

Insights

A Special Focus Publication

The Route to Fiscal Self-Sufficiency

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Somalia: 2020 and Beyond

Realising Somalia's economic potential requires good leadership, a step change in economic strategy and credible commitment to institutional reforms.



"Ninkii timir abuura iyo kii tiin talaalaba taariikhdu way qori"

Rebuilding Somalia is every Somali's business

The gap between the aspiration to rebuild Somalia and the reality on the ground is such that it would be impossible to think it can be resolved without sustained and substantial long-term political reform and investment. However, whenever the words "rebuilding Somalia" are uttered, the cry for donor support is usually not far behind. This highlights how many decades of overreliance on external help has conditioned expectations to the point where alternative options no longer come to mind. It is a mindset devoid of any notion of self-reliance and contributes to the current instinctive sense of national helplessness. Somalia is a country that is rich in natural resources and rebuilding it requires every Somali to try their best to unlock the country's potential. Overreliance on external handouts will not build a nation. This is of course no more than common sense.

The solution to Somalia's problems will come in large measure from the Somalis themselves. Many Somalis volunteer their time, expertise and money in order to make an invaluable difference on the ground in circumstances that are often very difficult. Such initiatives show drive and make enormously incalculable contribution to the country's recovery. Moreover, when we look at the incredibly difficult (but by no means insoluble) challenges Somalia faces today, the answer is not to offload our responsibilities to others – be it economic stewardship, security or reconciliation. We should be asking ourselves why, after nearly three decades of discord and mayhem, we still have not developed a shared endeavour to deal with these issues of our time. Whilst the overarching vision and leadership generally comes from good government, rebuilding Somalia requires actions from all of us working together to make it happen.

The focus on politics and personalities is also blindsiding us about the biggest tragedy that is unfolding right in front of us without our noticing: the many millions of young Somalis across the country that had been disadvantaged for life by three decades of war and mayhem. They can neither support themselves nor contribute to the country's recovery. This is not the start in life that anyone deserves and it is a situation that will inevitably have adverse consequences for the country's future, and could do incalculable long-term harm. What we see in Somalia today is indeed a repetitive vicious cycle in which the victims of today invariably become the perpetrators of tomorrow. It is an unsettling story of "tiitiin abuuris" that has no happy ending.

We will therefore only make a difference if we can raise our game and develop innovative ways of funding our country's development in

Contents

Overview	1
Key Economic and Fiscal Indicators	3
Remittance Levy	4
Somali Development and Reconstruction Bank	8
Tomorrow's Challenges: The Next 5 – 20 Years	9
Looking Ahead: 2020 and Beyond	10

Individual Highlights

Remittance Levy Revenue	6
Remittance Levy and Securitisation Options	7
Tomorrow's Challenges: The Next 5 – 20 Years	9

order to create employment opportunities so that our people can have the brighter future they and the country deserves. Despairing for the country's predicament, or "othering" – whereby everyone expects others to do more, will never be a solution. It is a challenge in which we all have to do our bit and from which there is simply no escape.

Invest in Somalia's future

Somali entrepreneurs run some of the most successful businesses in East Africa, including telephony, internet services, commerce, banking and money transfers. Remittance and investment inflows into Somalia from Somalis abroad runs into billions of dollars every year, creating a wider shared interest in the country's recovery and economic growth. Creating a stable country capable of achieving its potential will of course not be possible if there is no sustainable and substantial contribution from those that are exploiting the country's opportunities, as well as those that are in a position to do more to help.

The need to pay for Somalia's reconstruction and development

As this report shows, the government's budget is still heavily reliant on donor grants and a handful of domestic sources. Expanding the tax base remains an aspiration, rather than reality. Indeed, it is hard to see how tax reforms can be possible without the development of the necessary enabling conditions first, including tackling corruption and implementing properly functioning accountability structures. As the analyses in this report show, the government's budget is still far from sufficient and can barely cope with recurrent pressures, such as civil service salaries. This leaves no scope for the transformation needed to support economic growth through investments in job creation and reconstruction – a scenario that is likely to prevail for many more decades. Tackling these considerable economic problems means identifying and exploring sustainable funding opportunities and getting a grip on mismanagement and corruption. If these two pillars do not become the central overriding priority soon, the current embryonic economic recovery will not endure.

This report analyses Somalia key economic indicators and sets out a new investment initiative funded by a remittance levy. The money collected through the levy can be used for the country's reconstruction to create jobs and provide a lifeline to the many millions of young Somalis without a future. It is a scheme that is intended to help pay for Somalia's reconstruction and support wider economic development.

Building accountability structures is paramount

Despite the many billions of dollars that were ploughed into Somalia over the years, key accountability pillars are either too weak or non-existent. The country's economy cannot be fixed independently of the root causes of its underlying problems: mismanagement, poor economic stewardship and corruption. This is why Somalia continues to be at the bottom of all international measures of good governance as progress is impossible without robust and credible institutions. The continued absence of strong accountability structures therefore means economic progress will continue to be impaired – effectively for many more decades to come. The current status quo should not be an option.

Not the time to don the blindfolds and look away

These observations make most people very wary indeed. However, this is not the time to don the blindfolds and view any progress the country makes with distrust or hostility. It is important to be intolerant of the pessimism bias in our assumptions that nothing will ever change in Somalia. Indeed, if we were all to indulge in that view, the country would saunter into oblivion without our noticing.

Somalia is slowly recovering and that itself is progress. One has to be wary of the risks and issues – political, economic and societal - that continue to bedevil the country's recovery, but should not be held hostage by them. Do not sit back. Every little effort helps.

This report therefore focuses on the economic work that needs to be done and the role Somalis can play in their country's reconstruction. If we can find ways of supporting economic growth by getting people into jobs while showing a genuine enthusiasm for Somalia's progress, we shall see the most powerful result: transformation.

The remittance levy proposal in this paper is thus one way of making Somalia's reconstruction every Somali's business.

Af-Soomaali - Hordhac

Dalkaaga iyo dadkaaga adiga uun bay ku sugayaan

Mar walba oo la yiraahdo waa in dib u dhis lagu sameeyaa wadanka, kalimadda ku xigta waa: "wadankee shisheeye baan waydiinaa in uu wadanka noo dhiso" Anaga oo dhan gacanta baa noo taagan weligeedna mala arkin wax is bedel ah oo la taaban karo oo la gaaray. In shisheeye mar walba gacanta loo taagto wadan ku dhismi maayo.

War halkee gashay wadannimaddi iyo dadnimadii aan dhulkeena hooyo wax ugu qaban lahayn? Goormaan helnaa isku filnaansho tayo leh oo aan wax ugu qaban karno dadkeeynii ku tacaaloowbay wadanka? Goormaan shaqo abuuris u sameeynaa dhalinyaradda wadanka oo sodon sano ku dhawaad shaqo la'aan iyo mustaqbal la'aan ah? In la is fiirfiiriyo oo la yiraahdo "aniga iima taalo" wadan ku dhismi maayo. Maxaa loo la'yahay in la dhiso tiirarkii isla xisaabtanka si uu isbedel u yimaado? Bal maxaa loogu wada ordayaa in Soomaaliya wax laqa noqdo oo kaliya, inta la fiirin lahaa sidii ay Soomaaliya wax ku noqon lahayd?

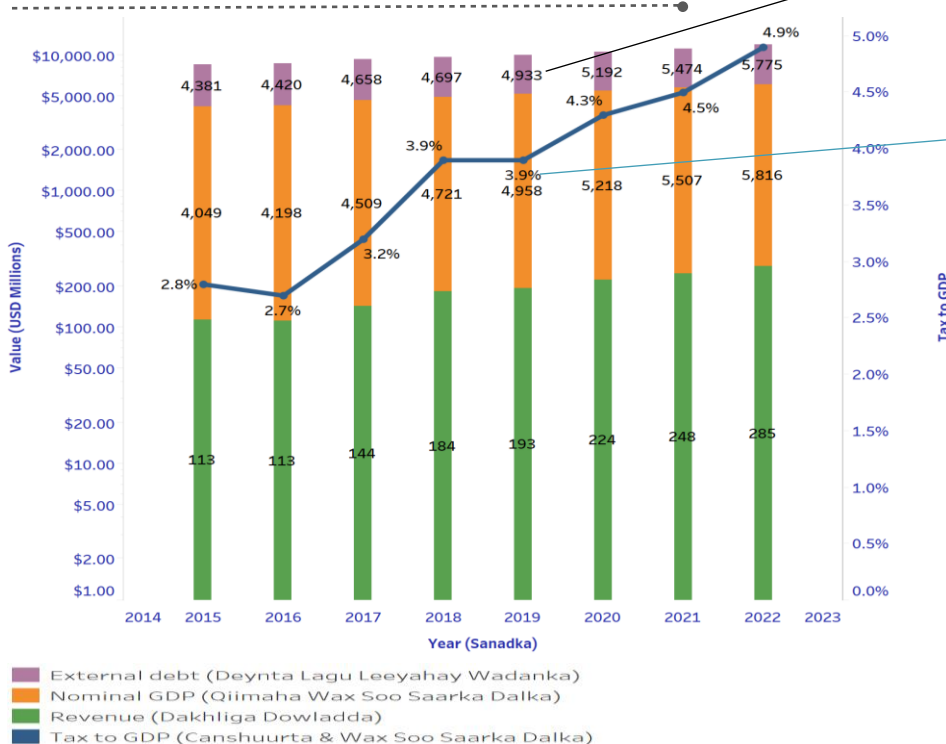
Tank kale, dowlad kaligeed (nooc walbaba ha ahaatee) wax ma qaban karto. Waa in uu qof kasta oo awood u leh in uu wax qabto uu is xilqaamaa oo aqoontiisa, maalkiisa, biniaadinimadiisa iyo afkiisaba ugu dadaalaa wadankiisa. Isku fiirsi iyo is hagrasho wadan kuma dhismo, dadna kuma hormaraan in anaga nalaga faa'ideysto mooye. Inkastoo wadanka oo hormuar dhaqaale sameeyay, hadana meel dheer oo tayo leh mala gaari karo hadii aan anaga maalgalin wadankeena.

