



FEDERAL GVERNMENT OF SOMALIA

MINISTRY OF FINANCE

BUDGET STRATEGY PAPER (BSP)-FY2021

August 2020

Abbreviations

CBS	Central Bank of Somalia
CoM	Council of Ministers
DP	Decision Point
ECF	Extended Credit Facility
FGS	Federal Government of Somalia
FMS	Federal Member States
FY	Financial year
IDIQ	Indefinite Delivery, Indefinite Quantity
IMF	International Monetary Fund
MDA	Ministries, Departments, and Agencies
MTFF	Medium-term fiscal framework
SNA	Somali National Army
BRA	Benadir Regional Administration
CMC	Cash Management Committee
G.C.C.	Gulf Cooperation Countries
GDP	Gross Domestic Production
GSS	Galmudug State of Somalia
HIPC	Heavily Indebted Poor Countries
HS	Harmonized System
HSS	Hirshabelle State of Somalia
ICT	Information & Communication Technology
IGFF	Intergovernmental Fiscal Forum
JSS	Jubbaland State of Somalia
NGO	Non-Governmental Organization
PL	Puntland State of Somalia
SL	Somaliland
SMP	Staff-Monitored Program
SOS	Somali Shilling
SWS	South West State of Somalia

Table of Contents

1. Introduction	1
1.1 Background.....	1
1.2 Recommendations and Endorsement Requirements	1
1.3 Budget harmonization for the FGS and FMSs in FY2021.....	2
2. Macroeconomic Outlook.....	2
2.1 Macroeconomic Trends	2
2.2 Macroeconomic Policy Framework	3
2.3 Macroeconomic Risks and Assumptions.....	4
2.4 Macroeconomic Forecast.....	7
3. Fiscal Trends	8
3.1 Revenue	8
3.2 Expenditure.....	12
.....	14
3.3 Fiscal Risks and Assumptions.....	15
4. Fiscal Forecast.....	16
4.1 Statement on Budget Principles and Fiscal Rules	16
4.2 Statement on Revenue and Expenditure Measures.....	17
4.3 Fiscal Forecast.....	19
4.4 Resource for the Annual Budget	20
4.5 Fiscal Space for Policy Accommodation.....	20
4. Government Priorities and Expenditure Allocations	21
5.1 Government Priorities	21
5.2 Expenditure Ceilings	22
5.3 FY2021 Budget Preparation Timetable	24
Annexes.....	26
1 Macroeconomic and Fiscal Risk Register.....	27
2 Fiscal Framework Under Alternative Scenario	31

Table of Tables

Table 1 – Key macroeconomic indicator trends (2016 - 2019) [Source: IMF Country Report No. 20/85]	2
Table 2 – Macroeconomic Assumptions.....	6
Table 3 – Macroeconomic and Aggregate Revenue Forecasts	7
Table 4 – Impact of COVID-19 Relief Measures on FY2020 Revenue Estimate	17
Table 5 – Impact of Expenditure Measures on the Fiscal Outlook	18
Table 6 – Fiscal Forecast FY2021 - 2025	20
Table 7 – Recurrent Expenditure Ceilings by Sector	23
Table 8 – Recurrent Expenditure Ceilings by MDA	23
Table 9 – Recurrent Expenditure Ceilings by Economic Classification (Object Code).....	24
Table 10 – FY2021 Budget Preparation Calendar.....	25
Table 11 – Fiscal Risk Register.....	27
Table 12 – Fiscal Forecast FY2021 - 2025 (Alternative Scenario)	31
Table 13 – Recurrent Expenditure Ceilings by Sector (Alternative Scenario)	32
Table 14 – Recurrent Expenditure Ceilings by MDA (Alternative Scenario)	32
Table 15 – Recurrent Expenditure Ceilings by Economic Classification (Object Code) (Alternative Scenario)	33

Table of Figures

Figure 1 – Total Aggregate Revenue Receipts (US\$)	9
Figure 2 – Composition of Actual Revenue Receipts (% of Total Revenue Receipts)	9
Figure 3 – Composition of Own-source Tax and Non-Tax Revenues	11
Figure 4 – Tax to GDP Ratio.....	11
Figure 5 – Actual Expenditure Composition.....	12
Figure 6 – Actual Expenditure by Sector.....	13
Figure 7 – Shares of total expenditure compared to Fragile, Low Income, and OECD Countries	14
Figure 8 – Government Final Consumption Expenditure	14

1. Introduction

1.1 Background

This paper presents to the Council of Ministers (CoM) the fiscal strategy for the financial year (FY) 2021, outlines the economic and political climate, and recommended resource ceiling within which the FY2021 Budget is to be prepared. The paper adopts a medium-term strategic view, providing an assessment of the macroeconomic outlook for Somalia over the medium-term (i.e., from 2021 to 2025). It then provides a summary analysis of the Federal Government of Somalia's (FGS) fiscal performance over the FY2013 to FY2019 period, as well as a forward-looking discussion of fiscal risks and assumptions drawing on this performance assessment. With an understanding of the macroeconomic outlook and historical fiscal performance, the paper then presents a fiscal forecast for the medium-term, outlining FGS budget principles, fiscal rules, and outlining the overall indicative resource ceiling for this period. Finally, the paper concludes by applying the indicative resource ceiling to the FGS's Ministries, Departments, and Agencies (MDAs) to derive detailed expenditure ceilings for each entity over the medium-term, as well as indicate a timetable for FY2021 Budget Preparation.

With the successful achievement of meeting the Decision Point (DP) trigger with the International Monetary Fund (IMF) in March 2020, this paper draws on the macroeconomic and structural policies agreed with the IMF as stated in the IMF's Country Report No. 20/85. That said, the COVID-19 pandemic currently ravaging Somalia, coupled with the onset of torrential Gu' rains, have made the process of medium-term forecasting highly challenging and may adversely impact on Somalia's ability to demonstrate a track-record of delivery against the FGS's National Development Plan 9 (NDP9) and meet the Extended Credit Facility (ECF) benchmarks identified in the IMF's Country Report No. 20/85. As such, this strategy presents two possible scenarios depending on the quality of health and economic policy interventions to contain the pandemic.

As the FGS commences the FY2021 Budget Preparation process in the latter half of the year, these scenarios will be adjusted to determine a medium-term fiscal framework (MTFF) once more data becomes available to frame the macroeconomic and fiscal outlook.

1.2 Recommendations and Endorsement Requirements

In-line with international best practice for Annual Budget preparation, this fiscal strategy paper is presented to the CoM in order to solicit their endorsement of:

- FGS priorities for FY2021;
- Fiscal rules to be applied to the FY2021 Budget Preparation process;
- The macroeconomic and fiscal forecast;
- The fiscal space generated through the application of revenue and expenditure measures; and
- Detailed expenditure ceilings for MDAs.

1.3 Budget harmonization for the FGS and FMSs in FY2021

The Ministry of Finances of the FGS, FMSs and BRA November 2019 have signed fiscal transfer policy in November 2019. The objective was to achieve the Harmonization the planning and budgeting cycles to ensure that FMSs' fiscal transfer aspects are appropriately catered for in the FGS budget. Another follow-up meeting held in Mogadishu in August 2020 between all the finance ministers was and emphasized the importance of harmonizing the entire budget in FY2021 of the FMSs and the Federal Government. Preparing consolidating budget for the Federal Government and Federal Member States is very significant to share all FGS and FMSs fiscal information, and it is essential for the country's budget improvement.

The consolidation of the national budget plan will not be completely implemented as one budget document in the early years as the FMSs will submit their draft budget then FGSs will attach as annex to the FGS budget before submitting the cabinet in FY2021.

2. Macroeconomic Outlook

2.1 Macroeconomic Trends

Through the end of FY2019, recent improvements in economic conditions have been underpinned by robust activity in construction, transport, telecommunications, agriculture, and fishing, with output overall increasing between the period FY2016 to FY2019. As shown in Table 1 below, Real GDP growth was estimated at 2.9 percent in FY2019 signaling a return to pre-drought growth levels. Inflation over the period decreased, from historic highs of 6.1 percent during the 2017 drought to 3.1 percent, although it remained at a higher level than pre-drought conditions.

Table 1 – Key macroeconomic indicator trends (2016 - 2019) [Source: IMF Country Report No. 20/85]

Indicator	2016 est.	2017 est.	2018 est.	2019 est.
Real GDP (% change)	2.9	1.4	2.8	2.9
GDP per capita in US \$	316	311	311	311
Inflation rate (Consumer Price Index)	1.2	6.1	3.2	3.1
Foreign Direct Investment (% GDP)	7.9	8.2	8.6	9.0
Total revenue (% GDP)	4.1	6.0	5.7	6.8
- Tax and non-tax revenue (% GDP)	2.7	3.2	3.9	4.6
- Non-tax revenue (%GDP)	1.4	2.8	1.8	2.2
- Oil revenue (if relevant)	N/a	N/a	N/a	N/a
Total expenditures (% GDP)	3.3	5.3	5.7	6.3
- primary expenditures	3.1	5.1	5.5	6.0
- interest payments	0.0	0.0	0.0	0.0
- capital expenditures	0.1	0.1	0.2	0.3
- social transfers (if relevant)	0.0	0.0	0.0	0.0
Net lending/borrowing (% GDP)	0.8	0.7	0.1	0.5
Gross debt (% GDP)	122.9	116.6	112.8	107.4

Indicator	2016 est.	2017 est.	2018 est.	2019 est.
External debt or debt in foreign currencies (% GDP)	121	115	111	106
Exports (% of GDP)	15	11	12	11
Current account balance (% GDP)	-9.4%	-9.8%	-10.3%	-11.9%
Private (net) current transfers, including Remittances (% GDP)	32	31	31	32

Notably, foreign direct investment, total government revenue, and total government expenditure as a percent of GDP has increased at a steady rate since FY2016, reflecting the concerted effort by the FGS to foster improved security and stability in Somalia as well as to implement a serious reform effort to improve the quality and efficacy of its public financial management and public administration. Concerningly, however, the decline in exports since FY2016 has translated into a worsening of the current account balance, leaving Somalia with an increasing trade deficit over the period.

2.2 Macroeconomic Policy Framework

As articulated in the Government’s National Development Plan (NDP9), the FGS’s macroeconomic policy objectives are to:

- Promote economic growth in an environment of low inflation;
- Achieve a sustainable fiscal position through the preparation of balanced budgets;
- Minimize the trade deficit so as to ensure a favorable current account balance; and
- Accumulate foreign exchange reserves.

On the monetary policy side, the Government’s focus continues to seek to build the Government’s capability to enact monetary policy by countering the pervasive dollarization of the economy. In particular, reforms have already been implemented to introduce a new currency with a view towards ending counterfeiting of the Somali Shilling (SOS). This end, all legal and operational measures necessary for the introduction of new tender have been concluded, and a first round of small denomination bills have been introduced with a second round of larger denominations planned for issuance over the medium-term. Through an increasingly capable Central Bank of Somalia (CBS), the Government seeks to recapitalize the CBS so that the entity is able to fulfill its regulatory function. There has already been some progress made on this front, with the CBS initially focusing on enforcing international obligations on anti-money laundering and combating the financing of terrorism (AML/CFT), a critical step towards ensuring Somalia is able to operate in global financial markets and properly regulate capital flows into the country so as to avoid funds falling into illicit hands.

On the fiscal policy side, the FGS has embarked on an ambitious reform program to enhance domestic revenue mobilization, improve the quality of expenditure controls, and increase transparency and accountability in the management of public resources. Implementation of these reforms has contributed to increased domestic revenue collections, more realistic national budgets, and improved execution of the budget, helping to improve predictability and credibility of the budgeting process. These reforms have

been critical in securing debt relief under the enhanced HIPC initiative, with Somalia's total debt burden now reduced to \$557 million in net present value terms following clearance of debt with the IMF, the World Bank, and African Development Bank, and the Paris Club creditors. As the 37th country to achieve debt relief under the HIPC initiative, Somalia's current priority is to achieve all reforms required by the IMF to reach the completion point under the Extended Credit Facility and Extended Fund Facility (ECF/EFF) benchmarks.

