The current revenue budget for SWSS stands at **$39.88 million**. In Q1 2026, the revenue execution rate was nearly identical to Q1 2025 (8% vs. 9%), both well below the **25% quarterly target**. Overall tax collection fell by **16% year-on-year**, with payroll and workforce taxes dropping **26%** following the withdrawal of USAID projects and widespread layoffs in INGOs and LNGOs, hitting the working class particularly hard. On the expenditure side, execution rose modestly from **10% to 11%**, driven by higher wages (**22%**) and fixed asset spending. Q1 2026 therefore reflects stronger spending discipline but continued challenges in revenue mobilization, leaving the budget execution rate effectively unchanged year-on-year.

Southwest State Fiscal Outrun Analysis Quarter 1 Report 2026

Mohamed Sheikh

Contents

Abbreviations

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

Executive Summary

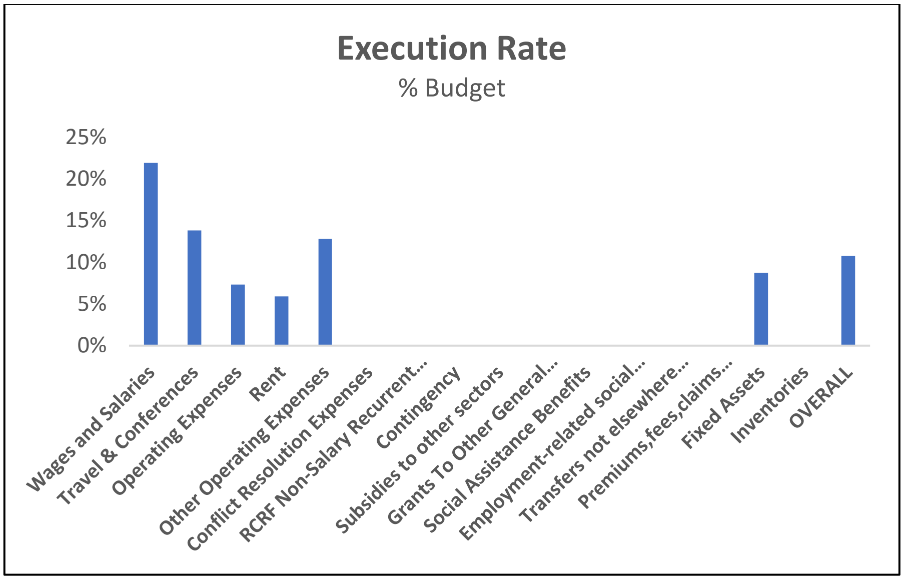
The current revenue budget for SWSS stands at **$39.88 million**. In Q1 2026, the revenue execution rate was nearly identical to Q1 2025 (8% vs. 9%), both well below the **25% quarterly target**. Overall tax collection fell by **16% year-on-year**, with payroll and workforce taxes dropping **26%** following the withdrawal of USAID projects and widespread layoffs in INGOs and LNGOs, hitting the working class particularly hard. On the expenditure side, execution rose modestly from **10% to 11%**, driven by higher wages (**22%**) and fixed asset spending. Q1 2026 therefore reflects stronger spending discipline but continued challenges in revenue mobilization, leaving the budget execution rate effectively unchanged year-on-year.