Fikradaha halkaan ku qoran waxaa ku jira sidii lacag tabarugaad ah loogu soo rogi lahaa shirkadaha lacagaha iyo dadka xawaaladaha dira. Marka la isku qiyaaso, qofkiiba waxaa ku soo aadi kara lacag ka yar tan shaahiga lagu iibsado oo aan ayaga dhib ku ahayn. Lacagtan tabarugaada ah waa mid meel weyn ugu soo bixi karta dadkeena iyo dalkeena. Tani waxay ku tusinaysaa kaalinta aan kawada geli karno dib u dhiska wadanka.

Inta qof walba qofka kale uu fiirin lahaa, waa in qof walba inta awoodiisa ah ku taageeraa wadanka. Hadii aan kaalinteena ka soo bixin oo wax u qaban dadkeena iyo dalkeena, waxaan lumin doonaa jiritaanka wadankeena.

Key Economic and Fiscal Indicators (Tilmaamayaasha Dhaqaalaha ee Muhiimka ah)

Chart 1: Tax to Gross Domestic Product (GDP) / Canshuurta Marka Loo eego Wax Soo Saarka Dalka



Unsustainable debt levels: The national debt is almost equal to the country's GDP and continues to increase substantially (by \$1.4 billion between 2015 – 2022)

Average Tax to GDP for Highly Indebted Poor Countries (HIPC) / Sub-Saharan Africa

HIPC: 12.3%
Sub-Saharan Africa: 18.8%

Qiyaasta canshuurta (marka loo eego wax soo saarka wadanka) wadamada Soomaaliya oo kale deynta badan lagu leeyahay ama saboolka ah. Soomaaliya baa aad ugu hooseeysa wadamadan marka la eego dakhliga canshuurta soo xaroota

Improving Tax to GDP ratio, but still quite low

The tax to GDP is a good indicator of how much of the economy the government controls or influences. A low ratio shows that the government is not collecting an adequate share of the country's output. This can also be an indicator of inappropriate scaling of the tax base, or indeed corruption / mismanagement.

This also means the government is unlikely to be in a position to fund the economic development (such as spending on infrastructure development and other job creation initiatives) for a very long time.

Af-Soomaali

Baahida loo qabo in la kordhiyo dhaqaalaha dowladda

Chart 1 wuxuu ku tusinayaa inta ay la egtahay canshuurta dowladda marka loo eego qiimaha wax soo saarka wadanka. Hadii ay inta boqolkiiba ah yar tahay, waxay ku tusinaysaa in dowladda faa'iido badan ka helin dhaqaalaha wadanka. Marka loo eego Soomaaliya wadamadda deynta badan lagu leeyahay (ama wadamadda Afrikada ee saboolka ah) Soomaaliya baa aad u liidata.

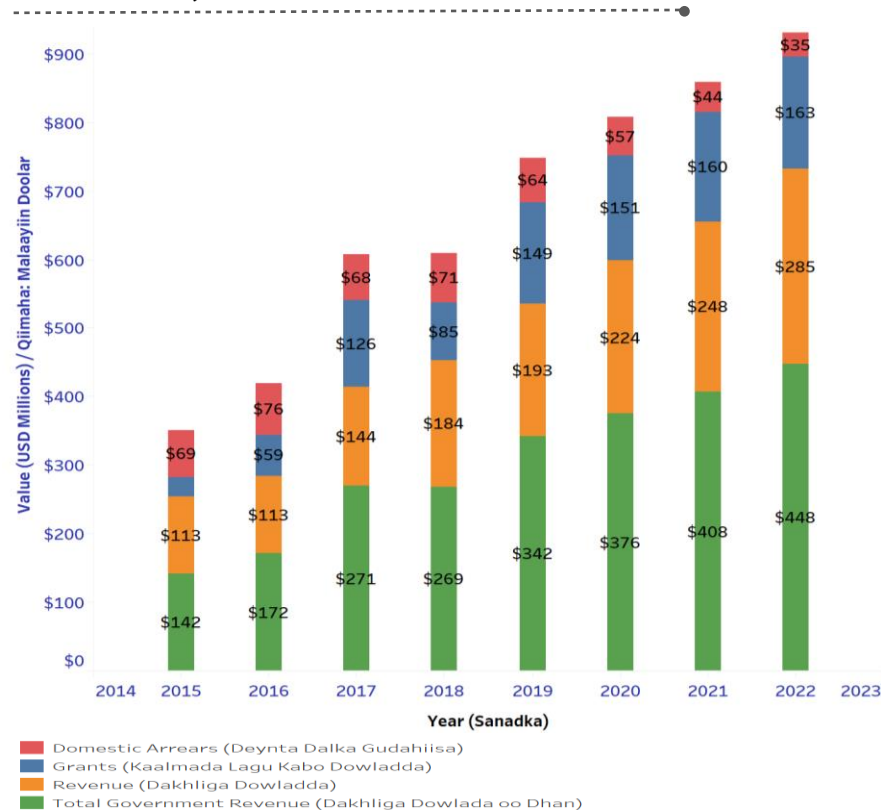
Waxyaabaha keeni kara in canshuuraha (marka loo eego wax soo saarka wadanka) ay liidato waxaa ka mid ah: salka canshuuraha oo aad u yar oo dad badan ay canshuurta dhiibin, ama canshuurta oo sidii loo rabay aan loo qaadin, ama musuqmaasuq. Hadii sidaan daciifka ah Soomaaliya ku sii socoto, waxay wadanka ku qaadanaysaa dhowr sanno in uu gaaro wadamada saboolka ah ee Afrika.

Marka la fiirio **Chart 2**, waxay ku tusineysaa sida uu weli dakhliga dowladda ugu filnayn waxyaabaha loo baahanyahay. Tusaale ahaan: Sandakan (2019), dakhliga dowlada waxaa lagu saadaaliyay in uu gaari doono \$342m. Miisaaniyadaan waxay isugu jirtaa lacagta dowladda ka soo gasha wadanka (sida canshuurta) oo ah \$193m (oo ah boqolkiiba 56.4%) iyo \$149m oo ah taakuleynta (waa lacagaha dowladaha shisheeye ku kabaan dakhliga dowladda) oo gaarayso boqolkiiba 43.6%. Waad arki kartaa in ilaa ku dhawaad laba bar dowladda dakhligayda oo ku xiran yahay kaalmo shisheeye.

Ma jirto dowlad shaqeyn karta hadii qof walba wadanka wax ku soo kordhin. Marka la fiiriyo dhaqaalaha dowladda iyo kharashka loo baahanyahay (sida mushaarka ciidanka iyo shaqaalaha, lacag wadooyinka lagu hagaajiyo, isbitaalo iyo iskuulo lagu dhiso, difaaca wadanka, iwm), waxaa la fahmi karaa in dadka wadanka looga baahan yahay taakuleyn aad u weyn.

Hadii la rabo in wadanka isku filnaado horumarna la gaaro, dhaqaalahana wadankana kor loo qaado, waxaa lagama maarmaan ah in kor loo qaado dhaqaalaha dowladda, dakhliga canshuurtana la kordhiyo. Hadii aan taas la helin, horumar ma jiri doono.

Chart 2: Somali Government's Revenue & Expenditure | Dhaqaalaha & Kharashka Dowladda Soomaaliya



Significant reliance on external grants

The chart above summarises how the government's overall domestic revenue (which includes grants) is still significantly reliant on external support (representing c. 44% of the government's total revenue in 2019) to meet the outflows. The chart also shows the volatility in the internal revenue receipts which increased by c.28% in 2018 compared to prior year, but now expected to average around c.12% between 2019-2022. The stock of domestic debt (e.g. unpaid domestic government bills) is being reduced gradually and not expected to be halved until 2022. It is a good sign as it indicates that the government will be in a position to clear all of its internal debts (assuming no further substantial increases).