Significant progress has also been achieved with regards to fiscal federalism and intergovernmental transfers. The Intergovernmental Fiscal Forum (IGFF) has been revitalized and is leading to fruitful discussions between the FGS and FMSs on fiscal flows from the FGS to the nascent and established FMSs. Issues, however, remain, particularly with regards to the harmonization of taxes and harmonization of fiscal, budget, and accounting frameworks, and with regards to revenue sharing. Further clarifying functional assignments of the FGS and FMSs, mechanisms for revenue sharing, management of natural resources, and borrowing powers are pending resolution but are being addressed through the on-going review of the Constitution under the Constitution Review process.

Overall, the NDP9 macroeconomic strategy for the Government is three-fold:

- Creating an enabling environment for the private sector, to promote increased growth, increased employment and increased competition;
- Building Government's capacity to increasingly play its role, in terms of regulation, enforcement, a fair playing field, regional trade, resilient and transparent operations, within a sound macro-economic framework; and
- Ensuring through collaboration between the Government and its development partners, that the excluded and vulnerable segments of society are empowered participants.

2.3 Macroeconomic Risks and Assumptions

The COVID-19 pandemic is having a serious impact on Somalia and the world at large. The outbreak of the novel coronavirus, coupled with the lack of a viable vaccine or treatment, frames the majority of macroeconomic risks and assumptions used to develop the macroeconomic and fiscal forecasts. In particular, the following risks are of serious concern:

- **COVID-19:** The outbreak of the virus is likely to lead to lower household consumption, declined domestic economic activity in both formal and informal sectors and an increased reliance on imports.
- **Development Partner's Economic Growth:** Somalia's remains heavily reliant on official development assistance flows from its development partners. With the US and Eurozone expected to fall into recession in 2020 and great uncertainty with regards to the time horizon for their recovery, it is highly likely that aid flows will be significantly negatively impacted.
- **Inflation:** An increase prices of imported goods from key import markets (including China, UAE, Turkey, Oman, Malaysia, and India) are likely to cause inflationary pressure in the short and medium term. Food prices in particular are already rising in key population centers (BRA), in most emerging Federal Member States (SWS, HSS, GSS and JSS) as well as PL and in SL, price

gouging practices by traders are likely to lead to inflated prices as food becomes increasingly scarce in the coming months.

- **Exchange Rate:** The US Dollar continues to be the safe-haven currency for investors during periods of recession. Strengthening of the US dollar in the period prior to COVID-19 has an adverse effect on the strength of the Somali Shilling, and as such it is likely that the domestic currency will continue to depreciate over the medium term;
- **Net Exports:** The partial lifting of the livestock ban in Saudi Arabia has somewhat offset the risk of a fall in demand for Somalia's exports. There is, however, a continued risk as G.C.C. countries suppress demand for Somalia's livestock. With demand largely dependent on the Middle East, and the Hajj in particular, it is highly likely that demand will remain suppressed over the medium term. On the other hand, imports are likely to fall given limited ability to purchase foreign goods and thus contribute positively to overall aggregate demand;
- **Unemployment:** The closure of hotels, aviation and withdrawal of most international organizations from Somalia is likely to lead to an increase in unemployment as these employers are forced to lay-off workers in response to falling income. Increasing unemployment is likely to contribute to increased insecurity as insurgent groups rely on unengaged youth for recruitment;
- **Banks and Money Transfer Firms:** Key banking and money transfer firms have already instituted restrictions on customers, including limiting all non-salary payments for NGOs and private firms operating in Somalia. Given cash liquidity constraints driven by travel restrictions, and the overall decline in remittances being sent by Somali diaspora to their relatives in Somalia, these firms are unlikely to be able to meet demand for cash in US dollar denominations in the immediate term;
- **Public Debt:** Clearance of arrears to the World Bank and African Development Bank and the announcement of debt relief by the Paris Club in the first quarter of 2020 have reduced the explicit contingent liability of the Government in the short-term. That said, with own-source revenue mobilization forecasted to decline in the short-term, any debt stocks still pose a risk as the Government's ability to service this debt is heavily constrained;
- **Federal Member States:** The emerging Federal Member States (JSS, SWS, GSS, and HSS) have made small progress towards mobilizing domestic revenue to financing their recurrent costs since their inception. They remain, nevertheless, heavily reliant on grants from international organizations and the Federal Government in order to continue their operations. As COVID-19 threatens to seriously reverse gains made in developing their revenue mobilization capability, it is highly likely that these entities will require further support from the Federal Government in order to maintain basic administrative capability. Any accumulation of arrears across FMS, particularly to private sector vendors, is likely to lead to further economic downturns as vendors are unable to meet their own downstream commitments to employees and sub-contractors if FMS invoices are not honored in a timely manner.

Furthermore, the following macroeconomic risks further add to uncertainty with regards to the macroeconomic outlook:

- **Floods:** The Gu' rains have intensified across Somalia, leading to flash flooding in SWS, JSS, BRA, PL, and SL as of late April, less than four months after unusually heavy Deyr rains flooded

significant swathes of Somalia. Heavier than anticipate floods are likely to have an adverse impact on domestic food production, creating a further increase in demand for imported foodstuffs and further contributing to the country's fragile food security situation;

- **Locusts:** Somalia has already issued a state of emergency in reaction to the spread of desert locusts, which threaten to decimate domestic crop production. A second wave of locust swarms is expected in 2020 and will likely impact further on domestic crop production.

Against this backdrop, we anticipate two macroeconomic scenarios based on the quality and efficacy of health and socio-economic policy responses to the coronavirus pandemic. **Under the baseline scenario (Scenario 1), the COVID-19 pandemic subsides and the economy begins to recover from September – December 2020.** Flooding and the second wave of the locust infestation have a significant impact on crop yields and economic performance. Remittances and official development assistance only return to pre-crisis levels after the pandemic is contained. **Under the downside scenario (Scenario 2), the COVID-19 pandemic economic impacts continues through to the end of 2020.**

Based on the latest research by the University of Minnesota's Center for Infectious Disease Research and Policy, the pandemic is unlikely to subside until 70 percent of the population has developed immunity which they forecast to take anywhere between 18 to 24 months in developed countries, or when a vaccine is discovered. More details on these macroeconomic risks, including information on source, incidence, and potential mitigation strategies is included in Annex 1.

Table 2 – Macroeconomic Assumptions

Item	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GDP (Scenario 1)										
Nominal GDP (Millions of US\$)	4189	4509	4721	4942	4632	5070	5340	5676	6029	6400
Real annual GDP growth (percent)	2.9	1.4	2.8	2.9	-2.5	2.9	3.2	3.5	3.5	3.5
GDP (Scenario 2)										
Nominal GDP (Millions of US\$)	4189	4509	4721	4942	4621	4824	5070	5359	5661	5974
Real annual GDP growth (percent)	2.9	1.4	2.8	2.9	-3	1.9	2.9	2.9	2.9	2.9
Money and prices										
CPI inflation rate (eop)	1.2	6.1	3.2	3.1	3	2.5	2.2	2.8	2.7	2.6
Current government external accounts (percent of GDP)										
Current account balance	-9.4	-9.8	-10.3	-13.7	-12.7	-11.6	-10.9
Foreign Direct Investment	7.9	8.2	8.6	9.1	9.1	9.4	9.1
External Debt	121.1	115.1	111.3	106.4	84.1	77.4	74.1

Exchange rate (shilling/dollar)	2400 5	2360 5	2447 5	2601 5
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2.4 Macroeconomic Forecast

Based on the risks and assumptions above, the table below provides a summary of GDP and revenue estimates for the period FY2016 – 2020 and forecasts for FY2020 – 2025. Aggregate revenue forecasts have been developed through a linear regression approach which estimates tax and non-tax own-source revenue as a function of total GDP, grants have been estimated based on a time-series forecast of grants receipts using 2017 as the base year.

Table 3 – Macroeconomic and Aggregate Revenue Forecasts

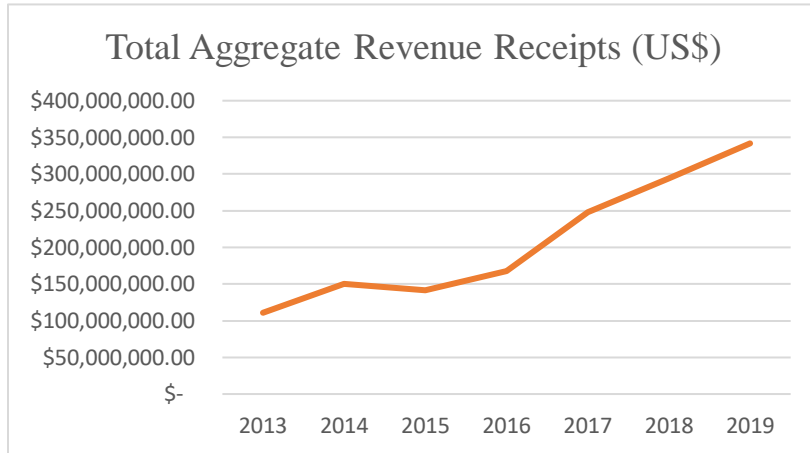
Scenario and Indicator		Estimates				Projections					
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Baseline Scenario (Scenario 1)	GDP (millions \$)	4189	4509	4721	4942	4632	5070	5340	5676	6029	6400
	Total Revenue (millions \$)	168.0	247.9	270.2	338.9	604.6	593.8	575.1	681.9	756.9	837.4
	Domestic Revenue	112.7	142.6	183.4	230.3	194.0	260.1	280.1	292.4	302.9	314.9
	Grants	55.3	105.3	92.8	108.6	410.6	334.8	296.1	389.5	454	522.5
Downside Scenario (Scenario 2)	GDP (millions \$)	4189	4509	4721	4942	4621	4824	5070	5359	5661	5974
	Total Revenue (millions \$)	168.0	247.9	270.2	338.9	570.4	544.8	562.9	687.1	799.5	917.9
	Domestic Revenue	112.7	142.6	183.4	230.3	234.4	210.0	266.8	273.6	284.5	295.4
	Grants	55.3	105.3	92.8	108.6	231.8	334.8	296.1	389.5	454.0	552.5

The remainder of this strategy paper and the following fiscal framework is developed using Scenario 1 (i.e., the COVID-19 pandemic subsides, and the economy begins to recover from September – December 2020) as the basis for calculating the fiscal framework and deriving sectoral and MDA-level aggregate expenditure ceilings. Fiscal frameworks resulting from the downside scenario are included in Annex 2 for comparative purposes. Should the pandemic dynamics change significantly prior to the revision of the Medium-Term Fiscal Framework during the course of the FY2021 Budget Preparation process, the framework will be revised accordingly to update the strategy prior to presentation of the Appropriations Bill to Parliament.

3. Fiscal Trends

In order to ensure that the presented fiscal forecast in Section 4 below is credible, this section provides a summary analysis of revenue and expenditure trends over the period FY2013 – 2019, as well as a discussion of fiscal risks and assumptions used to derive the fiscal forecast.

3.1 Revenue



Total revenue receipts have grown by over 208 percent between 2013 and 2019, growing from a total of \$110.8 million to over \$337.8 million during the period. This sub-section decomposes these revenue receipts into tax, grants, and non-tax own-source receipts in order to analyze drivers of growth and concludes by providing a comparison of tax-to-GDP ratios against available IMF benchmarks.

Figure 1 – Total Aggregate Revenue Receipts (US\$)

Decomposing aggregate revenue receipts into the key revenue types: taxes, grants, and other non-tax own-source revenues paints a positive picture of the FGS’s performance; between financial year 2017 and 2019, the share of government revenue accruing from grants receipts (from foreign governments and international bi-lateral and multi-lateral organizations) is decreasing. This trend is commendable as it demonstrates that the FGS’s efforts to mobilize domestic revenue – a key component in starting to re-build State-Society relations – are rapidly yielding results.

