%	0.0%	1.5%	Medium	0.5%	1.7%
Ministry of Commerce & Industry	0.0%	0.3%	0.0%	0.4%	Low	0.5%	0.3%
Ministry of Constitution & Federal Affairs	0.0%	0.3%	0.0%	0.4%	Low	0.5%	0.3%
Ministry of Education and Tertiary	0.3%	0.3%	7.8%	5.4%	Critical	1.3%	18.0%
Ministry of Environmental and Sea Protection	0.0%	0.3%	0.0%	1.6%	Low	0.5%	2.2%
Ministry of Finance and Economic Development	0.1%	8.7%	3.5%	8.4%	High	4.6%	5.6%
Ministry of Health and Social Care	0.0%	0.3%	11.9%	6.3%	High	0.5%	8.3%
Ministry of Humanitarian and Disaster Management	0.0%	0.3%	3.3%	0.4%	Low	0.5%	0.3%
Ministry of Information and Culture	0.0%	1.2%	0.0%	0.9%	Low	2.8%	0.9%
Ministry of Interior and Local Government	81.3%	61.0%	13.4%	20.3%	Critical	52.4%	19.9%
Ministry of Justice & Judicial Affairs	0.0%	0.3%	0.0%	0.4%	Low	1.0%	0.4%
Ministry of Labor and Employment	0.0%	0.3%	0.0%	0.4%	Low	0.5%	0.3%
Ministry of Livestock, Forestry and Vegetation	0.0%	0.3%	0.0%	1.3%	Medium	0.5%	1.7%
Ministry of Petroleum and mining	0.0%	0.3%	0.0%	0.4%	Low	0.5%	0.3%
Ministry of Planning, Investment and International Cooperation	0.0%	0.3%	0.0%	2.6%	Medium	0.5%	2.4%
Ministry of Ports and Maritime Transport	0.0%	0.3%	0.0%	0.4%	Low	0.5%	0.3%
Ministry of Postal, Communication and Modern Technology	0.0%	0.3%	0.0%	0.4%	Low	0.5%	0.3%
Ministry of Public Works and Reconstruction	0.0%	0.3%	0.6%	0.9%	Medium	-0.6%	0.3%
Ministry of Reconciliation and Resettlement	13.6%	6.5%	2.9%	2.0%	Medium	6.2%	1.7%
Ministry of Rehabilitation and Disarmament	0.0%	0.3%	0.0%	0.4%	Low	0.5%	0.2%
Ministry of Religious and Endowments	0.0%	0.3%	0.0%	0.4%	Low	0.5%	0.3%
Ministry of Security and Rehabilitation	0.0%	0.4%	39.2%	19.2%	High	-9.0%	6.2%
Ministry of State Presidency	4.7%	9.1%	5.5%	7.1%	High	19.4%	8.2%
Ministry of Transport, Air and Land	0.0%	0.3%	0.0%	0.4%	Low	0.5%	0.3%
Ministry of Water, Energy and Minerals	0.0%	0.3%	0.0%	2.4%	Low	0.5%	9.6%
Ministry of Women & Human Rights	0.0%	0.3%	0.0%	0.4%	Low	0.5%	0.3%
Ministry of Rural Development	2023 ministry	0.3%	2023 ministry	0.4%	Low	-1.0%	0.2%
	Share of Other		Share of Total		Priority	2025	
	2023 Actual	2024 Budget	2023 Actual	2024 Budget		Proposed Other	Proposed Total
	0.0%	0.0%	0.4%	0.4%	Low	0.3%	0.2%
	0.0%	0.0%	0.5%	0.4%	Low	0.2%	1.1%
	0.0%	0.9%	9.8%	7.9%	High	8.2%	4.8%
	0.0%	0.1%	0.0%	0.3%	Low	3.4%	0.7%
	0.0%	0.1%	0.0%	0.2%	Low	0.5%	0.1%
	0.0%	0.1%	1.3%	4.6%	Medium	0.5%	9.2%
	0.0%	0.1%	0.0%	0.2%	Low	0.5%	0.1%
	0.0%	0.1%	0.0%	0.2%	Low	0.5%	0.1%
	0.7%	3.8%	8.9%	17.3%	Medium	1.1%	11.0%
	0.0%	0.1%	0.5%	2.0%	Medium	0.5%	0.9%
	0.7%	1.2%	4.9%	5.1%	High	4.4%	6.5%
	0.0%	0.1%	19.7%	11.7%	High	0.5%	5.9%
	0.0%	0.1%	0.6%	0.7%	Low	0.5%	10.1%
	0.0%	0.1%	0.7%	0.8%	Low	1.0%	0.5%
	97.6%	72.5%	15.8%	16.9%	High	15.8%	19.5%
	0.0%	0.1%	0.0%	0.3%	Low	5.6%	1.0%
	0.0%	0.1%	0.0%	0.2%	Low	0.5%	0.1%
	0.0%	0.1%	0.4%	1.6%	Low	0.5%	8.7%
	0.0%	0.1%	0.0%	0.2%	Low	0.5%	0.1%
	0.0%	0.1%	1.4%	2.2%	Medium	0.5%	1.0%
	0.0%	0.1%	0.0%	0.2%	Low	0.5%	0.1%
	0.0%	0.1%	0.0%	0.2%	Low	0.5%	0.1%
	0.0%	0.1%	0.4%	0.2%	Medium	0.5%	0.1%
	0.0%	8.9%	4.0%	1.5%	Low	8.9%	3.2%
	0.0%	0.1%	0.0%	0.2%	Low	0.5%	0.1%
	0.0%	0.1%	0.0%	0.2%	Low	0.5%	0.1%
	0.0%	3.0%	19.9%	5.7%	High	-15.8%	0.1%
	0.9%	8.0%	7.2%	8.5%	High	39.1%	15.1%
	0.0%	0.1%	0.0%	0.2%	Low	19.0%	5.9%
	0.0%	0.1%	3.1%	8.8%	Low	0.5%	0.1%
	0.0%	0.1%	0.4%	0.6%	Low	0.5%	3.7%
Ministry of Rural Development	0.0%	0.1%	0.0%	0.2%	Low	0.5%	0.1%