Remittance Levy

Tabarucaada Lacagaha Xawaaladaha

Remittance Levy

The need to develop long-term income streams to invest in the country's infrastructure and create employment cannot be overstated. The current system of "*Is Xilqaan*", albeit much narrower in scope (where there is a collaborative approach between the government and the people as a way of supporting the country's recovery) is a welcome initiative. This will not solve the country's problems at stroke, but it is one important way of making rebuilding Somalia everyone business. Versions of "*Is Xilqaan*" need to be extended throughout the country, underpinned by a clear policy framework.

The levy on remittances is one way of exploiting the aggregate economic weight of the Somali diasporas and spreads the cost of the levy between the financial firms and remitters. The funds raised can be used to invest in job creation through key infrastructure project development. It is a funding model which, if designed and implemented well, has the potential to raise significant long-term funding for the country.

Whilst there are no reliable statistics for the remittance flows into Somalia, the overall remittance volume estimate varies between USD 1.5 billion - USD 3 billion, and the actual number may be much higher than this estimate. For the majority of personal remitters, the commitment to remit funds largely reflects the necessary nature of the beneficiaries' needs for funds to sustain their livelihoods. As the need is invariably a permanent one, it does mean remittance volumes remain fairly stable over economic cycles, creating a potentially steady levy income stream. A key advantage of the levy is that it will increase the aggregate economic wellbeing of all communities, including those that rely on remittances. It is a system where everyone would benefit.

The levy is not a tax on income or on firm's profits. It is a compulsory transaction charge which must be paid by both the remitters and the firms at the time the remittance transaction is made. The collection of the funds is administered by the firms and paid directly to the Central Bank of Somalia (CBS) through a levy regulatory framework. This framework will be underpinned by a levy reporting regime – an annual confidential disclosure of the levy collected which is reported to the CBS and subject to external audit. This is to ensure the risk of levy evasion is identified and mitigated appropriately.

How the Remittance Levy would work

A simplified fixed percentage approach can be used which means the amount one pays will be proportional to the how much they are sending to Somalia. The administration of the remittance levy can be set out in a regulatory regime, including reporting and oversight requirements.

As the financial firms already have remittance collection systems in place, the government can leverage this without having to make other arrangements, allowing the initiative to be implemented fairly quickly.

The levy system needs to be backed up by a regulatory framework to ensure it endures beyond different administrations and does not disappear when the government of the day changes. Funds raised from the levy should also be ringfenced for a specified purpose to address pressing priorities – job creation through infrastructure development and training - and aligned to the country's Poverty Reduction Plan (PRP).

A successful remittance levy also opens up other importantly significant opportunities, including the option of securitisation programmes via government-issued remittance bonds. This is another option which can be used to raise many more millions of investment funding directly from private investors.

The role of the Central Bank of Somalia

A key upside to the remittance levy idea is that the process can be simple to administer and supervise. As all financial firms are licenced and supervised by the CBS, compliance can be linked to a firm's licensing requirements and monitored as part of the CBS's regulatory reporting oversight process. Firms that are part of the process may be designated as "Nationally Important Companies" (NIC) – an indicator that they are critical to the country's economic development and thus be put at the forefront of the government's policy priorities. There should be regulatory consequences for those firms that fail to comply with the levy administration requirements and this is something that the CBS can enforce effectively.

Foreseeable challenges: would this work in practice?

The biggest challenge is the need to convince remitters and companies of the value being delivered by their levy contribution. Everyone needs to have confidence that the levy they are paying is well-spent and making a difference to people's lives, rather than corruptly misused. Three key building blocks need to be in place:

- (i) credible governance and transparency over the levy process.
- (ii) monitoring compliance with the requirements and addressing the risk of regulatory arbitrage / levy evasion.
- (iii) anticipating the issue of commercial sensitivities in relation to the levy disclosure requirements.

(i) Transparency and Accountability

The levy regime can only succeed if certain enabling pillars are put in place to help promote wider confidence in its design. Getting this right would mean the process could be extended to include wider private investors' base through capital markets – an important funding stream.

Key Pillars:

- Creating a development bank with the core mission of supporting investment and economic growth. The bank should have overall responsibilities for the oversight and disbursement of the funds in line with the government's development priorities. The bank also needs to have representation from the financial services firms, the CBS / Ministry of Finance and include independent non-executive directors. The existing (but non-functional) *Somali Development and Reconstruction Bank* (SDRB), once properly reformed, can be the institution that is ideally placed to fulfil this role.
- Incorporating the levy into the existing fiscal legislation to ensure the process has the necessary statutory footing. This includes the requirement on how much remitters and remittance companies should pay, how the firms administer the levy and how this is reported to the CBS as part of a regulatory reporting regime.

- The requirement for a regular independent audit and disclosure over how the funds are collected and dispersed and whether the poverty reduction objectives are met.

(ii) Monitoring Compliance

The CBS is uniquely placed to monitor compliance with the levy requirements. Whilst the overarching fiscal regulatory requirement may be set by the Ministry of Finance (MoF), regulatory compliance and monitoring regime will be led by the CBS as part of the Bank's conduct oversight framework.

The remittance business is a regulated financial service in most countries and facilitating tax evasion is also illegal in those countries. This means the CBS, through its licensing regime, has considerable regulatory authority to pursue firms that deliberately facilitate levy evasion. The CBS can do this by either revoking the operating licenses of companies, imposing heavy penalties for non-compliance and engaging with other global regulators in whose jurisdictions a firm operates. It would therefore be in a firm's interest to comply rather than risk its global business operations. All remittance flows to Somalia will be in scope for the levy regulations.

In order for CBS's oversight to be effective, three things are critical:

- *Regulatory consultation:* The CBS and the MoF need to consult widely on their approach to the levy administration and provide opportunities to the financial firms to provide feedback. It is important to understand any industry concerns early, especially on how the levy interacts with firms' business models or market competitiveness. Clearly, it should not be the intention of the levy to regulate firms out of existence or choke off Somalia's lifeline.
- *Scope of the levy:* The scope of the levy requires careful calibration to ensure it does not overlap with other forms of taxation (such as corporation tax), is not unduly burdensome or adversely impacts the overall remittance flows.
- *Support for Nationally Important Companies (NICs):* Given their role in the country's economic development, the CBS would need to develop a comprehensive framework that prioritises addressing the difficulties these firms face in accessing the global financial systems. This is an issue of national importance and needs to be at the top of the government's policy priority.

(iii) Disclosure Sensitivities

A firm's remittance book, which details the remittance transactions, is understandably commercially sensitive. This means the needs of the financial firms to keep this information secret must be balanced against the CBS requirement to make sure levy collection reported by a firm is complete and accurate. The solution could be every firm's end of the year return be subject to an independent audit whose conclusions are shared with the CBS.

The design of the levy disclosure regime is an important area for discussion and requires a mutual understanding with the firms on how best to approach it. This is to ensure the CBS can access the information it needs in order to monitor the levy regime effectively without compromising confidentiality. The key here is for the CBS to be able to receive information that is both usable and useful to the effective oversight of the levy regime.

The future potential of the remittance levy

The success of the remittance levy could have the transformative

potential of increasing the government's funding options (Somalia is not currently able to access financial markets). The government can start to issue Remittance Bonds which could raise significant upfront revenue, allowing it to tap into Somalia's capital markets potential.

This is why it is critical to have credible governance arrangements over the levy process. Appropriately rigorous governance systems and controls will reassure levy payers that their contribution is being turned into results which is making a difference to people's lives. Equally, it will provide investor confidence, allowing the government to raise much needed long-term funding for the country's development.

Af- Soomaali

Waa maxay Tabarucaada Lacagaha Xawaaladaha (Remittance Levy)?

Lacago lagu qiyaasay inta u dhaxeesa USD 1.5 – USD 3 Bilyan oo doolar ah baa lasoo mariyaa shirkadaha lacagaha (oo sidoo kale loo yaqaano xawilaadaha) sanadkiiba. Lacagtaan waxay u badan tahay lacagaha qurbo joogta usoo diraan qaraabadooda, iyo lacagaha shirkadaha wadanka ay isku wareejiyaan. Ilaa iyo hadda majiro tirokoob lagu sameeyay inta dhabta ah oo ay la egtahay lacagaha la soo marsiiyo shirkadaha xawaaladaha.

Lacagaha xawaaladaha lagu soo diro sidoodaba waa lacag joogto ah oo saameeyn weyn ku leh dhaqaalaha wadanka, muhiimna u ah shirkadaha lacagaha, dadka loo soo diro iyo inta ayaga ku tiirsan oo dhan. Dadka loo soo diro lacagaha dabcan waxay u baahan yihiin iskuulo, isbitaalo, ciidan amaankooda haga iyo iwm. Sidoo kale, dadka lacagaha soo dira, iyo shirkadaha lacagaha lagu soo diro, intooda way awoodi karaan in ay tabarucaad u sameeyaan dib u dhiska wadanka. Lacagta lagu soo qaado tabarucaada waxaa loo isticmaali karaa in dhaliyaradda wadanka loogu abuuro shaqooyin wax tar leh iyo tababar anfici kara mustaqbalka wadanka.