Table 1. Summary Revenue and Expenditure

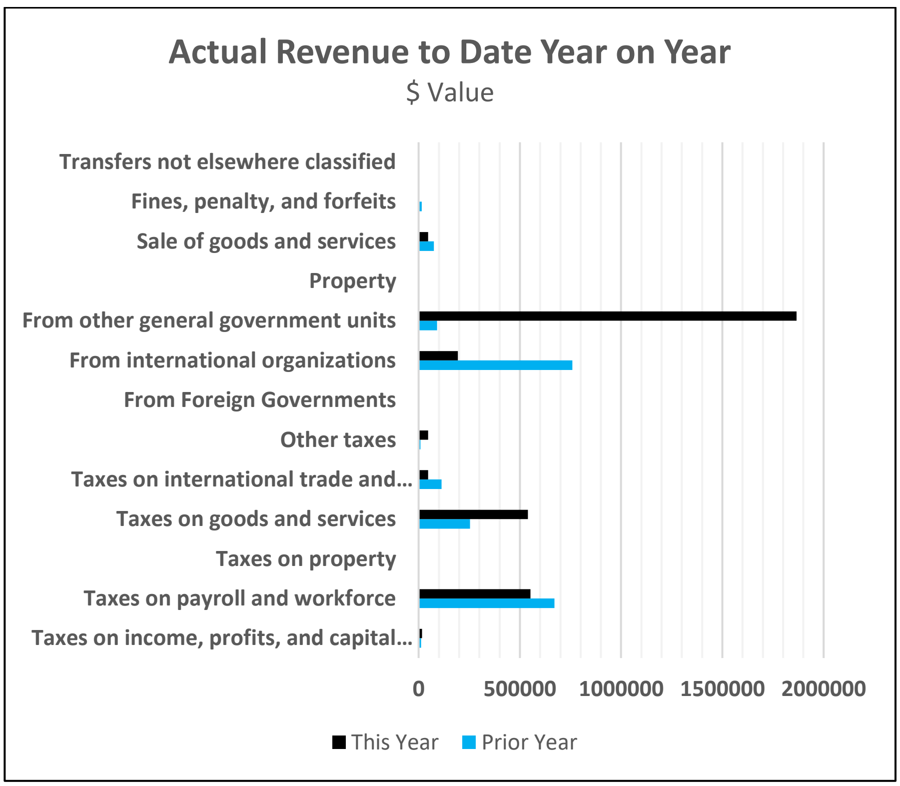
	Q1 2025	Original Budget at Q1	Current Budget 2025	Share	Transfers	Q4 2025	Q1 2026	Share	Change Y-O-Y	Change Q-O-Q	Budget Execution
REVENUES	**3,341,719**	**39,792,431**	**39,880,368**	**100%**	**87937**	**25,703,689**	**3,309,520**	**100%**	**-1%**	**-87%**	**8%**
Taxes	**1,060,947**	**5,299,737**	**6,219,243**	**16%**	**919506**	**4,859,069**	**1,203,757**	**36%**	**13%**	**-75%**	**19%**
Taxes on income, profits, and capital gains	12,407	135,988	64,881	0%	-71107	69,583	17,490	1%	**41%**	**-75%**	27%
Taxes on payroll and workforce	670,672	3,084,975	4,140,248	10%	1055273	2,907,479	553,126	17%	**-18%**	**-81%**	13%
Taxes on property	-	220,134	-	0%	-220134	90,300	-	0%		**-100%**	
Taxes on goods and services	254,120	1,239,611	1,474,053	4%	234442	1,289,020	539,750	16%	**112%**	**-58%**	37%
Taxes on international trade and transactions	113,971	584,572	412,824	1%	-171748	356,555	46,910	1%	**-59%**	**-87%**	11%
Other taxes	9,777	34,457	127,237	0%	92780	146,132	46,482	1%	**375%**	**-68%**	37%
Grants	**2,188,906**	**33,891,438**	**33,081,075**	**83%**	**-810363**	**20,533,809**	**2,059,359**	**62%**	**-6%**	**-90%**	**6%**
From Foreign Governments	-	-	-	0%	0	-	-	0%			
From international organizations	758,692	9,621,944	2,724,465	7%	-6897479	2,624,859	193,912	6%	**-74%**	**-93%**	7%
From other general government units	1,430,214	24,269,493	30,356,610	76%	6087117	17,908,950	1,865,447	56%	**30%**	**-90%**	6%
Other Revenue	**91,866**	**601,256**	**580,050**	**1%**	**-21206**	**310,812**	**46,403**	**1%**	**-49%**	**-85%**	**8%**
Property	-	-	-	0%	0	-	-	0%			
Sale of goods and services	75,866	601,256	570,050	1%	-31206	310,812	46,403	1%	**-39%**	**-85%**	8%
Fines, penalty, and forfeits	16,000	-	10,000	0%	10000	-	-	0%	**-100%**		0%
Transfers not elsewhere classified	-	-	-			-	-	0%			
EXPENDITURES	**3,440,466**	**39,792,431**	**41,733,479**	**100%**	**1941048**	**25,400,577**	**4,502,064**	**100%**	**31%**	**-82%**	**11%**