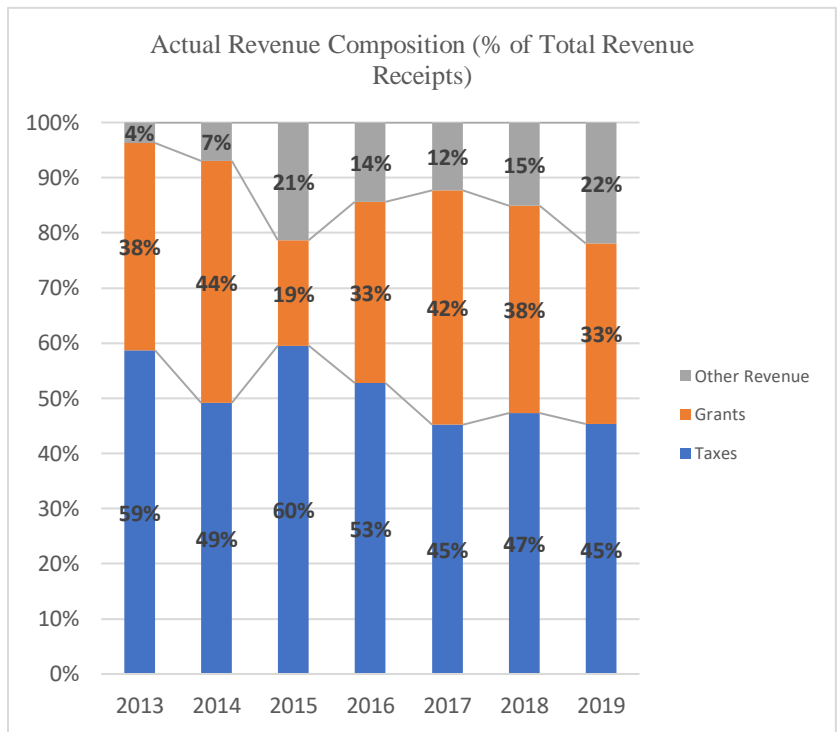
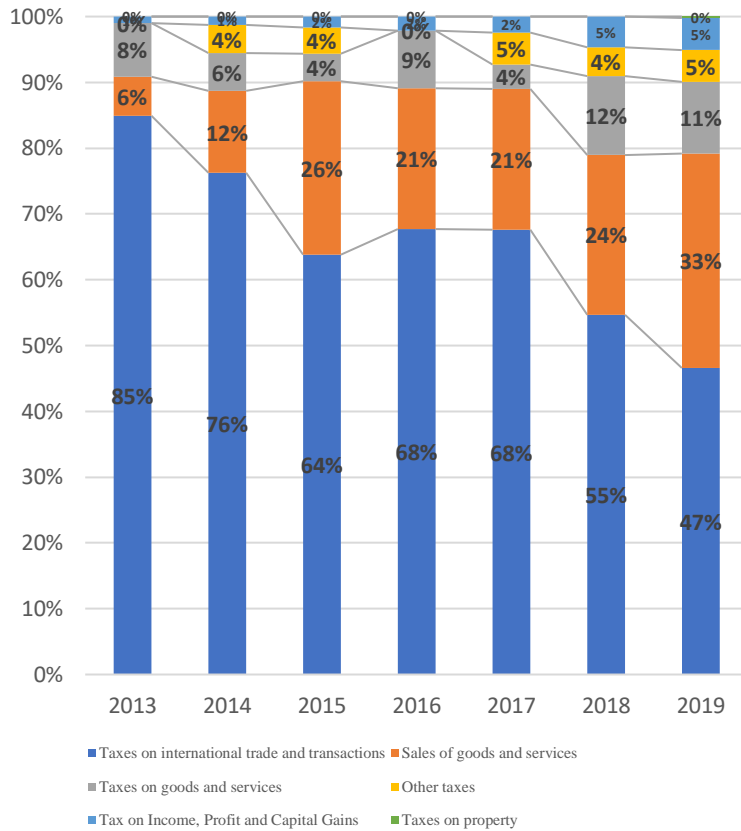


Figure 2 – Composition of Actual Revenue Receipts (% of Total Revenue Receipts)

Composition of Own-Source Tax and Non-Tax Revenues



Contrary to popular perception, this improvement in domestic revenue mobilization has not entirely been driven by increases in taxes on international trade. As Figure 4 adjacent demonstrates, this revenue source has been declining as a share of Government own-source revenue between 2017 (68% of total own-source revenue) and 2019 (47% of total own-source revenue). This trend is positive from an economic perspective as taxes on international trade are widely understood to have distortionary effects – that is, they disproportionately increase the price of imported goods which most Somali citizens rely on and as such reduce their purchasing power. Instead, over the past three-year period, the FGS has made a concerted effort to increase the share of own-source revenue accruing from the sales of public goods and services, particularly through harbor fees, telecommunication spectrum fees, fisheries licenses, and overflight fees.

Figure 3 – Composition of Own-source Tax and Non-Tax Revenues

There is, however, considerable room for improvement with regards to domestic revenue mobilization. While tax-to-GDP ratios have grown from 1.22 percent to 1.91 percent between 2013 to 2019, this ratio is still significantly below international averages. This ratio is of particular concern, as the IMF has identified that countries where tax-to-GDP ratios are below 12.75% tend to have sub-optimal economic outcomes as Government's tend to be increasingly reliant on volatile donor funding and unable to respond to macroeconomic, climate-related, and health shocks without further increasing their reliance on foreign revenue sources.

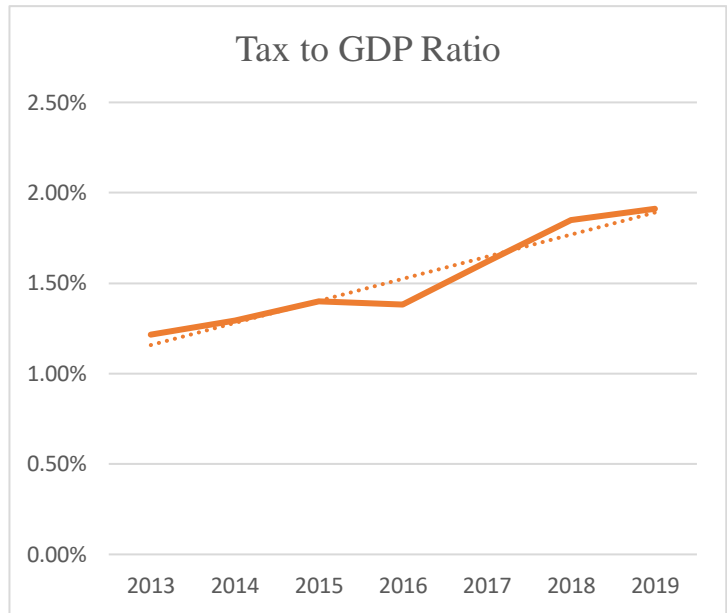
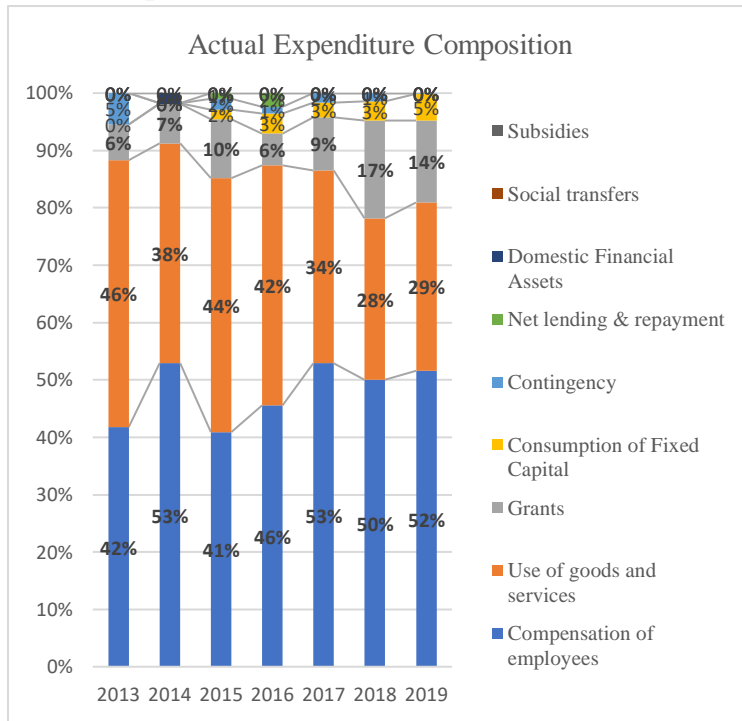


Figure 4 – Tax to GDP Ratio

3.2 Expenditure



Underperformance in revenue collections, identified as due to shortfalls in anticipated grant receipts in Section 2 above, has however meant that a greater than anticipated share of Government spending has been spent on compensation of employees (52 percent of actual expenditure compared to 48 percent of the planned budget), use of goods and services (29 percent of actual expenditure compared to 26 percent of the planned budget), and grants to the Federal Member States (14 percent of actual expenditure compared to 10 percent of the planned budget). This has largely come at the expense of capital expenditures, which accounted for only five percent of actual government spending compared to eight percent of planned expenditure and the crowding out of all other types of government spending.

Figure 5 – Actual Expenditure Composition

Analyzing expenditure by sector and function, however, is more relevant in the case of Somalia for understanding improvements in spending trends over time. For accounting purposes, the FGS groups its MDA’s into four functional sectors: Administration, Security, Economic, and Social. As shown in Figure 8 below, spending in the Administrative Sector – which includes core Executive, Legislative, and Judicial MDAs, decreases as a share of total spending between 2013 and 2017, and has been fairly constant since. Slight decreases in spending in the security sector since 2017, have allowed for a notable increase in social sector spending, which includes key citizen services like health and education.

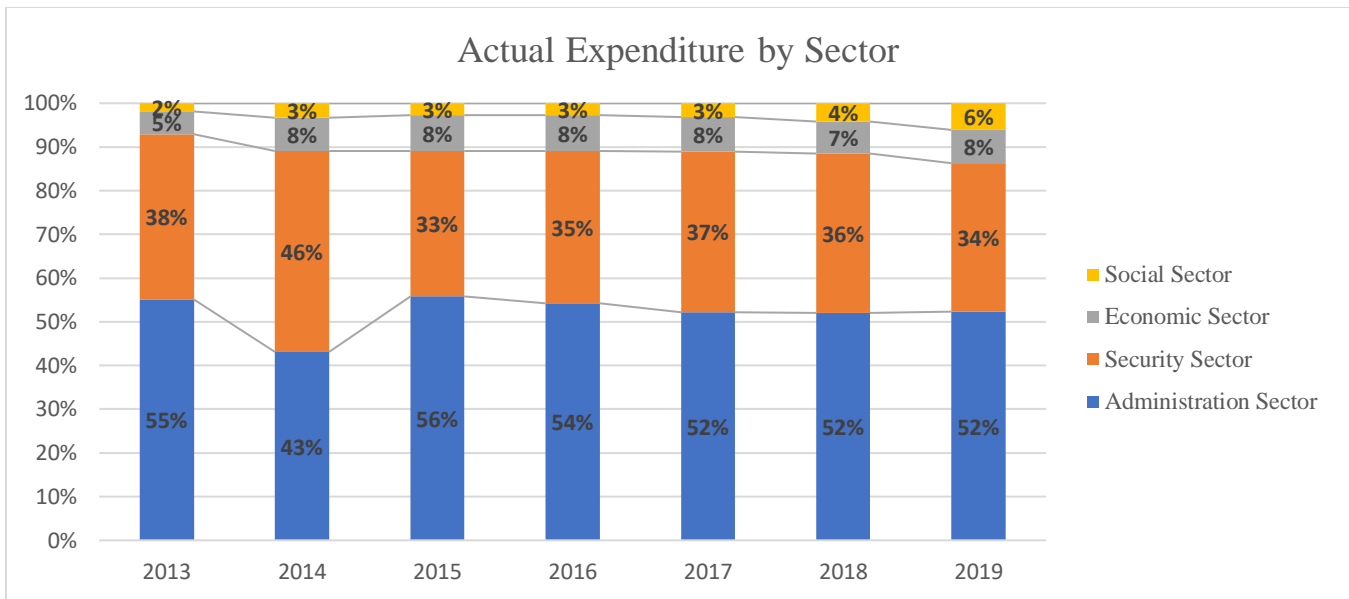


Figure 6 – Actual Expenditure by Sector

While the Government remains committed to increasing allocations to these sectors, it is important to be realistic in our aspirations. Based on a benchmarking exercise analyzing 47 fragile, low income, and OECD countries we find that FGS spending is on a trend path towards converging with its peer group fragile countries, where government expenditure is primarily concentrated in collective consumption public goods and services including security and general public services. As such, while future budgets will aim to achieve a similar profile to our peer fragile and low-income countries, it is neither likely nor realistic to expect spending to mirror OECD economies until significant structural economic transformations leading to an amelioration in incomes have occurred.