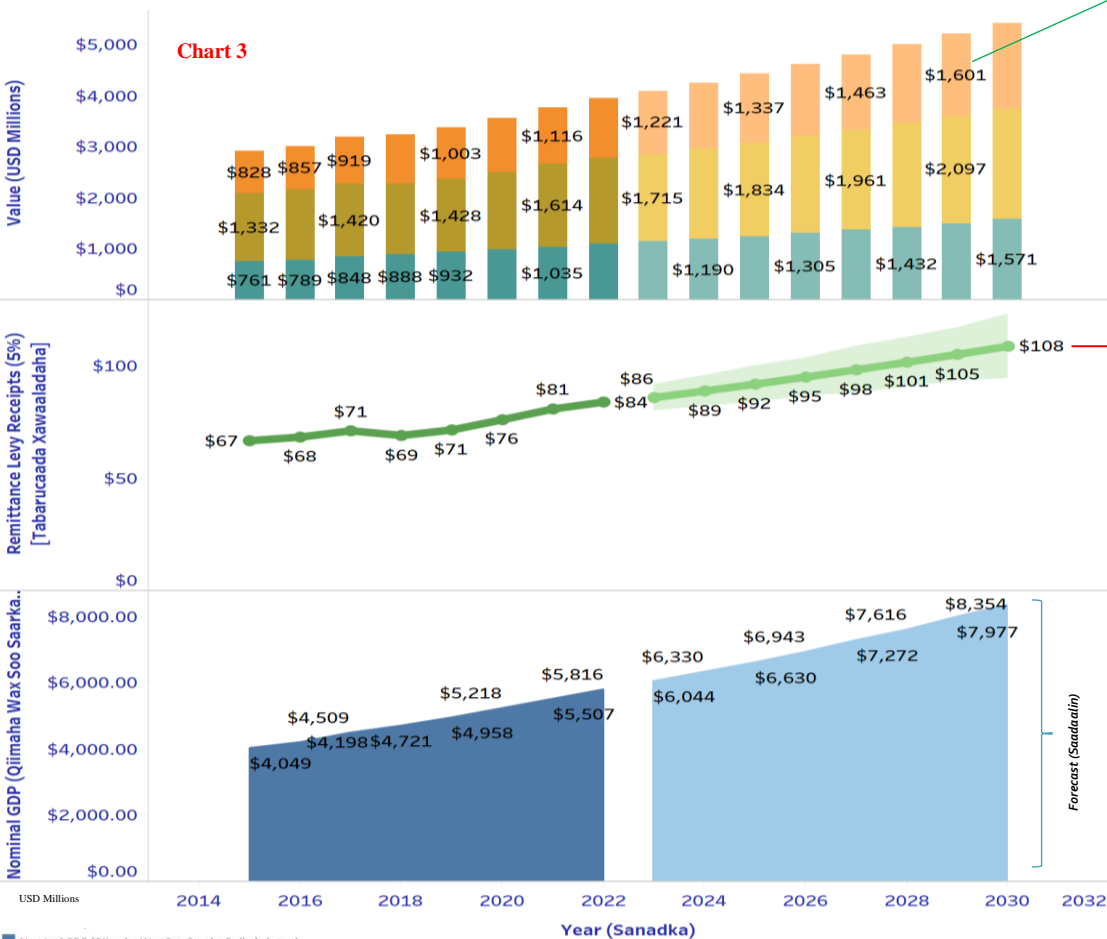
Tusaale ahaan: Marka la eego qofka qurbo jooga ah ee soo xawila \$100, hadii la yiraahdo kusoo dar boqolkiiba seddex tabarucaada ah (3%), kharashka ku baxaayo waa \$3 doolar oo la eg ama ka yar lacagta lagu iibsado hal koob oo kafeey ah. Sidaa daraadeed, lacagta tabarucaada ah culays aad u badan ma ahan hadii run ahaantii la doonayo in wadanka wax loo qabto.

Sidee loo dhaqan galin karaa?

Dadka badankiis oo jecel in uu wadankood ka baxo marxaladda oo ku jiro ma diidayaan in ay lacag yar oo tabarucaad ah ku soo daraan marka ay xawaalada soo dirayaan. Su'aasha ugu weyn waa sida loo aamino in lacagta la soo diray loo isticmaalo si nadiifsan oo isla xisaabtan ku jiro? Sidaa daraadeed, waxaa lagama maarmaan ah in marka hore la dhiso tiirarka kalsoonida iyo isla xisaabtanka.

Tan labaad, hadii la helo daahfurnaan cad oo la aamini karo, lacagaha tabarucaada waxaa laga iibin karaa maalgashayaasha gaarka. Tani waxay u awoodi kartaa in ay dowladda hesho boqolaal malaayiin oo loo isticmaali karo dib u dhiska wadanka.

Tan seddexaad, arintaan ma ahan mid aad u dhib badan in la dhaqan geliyo. Shirkadaha lacagaha waxay qabaan nidaam lacagaha lagu xawilo. Waxaa kaliya oo looga baahanyahay in ay lacagta tabarucaada dul saaraan marka la soo xawilaayo lacagaha (ayagana inta looga baahanyahay ku soo daraan). Lacagaha la soo uruuriyo waxaa markaas lagu soo shubi karaa Bangiga Dhexe. Bangiga Dhexe baa soo dejin kara hab lagula xisaabtamo Shirkadaha si loo hubiyo lacagaha la soo uruuriyay.



Growth Potential: The combined impact of (i) reforming the tax base and increasing the tax ratio to the Sub-Sahara Africa average of 18.8% and (ii) imposing a remittance levy of a 5% will increase the government's income to over \$1.6bn a year by 2030 (2020 = over \$1bn). This is an important illustration of the need for fiscal policy coherence in order to realise the country's potential (and assumes a worst-case scenario).

Remittance Levy: \$108 million can be raised every year by 2030 if a 5% levy is applied to all remittances. This is the worst-case scenario which assumes a very low volume of remittances. If the overall volume of remittances is assumed to be around \$3 billion a year (best case scenario) the potential levy revenue for the government will be around \$150m a year which is very significant indeed (this is nearly 80% of the government's entire 2019 internal revenue).

Af-Soomaali:

Isku filnaanshaha dhaqaalaha wadanka

Chart 3 wuxuu tusaale ahaan soo qaatay hadii la saadaaliyo dhaqaalaha dowladda ka soo gali kara tabarucaada iyo canshuuraha kale. Tusaale ahaan, hadii ay dowladda ku soo rogtu boqolkiiba 5 (5%) lacagaha xawaaladaha, waxaa ka soo bixi kara dakhli kor u dhaafsan \$ 100 milyan sanadkii.

Sidoo kale, hadii salka canshuurta la balaariyo (marka loo eego wax soo saarka dalka) oo Soomaaliya ay gaarto heerka wadamada Afrikada kale qiyaastood (ku dhowaad boqolkiiba sagaal iyo toban), waxaad arki kartaa sida dakhliga uu gaari karo ilaa in ka badan hal Bilyan iyo bar tobanka sano ee soo socota (qiyaasta ugu hooseeysa).

Tani waxay ku tusinaysaa, inkastoo dhib badan weli lagu jiro, in uu wadanka isku filnaan karo hadii si xaaladeysan loo fikiro.

Sidee loo balaariyaa salka canshuuraha?

Waa marka hore in la keenaa xeerka canshuurta oo loo wada dhan yahay. Dadka badankiis ma diidaayo canshuur la ogyahay halka ay ku socoto iyo waxa ay tahay.

Dhibaataada ugu weyn ee dadka iyo dalkaba haysata waa in wasaarad iyo wasiir walba la imaadaan mashruuc canshuur ah oo dowladana jeebkeeda gelin dadkana wax loogu qaban. Sidaa daraadeed, waa in marka hore la dejiyaa habka canshuurta, in la sameeyaa waaxda canshuuraha wadanka iyo in laga bilaabaa meelaha dakhligooda fiican yahay.

Tusaale: Intii qof shaahi wadada ku gadaayo la dhihi lahaa maalin walba canshuur keen, waa in canshuurta laga bilaabo ganacsiyada waa weyn, shirkadaha gudaha iyo kuwa shisheeye, dadka u shaqeeya shirkadaha gudaha, dibada iyo hayadaha ajnabiga, alaabaha kala duwan ee loo soo dhoofiyo wadanka, guryaha, hoteelada, iwm.

Tax Reform

The ability to lock in economic progress depends on a stable and efficient tax system. Expanding the tax base does not mean every government ministry coming up with its own tax policy and collection system to make a bit on the side - as it is often the case in Somalia. The key priority is to set up a national tax authority and coherent tax system which brings the large and medium enterprises, and key services providers, into the tax perimeter.