Compensation of Employees	**2,021,436**	**13,447,701**	**9,801,806**	**23%**	**-3645895**	**11,231,531**	**2,148,846**	**48%**	**6%**	**-81%**	**22%**
Wages and Salaries	2,021,436	13,447,701	9,801,806	23%	-3645895	11,231,531	2,148,846	48%	**6%**	**-81%**	22%
Use of Goods and Services	**1,266,928**	**20,487,761**	**24,322,834**	**58%**	**3835073**	**11,841,948**	**1,687,716**	**37%**	**33%**	**-86%**	**7%**
Travel & Conferences	190,829	3,399,715	2,113,684	5%	-1286031	2,381,292	292,013	6%	**53%**	**-88%**	14%
Operating Expenses	378,716	5,527,249	4,165,225	10%	-1362024	3,937,807	305,492	7%	**-19%**	**-92%**	7%
Rent	153,921	1,060,595	783,891	2%	-276704	959,190	46,274	1%	**-70%**	**-95%**	6%
Other Operating Expenses	543,462	7,407,297	8,138,798	20%	731501	4,563,659	1,043,938	23%	**92%**	**-77%**	13%
Conflict Resolution Expenses	-	-	-	0%		-	-	0%			
RCRF Non-Salary Recurrent Cost	-	2,769,255	8,781,272	21%	6012017	-	-	0%			0%
Contingency	-	323,650	339,965	1%	16315	-	-	0%			0%
Subsidies	**-**	**-**	**-**	**0%**	**0**	**-**	**-**	**0%**			
Subsidies to other sectors	-	-	-	0%	0	-	-	0%			
Grants	**-**	**-**	**-**	**0%**	**0**	**49,717**	**-**	**0%**		**-100%**	
Grants To Other General Government Units	-	-	-	0%	0	49,717	-	0%		**-100%**	
Social Benefits	**-**	**12,000**	**-**	**0%**	**-12000**	**-**	**-**	**0%**			
Social Assistance Benefits	-	12,000	-			-	-				
Employment-related social benefits	-	-	-	0%	0	-	-	0%			
Other Expenses	**-**	**5,500**	**11,000**	**0%**	**5500**	**11,000**	**-**	**0%**		**-100%**	**0%**
Transfers not elsewhere classified	-	-	-	0%	0	-	-	0%			
Premiums,fees,claims related to non-life insurance	-	5,500	11,000			11,000	-			**-100%**	0%
Acquisition of Nonfinancial Assets	**152,102**	**5,839,469**	**7,597,838**	**18%**	**1758369**	**2,266,382**	**665,501**	**15%**	**338%**	**-71%**	**9%**
Fixed Assets	109,102	5,796,119	7,595,528	18%	1799409	1,912,470	665,501	15%	**510%**	**-65%**	9%
Inventories	43,000	43,350	2,310	**0%**	-41040	353,912	-	**0%**	**-100%**	**-100%**	0%
BALANCE	**(98,747)**	**-**	**(1,853,110)**			**303,112**	**(1,192,544)**		**1108%**	**-493%**	**64%**