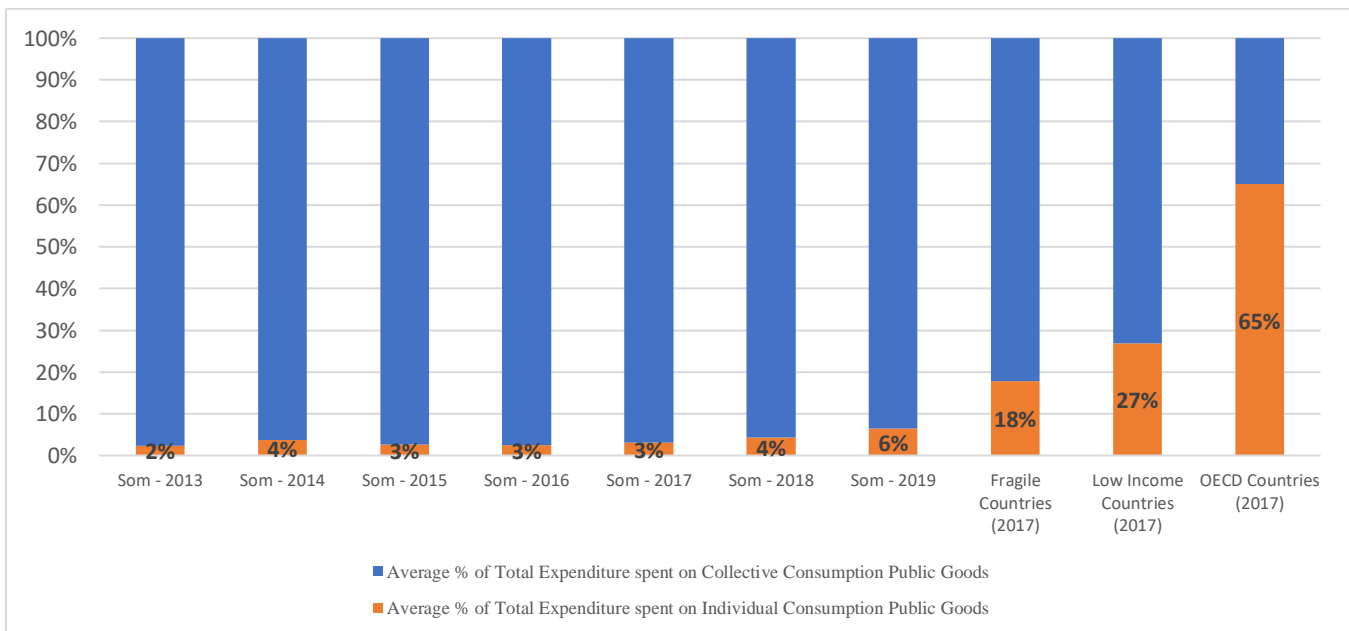
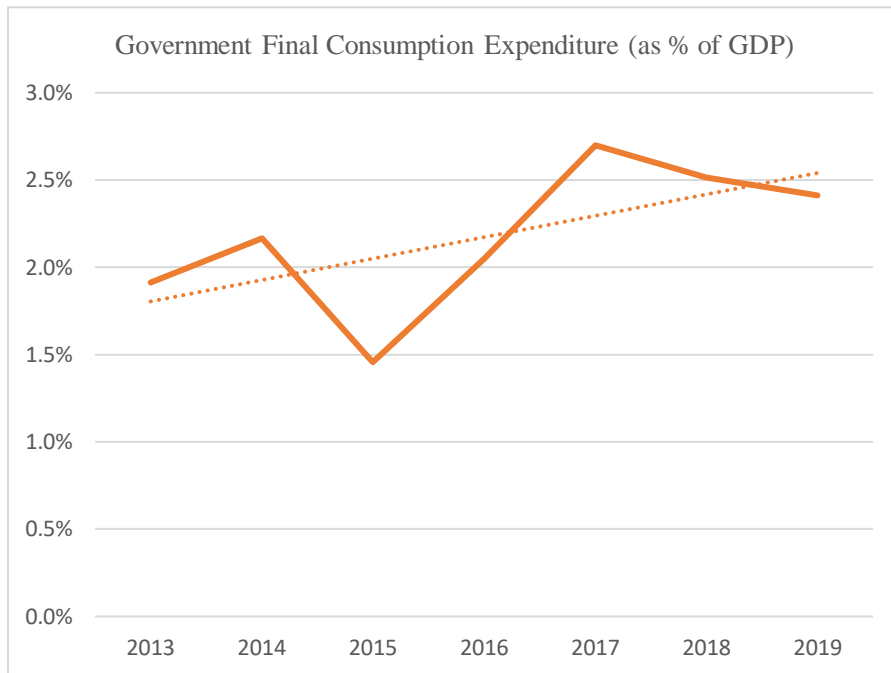
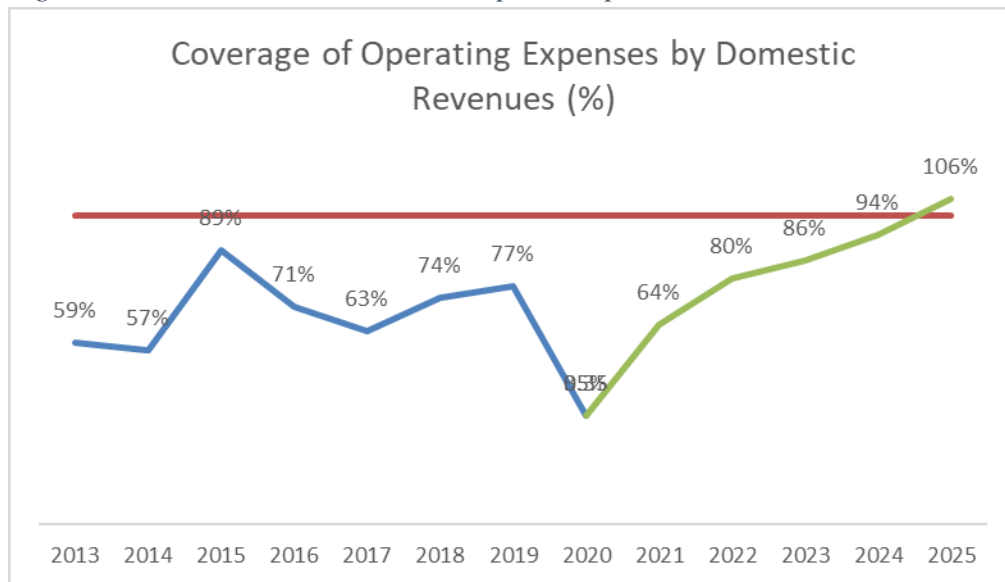


Figure 7 – Shares of total expenditure compared to Fragile, Low Income, and OECD Countries



In order to achieve this improvement in increased social spending, however, is a long-term objective. Currently, total government final consumption expenditure accounts for only 2.4 percent of GDP. While this has risen somewhat from 1.9 percent in 2013, it remains significantly below the world average of 16 percent of GDP and as such suggests that the Government plays a very small role currently in Somalia’s overall economic activity.

Figure 8 – Government Final Consumption Expenditure



The FGS budget strategies in recent years have been guided by fiscal targets with the broad objective of putting Somalia on a path to fiscal sustainability. One priority target is to gradually increase the coverage of operating costs by domestic revenues to 100%. Figure 9 illustrates the recent trends and the impact of assumptions in the MTFE towards this outcome.

Figure 9 – Coverage of Operating Expenses by Domestic Revenue

3.3 Fiscal Risks and Assumptions

While the FGS has made tremendous progress with regards to improving domestic revenue mobilization, securing debt relief, and increasing sectoral allocations to social spending sectors, it nevertheless faces several fiscal risks that threaten its public financial management reforms undertaken to date. These risks include:

- **Reliance on few revenue streams:** Federal Government own-source revenues are highly dependent on taxes on international trade and transactions, which are known to have highly distortionary effects on the domestic economy and be highly sensitive to global economic trends;
- **Lack of good quality information:** While considerable progress has been made to improve the availability of key macroeconomic information at the Central Bank and at the Ministry of Planning, Investment and Economic Development, access to this data in a timely manner remains a challenge and complicates the development of accurate medium-term fiscal forecasts. Lack of quality, timely information further curtails the Government's ability to properly assess and quantify its exposure to fiscal risks should they materialize;
- **Excessive earmarking of revenue to security sector expenditure:** Salary and non-salary obligations to the Somali National Army and Police Force continue to account for a significant share of government expenditure. Given the country's precarious security situation, these expenditures are likely to account for a significant share of total government spending over the medium-term as Somalia continues to make cautious progress towards improving peace and stability outcomes;
- **Budget Outturns:** Preliminary data for FY2019 suggests that the quality of the aggregate budget outturn has deteriorated compared to the two previous fiscal years. This is largely driven by less than anticipated receipts of donor grants against identified commitments. This is not necessarily due to donor delays in releasing funds, however, as the FGS MDAs receiving grants often have to complete reform activities and provide evidence of this prior to receipt of funds;
- **Cash Management:** Clustering of grants receipts in the last quarter of the year, and in December in particular, places a cash rationing constraint on government operations during the first three quarters of the year;
- **Fiscal Flexibility:** Limited domestic revenue mobilization coupled with the balanced budget constraint mean that the Government has little to no fiscal space at its discretion to respond to economic shocks as they occur. Given the debt limit constraint, the Government is unable to borrow in international and domestic markets to secure funding to respond to shocks and therefore has to rely on Donor grants.

Further detail on the risks identified above, including information on source, incidence, and potential mitigation strategies is included in Annex 1. Given the contextual analysis done above to identify macroeconomic and fiscal risks, we make the following baseline assumptions in order to derive the fiscal framework:

- **Revenue:** The Government continues to improve on revenue collection as a share of GDP based on historical trends over the FY2013 – FY2019 period;

- **Sectoral Allocations:** Sectoral allocations continue to reflect an increase in spending in social sectors based on historical trends over the FY2013 – FY2019 period;
- **MDA Allocations:** MDA allocations with a sector are held constant as a percentage share of the total FY2020 revised budget.

4. Fiscal Forecast

4.1 Statement on Budget Principles and Fiscal Rules

The Annual budget is to be prepared in accordance with a set of principles which have been agreed with the IMF under the SMP and ECF agreements and which are considered appropriate for sustainable fiscal management in Somalia given its current capacity and macroeconomic and fiscal considerations. The Budget Principles are:

- The Annual Budget is prepared on a cash basis
- The Annual Budget is managed within a medium-term fiscal framework presented in this strategy paper
- The Annual Budget must be credible, and prepared based on conservative revenue projections. Furthermore, projections of grants from donors must be realistic and based on confirmed pledged grants, and ideally be applied to cover discretionary spending. Expenditure projections should be credible so as to prohibit the creation of new expenditure arrears-;
- The Annual Budget is limited to the funds that are under the direct control of the Federal Government; and
- The Annual budget is implemented based on the rules for cash management which are included in the annual Appropriations Act passed by Parliament following development of the detailed Appropriations Bill developed by the Executive.

To support adherence to these Budget Principles, a set of fiscal rules is recommended to establish the framework for the fiscal strategy. These rules are:

- **Debt limit:** The Annual Budget makes no addition to Government debt;
- **Budget Balance:** The Annual Budget has a zero or greater (i.e., a cash surplus) overall balance;
- **Revenue:** The Annual Budget must maintain a domestic revenue floor as agreed with the IMF whilst reducing dependence on grants over time. Any windfall revenues – that is, revenue receipts greater than the revenue projections in this document resulting from improved macroeconomic performance above the outlook; through improvements in tax administration efficiency; or policy changes – are to be allocated towards repayment of outstanding arrears and thereafter to replenish the fiscal buffer; and
- **Fiscal buffer:** A fiscal buffer comprising sufficient funds to cover two (2) months of the total FGS compensation of employees’ budget, the food component for the Somali National Army (SNA), and a replenishment trigger of one month’s coverage shall be established and maintained;
- **Fiscal space:** Any fiscal space generated through the application of revenue and expenditure measures presented in section 4.2 below are to be applied towards the FGS’s investment component of the NDP9 following any payments towards outstanding arrears and replenishment of the fiscal buffer.