The most crucial ministries related to interior and local government, livestock, education, agriculture and security and education receives the highest share of the budget, followed by ministries of health, education and finance. note budget overall, including funding from own source revenue and external assistance. that policy priorities includes the amount allocated to ministries by the FGS and FMS funding after accounting for minimum need (salaries, basic recurrent expenditure).

Table 7 – Final 2025 budget

Commented [AJ10]: Update

2025 Est						
	Government Funded Salaries - Continuing (2023 actual)	Donor Funded (2025 Actual Estimation)	Fixed Commitment Minimum (2024 budget)	Policy Priorities - Other, inc new gov funded staff (2023 and planned 2024)	TOTAL	Minimum need
Auditor General's Office	-	67,416	-	46,435	113,851	-
Civil Service Commission	-	414,164	-	46,435	460,599	-
Hirshabelle Parliament	916,000	-	184,000	305,492	1,405,492	1,100,000
Ministry of Fishery & Marine Resources	-	9,636	-	46,435	56,071	-
Ministry of Youth and Sports	-	-	-	46,435	46,435	-
Ministry of Agriculture and Irrigation	-	3,658,530	-	305,492	3,964,023	-
Ministry of Commerce & Industry	-	-	-	46,435	46,435	-
Ministry of Constitution & Federal Affairs	-	-	-	46,435	46,435	-
Ministry of Education and Tertiary	200	3,625,078	-	572,798	4,198,076	200
Ministry of Environmental and Sea Protection	-	319,900	-	97,758	417,658	-
Ministry of Finance and Economic Development	17,650	3,977,924	80,200	305,492	4,381,266	97,850
Ministry of Health and Social Care	-	1,327,518	-	572,798	1,900,316	-
Ministry of Humanitarian and Disaster Management	-	-	-	46,435	46,435	-
Ministry of Information and Culture	48,425	-	60,000	46,435	154,860	108,425
Ministry of Interior and Local Government	-	6,652,891	-	572,798	7,225,690	-
Ministry of Justice & Judicial Affairs	-	-	-	46,435	46,435	-
Ministry of Labor and Employment	-	-	-	46,435	46,435	-
Ministry of Livestock, Forestry and Vegetation	-	3,439,566	-	46,435	3,486,001	-
Ministry of Petroleum and mining	-	-	-	46,435	46,435	-
Ministry of Planning, Investment and International Cooperation	-	364,590	-	97,758	462,348	-
Ministry of Ports and Maritime Transport	-	-	-	46,435	46,435	-
Ministry of Postal, Communication and Modern Technology	-	-	-	46,435	46,435	-
Ministry of Public Works and Reconstruction	-	-	-	97,758	97,758	-
Ministry of Reconciliation and Resettlement	-	-	-	46,435	46,435	-
Ministry of Rehabilitation and Disarmament	-	-	-	46,435	46,435	-
Ministry of Religious and Endowments	-	-	-	46,435	46,435	-
Ministry of Security and Rehabilitation	1,116,229	-	100,000	305,492	1,521,721	1,216,229
Ministry of State Presidency	-	-	730,000	305,492	1,035,492	730,000
Ministry of Transport, Air and Land	-	226,824	-	46,435	273,259	-
Ministry of Water, Energy and Minerals	-	-	-	305,492	305,492	-
Ministry of Women & Human Rights	-	1,447,769	-	46,435	1,494,204	-
Ministry of Rural Development	-	-	-	46,435	46,435	-