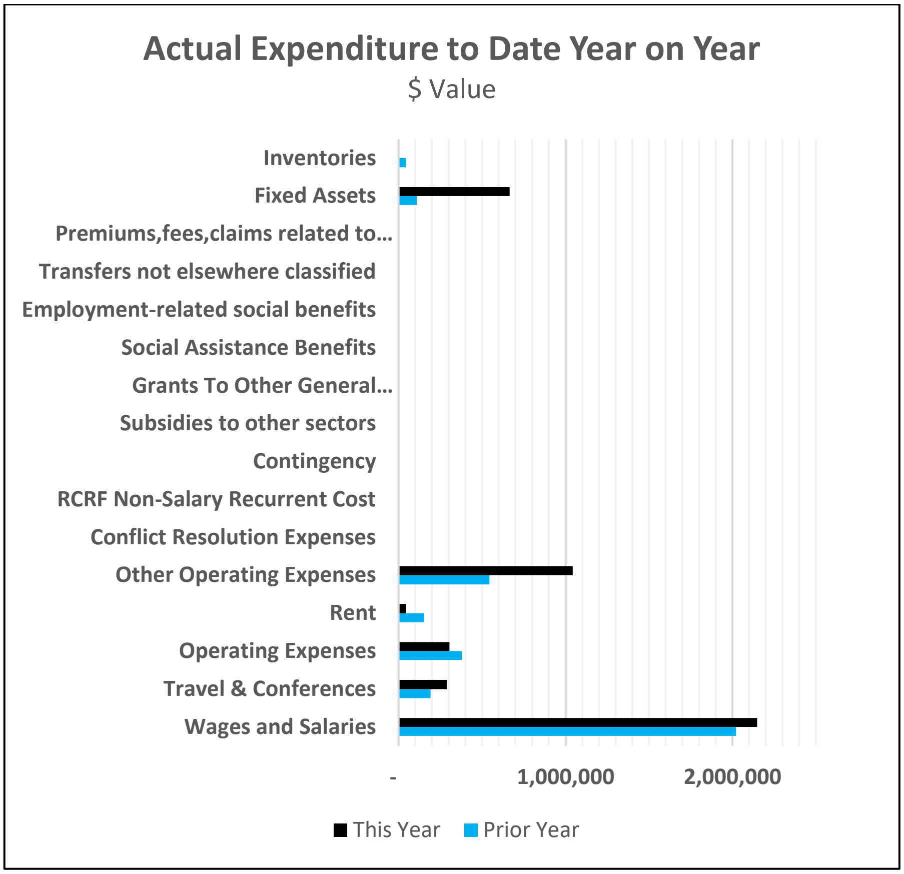
Key Charts



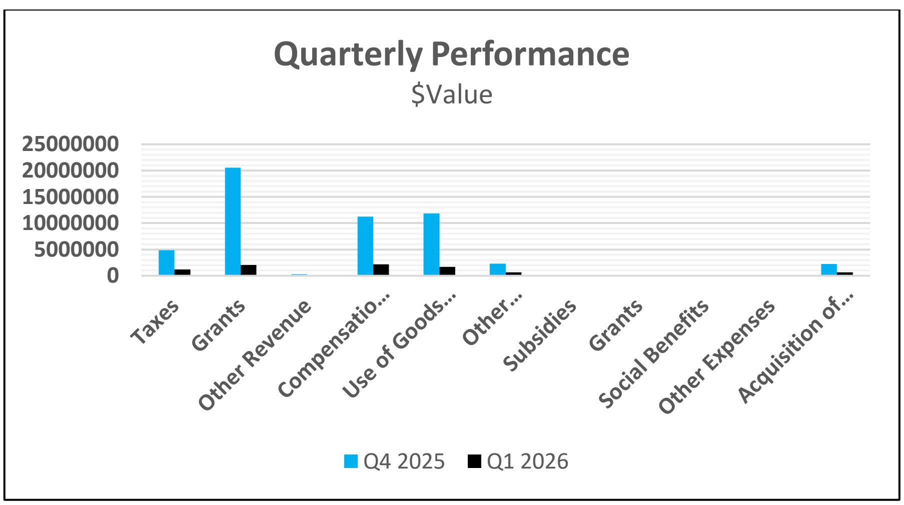
Government revenue execution slipped from **9% in Q1 2025** to **8% in Q1 2026**, reflecting weaker tax and grant performance. Expenditure execution rose modestly from **10% to 11%**, driven by higher wages and fixed asset spending. Overall, Q1 2026 shows stronger spending execution but continued challenges in revenue mobilization, with the budget execution rate remaining nearly identical year-on-year.



Domestic revenue diversification remains narrow, with most collections concentrated in **taxes on income, profits, and capital gains**, which rose by **18%** compared to Q1 2025. In contrast, **taxes on payroll and workforce, goods and services, and trade** all declined, signaling weaker domestic activity. Meanwhile, **other taxes** dropped sharply from an exceptional **191% in Q1 2025** to **37% in Q1 2026**, normalizing after an unusual spike.



Government expenditure on Wages and Salaries in Q1 2026 increased slightly by **6.6%**, reaching **2,148,846** compared to **2,015,111** in Q1 2025. Meanwhile, Other Operating Expenses rose sharply from **447,439** in Q1 2025 to **1,043,938** in Q1 2026, marking a significant surge of approximately **133.3%**. Fixed Assets also recorded notable growth, rising from **477,729** in Q1 2025 to **665,501** in Q1 2026—an increase of about **39.3%**. These trends reflect a shift in budget allocation toward strengthening state-building initiatives and directing resources to social sector development, particularly in **Health** and **Education**.



Domestic revenue collection in the current year's **Q1 (1,203,757)** decreased by approximately **16.2%** compared to last year's **Q1 (1,436,911).** This decline highlights the need for deeper analysis to understand the underlying causes and to strengthen domestic revenue collection efforts. Doing so will help reduce the budget deficit and lessen dependency on grants from international organizations.