4.2 Statement on Revenue and Expenditure Measures

In response to the COVID-19 pandemic, the FGS's has instituted Revenue Measures outlined in Table 4 below. This paper assumes that the Revenue Measures put in place to reduce hardships on businesses and ease the cost of living for the vulnerable sectors of the society will be lifted for the medium-term fiscal framework period.

Table 4 – Impact of COVID-19 Relief Measures on FY2020 Revenue Estimate

Revenue Measure	Affected Own-Source Revenue Stream	Impact on FY2020 Revenue Estimate
50% reduction in tax on wheat flour and oil; Tax exemption on rice, palm, and basic foodstuff commodities	115100 – Customs and other import duties	-8%
Tax exemption on rice, palm, and basic foodstuff commodities	115100 – Customs and other import duties	-0.5%
Three-month tax exemption on trader taxes	114104 – Sales taxes on imported goods	-0.5%
Ban on khat imports	115601 – Import tax on Khat	-3%

This fiscal forecast assumes that the measures above will be lifted following the end of the COVID-19 pandemic but recognizes that businesses may not fully recover for a period of three to six months thereafter. Additionally, the forecast assumes that the following revenue measures will be adopted for FY2021:

- The electricity and TV Cable sales taxes will be implemented from 2021 onwards
- A turnover tax on small and informal businesses will be introduced from 2021 onwards; and
- The ban on khat imports will be lifted following the pandemic. The tax rate on khat will increase by \$1/bundle from August 2020 onwards.

As part of the IMF ECF reform program, the Government plans to:

- Adopt and apply a simple import duty tariff schedule at all ports in the Federal Republic of Somalia
- Enact the Extractive Industry Income Tax Law
- Implement a tax audit strategy for large and medium tax-payers office
- Introduce the use of harmonized HS codes in the country's major ports
- Prepare an ad-valorem tariff schedule to prepare for a single tariff schedule for the country
- Develop a customs guidance manual
- Build the capacity of customs staff; and
- Install a common IT system for revenue administration.

We estimate that once applied in FY2022, these revenue measures above will help to further enhance domestic revenue mobilization, by 0.35 percent of GDP in FY2022, and 0.05 percent of GDP in FY2023 – FY2025.

On the expenditure side, the Government proposes to implement the following cost-saving measures to reduce the total outlay on use of goods and services. Estimated savings are derived by applying the savings assumption to the percentage of total expenditure the line item accounts for in the FY2020 budget. Preparations for implementing these expenditure savings measures are planned to take place in FY2021, such that savings are realized from FY2022 onwards, creating much needed fiscal space for implementation of the National Development Plan.

Table 5 – Impact of Expenditure Measures on the Fiscal Outlook

Expenditure Measure	Assumptions	Affected Expenditure Stream	Impact on Annual Expenditure Estimate
Internet – Adopt a whole-of-Government Indefinite Delivery, Indefinite Quantity (IDIQ) procurement approach for internet services to MDAs to only pay for what is actually utilized based on a monthly billing for actual utilization	Internet costs account for 75% of the current ICT budget and thus accounts for 1.6% of total expenditure. Savings amount to 25% of total current spending	23 – Consumption of Fixed Capital	-0.4%
Vehicle repairs and servicing – Require vehicle repair and servicing workshops to compete for contracts from each MDA through the use of a centralized pre-qualification mechanism with distribution limited to existing repair suppliers who will then each be placed on a whole-of-government IDIQ framework contract	Vehicle repairs and servicing account for 75% of the current repairs and maintenance budget and thus accounts for 0.4% of total expenditure. Savings amount to 25% of total current spending.	22 – Use of Goods and Services	-0.1%
Utilities (Water) – Implement a pre-qualification exercise for facilities maintenance at the whole-of-government level with qualified suppliers contracted through an IDIQ contract. Require MDA internal audit units to provide monthly reports on real utilization and potential wastage of resources in MDAs. MDAs to provide statistics on water usage as part of the mandatory documentation attached to expenditure warrants/payment vouchers for utilities	Water accounts for 25% of the utilities budget and thus accounts for 0.4% of total expenditure. Savings amount to 20% of total current spending	22 – Use of Goods and Services	-0.1%
Utilities (Electricity) – Conduct a cost-benefit analysis on adoption of solar solutions for electricity provision and where the benefit outweighs the cost, pilot hybrid use (solar & grid) in MDAs	Electricity accounts for 7% of the utilities budget and thus accounts for 1.3% of total expenditure. Savings amount to 15% of total current spending. Costs for operationalizing solar solutions represent 1% of total current spending	22 – Use of Goods and Services 23 – Consumption of Fixed Capital	-0.2% 1%
Fuel – Utilize a whole-of-government IDIQ for purchase of fuel to benefit from the locking-in of fuel prices and thus ensure that the required quantity of fuel needed to enable government operations is purchased for the year and is not as sensitive to changes in the price of oil during the FY	Fuel consumption accounts for 1.4% of total expenditure. Savings amount to 25% of total current spending	22 – Use of Goods and Services	-0.4%
Travel – Use a pre-qualification exercise to identify travel agencies authorized for Government use, and for in-land travel, consider eliminating the use of travel agents and instead procure tickets directly from registered airlines through a framework contract arrangement. Develop and promulgate a travel expense policy that articulates eligible travel expenses and define a timeline for payments of air tickets following ticket issuance	Travel accounts for 2.2% of total expenditure. Savings amount to 25% of total current spending	22 – Use of Goods and Services	-0.8%

Expenditure Measure	Assumptions	Affected Expenditure Stream	Impact on Annual Expenditure Estimate
Bank charges – renegotiate the bank charge rate with the Central Bank of Somalia from 1.5% to a lower rate	Bank charges account for 0.4% of total expenditure. The rate is renegotiated from 1.5% to 1.0% resulting in savings of 33%	22 – Use of Goods and Services	-0.1%
Other General Expenses – allocate expenses to the correct expenditure object code in order to properly account for spending and identify further saving opportunities	N/A	22 – Use of Goods and Services	No impact on expenditure as costs are reallocated to appropriate budget lines
Purchase of furniture and equipment – Implement an Annual Service and Maintenance Agreement for IT equipment using the IDIQ procurement approach at whole-of-government level to leverage economies of scale and pre-empt premature asset replacement through regular servicing. Blacklist suppliers that may supply furniture/equipment that lasts for less than a year. Ensure supply contracts include a payment retention covering a defects and liabilities period of six months. Require all MDAs to maintain asset registers which include details on current asset quality and identify the current assigned user and ensure these registers are updated. Develop and promulgate an asset disposition policy that curtails the purchase of new assets to replace functional assets	Purchase of furniture and equipment accounts for 90% of the machinery, furniture and equipment budget and thus accounts for 0.2% of total expenditure. Savings amount to 30% of total current spending	23 – Consumption of Fixed Capital	-0.1%

Through application of the expenditure measures applied above, the consumption of fixed capital budget expected to grow by 0.5 percent and the use of goods and services expected to decrease by 1.7 percent. Given the likely impact of COVID-19 on the economy, we assume that no priority will give to increasing the wage bill, thus accounting neither for new hires nor for an increase in compensation rates for existing hires. Furthermore, in-line with agreements with the IMF, this framework constrains recurrent expenditure on use of goods and services and consumption of fixed capital throughout the framework period. Furthermore, having reached the HIPC Decision Point in March 2020, the Government is now obligated to plan for interest payments and repayment of debt principles in future budget years; these figures have been included to derive the fiscal forecast.

4.3 Fiscal Forecast

Based on the macroeconomic scenario discussed above, and an application of the revenue enhancement and expenditure savings measures identified in the preceding sub-section, we derive the following fiscal forecast for the period FY2021 – 2025.

Table 6 – Fiscal Forecast FY2021 – 2025

In US\$ Million	Actual		Budget		Forecast				
	2018	2019	2020 Original	2020 Revised	2021	2022	2023	2024	2025
1. Revenue	276.2	338.9	466.2	604.6	593.8	575.1	681.9	756.9	837.4
Domestic Revenue	183.4	230.3	234.4	194.0	260.1	280.1	292.4	302.9	314.9
Tax Revenue	138.9	155.3	155.5	129.8	182.9	195.2	203.7	209.0	215.1
Taxes on income, profits, and capital gains	8.6	11.7	11.3	12.7	13.8	15.2	16.2	17.4	18.9
Taxes on goods and services	22.1	25	27.1	20.0	30.0	32.8	34.0	34.7	35.8
Taxes on international trade and transactions	100.3	107.5	106	87.4	128.0	135.8	141.8	144.9	148.1
Other Taxes	7.9	11.1	11.1	9.7	11.0	11.5	11.7	12.0	12.3
Non-tax Revenue	44.5	75	78.9	64.3	77.3	84.9	88.7	93.8	99.8
Donor Revenue	92.8	108.6	231.8	410.6	333.7	295.0	389.5	454.0	522.5
Budget Support	74.6	89.3	104.1	203.7	166.0	105.0	109.5	114.0	127.5
Project Support	18.2	19.3	127.6	206.9	167.7	190.0	280.0	340.0	395.0
2. Expenditure	268.5	315.7	476.2	685.3	558.0	566.2	648.9	705.6	759.8
Operating Expenditure	249.5	298.4	348.5	478.4	390.4	375.0	368.9	365.6	364.8
Compensation of Employees	142.4	162.4	217.7	227.0	226.9	226.9	226.9	226.9	226.9
Use of Goods and Services	69.8	82.2	73.6	84.1	95.1	82.0	76.0	72.3	70.0
Consumption of Fixed Capital	2.4	8.6	9.8	13.5	19.6	17.7	17.6	18.3	20.0
Interest	-	-	0.3	2.6	1.5	1.2	1.2	0.8	0.7
Grants (Transfer)	30.7	44.8	42.2	146.2	42.2	42.2	42.2	42.2	42.2
Contingency	4.1	0.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Repayment of Arrears	-	-	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Donor-funded Special Projects	19.0	17.3	127.6	206.9	167.7	191.1	280.0	340.0	395.0
3. Fiscal Space	7.8	23.2	-10.0	-107.2	35.8	8.9	32.9	51.3	77.6
Drawdown of cash balances	-	-	-	-	-	-	-	-	-
Contingent expenditures	-	-	-	73.6	-	-	-	-	-
POST_HIPC_DP (debt servicing principle)	-	-	-	11.8	12.7	12.4	12.2	11.6	11.4
4. Fiscal Space -	7.8	23.2	-10.0	-119.0	23.1	-3.5	20.7	39.7	66.2

4.4 Resource for the Annual Budget

Based on the forecast provided in section 4.3 above, the indicative resource ceiling for available for recurrent operating expenditure in the FY2021 Annual Budget is understood to be \$390.4 million.

4.5 Fiscal Space for Policy Accommodation

If the Government approves and applies the expenditure measures proposed in section 4.2 above, we identify a fiscal space of \$23.1 million in FY2021 and \$8.1 million in FY2022, with marked increases in outer years of the fiscal framework. Based on the requirements of the IMF ECF/EFF arrangements, this fiscal space will be available to finance the FGS's investment component of the NDP9.

4. Government Priorities and Expenditure Allocations

5.1 Government Priorities

The Annual Budget is the key instrument through which the FGS implements its policies. This strategy paper serves to create the link between the FGS's overall priorities and the Annual Budget. For FY2021, the priority government intervention areas are:

- Enabling adequate security and continuing to foster peace
- Improving the fiscal framework and budget sustainability over the medium-term by aiming to cover 100% of Operating Expenses by Domestic Revenues.
- Identifying fiscal space to reserve funds to deliver the FGS-investment component of the NDP9
- Increasing the level of transfers in the form of grants to the Federal Member States (FMS)
- Repayment of all expenditure arrears
- Replenishment of the fiscal buffer through allocation of windfall revenues remaining after the settlement of expenditure arrears
- Budget for payments to service the rescheduled debt-load under the ECF.