Tax Sources: Top Seven

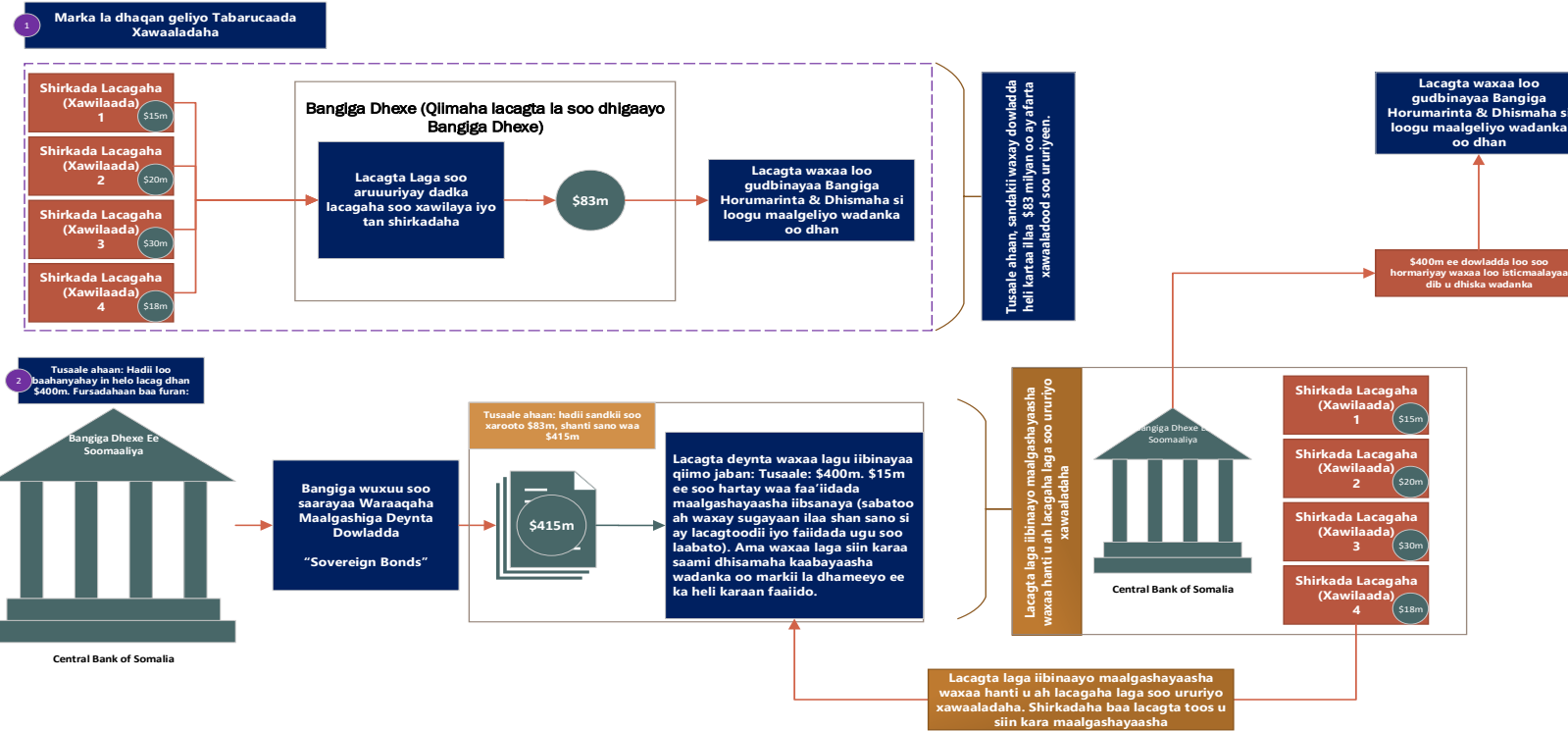
1. Financial Services: these include banks, money services businesses as well as electronic mobile money transfer operators
2. Telecommunication Companies, including telephony and internet services providers
3. Remittance Levy
4. Airlines, Shipping, Logistics and Transportation Companies
5. Small and Medium Enterprises (including the hospitality industry)
6. Value Added Tax
7. Income Tax

Af-Soomaali:

Marka la rabo in la helo dhakhaale si wanaagsan is bedel ugu sameyn kara horumarka wadanka, waa in la dhisaa waaxda canshuuraha, lana dejiyaa hab canshuuraad daahfuran oo bartilmaameed looga dhiqo ilaha lacagaha badan laga sameeyo. Muhiimadda ugu weyn waa in ganacsiyada waa weyn marka hore canshuurta laga bilaabaa. Ma ahan in wasaarad walba la timaado mashruuc canshuur uruurin ah oo jeebka la gashado.

Todobada ilo canshuureed ee ugu weyn waa: Shirkadaha lacagaha, sida bangiyada, xawaaladaha; shirkadaha telefoonada iyo qadadka; xawaaladaha, diyaaradaha, baabuurta iyo shirkadaha alaabaha dhoofiya; shirkadaha yaryar iyo kuwa dhexdhexaadka ah; canshuurta qiimo ku darka ah; iyo canshuuraadka mushaarka laga jaro.

Illustration 1 – How the levy securitization works



Somali Development and Reconstruction Bank (SDRB)

The most difficult problem in Somalia is not so much raising the funds needed for investment as finding appropriately transparent way of channelling those desperately needed funds into reconstruction and development. Whilst there is a huge emphasis on the need to raise funds, not much thinking goes into setting up the structures needed to ensure the investments achieve intended outcomes. In essence, inputs are never measured against outcomes.

At the heart of the issue are the lack of organizational and technical structures to make sure funds raised for reconstruction and development are managed centrally through a Somali development institution. There are far too many instances where projects are initiated on poorly thought through business cases, pouring scarce resources into topical issues of the day without knowing whether they will improve outcomes on the ground. When funds are raised for Somalia (internally, bilaterally or through donor countries), there is currently no systematic way of appraising how the money is spent, the costs and benefits of the projects and indeed whether there had been any impact on the ground. Quite often, there is nothing to show for it. Indeed, this is a key reason why Somalia has not developed any infrastructure projects for decades.

Somalia already has a development and reconstruction bank – Somali Development and Reconstruction Bank (SDRB) - an institution through which all development funding should be managed. The bank can provide much needed central oversight over how the funds are spent, which key priority areas in the Poverty Reduction Plan (PRP) need to be prioritised, as well as provide systematic evaluation of actual outcomes. More importantly, Somalia businesses will be at the heart of the Bank's work to help create local jobs.

If Somalia were to be transformed, there needs to be effective accountability in delivery. If properly reformed, the SDRB can be a key part of the solution and provide much needed transparency and accountability in funding outcomes.

Af-Soomaali: Bangiga Horumarinta & Dib U Dhiska Soomaaliyeed

Dhibaataada ugu weyn wadanka waa sida loo hagi lahaa lacagaha wadanka soo gala ee loogu talo galay dib u dhiska wadanka. Yaa maamula? Sidee loo ogaan karaa in lacagta loo isticmaalay sidii loo baahnaa? Yaa hubiya in mashaariicda dib u dhiska wadanka la gaarsiyo meel walba oo baahi ka jirto ee wadanka gudihiisa ah?

Soomaaliya waxay leedahay Bangiga Horumarinta & Dib u Dhiska. Maxaa u diiday in lacagaha dib u dhiska wadanka la soo mariyo bangigan sidii loo heli lahaa isla xisaabtan iyo daahfurnaan? Dabcan, Bangigan waa bangi Soomaali ah wuxuuna xoogga saari karaa in mashruucyada wadanka lagu dhisayo ee yihiin kuwo wadanka wax tar u leh, shaqooyin badanna abuurikara. Hadii la rabo in horumar la sameeyo, waa in laga fikiraa waxa wadanka faa'iidooyin u keeni kara.

Sidii musuqmaasuqa loo yareeyn lahaa meeshana looga saari lahaa in la siyaasadeeyo shaqooyinka bangiga, waxaa haboon in bangiga loo sameeyo Guddiga Maalgalinta Iyo Dib U Dhiska Qaranka oo bangigana kor ka maamula. Waxaa haboon in guddiga oo ahaado dad sharaf iyo daacidsimo wadankooda ugu adeegi kara, wadanka dib u dhiskiisana kaalinta la rabo kasoo qaadan karaan.

Kobcinta Dhaqaalaha Dowladda

Sida tusaalaha kor ku qoran, waxaa habkaan loo isticmaali karaa meelo badan oo ay ka mid yihiin lacagaha laga helo Hawada Soomaaliya (diyaaradaha isticmaala hawada Soomaaliya oo bixiya kharashka hawada); kalumeecysiga badda, dhismaha kaabayaasha wadanka iyo wax soosaarka dalka (sida beeraha).

Sababta maalgashayaasha ay u iibsanaayan deynta waa sidan: waxay og yihiin in lacagta xawaaladaha ee joogto tahay oo lacagtood u soo laaban doonto. Sidoo kale, waay heestaan labo damaanad: tan dowladda iyo tan shirkadaha lacagaha, wayna arki karaan sida hufnaanta ah ee loo isticmaalo lacagta. Sidoo kale, waxay miisaaniyad fiican ka heli karaan dhismayaasha kaabayaasha wadanka.

Marka la fiiriyo xagga kheeraadka wadanka, fikradahan waxay kaloo saamixi karaan in wadanka warshaddo badan yeesho oo wax soo saarkiisa kor u kaco.