Table 2. Expenditure by MDA

COFOG	MDA Name	Budget	Actual	%Execution
Economic Affairs	Ministry of Agriculture & Irrigation	3,779,882	295,042	7.8%
Economic Affairs	Ministry of Fisheries & Sea Minerals	182,512	77,041	42.2%
Economic Affairs	Ministry of Industry & Commerce	40,244	3,574	8.9%
Economic Affairs	Ministry of Information	167,056	22,176	13.3%
Economic Affairs	Ministry of Labour & Employment	201,456	24,690	12.3%
Economic Affairs	Ministry of Livestock & Veterinary	3,400,842	123,906	3.6%
Economic Affairs	Ministry of Petroleum and Mineral Resource	34,220	2,570	7.5%
Economic Affairs	Ministry of Posts & Communications	34,220		0.0%
Economic Affairs	Ministry of Seaports & Sea Transportation	34,620	2,710	7.8%
Economic Affairs	Ministry of Transportation & Airports	50,880	5,180	10.2%
Economic Affairs	Ministry of Water & Energy	4,143,551	457,146	11.0%
Education	Ministry of Education	8,645,953	187,897	2.2%
Environmental Protection	Ministry of Environment & Wildlife	434,360	76,370	17.6%
General Public Services	Accountant General Office	10,400		0.0%
General Public Services	Civil Service Commission	457,350	29,994	6.6%
General Public Services	Ministry of Finance	2,206,190	268,828	12.2%
General Public Services	Ministry of Interior & Local Governments	1,370,543	275,761	20.1%
General Public Services	Ministry of Justice & Judiciary	57,516	6,786	11.8%
General Public Services	Ministry of Planning and International Cooperation	896,564	139,454	15.6%
General Public Services	Ministry of Reconciliation & Constitutional Affairs	43,856	4,176	9.5%
General Public Services	Office for Auditor General	61,784	5,220	8.4%
General Public Services	Parliament	961,320	5,220	0.5%
General Public Services	State Ministry of President	3,204,931	930,055	29.0%
Health	Ministry of Health	3,254,660	153,302	4.7%
Housing and community amenities	Ministry of Public Works & Reconstruction	243,502	68,652	28.2%
Public Order and Safety	High Court	96,000		0.0%
Public Order and Safety	Ministry of Internal Security	3,790,171	544,934	14.4%
Public Order and Safety	Ministry of Islamic Affairs & Endowments	34,220	2,570	7.5%
Social Protection	Ministry of Aid & Disaster Management	448,218	130,102	29.0%
Social Protection	Ministry of Women & Human Rights	380,737	55,479	14.6%
Social Protection	Ministry of Youth & Sports	49,880	5,180	10.4%
Social Protection	Ministry of Ruler Development and Resilience	16,800		0.0%
Grand Total		**38,734,438**	**3,904,013**	**10.1%**

Expenditure of government in Q1 2026 is accumulated on State Ministry of President, Ministry of Aid & Disaster Management, Ministry of Public Works & Reconstruction, and Ministry of Interior & Local Governments, Ministry of internal Security, Ministry of Finance, Ministry of Fisheries & Sea Minerals which indicates the state focus on social protection. On the other hand, Ministry of Posts & Communications, Parliament, and High Court had received the lowest Expenditure rate of the Q1 2026.

Table 3. Expenditure by Projects

Project Name	Sum of Budgeted	Sum of Paid	% of Execution
FAO	**382,068**	**79,667.00**	**21%**
RAAISE	23,038	23,038.00	100%
TSMPI/Cash Plus fisheries	18,070	18,070.00	100%
Weakly Monitoring of Selected Strategic water sources in SWSS	211,000		0%
SCRP	100,160	32,359.00	32%
SCRP C6P	29,800	6,200.00	21%
Federal Government of Somalia	**28,178,830**	**1,632,288.63**	**6%**
Act 2.1.3 Non Salary Recurrent Costs	53,646		0%
Act 2.2 FMS Level Gov & Service Delivery	1,673,687	117,169.00	7%
Act 3.1.1: Financing core government func. in FMS	738,804	120,892.00	16%
Act 3.3.1: Developing female health worker cadre	330,240		0%
Act 4.1.1-Project Management and Coordination	200,000	36,351.20	18%
Act3.3.2: StrengthGovCapabi4cntrct mngt,moni&coord	244,160	3,040.00	1%
Budget Support	1,404,250		0%
Budget support ministry of education	1,204,250		0%
Comp.1.1 : Construction of new water points	1,235,946	180,933.62	15%
Comp.1.2 : Rehabilitation of water points	178,686	138,760.16	78%
Comp.1.3 : Institutional and capacity development	548,260	119,338.00	22%
Comp.2.1 : Increased sustainable agricultural production and deve	236,500	16,310.00	7%
Comp.3.1 : Environmental restoration	176,640	14,000.00	8%
Comp.4.1 :Project management	339,000	57,190.00	17%
Comp.4.2 :Community Driven Development Planning	83,000	1,430.00	2%
Comp.4.3 :M&E, Knowledge Management, and Learning	65,200	14,942.50	23%
FGS-Budget Support	2,591,500		0%
Horn of Africa ground water resilience	933,075	17,760.00	2%
Improving Healthcare Services in Somalia Project (Damal Caafimad)	567,884	60,911.00	11%
Somali Education for Human Capital development project	2,327,917	97,348.80	4%