The priorities above are meant to enable fiscal space for the government to undertake its development policy priorities as identified in the NDP9. Priority interventions by sector are identified below:

- **General Government & Administration Sector:**
 - Build capability of government structures
 - Strengthen systems to monitor MDA performance
 - Issue PFM regulations
 - Operationalize the Anti-Corruption Commission (ACC)
 - Develop a National Anti-Corruption Strategy
 - Ratify the UN Convention Against Corruption (UNCAC)
 - Strengthen debt management capacity
 - Create and build the national statistics office to publish national statistics
 - Reform justice and judiciary systems
 - Improve women's and other vulnerable groups' access to justice
 - Protect Human Rights
 -
- **Security Sector:**
 - Increase the effectiveness of national army and police forces
 - Develop a pension scheme/social security arrangement for security forces
- **Economic Sector:**
 - Restore livelihoods and agricultural productivity in rural areas badly affected by the 2019/20 locust invasion
 - Build national capacity for early warning and response to locusts/pests outbreaks
 - Improve the business environment
 - Enact the electricity Act and issue supporting regulations to facilitate private sector investment in the energy sector

- Facilitate financial inclusion of the informal sector through savings accounts, mobile banking, and micro loans, including for the self-employed and producers in rural areas
 - Develop and implement a wages and remuneration policy, and an appropriate minimum wage law
 - Rehabilitate key infrastructure
 - Build a legal, regulatory, and institutional framework for private sector-led economic growth including: implementation of the Company Law; enactment of a PPP law; enactment of an Insurance Law; developing strategies and master plans for energy, livestock, fisheries, urban development water, and agriculture; strengthen the transmission and distribution of electricity; strengthen regulatory bodies for banking, electricity, petroleum and telecommunications; provide support for small and medium-sized enterprises
 - Invest in renewable energy
 - Finalize the legal and regulatory framework governing the oil sector, its fiscal regime, and natural resource revenue sharing arrangements, including through the enactment of an Extractives Industries Income Tax Law
 - Establish an organizational framework for negotiating trade arrangements
 - Establish a trade information portal to streamline trade logistics processes
- **Social Sector:**
- Establish a national social registry as a functional platform that supports registration and determination of potential eligibility for social programs
 - Establish a social transfer program for the most vulnerable populations and societies at high risk of food insecurity or malnourishment
 - Establish planning for social insurance provision
 - Develop a joint national health sector strategy between FGS and FMSs
 - Develop a strategy to rollout national curricula and examinations at basic and secondary education levels
 - Develop capacity of social workers in housing, health, nutrition, water, sanitation, hygiene, education, child protection, and other key services sectors
 - Support a school feeding program

The priorities outlined above have already agreed upon under the ECF/EFF arrangement with the IMF, and implementation of these priorities is non-negotiable and must be completed in order to reach the HIPC Completion Point by 2023. As such, MDAs will be required to consider these priority areas when framing their detailed budgets for FY2021. To support this process, the Ministry of Finance has developed a detailed Budget Preparation Manual, which will be disseminated to MDAs along with the Budget Call Circular.

5.2 Expenditure Ceilings

Based on the fiscal assumptions described in section 3.3 above, we define the following indicative expenditure ceilings presented by sector, by MDA, and by economic classification (object code) for the baseline scenario (Scenario 1). Indicative ceilings under the alternative downside scenario (Scenario 2) are included in Annex 2. Given the degree of uncertainty with regards to the macroeconomic outlook

given the novel coronavirus pandemic, ceilings are indicative in nature and may be substantively revised as more information becomes available to update the macro-fiscal framework.

Table 7 – Recurrent Expenditure Ceilings by Sector

Code	Sector	Actual			Projection				
		2018	2019	Revised Budget 2020	2021	2022	2023	2024	2025
1	Administration	\$ 129,812,619	\$ 159,931,824	\$ 265,751,366	\$ 180,052,777	\$ 172,984,829	\$ 170,172,184	\$ 168,609,290	\$ 168,279,571
2	Defence and Security	\$ 90,863,881	\$ 96,138,138	\$ 149,943,644	\$ 149,499,783	\$ 143,631,189	\$ 141,295,818	\$ 139,998,130	\$ 139,724,362
3	Economic Services	\$ 18,480,316	\$ 25,075,895	\$ 38,063,521	\$ 36,254,208	\$ 34,831,054	\$ 34,264,718	\$ 33,950,025	\$ 33,883,635
4	Social Services	\$ 10,343,185	\$ 17,235,944	\$ 24,635,093	\$ 24,562,380	\$ 23,598,187	\$ 23,214,492	\$ 23,001,286	\$ 22,956,307
Total		\$ 249,500,000	\$ 298,381,801	\$ 478,393,624	\$ 390,369,148	\$ 375,045,259	\$ 368,947,213	\$ 365,558,731	\$ 364,843,875

Table 8 – Recurrent Expenditure Ceilings by MDA

MDA Code	MDA	Actual		Estimation	Projection				
		2018	2019	Revised Budget 2020	2021	2022	2023	2024	2025
101	Office of the Presidency	\$ 4,009,887	\$ 6,038,944	\$ 7,742,657	\$ 7,719,808	\$ 7,416,768	\$ 7,296,175	\$ 7,229,166	\$ 7,215,029
102	Parliament	\$ 19,544,085	\$ 22,722,517	\$ 24,338,518	\$ 23,644,997	\$ 22,716,816	\$ 22,347,452	\$ 22,142,208	\$ 22,098,909
103	Office of the Prime Minister	\$ 7,709,777	\$ 9,719,357	\$ 7,248,130	\$ 6,581,608	\$ 6,323,247	\$ 6,220,435	\$ 6,163,305	\$ 6,151,253
104	Ministry of Foreign Affairs	\$ 6,036,701	\$ 7,182,854	\$ 10,502,667	\$ 10,471,726	\$ 10,060,660	\$ 9,897,078	\$ 9,806,182	\$ 9,787,006
105	Ministry of Finance	\$ 66,416,273	\$ 77,553,475	\$ 170,339,509	\$ 91,573,141	\$ 87,978,449	\$ 86,547,964	\$ 85,753,091	\$ 85,585,400
106	Ministry of Planning	\$ 1,214,005	\$ 1,833,592	\$ 2,421,736	\$ 2,414,583	\$ 2,319,799	\$ 2,282,080	\$ 2,261,121	\$ 2,256,700
107	Ministry of Interior and Federal Affairs	\$ 7,595,571	\$ 15,659,750	\$ 8,771,267	\$ 3,361,326	\$ 3,229,377	\$ 3,176,869	\$ 3,147,692	\$ 3,141,537
108	Ministry of Religious Affairs	\$ 702,291	\$ 1,442,526	\$ 1,030,876	\$ 1,027,819	\$ 987,472	\$ 971,417	\$ 962,495	\$ 960,613
109	Ministry of Justice and Endowment	\$ 7,029,099	\$ 6,534,448	\$ 10,176,288	\$ 10,146,210	\$ 9,747,922	\$ 9,589,426	\$ 9,501,355	\$ 9,482,775
110	Judicial Authorities	\$ 655,107	\$ 2,417,040	\$ 3,074,472	\$ 3,065,383	\$ 2,945,052	\$ 2,897,167	\$ 2,870,559	\$ 2,864,945
111	Attorney General	\$ 847,368	\$ 925,040	\$ 1,303,308	\$ 1,299,459	\$ 1,248,449	\$ 1,228,149	\$ 1,216,870	\$ 1,214,490
112	Solicitor General	\$ 409,438	\$ 440,204	\$ 553,764	\$ 552,130	\$ 530,457	\$ 521,832	\$ 517,039	\$ 516,028
113	Auditor General	\$ 1,445,528	\$ 1,551,680	\$ 1,771,404	\$ 1,766,166	\$ 1,696,835	\$ 1,669,245	\$ 1,653,915	\$ 1,650,680
114	Ministry of Humanitarian Affairs and Disaster Management	\$ 675,774	\$ 962,685	\$ 1,156,232	\$ 1,152,811	\$ 1,107,557	\$ 1,089,549	\$ 1,079,542	\$ 1,077,431
115	Ministry of Constitution	\$ 1,617,525	\$ 716,160	\$ 1,912,668	\$ 1,907,079	\$ 1,832,217	\$ 1,802,426	\$ 1,785,872	\$ 1,782,380
116	National Commissions	\$ 3,904,190	\$ 4,231,552	\$ 13,407,870	\$ 13,368,532	\$ 12,843,752	\$ 12,634,920	\$ 12,518,878	\$ 12,494,397
201	Ministry of Defence	\$ 56,379,177	\$ 52,846,640	\$ 87,013,853	\$ 86,756,085	\$ 83,350,486	\$ 81,995,249	\$ 81,242,189	\$ 81,083,319
202	National Security	\$ 34,484,704	\$ 43,291,498	\$ 62,929,791	\$ 62,743,698	\$ 60,280,702	\$ 59,300,569	\$ 58,755,941	\$ 58,641,043
301	Ministry of Water and Energy	\$ 885,355	\$ 1,315,503	\$ 1,193,752	\$ 1,190,210	\$ 1,143,489	\$ 1,124,896	\$ 1,114,565	\$ 1,112,385
302	Ministry of Mineral	\$ 779,300	\$ 1,299,231	\$ 1,402,012	\$ 1,058,868	\$ 1,017,302	\$ 1,000,761	\$ 991,570	\$ 989,631
303	Ministry of Agriculture	\$ 955,284	\$ 1,014,560	\$ 1,502,516	\$ 1,498,071	\$ 1,439,265	\$ 1,415,863	\$ 1,402,860	\$ 1,400,116
304	Ministry of Livestock and Forestry	\$ 769,588	\$ 830,162	\$ 1,019,368	\$ 1,016,352	\$ 976,455	\$ 960,578	\$ 951,756	\$ 949,895
305	Ministry of Fishery and Marine Resource	\$ 1,389,981	\$ 1,820,049	\$ 2,522,116	\$ 2,155,718	\$ 2,071,096	\$ 2,037,421	\$ 2,018,709	\$ 2,014,761
306	Ministry of Information	\$ 3,318,498	\$ 4,344,487	\$ 5,038,466	\$ 4,965,798	\$ 4,770,866	\$ 4,693,294	\$ 4,650,190	\$ 4,641,096
307	Ministry of Post and Telecommunication	\$ 3,956,108	\$ 5,163,511	\$ 3,626,026	\$ 2,674,095	\$ 2,569,124	\$ 2,527,351	\$ 2,504,140	\$ 2,499,243
308	Ministry of Public Work & Reconstruction	\$ 913,186	\$ 987,856	\$ 1,112,632	\$ 1,109,333	\$ 1,065,786	\$ 1,048,457	\$ 1,038,828	\$ 1,036,796
309	Ministry of Transport and Aviation	\$ 2,000,621	\$ 4,403,183	\$ 16,142,731	\$ 16,095,221	\$ 15,463,405	\$ 15,211,978	\$ 15,072,268	\$ 15,042,794
310	Ministry of Transport and Ports	\$ 1,873,985	\$ 1,962,011	\$ 2,268,848	\$ 2,262,122	\$ 2,173,323	\$ 2,137,986	\$ 2,118,350	\$ 2,114,208
311	Ministry of Industry & Commerce	\$ 1,638,411	\$ 1,935,341	\$ 2,235,054	\$ 2,228,421	\$ 2,140,944	\$ 2,106,134	\$ 2,086,791	\$ 2,082,710
401	Ministry of Health	\$ 1,018,851	\$ 2,364,426	\$ 6,554,096	\$ 6,534,864	\$ 6,278,339	\$ 6,176,256	\$ 6,119,532	\$ 6,107,565
402	Ministry of Education and Higher Education	\$ 6,935,149	\$ 12,115,040	\$ 14,868,317	\$ 14,824,361	\$ 14,242,433	\$ 14,010,858	\$ 13,882,180	\$ 13,855,033
403	Ministry of Labor and Social Affairs	\$ 1,119,234	\$ 1,366,270	\$ 1,587,040	\$ 1,582,331	\$ 1,520,217	\$ 1,495,499	\$ 1,481,764	\$ 1,478,866
404	Ministry of Youth and Sport	\$ 520,228	\$ 597,117	\$ 625,396	\$ 623,543	\$ 599,066	\$ 589,326	\$ 583,913	\$ 582,771
405	Ministry of Women and Human Rights Dev.	\$ 749,723	\$ 793,091	\$ 1,000,244	\$ 997,281	\$ 958,133	\$ 942,554	\$ 933,897	\$ 932,071
Total		\$ 249,500,000	\$ 298,381,801	\$ 478,393,624	\$ 390,369,148	\$ 375,045,259	\$ 368,947,213	\$ 365,558,731	\$ 364,843,875