<b>TOTAL</b>	<b>2,098,504</b>	<b>25,531,806</b>	<b>1,154,200</b>	<b>4,773,320</b>	<b>33,557,830</b>	<b>3,252,704</b>
N.B. All government funded salaries are from Fund code 11, the donor funded spending largely represent RCRC funds.						
2025						
	Share of Other		Share of Total		Proposed Other	Proposed Total
	2023 Actual	2024 Budget	2023 Actual	2024 Budget	2025	2025
	0.0%	0.0%	0.4%	0.4%	0.3%	0.2%
	0.0%	0.0%	0.5%	0.4%	0.2%	1.1%
	0.0%	0.9%	9.8%	7.9%	8.2%	4.8%
	0.1%	0.0%	0.3%	low	3.4%	0.7%
	0.0%	0.1%	0.0%	0.2%	low	0.1%
	0.0%	0.1%	1.3%	4.6%	medium	9.2%
	0.0%	0.1%	0.0%	0.2%	low	0.1%
	0.0%	0.1%	0.0%	0.2%	low	0.1%
	0.7%	3.8%	8.9%	17.3%	medium	11.0%
	0.0%	0.1%	0.5%	2.0%	medium	0.9%
	0.7%	1.2%	4.9%	5.1%	High	6.5%
	0.0%	0.1%	19.7%	11.7%	high	5.9%
	0.0%	0.1%	0.6%	0.7%	low	0.1%
	0.0%	0.1%	0.7%	0.8%	low	0.5%
	97.6%	72.5%	15.8%	16.9%	High	15.8%
	0.0%	0.1%	0.0%	0.3%	low	1.0%
	0.0%	0.1%	0.0%	0.2%	low	0.1%
	0.0%	0.1%	0.4%	1.6%	low	8.7%
	0.0%	0.1%	0.0%	0.2%	low	0.1%
	0.0%	0.1%	1.4%	2.2%	medium	1.0%
	0.0%	0.1%	0.0%	0.2%	low	0.1%
	0.0%	0.1%	0.0%	0.2%	low	0.1%
	0.0%	0.1%	0.4%	0.2%	medium	0.1%
	0.0%	8.9%	4.0%	1.5%	low	3.2%
	0.0%	0.1%	0.0%	0.2%	low	0.1%
	0.0%	0.1%	0.0%	0.2%	Low	0.1%
	0.0%	3.0%	19.9%	5.7%	High	0.1%
	0.9%	8.0%	7.2%	8.5%	High	15.1%
	0.0%	0.1%	0.0%	0.2%	Low	5.9%
	0.0%	0.1%	3.1%	8.8%	Low	0.1%
	0.0%	0.1%	0.4%	0.6%	Low	3.7%
Ministry of Rural Development	0.0%	0.1%	0.0%	0.2%	Low	0.1%

Note: The Ministry of Rural Development was formed in 2023.

The 2023 actual represents the minimum need for Government funded salaries (without any of the 2024 or planned 2025 adjustment). Donor funding is all pre-allocated to Ministries. Fixed commitments represent an estimated need for key spending like rentals. The total column shows the figure of the ceiling for line Ministries to determine the allocation, that at least provides cover for these minimum requirements.

The 2025 salaries allocation which is USD ~~2,098,504~~ ~~4,432,880~~ is based on 2023 actual which represents the minimum need for Government funded salaries (without any of the 2024 or planned 2025 adjustment).

Fixed commitments which are USD ~~1,154,200~~ ~~468,400~~ represent an estimated need for key spending like rentals. For 2025, the 2024 budget is used as a continuing requirement. The Minimum Need column shows the figure needed that covers for these minimum requirements: government salaries and fixed commitment which is USD ~~3,252,704~~ ~~4,901,280~~.

Hirshabelle State's total own source revenue projection for 2025 is USD 8,026,024.12. After accounting for Minimum Need, we are left with USD 4,773,320. We use the policy priority ratings of Critical, High, Medium, and Low to assign the remaining resources to ministries based on their priority status. The Others column above essentially denotes the "policy priorities" allocation for each LM and the Total column is a sum of the Minimum need and others column.