Somalia Urban resilience project 2 (SURP2)	588,100	115,693.80	20%
Comp. 4: Promoting a greater focus on food systems resilience in	255,000		0%
Sub-component 3.1 Strengthening the capacity of central and line	617,400	35,616.15	6%
Sub-component 2.1 Improve tax policy capacity	139,200	26,580.00	19%
Sub-component 2.2 Improve and harmonize inland revenue and select	66,666		0%
Sub-component 5.1 Project management	190,200	21,709.40	11%
GPE Girls Education Accelerator	1,683,000	18,060.00	1%
Act 1.1.1- Transfer from FMS to Local Government	130,000	49,990.00	38%
GPE System Transformation Grant	2,717,000	16,500.00	1%
Sub-component 1.1 Supporting Budget Execution Function	200,000		0%
Sub-comp 1.1: Crop and Livestock Research,Extension, and Seed Sys	530,000		0%
Sub-comp 1.2: Community engagement and Technology Transfer	360,000		0%
Sub-comp 1.3: Digital Agriculture Solutions and data systems	275,000		0%
Sub-comp 2.1: Water availability for agriculture and livestock	585,000		0%
Sub-comp 2.2: Rangeland management	537,000		0%
Sub-comp 3.1: Farmer Producer Organizations and Agri-food enterpr	310,000		0%
Sub-comp 3.2: Market Infrastructure and Enterprise Development	559,000		0%
Sub-comp 3.3: Access to finance	230,000		0%
Sub-comp 5.1: Project Implementation and Coordination	2,701,889	351,763.00	13%
Sub-comp 5.2: Monitoring and Evaluation	221,731		0%
COVID-19 EMERGENCY VACINATION PROJECT	150,000		0%
GIZ	**732,276**	**142,352.46**	**19%**
Empowering & capacitating government Staff	102,825		0%
Climate Resilience Water Resources Management	348,000	10,560.00	3%
Strengthening Resilience of Internally Displaced People	52,800	31,702.00	60%
Promoting Climate and Disaster Resilient Food	89,460	38,639.75	43%
Strengthening Resilience Displaced People and Returnees	110,182	32,441.71	29%
Climate-Resilient Food Security Project (CFSP)	29,009	29,009.00	100%

International Labour Organization	**58,800**	**8,800.00**	**15%**
Creating Decent Work Opportunities for Somali IDPs	58,800	8,800.00	15%
Population Service International	**2,000**	**2,000.00**	**100%**
Female Health Workers	2,000	2,000.00	100%
Save the Children International In Somalia	**87,500**	**5,307.16**	**6%**
Beirut Humantarian Agency	49,000	1,500.00	3%
Support to the government to develop child protection policy in s	38,500	3,807.16	10%
Treasury Single Account - Regular Budget	**6,699,293**	**1,568,192.20**	**23%**
Unassigned	6,699,293	1,568,192.20	23%
UN HABITAT	**173,913**	**72,397.27**	**42%**
Saameynta Scaling-Up Solutions to Displacement in Somalia.	120,030	40,880.00	34%
Dolwad-Kaab	40,091	17,725.00	44%
Dowladkaab	13,792	13,792.27	100%
UNCDF	**215,200**	**42,500.00**	**20%**
Financing Durable Solutions for forcible Displaced People	215,200	42,500.00	20%
UNICEF	**1,681,281**	**94,400.00**	**6%**
Child Sensitive Social Protection Programme	7,200	7,200.00	100%
Effective and Efficient Program Implementation.	1,025,000	40,690.00	4%
Emergency Preparedness.	99,020		0%
Enabling Environment for Women and Children in SWS	119,625	14,050.00	12%
Rolling Work Plan	108,650		0%
Rolling Work Plan	122,186	15,000.00	12%
Rolling Work-plan	199,600	17,460.00	9%
UNSOM	**62,550**		**0%**
Somalia Joint Programme on Human Rights-Phase 4	62,550		0%
WFP	**314,318**	**140,724.80**	**45%**
Humanitarian Response	156,260	17,700.00	11%
Strengthening and linking federal and state early warning systems	143,058	108,024.80	76%

Capacity Development MoH on Nutrition	15,000	15,000.00	100%
World Vision International	**23,895**		**0%**
Global Fund	23,895		0%
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GREDO	**1,200**	**1,200.00**	**100%**
Beirut Humantarian Agency	1,200	1,200.00	100%
PREMIS	**71,298**	**64,168.47**	**90%**
Construction Revenue Huts	71,298	64,168.47	90%
AAH	**50,015**	**50,015.00**	**100%**
Capacity Building for MoH SWSS	50,015	50,015.00	100%
Grand Total	**38,734,438**	**3,904,013**	**10%**