Table 9 – Recurrent Expenditure Ceilings by Economic Classification (Object Code)

Object Code	Object	Actual		Revised Budget 2020	Projection				
		2018	2019		2021	2022	2023	2024	2025
21	Compensation of Employees	\$ 142,400,000	\$ 162,400,000	\$ 226,993,624	\$ 226,932,405	\$ 226,932,405	\$ 226,932,405	\$ 226,932,405	\$ 226,932,405
22	Use of Goods and Services	\$ 69,800,000	\$ 82,200,000	\$ 84,100,000	\$ 95,127,595	\$ 82,005,660	\$ 76,005,660	\$ 72,330,858	\$ 70,005,660
23	Consumption of Fixed Capital	\$ 2,400,000	\$ 8,600,000	\$ 13,500,000	\$ 19,609,148	\$ 17,707,194	\$ 17,609,148	\$ 18,295,469	\$ 20,005,810
24	Interest	\$ -	\$ -	\$ 2,600,000	\$ 1,500,000	\$ 1,200,000	\$ 1,200,000	\$ 800,000	\$ 700,000
25	Subsidies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26	Grants	\$ 30,700,000	\$ 44,800,000	\$ 146,200,000	\$ 42,200,000	\$ 42,200,000	\$ 42,200,000	\$ 42,200,000	\$ 42,200,000
27	Social Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28	Contingency	\$ 4,100,000	\$ 400,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
	Repayment of Arrears	\$ -	\$ -	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
		\$249,400,000	\$298,400,000	\$ 478,393,624	\$ 390,369,148	\$375,045,259	\$368,947,213	\$365,558,731	\$364,843,875

5.3 FY2021 Budget Preparation Timetable

To date, the FGS has made considerable progress in ensuring that Annual Appropriations Bills will be presented to Parliament in a timely manner to enable their review of the proposed strategy and allocations, in line with best practice, which requires Executives to provide the Legislature with a minimum of two months to endorse the proposal. In order to ensure that ECF/EFF conditions are met, and that the FGS continues to build on its commendable improvements in implementing budget preparation and approval in-line with international best practice, the following timetable below is proposed for preparation of the FY2021 Budget.

Table 10 – FY2021 Budget Preparation Calendar

S/n	Activity	Timeline
1	Medium Term Fiscal Framework (MTFF)/Resource Envelope for FY	July
2	Nomination of Budget Strategy Committee (BSC)	17 Aug
3	Discussion of draft budget strategy by BSC	22 Aug-Present
4	Submission of budget strategy and ceilings to Cabinet	30 Aug
5	Discussion and approval of budget strategy and ceilings by Cabinet	31 Aug
6	Issuance of budget call circular to MDAs	31 Aug
7	Budget consultations (MDAs, CSOs, Private Sector, Academia)	05-06-Sep
8	Submission of MDA budget estimates and proposals to MOF	15 Sep
9	Budget hearings	16-30-Sep
10	Presentation of 2021 draft budget to Cabinet	15-Oct
11	Presentation of 2021 draft budget to Parliament	08-Nov
12	Approval of budget by Parliament	25 Dec
13	President signs appropriation act into law	31 Dec

Annexes

1 Macroeconomic and Fiscal Risk Register

Table 11 – Fiscal Risk Register

Fiscal Risk Type	Risk Description	Risk Source	Risk Incidence	Mitigation Strategy	Mitigation Strategy Description
Macroeconomic Shocks	Net Exports: The partial lifting of the livestock ban in Saudi Arabia has somewhat offset the risk of a fall in demand for Somalia's exports. There is, however, a continued risk as G.C.C. countries suppress demand for Somalia's livestock. With demand largely dependent on the Middle East, and the Hajj in particular, it is highly likely that demand will remain suppressed over the medium term. On the other hand, imports are likely to fall given limited ability to purchase foreign goods and thus contribute positively to overall aggregate demand	Exogenous	Discrete - Probable	Reduce exposure to risk	Develop and implement an export diversification strategy, which includes identification of new export markets as well as new export products
Macroeconomic Shocks	Exchange Rate: The US Dollar continues to be the safe-haven currency for investors during periods of recession. Strengthening of the US dollar has an adverse effect on the strength of the Somali Shilling, and as such it is likely that the currency will continue to depreciate over the medium term	Exogenous	Discrete - Possible	Reduce exposure to risk	Develop and operationalize a US dollar Federal Reserve account to enable exchange rate operations
Macroeconomic Shocks	Oil Prices: Increased US shale oil production, a hitherto unviable mode of extractives production, has resulted in a slump in global oil prices which are currently at one-third of historical averages over the past decade. This decrease on oil prices has a positive effect on Somalia's economic outlook in the short and medium term, as it lowers both energy costs and import costs. In the longer-term, however, suppressed oil prices may have a deleterious effect as extraction of Somalia's oil reserves becomes economically unviable	Exogenous	Discrete - Probable	Manage through the Budget	Develop a structural oil price indicator using a 3/1/5 approach to factor in current oil price shock but ensure that expenditure estimates are not overly sensitive to subsequent increases in oil price
Macroeconomic Shocks	Inflation: An increase prices of imported goods from key import markets (including Oman, Malaysia, and India) are likely to cause inflationary pressure in the short and medium term. Food prices in particular are already rising in key population centers (BRA), in most emerging Federal Member States (SWS, HSS, and JSS) and in PL. While prices are broadly stable in GSS and SL, price gouging practices by traders are likely to lead to inflated prices as food becomes increasing scarce in the coming months. While the decrease in oil prices discussed above is likely to offset some of the inflationary pressure brought about by increased food prices, it is highly likely that the depreciating exchange rate and concomitant floods and locust swarms will lead to an upward pressure on inflation	Exogenous	Discrete - Probable	Reduce exposure to risk	Closely monitor food price inflation at more regular intervals, ensure that food prices are being tracked across the country where possible. Implement temporary tax relief on foodstuffs
Macroeconomic Shocks	Unemployment: The closure of hotels, aviation and withdrawal of most international organizations from Somalia is likely to lead to an increase in unemployment as these employers are forced to lay off workers in response to declining income. Increasing unemployment is likely to contribute to increased insecurity as insurgent groups rely on unengaged youth for recruitment	Exogenous	Discrete - Probable	Reduce the probability of risk occurring	Consider prolonging tax exemptions for small traders

Fiscal Risk Type	Risk Description	Risk Source	Risk Incidence	Mitigation Strategy	Mitigation Strategy Description
Macroeconomic Shocks	Development Partner's Economic Growth: Somalia's remains heavily reliant on official development assistance flows from its development partners. With the US and Eurozone expected to fall into recession in 2020 and great uncertainty with regards to the time horizon for their recovery, it is highly likely that aid flows will be significantly negatively impact. Furthermore, given the reliance on remittances from our diaspora abroad, which on average accounted for roughly 30% of GDP over the past five years is likely to reduce as diaspora become unemployed or face income losses. This loss of remittance funds in turn is likely to have a deleterious effect on domestic consumption, as household rely on these remittances to fund their household private consumption.	Exogenous	Discrete - Probable	Reduce exposure to risk	Closely monitor world economic outlooks, and in particular monitor key development partner economic growth forecasts. Where possible, seek multi-year donor commitments to reduce volatility and decrease in donor grants receipts
Financial Sector	Banks and Money Transfer Firms: Key banking and money transfer firms have already instituted restrictions on customers, including limiting all non-salary payments for NGOs and private firms operating in Somalia. Given cash liquidity constraints driven by travel restrictions, and the overall decline in remittances being sent by Somali diaspora to their relatives in Somalia, these firms are unlikely to be able to meet demand for cash in US dollar denominations in the immediate term	Exogenous	Discrete - Probable	Reduce the probability of risk occurring	Ascertain current bottlenecks impacting on bank and money transfer firm liquidity. Consider implementation of measures to reduce capital flight as these firms move their dollar reserves to other markets
Guarantees	Public Debt: Clearance of arrears to the World Bank and African Development Bank and the announcement of debt relief by the Paris Club in the first quarter of 2020 have reduced the explicit contingent liability of the Government in the short-term. That said, with own-source revenue mobilization forecasted to decline in the short-term, any debt stocks still pose a risk as the Government's ability to service this debt is heavily constrained	Endogenous	Continuous	Manage through the Budget	Ensure that debt repayments are made on a timely basis and accurately recorded in financial statements
Sub-national Government	Federal Member States: The emerging Federal Member States (JSS, SWS, GSS, and HSS) have made small progress towards mobilizing domestic revenue to financing their recurrent costs since their inception. They remain, nevertheless, heavily reliant on grants from international organizations and the Federal Government in order to continue their operations. As COVID-19 threatens to seriously reverse gains made in developing their revenue mobilization capability, it is highly likely that these entities will require further support from the Federal Government in order to maintain basic administrative capability. Moreover, these FMS are not in a fiscal position to begin to address the impact of COVID-19 on citizens living in their jurisdiction, and as such it is highly likely that further Federal support will be needed to ensure that these entities are able to implement public health directives. While SL and PL have more advanced public financial management systems in place, they also have higher recurrent expenditure obligations which leave little fiscal space to respond to the emerging crisis. Any accumulation of arrears across FMS, particularly to private sector vendors, is likely to lead to further economic downturns as vendors are unable to meet their own downstream commitments to employees and sub-contractors if FMS invoices are not honored in a timely manner	Exogenous	Discrete - Probable	Manage through the Budget	Increase grants transfers to the Federal Member States compared to prior year spending and strengthen inter-governmental fiscal dialogue to increase Federal sight of sub-national public financial management operations and move towards harmonization of tax regimes
Natural Disasters and Environmental Risks	COVID-19: The outbreak of the virus is likely to lead to lower household consumption, declined domestic economic activity in both formal and informal sectors and an increased reliance on imports	Exogenous	Discrete - Probable	Reduce exposure to risk	Develop conservative GDP and own-source revenue collection estimates for the medium-term, include alternative

Fiscal Risk Type	Risk Description	Risk Source	Risk Incidence	Mitigation Strategy	Mitigation Strategy Description
					scenarios in the Medium-Term Fiscal Framework
Natural Disasters and Environmental Risks	Locusts: Somalia has already issued a state of emergency in reaction to the spread of desert locusts, which threaten to decimate domestic crop production. A second wave of locust swarms is expected in 2020, and will likely impact further on domestic crop production	Exogenous	Discrete - Probable	Reduce exposure to risk	Closely monitor locust spread and crop losses, prepare for further temporary tax reliefs on foodstuffs and agro-related businesses.
Natural Disasters and Environmental Risks	Floods: The Gu' rains have intensified across Somalia, leading to flash flooding in SWS, JSS, BRA, PL, and SL as of late April, less than four months after unusually heavy Deyr rains flooded significant swathes of Somalia. Heavier than anticipate floods are likely to have an adverse impact on domestic food production, creating a further increase in demand for imported foodstuffs and further contributing to the country's fragile food security situation	Exogenous	Discrete - Remote	Reduce exposure to risk	Prioritize implementation of the Somalia Recovery and Resilience Framework and associated National Development Plan interventions
Institutional Risks	Reliance on few revenue streams: Federal Government own-source revenues are highly dependent on taxes on international trade and transactions, which are known to have highly distortionary effects on the domestic economy and be highly sensitive to global economic trends.	Endogenous	Continuous	Manage through the Budget	Develop and implement customs and in-land revenue collection plans which include revenue diversification strategies
Institutional Risks	Lack of good quality information: While considerable progress has been made to improve the availability of key macroeconomic information at the Central Bank and at the Ministry of Planning, Investment and Economic Development, access to this data in a timely manner remains a challenge and complicates the development of accurate medium-term fiscal forecasts. Lack of quality, timely information further curtails the Government's ability to properly assess and quantify its exposure to fiscal risks should they materialize	Endogenous	Continuous	Reduce the probability of risk occurring	Develop and implement a data sharing and coordination agreement between the Central Bank of Somalia, the Ministry of Planning, Investment and Economic Development, and the Ministry of Finance to ensure that these key institutions have access to high-quality, timely data in order to achieve their respective mandates
Institutional Risks	Excessive earmarking of revenue to security sector expenditure: Salary and non-salary obligations to the Somali National Army and Police Force continue to account for a significant share of government expenditure. Given the country's precarious security situation, these expenditures are likely to account for a significant share of total government spending over the medium-term as Somalia continues to make cautious progress towards improving peace and stability outcomes	Endogenous	Continuous	Manage through the Budget	Continue to increasingly allocate expenditure to social spending sectors and ensure that new fiscal space is utilized to accommodate policy interventions identified in the National Development Plan