More resources on grants from FGS and donor commitments have increased fiscal space, and have been allocated to the ministries based on policy priorities. A total of USD ~~29,398,473~~ ~~23,731,806.25~~ will be received in the form of ~~FGS and of~~ donor grants ~~and~~ ~~2,722,096~~ in the form of FGS grants.-

Table 8 – Forecasted 2025 Expenditure

Total Domestic own source revenue	USD 8,026,025
Total FGS grants	USD 2,722,80,09600
Total donor funding	USD 29,398,473 23,731,806.25
<b>TOTAL REVENUE</b>	<b>USD 40,146,593 33,557,830.37</b>
<b>Allocated Expenditure</b>	<b>40,146,59333,557,830.37</b>
Minimum need	USD 3,252,704
Policy priorities	USD 4,773,320Other 2025
Donor funding	USD 29,398,473 23,731,806.25
FGS grants	USD 2,722,096
<b>Total budget 2025</b>	USD 40,146,59333,557,830.37

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## 4 RISKS TO THE BUDGET

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### 4.1 ISSUES TO PAY HEED TO GOING FORWARD

#### 4.1.1 Public Financial Management

The State's operations and fiscal sustainability rely on sound PFM; therefore, it will be imperative that all State institutions and staff abide by the principles and procedures enshrined in the PFM Act. All State MDAs shall:

1. Ensure that all public revenues are deposited into the Treasury Single Account;
2. Ensure that the MoF is notified of all new donor commitments promptly; and
3. Ensure that all procurements (for goods, consultancy services, non-consultancy services, and works) are conducted through the MoF's Procurement Department.

These three procedures are critical to ensuring that funds are accurately accounted for and reported.

#### 4.1.2 Public Engagement with the Budget

As the custodian of public monies, it is incumbent on the State to demonstrate to its citizens that appropriated revenues are being effectively deployed to meet citizen socio-economic development objectives. To this end, the MoF publishes the Annual Budget and quarterly fiscal outturn reports on its website to make this information available to the public which includes international donors the citizens of Somalia, and the public at large.

#### 4.1.3 Macroeconomic Risks

Deviations from the macroeconomic assumptions underpinning this BFP will pose a significant risk to fiscal policy objectives. Overall, Somalia's medium-term growth forecast depends largely on the absence of droughts or floods, the economic performance of our donor countries, and the stimulatory impact of new development projects conducted by the State and on its behalf. Continued insecurity curtails the State's ability to deliver its plans. State reforms in PFM, the PFM and Revenue Acts, and customs reforms are expected to help ensure that available resources are effectively used for committed purposes. An emphasis on robust and well-managed public procurements should ensure the efficient execution of policy objectives.

#### 4.1.4 Institutional Risks

Since its inception, the State's performance concerning implementation of tax measures has been mixed. Limited access to taxpayers, lack of taxpayer information, the ubiquity of illegal checkpoints, poor understanding on the part of taxpayers as to the importance of timely tax payments, diversion of public funds from the Treasury Single Account, and procurements being conducted outside of the legal framework of the PFM Act all pose significant risks to the fiscal sustainability of the State's institutions. To manage these risks, the State continues to place a significant emphasis on the professionalization of its revenue collection activities, underpinned by the Revenue Act and subsidiary regulations and instructions.

#### 4.1.5 Human Resource Risks

Given its resource constraints, the Government struggles to attract qualified professionals to the civil service. As capacity within the Civil Service Commission increases, Ministries will work closely with the Commission to develop staffing plans over the medium-term, to support the budget preparation process by providing an indication and clear rationale for proposed staffing levels.

These below risks are specific to Hirshabelle and identify factors that could influence both macroeconomic and fiscal conditions.

Table 9 - Macro-Fiscal Risk Table

Risk	Likelihood	Impact
Increasing costs of key household goods hurts welfare	<b>Medium</b> - prices of good have been risen since Russia-Ukraine war but inflation has reduced due to better harvests.	<b>Medium</b> – the cost increases have been wide but are likely limited in size now
Large variances in grants revenue make budget execution difficult	<b>High</b> – grants revenues have historically been difficult to forecast	<b>High</b> – they remain a significant part of the budget
Droughts cause economic downturn	<b>Low</b> – limited evidence that conditions have worsened	<b>High</b> – economy is very reliant on agriculture sector
Floods	<b>High</b> – Shabelle River floods are common	<b>Medium</b> – impacts the agriculture sector
Low labour force participation	<b>High</b> - 30% of the labour force is unemployed	<b>High</b> - not enough workforce to drive the economy.
Low remittance	<b>Medium</b> – remittances remains at the same level as last year	<b>Medium</b> - remittance flows make up a key part of incomes and foreign exchange
Increase in internally displaced	<b>High</b> – displacement happens with regularity	<b>High</b> – can increase costs and cause economic disruption