Table 4: Expenditure by Donor

	Budget	Actual	%Execution
FAO	382,068	79,667	21%
Federal Government of Somalia	28,178,830	1,632,289	6%
GIZ	732,276	142,352	19%
International Labour Organization	58,800	8,800	15%
Population Service International	2,000	2,000	100%
Save the Children International In Somalia	87,500	5,307	6%
Treasury Single Account - Regular Budget	6,699,293	1,568,192	23%
UN HABITAT	173,913	72,397	42%
UNCDF	215,200	42,500	20%
UNICEF	1,681,281	94,400	6%
UNSOM	62,550		0%
WFP	314,318	140,725	45%
World Vision International	23,895		0%
GREDO	1,200	1,200	100%
PREMIS	71,298	64,168.47	90%
AAH	50,015	50,015.00	100%
Grand Total	**38,734,438**	**3,904,013**	**10%**

Table 5. Performance Matrix

	Performance	Execution Rate
REVENUES		33.2%
Taxes		77.4%
Taxes on income, profits, and capital gains		107.8%
Taxes on payroll and workforce		53.4%
Taxes on property		-
Taxes on goods and services		146.5%
Taxes on international trade and transactions		45.5%
Other taxes		146.1%
Grants		24.9%
From Foreign Governments		-
From international organizations		28.5%
From other general government units		24.6%
Other Revenue		32.0%
Property		-
Sale of goods and services		32.6%
Fines, penalty, and forfeits		0.0%

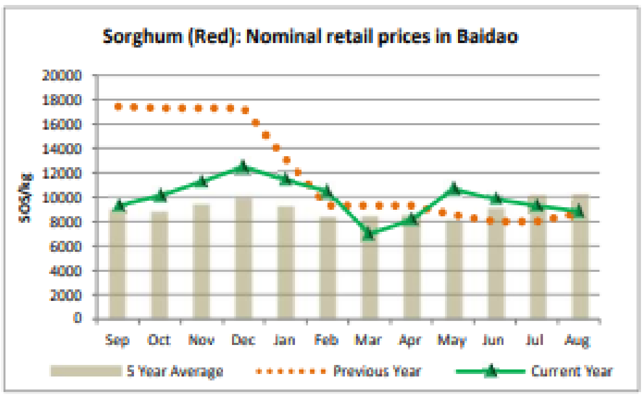
EXPENDITURES		43.2%
Compensation of Employees		87.7%
Wages and Salaries		87.7%
Use of Goods and Services		27.8%
Travel & Conferences		55.3%
Operating Expenses		29.3%
Rent		23.6%
Other Operating Expenses		51.3%
Conflict Resolution Expenses		-
RCRF Non-Salary Recurrent Cost		0.0%
Contingency		0.0%
Subsidies		-
Subsidies to other sectors		-
Grants		-
Grants To Other General Government Units		-
Social Benefits		-
Social Assistance Benefits		-
Employment-related social benefits		-
Other Expenses		0.0%
Transfers not elsewhere classified		-
Premiums,fees,claims related to non-life insurance		0.0%

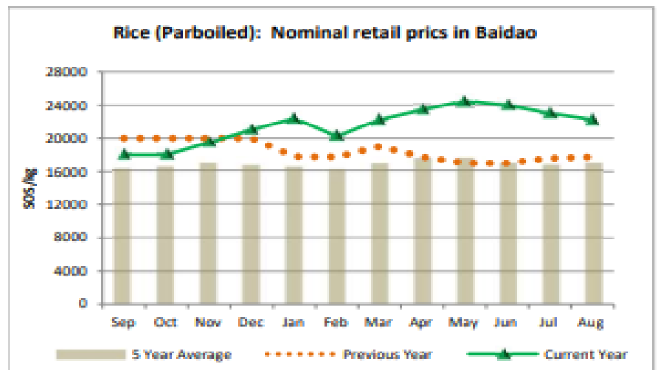
Revenue Performance was lower than the expected level, the government shall improve in meeting the Revenue forecast by making a reliable forecast on grants, however the revenue is driven by Taxes on income, profits, and capital gains, Taxes on payroll and workforce and Taxes on international trade and transactions.

Diversification of Revenue is highly recommended, and with all these unmet revenue forecasts, the government's expenditure on social benefits will be impossible, as Shortage in revenue always costs the government to limit its activities and prioritize its activities to the imminent needs like Expenditure on Salaries, Rent and other operations.