Fiscal Risk Type	Risk Description	Risk Source	Risk Incidence	Mitigation Strategy	Mitigation Strategy Description
Institutional Risks	Budget Outturns: Preliminary data for FY2019 suggests that the quality of the aggregate budget outturn has deteriorated compared to the two previous fiscal years. This is largely driven by less than anticipated receipts of donor grants against identified commitments. This is not necessarily due to donor delays in releasing funds, however, as the FGS MDAs receiving grants often have to complete reform activities and provide evidence of this prior to receipt of funds	Endogenous	Continuous	Reduce exposure to risk	Increase the frequency of in-year reporting to ensure that timely budget implementation information is available at the Ministry of Finance to inform supplementary decisions. Identify and expand on own-source revenue collections which have shown lower seasonal variation over time. Seek donor commitments to smooth grant disbursements over the year to avoid December (and Q4) clustering of grant availability
Institutional Risks	Cash Management: Clustering of grants receipts in the last quarter of the year, and in December in particular, places a cash rationing constraint on government operations during the first three quarters of the year	Endogenous	Continuous	Reduce exposure to risk	Develop and promulgate enhanced cash management guidelines and strengthen the capability of the Cash Management Committee to ensure the CMC is able to make data-driven, informed decisions during periods of cash rationing
Institutional Risks	Fiscal Flexibility: Limited domestic revenue mobilization coupled with the balanced budget constraint mean that the Government has little to no fiscal space at its discretion to respond to economic shocks as they occur. Given the debt limit constraint, the Government is unable to borrow in international and domestic markets to secure funding to respond to shocks	Endogenous	Continuous	Reduce exposure to risk	The Government will need to engage donor partners early and frequently in the event of a macroeconomic shock to secure official development assistance in order to respond to shocks

2 Fiscal Framework Under Alternative Scenario

Table 12 – Fiscal Forecast FY2021 - 2025 (Alternative Scenario)

In US\$ Million	Actual		Budget		Forecast				
	2018	2019	2020 Original	2020 Revised	2021	2022	2023	2024	2025
1. Revenue	276.2	338.9	466.2	537.3	544.8	562.9	687.1	799.5	917.9
Domestic Revenue	183.4	230.3	234.4	167.5	210.1	266.8	297.6	345.5	395.4
Tax Revenue	138.9	155.3	155.5	107.0	147.3	187.7	199.2	227.1	256.1
Taxes on income, profits, and capital gains	8.6	11.7	11.3	8.7	16.6	21.2	25.9	33.5	42.2
Taxes on goods and services	22.1	25	27.1	17.8	24.9	31.7	35.0	43.2	51.9
Taxes on international trade and transactions	100.3	107.5	106	74.8	92.7	118.1	117.7	123.4	127.6
Other Taxes	7.9	11.1	11.1	5.7	13.1	16.7	20.6	26.9	34.4
Non-tax Revenue	44.5	75	78.9	60.5	62.8	79.2	98.4	118.4	139.2
Donor Revenue	92.8	108.6	231.8	369.8	334.8	296.1	389.5	454.0	522.5
Budget Support	74.6	89.3	104.1	203.7	166.0	105.0	109.5	114.0	127.5
Project Support	18.2	19.3	127.6	166.1	168.8	191.1	280.0	340.0	395.0
2. Expenditure	268.5	315.7	476.2	644.5	524.1	547.5	655	736	798.6
Operating Expenditure	249.5	298.4	348.5	478.4	355.3	356.4	375	396	403.6
Compensation of Employees	142.4	162.4	217.7	221.7	193.9	193.9	193.9	193.9	193.9
Use of Goods and Services	69.8	82.2	73.6	76.2	95.4	93.8	93.8	96.5	99.3
Consumption of Fixed Capital	2.4	8.6	9.8	15.0	17.6	17.7	17.6	18.1	18.7
Interest	-	-	0.3	2.6	1.2	1.1	17.5	17.1	16.6
Subsidies	-	-	-	-	0.0	0.0	0.0	1.1	1.3
Grants	30.7	44.8	42.2	157.8	42.2	44.9	47.2	49.5	52.0
Social Transfers	-	-	-	-	0.0	0.0	0.0	14.8	16.8
Contingency	4.1	0.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Repayment of Arrears	-	-	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Donor-funded Special Projects	19.0	17.3	127.6	166.1	168.8	191.1	280.0	340.0	395.0
3. Fiscal Space	7.8	23.2	-10.0	-107.2	20.7	19.4	32.1	63.5	119..3
Drawdown of cash balances	-	-	-	-	-	-	-	-	-
Contingent expenditures	-	-	-	76.6	-	-	-	-	-
POST_HIPC_DP (debt servicing principle)	-	-	-	11.8	15.6	15.7	11.6	16.8	18.4
4. Fiscal Space - including debt repayments	7.8	23.2	-10.0	-119.0	5.1	3.7	20.5	46.7	100.9

Table 13 – Recurrent Expenditure Ceilings by Sector (Alternative Scenario)

Sector Code	Sector	2021	2022	2023	2024	2025
100	Administration	\$197,477,047	\$198,921,867	\$209,313,457	\$221,051,216	\$225,259,982
200	Defence and Security	\$111,407,331	\$112,222,431	\$118,084,881	\$124,706,777	\$127,081,167
300	Economic Services	\$28,358,230	\$28,565,710	\$30,057,970	\$31,743,543	\$32,347,933
400	Social Services	\$18,123,681	\$18,256,281	\$19,209,981	\$20,287,227	\$20,673,491
Total		\$ 355,366,289	\$357,966,289	\$376,666,289	\$397,788,764	\$405,362,573

Table 14 – Recurrent Expenditure Ceilings by MDA (Alternative Scenario)

Sector	MDA Code	MDA	2021	2022	2023	2024	2025
Administration	101	Office of the Presidency	\$5,223,884	\$5,262,104	\$5,536,994	\$5,847,495	\$5,958,830
	102	Parliament	\$18,088,144	\$18,220,484	\$19,172,314	\$20,247,448	\$20,632,955
	103	Prime Minister	\$5,046,201	\$5,083,121	\$5,348,661	\$5,648,600	\$5,756,149
	104	Ministry of Foreign Affairs	\$7,818,058	\$7,875,258	\$8,286,658	\$8,751,353	\$8,917,977
	105	Ministry of Finance	\$127,683,107	\$128,617,287	\$135,336,197	\$142,925,503	\$145,646,772
	106	Ministry of Planning and Economic Development	\$1,812,368	\$1,825,628	\$1,920,998	\$2,028,723	\$2,067,349
	107	Ministry of Interior and Federal Affairs	\$6,503,203	\$6,550,783	\$6,892,993	\$7,279,534	\$7,418,135
	108	Ministry of Endowment and Religious Affairs	\$781,806	\$787,526	\$828,666	\$875,135	\$891,798
	109	Ministry of Justice	\$7,462,692	\$7,517,292	\$7,909,992	\$8,353,564	\$8,512,614
	110	Judicial Authorities	\$2,238,808	\$2,255,188	\$2,372,998	\$2,506,069	\$2,553,784
	111	Attorney General	\$852,879	\$859,119	\$903,999	\$954,693	\$972,870
	112	Solicitor General	\$426,440	\$429,560	\$452,000	\$477,347	\$486,435
	113	Auditor General	\$1,314,855	\$1,324,475	\$1,393,665	\$1,471,818	\$1,499,842
	114	Ministry of Humanitarian and Disaster Management	\$852,879	\$859,119	\$903,999	\$954,693	\$972,870
	115	Ministry of Constitution	\$1,421,465	\$1,431,865	\$1,506,665	\$1,591,155	\$1,621,450
	116	Special Commissions	\$9,950,256	\$10,023,056	\$10,546,656	\$11,138,085	\$11,350,152
Defense and Security	201	Ministry of Defence	\$64,641,128	\$65,114,068	\$68,515,598	\$72,357,776	\$73,735,452
	202	Ministry of National Security	\$46,766,204	\$47,108,364	\$49,569,284	\$52,349,001	\$53,345,715
Economic Services	301	Ministry of Water and Energy	\$888,416	\$894,916	\$941,666	\$994,472	\$1,013,406
	302	Ministry of Mineral	\$959,489	\$966,509	\$1,016,999	\$1,074,030	\$1,094,479
	303	Ministry of Agriculture	\$1,101,635	\$1,109,695	\$1,167,665	\$1,233,145	\$1,256,624
	304	Ministry of Livestock and Forestry	\$746,269	\$751,729	\$790,999	\$835,356	\$851,261
	305	Ministry of Fishery and Marine Resource	\$1,883,441	\$1,897,221	\$1,996,331	\$2,108,280	\$2,148,422
	306	Ministry of Information	\$3,944,566	\$3,973,426	\$4,180,996	\$4,415,455	\$4,499,525
	307	Ministry of Post and Telecommunication	\$2,700,784	\$2,720,544	\$2,862,664	\$3,023,195	\$3,080,756
	308	Ministry of Public Work & Reconstruction	\$817,342	\$823,322	\$866,332	\$914,914	\$932,334
	309	Ministry of Transport and Aviation	\$11,975,844	\$12,063,464	\$12,693,654	\$13,405,481	\$13,660,719

Sector	MDA Code	MDA	2021	2022	2023	2024	2025
	310	Ministry of Transport and Ports	\$1,670,222	\$1,682,442	\$1,770,332	\$1,869,607	\$1,905,204
	311	Ministry of Industry & Commerce	\$1,670,222	\$1,682,442	\$1,770,332	\$1,869,607	\$1,905,204
Social Services	401	Ministry of Health	\$4,868,518	\$4,904,138	\$5,160,328	\$5,449,706	\$5,553,467
	402	Ministry of Education	\$10,874,208	\$10,953,768	\$11,525,988	\$12,172,336	\$12,404,095
	403	Ministry of Labour and Social Affairs	\$1,172,709	\$1,181,289	\$1,242,999	\$1,312,703	\$1,337,696
	404	Ministry of Youth and Sport	\$461,976	\$465,356	\$489,666	\$517,125	\$526,971
	405	Ministry of Women and Human Rights Development	\$746,269	\$751,729	\$790,999	\$835,356	\$851,261
Total			\$ 355,366,289	\$ 357,966,289	\$376,666,289	\$397,788,764	\$405,362,573

Table 15 – Recurrent Expenditure Ceilings by Economic Classification (Object Code) (Alternative Scenario)

Object Code	Object	2021	2022	2023	2024	2025
21	Compensation of Employees	\$193,915,282	\$193,915,282	\$193,915,282	\$193,915,282	\$ 193,915,282
22	Use of Goods and Services	\$95,424,941	\$93,802,717	\$93,802,717	\$96,522,995	\$ 99,322,162
23	Consumption of Fixed Capital	\$17,626,066	\$17,714,196	\$17,626,066	\$18,137,222	\$ 18,663,201
24	Interest	\$1,200,000	\$1,100,000	\$17,500,000	\$17,100,000	\$ 16,600,000
25	Subsidies	\$-	\$-	\$-	\$1,148,703	\$ 1,307,223
26	Grants	\$42,200,000	\$44,900,000	\$47,200,000	\$49,500,000	\$ 52,000,000
27	Social Transfers	\$-	\$-	\$-	\$14,795,293	\$ 16,837,027
28	Contingency	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$ 2,500,000
	Repayment of Arrears	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$ 2,500,000
Total		\$355,366,289	\$356,432,195	\$375,044,065	\$396,119,495	\$403,644,896