Tusaale: intii shirkaddo shiisheeye la siin lahaa shatiga ay kheeraadka dalka ugu faa'ideestaan xisaabtan la'aan, waxaa haboon in la yiraahdo ama malgelin ku sameeya shirkadaha wax soosaarka dalka, ama dhisa warshadaha loo baahanyahay si marka dambe loola wadaago faa'iidooyinka soo baxa. Hadii tani la sameeyo, shaqooyin badan baa dadka u abuurmaya, dhaqaalaha wadanka baa kor u kacaya, kheeraadkii wadankana lama iibin oo faraha uma galayo shirkaddo shiisheeye.

Warshadeynta wadanka waxay u baahan tahay in dowladda hogaamiso kaalin fiicanna ka qaadato, ayagoo la shaqeenaya shirkadaha sida gaarka loo leeyahay.

The need for National Investment and Reconstruction Board

Turning investment funding into results

The lead times for bringing development concepts into fruition is long and complex, often taking many years. Even countries with stable and robust systems and controls struggle to deliver major programmes.

In Somalia, the risks are considerable and problems often very familiar: most infrastructure projects die once the photo opportunity has faded; the funds never materialise or are mismanaged through corruption; the inevitable ministerial revolving door hits and the new minster moves on to something different; or indeed the government changes colours and the whole initiative dies with no accountability. It is rare, almost exceptional, to see a completed critical infrastructure project in Somalia. The questions of whether the investments to rebuild Somalia are delivering intended outcomes then become pointless.

One of the solutions is to set up a statutory body (through legislation) – National Investment and Reconstruction Board (NIRB) which is an arm’s-length body that is independent of the government. This Board needs to be comprised entirely of non-executive Chairman and directors. The NIRB will be the ultimate decision-making body of the SDRB and be accountable to parliament. In essence, it will help parliament hold the government to account on the both the PRP and how the SDRB funds are spent.

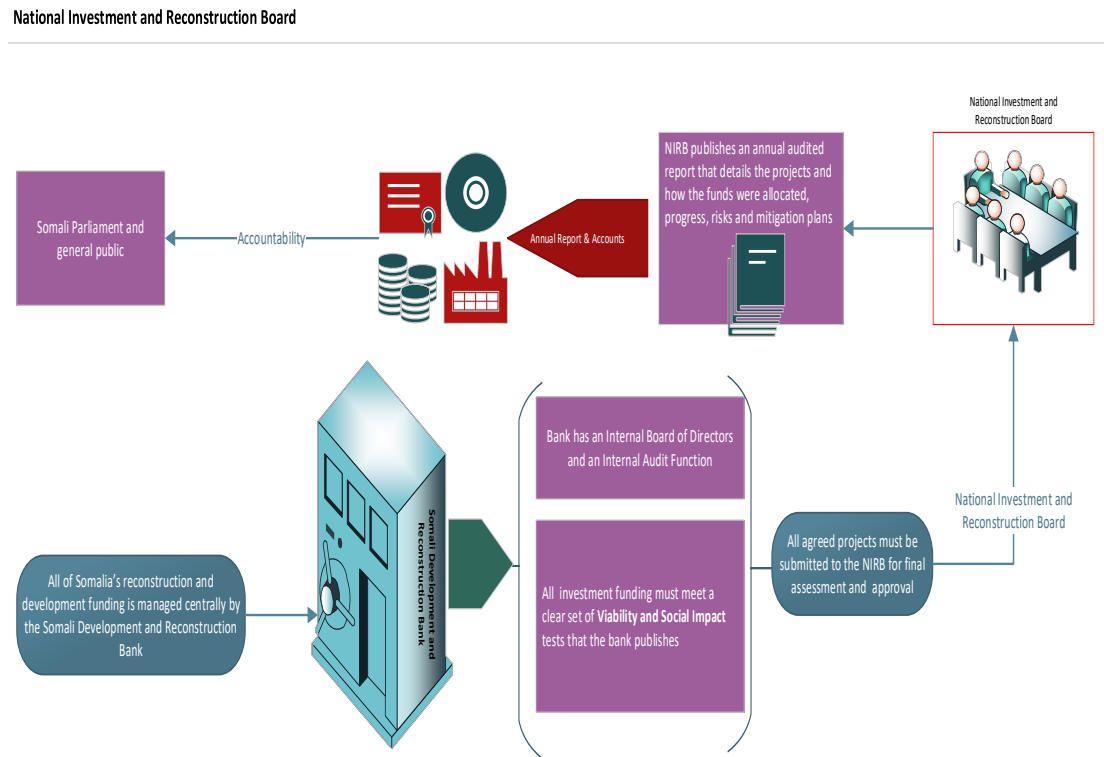
The purpose of setting up NIRB is to have stable and impartial guardians of the national interest whose only job is making sure things are done properly and the risk of corruption is mitigated. The Board will have oversight over all reconstruction funding that are managed through SDRB. The Board’s role will be legislated into law and cover three key areas:

- Ultimate authority for approving and terminating reconstruction programmes funded by the SDRB.
- Assessing all programmes against a set of viability and social impact hurdles.
- Annual Report to Parliament and the general public on progress, including the results of independent annual audits.

Some of the clear advantages of formalising the role of SDRB through the appointment of NIRB is that:

- The risk of political interference, mismanagement and corruption are effectively mitigated;
- Spending based on viability and social impact needs;
- Public disclosure through the annual report and accounts will set the standard for accountability and transparency, showing everyone how funds are turned into results; and
- Enhanced credibility that will facilitate domestic and foreign direct investment into the country.

Oversight by the National Investment and Reconstruction Board



Guddiga Maalgalinta Iyo Dib U Dhiska Qaranka

Marka la eego waxa kaabayaasha wadanka u dhismi la'yihiin waa laba mid:

Mashruuc la dhagax dhigo oo aan weligiis la dhisin, lacagtana la musuqmaasuqo, iyo qof lala xisaabtamo oo aysan jirin.

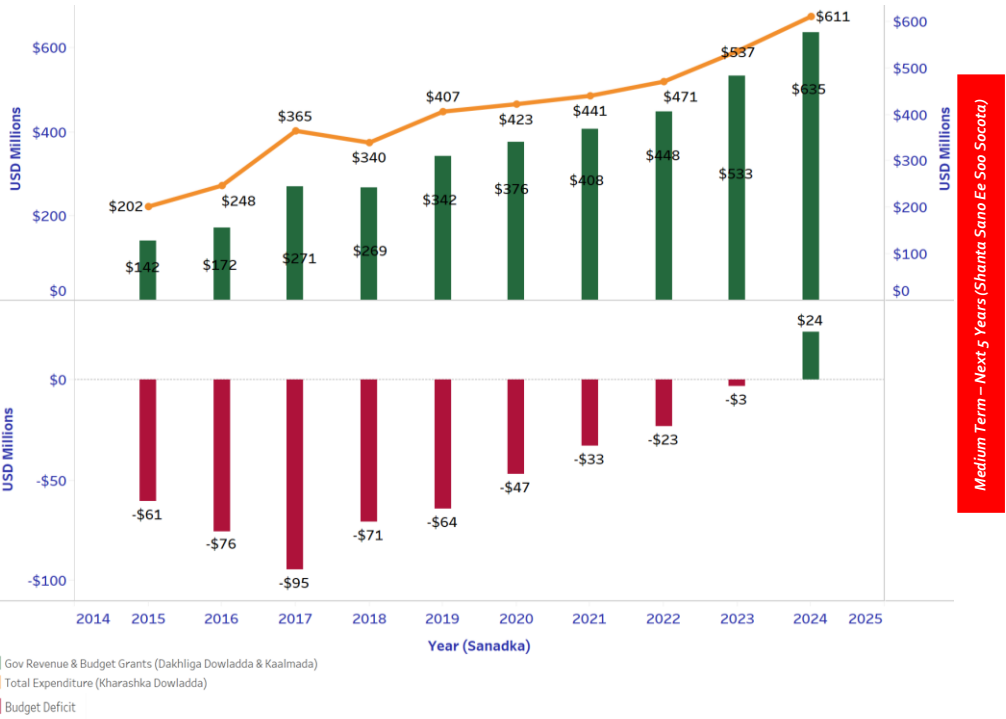
Marka la fiiriyo meel walba oo dadka u furan (sida isbitaladda), waxaa dhisay dowladdo shisheeye. Waa yar tahay in la helo meel ay dowlad Soomaaliyeed dhista oo si hufnaan ah u shaqeeyso.

Sidii loo heli lahaa isla xisaabtan, waa in marka hore in la helaa qof lala xisaabtamo. Haddii lacagaha maalgashiga la soo mariyo hab la fahamsanyahay, dabadeed waa la heli karaa isla xisaabtan daahfuran.

Guddiga meelgalinta waxaa shaqo u ah sidii ay u daba joogi lahaayeen lacagaha lagu dhisi lahaa kaabayaasha wadanka, iyo sidii meel kasta oo baahi adag ka jirto ee wadanka ah loo gaarsiin lahaa maalgalin tayo leh.