Acquisition of Nonfinancial Assets		35.0%
Fixed Assets		35.0%
Inventories		0.0%

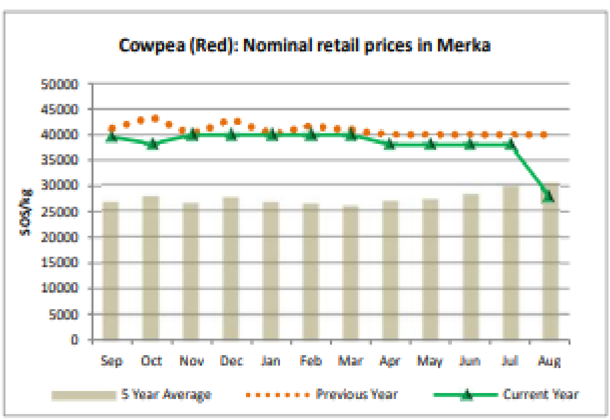
Macro-economic Situation

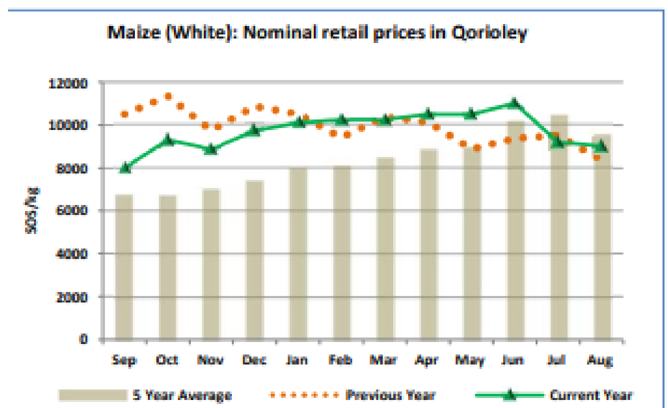




The price of Sorghum has Decreased steadily from May 2024 to Aug 2024 this year, and due to harvesting season of GU and expected to raise again for the cultivation period of Deyr 2025.

SWS imported rice price is exposed to global crises and prices remain high sinc Q4 2023, and remained high in 1, and q2 2024, and the price had fallen noticea 2024, and expected to remain stable through the end of the year 2025.

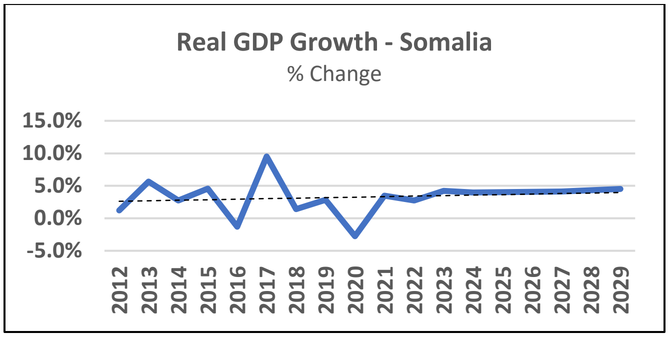


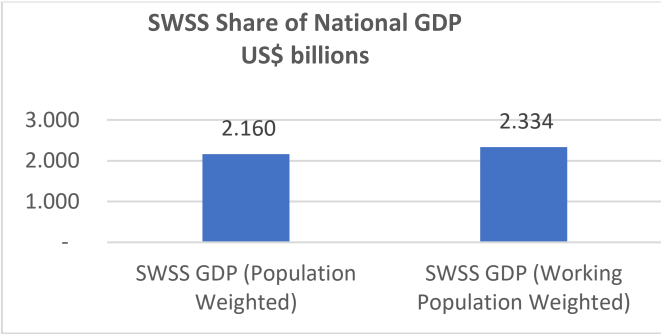


Prices of cowpea remained stable through the last year, and remained the same in 2024, and the price had started to fall in July 2024 due to the good harvesting season of GU 2024.

The price of maize had remained stable through Jan 2024 to May 2024, and sharply in June 2024 due to the harvesting season in GU 2024, and it's ex remain stable due to low local demand.

Source: These charts are draw from FEWSNet Selected Somalia Price Reports





Real GDP growth fell in 2020 due to COVID, and started to recover in 2021 but only to a limited amount and its expected grow steadily. .

The share of SWS on Somali GDP is high based on working population with the increase of working population the SWS contribution is expec see an upward trend.

Revenue Actual and Forecasts *2024 – 2026*

	2024 Actuals	FINAL PROJECTIONS 2025	Increase 2024/25	FINAL PROJECTIONS 2026	Increase 2025/26
Tax revenue	**5,555,651**	6,382,316	15%	6,446,139	1%
Non Tax Revenue	**445,529**	316,977	-29%	320,147	1%
Total	**6,001,180**	**6,699,293**	12%	**6,766,286**	1%

The SWS Revenue had increased gradually and had seen a yearly development; the trend of the revenue for the last thre can be seen in this table.