Marka La Eego Mustaqbalka Dhaqaalaha – Shan & Labaatanka Sano Soo Socota

Chart 4: 5-year forecast of government receipts and expenditure / Marka la saadaaliyo dhaqaalaha dowladda ee shanta sano soo socota



Budget adequacy is still unattainable, even if the external grant is maintained for the next 5 years

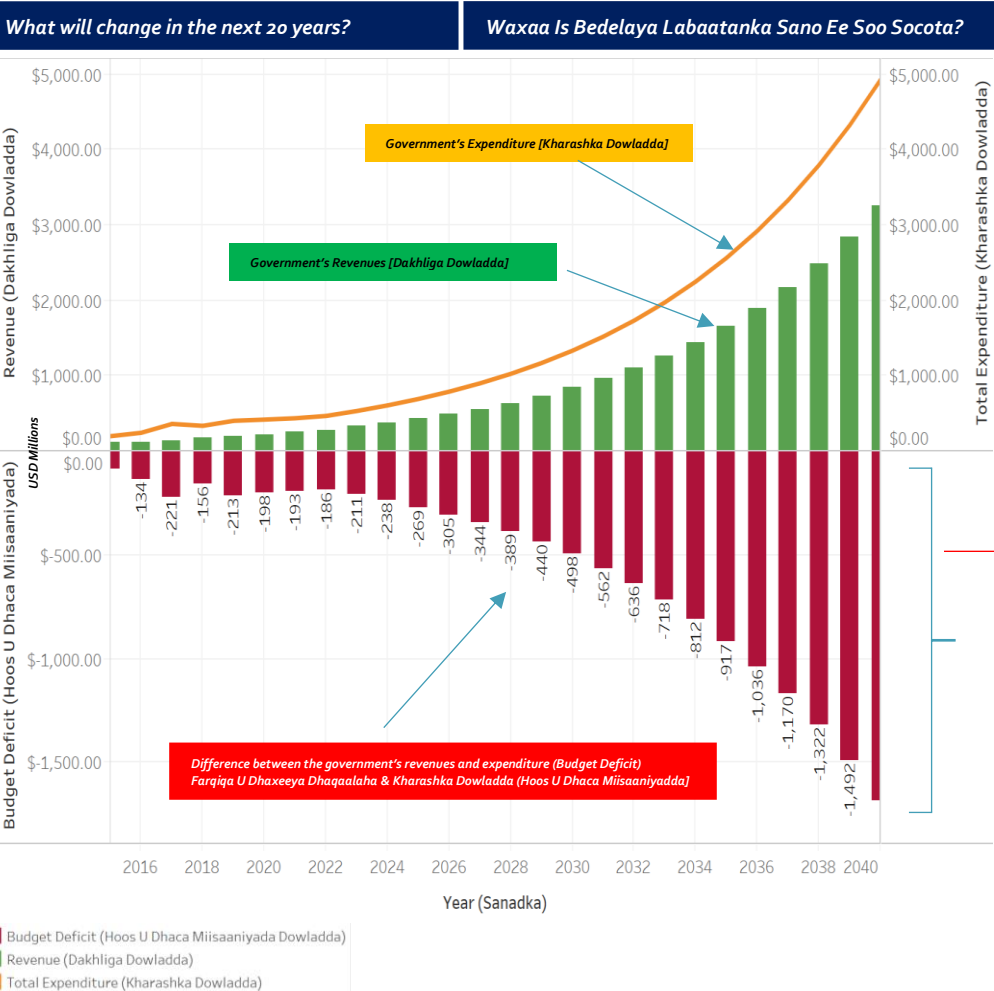
If the current trend of income (which includes external grants) and expenditure (including domestic arrears) are assumed to remain broadly the same, the government will be expected to run significant budget deficits for the next four years, turning a modest surplus in the year 2024. The total expenditure line includes the assumptions of full settlement of all domestic arrears. The chart also shows the projected increasing trend of the government's receipts, compared to prior years.

Af-Soomaali: Hadii la saadaaliyo dhaqaalaha iyo kharashka dowladda (dhaqaalaha waxaa ku jira kaalmada shisheeye, kharashkana waxaa ku jira lacagaha deynta gudaha ee dowladda lagu leeyahay) ee shanta sano ee soo socota, waxaa la arki karaa in ay miisaaniyadda hoos u dhac ku imaanayo, inkastoo hoos u dhaca oo ka fiican yahay sanadihii hore. Ilaa inta laga gaarayo sanadka 2024, dowladda waxaa laga yaabaa in ay helin miisaaniyad ku filan.

Markuu yimaado hoos u dhac miisaaniyadeed, waxay sababi kartaa laba mid: ama in la joojiyo howlihii dowladda (sida dhisamaha kaabayaasha wadanka); ama in la aan mushaar la siin shaqaalahii dowladda. Labadaba waxee sababi karaan dhibaatooyin dhaqaale iyo mid shacab (waa sida aan mar walba ku aragno wadanka). Dabcan hadda baa loo baahanyahay in laga sii fikiro sidii miisaaniyada kor loogu qaadi laahaa inta aan dhibaatooyinka la gaarin.

The Next 20 Years [Labaatanka Sano EE Soo Socota]

Chart 5: 20-year forecast of government receipts and expenditure / Marka la saadaaliyo dhaqaalaha dowlada ee labaatanka sano soo socota – hadii sidaan lagu sii jiro



Long-term View

If both the government's revenue and expenditure continue to increase at their average rate (14.5% and 13.9% respectively, as per 2016 – 2022 average) and this is forecasted for the next 20 years, the budget deficit will continue to deteriorate to unsustainable levels. This is an important illustration of why there is an urgent need to increase the pace of the institutional reforms needed to expand the tax base.

If there is no budget to pay for the country's reconstruction and recovery or to meet recurrent costs, there will of course be no change in Somalia's economic trajectory for many more decades. Even though this is the best scenario which assumes a constant funding growth (and the likelihood of that happening is very low), the projection shows significant deficits. This highlights why it is vital to reform the institutions of government, seek cost efficiencies, address corruption and develop a sound economic plan.

Af-Soomaali: Labaatanka Sano Soo Socota: Hadii la saadaaliyo dhaqaalaha iyo kharashka dowladda (kharashka waxaa ku jira lacagaha deynta gudaha wadanka ee dowladda lagu leeyahay) ee labaatanka sano soo socota (hadii la yiraahdo celcelis ahaan dhaqaalaha dowladda wuxuu kordhayaa 14.5%, kharashka 13.9%), waxaad arki kartaa in hoos u dhaca miisaaniyada oo sii kordhaayo ilaa inta uu gaarayo xad dhaaf oo aan la awoodi karin.

Dabcan tani waxay ku tusin kartaa in hadii aan la helin dhaqaale ku filan miisaaniyadda dowladda, dib u dhiska iyo horumarnta wadanka, Soomaaliya sidaan ay ku sii jiri doonto muddo aad u dheer – ilaa iyo labaatanka sano ee socota. Waxay ku tusineysaa in loo baahanyahay in cunaqabatayn lagu sameeyo musumaasuqa lana balaariyo ilaha dhaqaalaha si canshuurta u kororto.

Looking Ahead: 2020 and Beyond

Somalia is moving in the right direction and the current government's progress towards the Heavily Indebted Poor Countries (HIPC) milestones is a good indication of the slow but important steps in the journey towards economic recovery. However, this is a tip of the iceberg and many of the reforms that are key to economic development (currency reform, building credible institutions, the fight against corruption etc) have yet to materialise.

Moreover, internal revenues are still dependent too heavily on both (contingent) external support and a limited number of domestic sources – a fact that will inhibit the execution of the government's development priorities and suppress long-term recovery for many years. The absence of adequate institutions of government, including a centralised tax management authority and a coherent fiscal policy framework all point to the scale of the problems that still need to be confronted.

Emphasis on institutional reform and real accountability

Economic progress is not just a question of raising more revenues: it is making sure the money is well-spent. Without accountable institutions and systems of tracking how the government's funds are turned into results that benefit the people, it is difficult to see how there will ever be any genuine progress. This is simply a matter of fact. Systemic deficiencies in the institutions of government, limited transparency or systems that only exist on paper and preclude credible governance, are indeed the main reasons corruption and mismanagement tend to flourish. Somalia's economic problems will not be fixed unless and until these underlying root causes are effectively addressed.

Reliance on handouts is not a badge of progress

The country's economic potential cannot be realised as long as the deeply held assumption that Somalia is helpless without external help is pervasive. Whilst the country needs international investment to help with its long-term recovery, the almost infantile dependency on external budgetary support has created the perverse incentive of prolonging the country's fiscal paralysis. Some of the grants may be intended to achieve good outcomes, but their side-effects are most certainly ruinous for Somalia. This is because donor budgetary support becomes a profitable substitute to the difficult work of building credible and accountable institutions to help support sustainable internal revenue generation. When the day-to-day running cost of the government is paid for through such handouts, it also has an obvious pernicious effect on many things, including government policy. Indeed, it would be questionable whether a country so overdependent on such support in order to function can be considered to be self-governing or in charge of its economic and political destiny.

This is an important point that should not be lost on those in government: reliance on external support is not a badge of progress, economic self-sufficiency is.

2020 and beyond: The need for vision and leadership

Strong leadership with the right tone from the top leads to proper accountability for outcomes without which economic progress would merely be an illusion. This means the issues of enhancing security, supporting economic growth and creating employment are all interwoven and in turn depend very much on the existence of credible institutions of government. Realising Somalia's economic potential therefore requires a collective understanding of all of these matters, as well as making sure the necessary conditions for economic development are also satisfied.

Above all else, Somalia's progress will only be possible if there is the right leadership with the strength of character of doing the right thing for their country. This takes on an added urgency as the thirtieth consecutive year of mayhem and discord approaches.

Mustaqbalka: 2020-ka Iyo Sanadaha Ka Dambeeya

Soomaaliya is bedel bay ku jirtaa. Horumarka laga gaaray mashruuca deyn cafinta wuxuu tusaale u yahay dadaalka socda si kor loogu qaado dhaqaalaha mustaqbalka wadanka.

Laakin, weli dakhliga dowladda waxaa laf dhabar u ah kaalmada shisheeye. Ilaha dhaqaalaha gudaha wadanka weli waa kuwo aad u yar oo liita. Wadanka weli ma laha waaxda canshuuraha, mana jiraan hab canshuur ee mideeyan; waaxyadda dowliga waa kuwo aan jirin ama aad u liita. Tani waxay ku tusin kartaa in dhibaatooyinka waa weyn (sida lacagta shilinka, dhismaha tiirarka isla xisaabtanka, ladagaalanka musuqmaasuqa, iwm) aan weli xal loo helin.

Xoojinta xarumaha dowliga ah ee wadanka

Horumar dhaqaale ma aha in dakhli badan dowladda la soo galiyo oo kaliya. Waa in marka hore la xoojiyaa xarumaha dowliga ee wadanka. Sidoo kale, waxaa loo baahanyahay in la ogyahay meesha ay lacagta dowladda ku baxdo iyo sida ay u baxdo, iyo waxa ummada loogu qabto. Hadii ay jirin xarumo daahfurnaasho ku shaqeeya, weligeed ma jiri doonto wax horumar ah ee la gaari karo.

Waxaa is waydiin mudan: sidee buu dhaqaalaha wadanka ku hagaagayaa hadaan la helin is xisaabtan dhab ah, musuqmaasuqana wax laga qaban?

Horumar ma ahan in mar walba shisheeye gacanta loo taagto

Fikradaha ugu xun ee wadanka dib dhaca ugu weyn ku sameeya waa marka lawada aamino in Soomaalida ay wax qabsan karin, ilaa shisheeye uu u kaalmeeyo. Dabcan wadanka wuu u baahanyahay maalgalin calami ah laakin tani ma ahan in wadan walba ee shisheeye ah markasta gacanta loo taago. Sodon sano in ku dhow buu wadanka tuuksi ku jiraa. Dowlad walbana ee timaada meeshii bay ka sii wadaa.

Tan koowaad: dakhliga miisaaniyada dowladda waxaa ugu weyn taakuladda ay bixiyaan wadamada shisheeye – sida mushaarka iyo saanadaha, mushaarka shaqaalaha dowlada, iwm. Dhibaataada ay taakulayntaan keenytay waxaa ka mid ah in ay dowladdii ka jifato oo ay dadaal u gelin sidii ay u kordhin lahaayeen dakhliga wadanka. Waa isku haleeys sababa dhaqaale xumo iyo horumar la'aan.

Tan labaad: Waxaa su'aal ah in hadii ay dowlad kasoo bixi karin kharashaadka dowladda lagu maamuli lahaa, bal maxee dowlad ku tahay? Sidoo kale, ma kula tahay in ay arintaan u wanaagsantahay horumarka iyo siyaasadda wadanka hadii shisheeye naas nuujin kugu haayo? Waxaa mudan in la xuso in taakuleeyn joogo ah aynaan aheyn horumar. Waxaa horumar ah marka ay misaaniyada dowladda ay is ku filan tahay, dakhliga wadanka haba yaraadee.

Waxaa loo baahanyahay aragti dheer iyo hogaan hufan

Hogaan aragti dheer oo si hufnaan ku jirto ku shaqeeya wuxuu keenayaa is la xisaabtan dhab ah, waana tan kaliya oo wadanka ku hormari karo. Hadii la rabo in wax laga qabto siyaasadda wadanka, nabadgalyadda, abuurista shaqooyinka – intaan oo dhan waxaa muhiim u ah in marka hore la helo waaxyadda dowliga ee hufnaanta ku shaqeeya. Hadii aan taas la fahamsaneeyn ama la iska indha tiro, Soomaaliya waxay ku jiri doontaa “Jug Jug Meeshaada Joog”.

Wax walba waxaa ka sareeya tan: Soomaaliya waxay ku horumari kartaa oo kaliya hadii la helo hogaan si daacad, dadnimo iyo wadannimo wax ugu qabta dadka iyo dalka. Wadanka wuxuu mar dhow madaxa la galayaa sanadkii soddonaad oo lagu jiro dhibaato iyo wareer. Hada baa loo baahanyahay in helo hogaankii si hufnaanta ah wadanka iyo dadka horseed ugu noqon lahaa.

Ninkii timir abuura iyo kii tiin talaalaba taariikhdu way qori

This summary explains the source of the raw data used for the modelling graphs that are included in this report.

- 1: All of the data in the graphs have been sourced from the International Monetary Fund (IMF) Article IV publication, and correct as at August 2019, which is available here: [\[https://www.imf.org/en/News/Articles/2019/08/01/pr19309-somalia-imf-executive-board-concludes-2019-article-iv-consultation-with-somalia\]](https://www.imf.org/en/News/Articles/2019/08/01/pr19309-somalia-imf-executive-board-concludes-2019-article-iv-consultation-with-somalia). The IMF Country Report No. 19/256, table 2, page 34 (termed here as the “publication”) provides estimate and projections of Somalia’s financial indicators from 2015 – 2022. The key number used here are the Gross Domestic Product (nominal GDP) and the extracts relating to the Central Government finances (all based on GDP). The publication notes that the numbers are based on the data provided by the Somali authorities as well as IMF staff estimates and projections.
- 2: *Charts 1 and 2* in pages (3,6 and 9) are based on the raw data provided in the publication, covering the 2015 – 2022 period. Both prior and future numbers are estimates (2022 is projected) as per the IMF publication.
- 3: The Gross Domestic Product (GDP) figures are the nominal GDP (not real GDP). There is a difference between nominal and real GDPs (for instance, Somalia real GDP growth for 2019 is forecast to be at 2.9% (as per the September IMF update: [\[https://www.imf.org/en/News/Articles/2019/09/18/pr19339-somalia-imf-staff-completes-first-review-under-staff-monitored-program\]](https://www.imf.org/en/News/Articles/2019/09/18/pr19339-somalia-imf-staff-completes-first-review-under-staff-monitored-program)). The chart shows the nominal GDP growth of c. 5% for the same period.
- 4: The tax to GDP comparison for Highly Indebted Poor Countries (HIPC) and for Sub-Sahara Africa (SSA) were sourced from the World Bank data bank: [\[https://databank.worldbank.org/home.aspx\]](https://databank.worldbank.org/home.aspx). The HIPC and SSA were as at 2016 (last available dates). For simplicity, the comparative assumption is the GDP figure is nominal in all calculations.
- 5: *Chart 3* takes the raw data in the IMF publication (2015 – 2022) and applies a statistical forecast, using exponential smoothing with a 95% confidence level. Given both the historic and future data are based on estimates, the forecast is scenario-based and subject to significant volatility. It should also be noted the forecast is indicator of the likely path of growth and not the actual. The remittance volumes, on which the remittance levy was calculated, was also taken from the IMF publication. Note the following wording conventions: Actual means the IMF estimate as per the August 2019 publication; Estimate means the model forecast. In the publication, estimates and forecast are the naming conventions for the raw data.
- 6: *Charts 4:* This is a forecast chart which takes the estimated government expenditure (assumes the settlement of all domestic arrears) as well as government revenues (combined to include grants). Based on the historic average growth (2016-2022 at 19.10%), the chart then forecasts the trend for the next five years, keeping all other scenario variables constant. A sustained growth in the government’s revenues, based on 19.10% prior year average growth trend and which holds constant until 2024 is an unlikely scenario, nor would the government’s expenditure be broadly in line with 2016-2022 publication estimate. This graph is therefore intended to assess the overall best-case scenario estimate of the fiscal mid-term view with these assumptions applied. Using this approach also carries the risk of flaw of average
- 7: *Charts 5:* This is a long-term forecast chart which takes the government expenditure (assumes no settlement of all domestic debts and no carry forward arrears) but focusing on domestic revenue only (excluding grants) to demonstrate the level of self-sufficiency. Based on the historic average growth (revenue at 14.5%) and expenditure at 13.9%. The chart then forecasts the trend for the next 20 years, assuming all scenario variables remain constant.