



The revised FY2026 revenue budget increased to US\$40.32 million following budget transfers. Revenue performance improved in Q2 2026, with collections reaching 22% of the annual budget, up from 8% in Q1, while total revenue increased by 5% Y-o-Y and 159% Q-o-Q. Despite this improvement, revenue remains concentrated in a few tax sources, underscoring the need for greater revenue diversification. Expenditure execution also accelerated, driven by higher spending on wages and Salaries, operations, and capital investments. While supporting government priorities and service delivery, the rapid growth in expenditure highlights the importance of maintaining fiscal sustainability through continued revenue mobilization efforts.

Southwest State Fiscal Outrun Analysis Quarter 2 Report 2026

Mohamed Sheikh

Contents

Executive Summary 2

Table 1. Summary Revenue and Expenditure 2

Key Charts 4

Table 5. Performance Matrix 9

Macro-economic Situation 10

Revenue Actual and Forecasts 2024 – 2026 12

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 revised FY2026 revenue budget increased to US\$40.32 million following budget transfers. Revenue performance improved in Q2 2026, with collections reaching 22% of the annual budget, up from 8% in Q1, while total revenue increased by 5% Y-o-Y and 159% Q-o-Q.

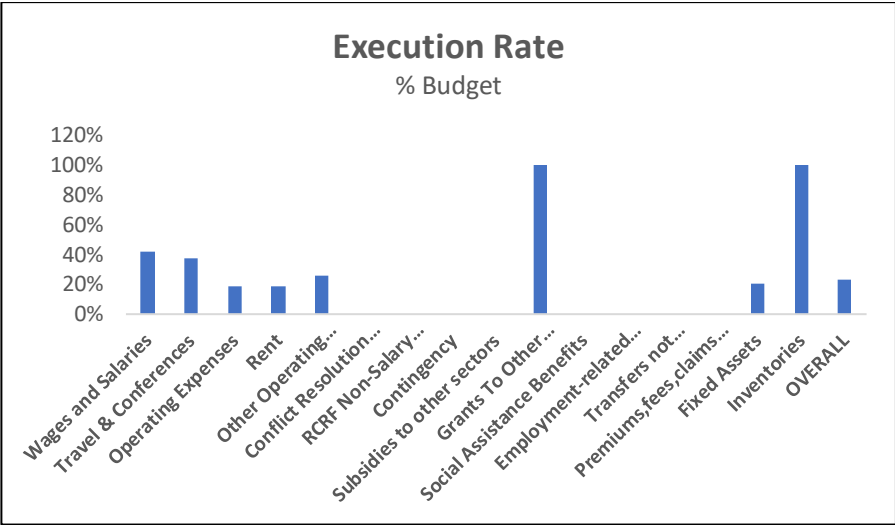
Despite this improvement, revenue remains concentrated in a few tax sources, underscoring the need for greater revenue diversification. Expenditure execution also accelerated, driven by higher spending on wages and Salaries, operations, and capital investments. While supporting government priorities and service delivery, the rapid growth in expenditure highlights the importance of maintaining fiscal sustainability through continued revenue mobilization efforts.

Table 1. Summary Revenue and Expenditure

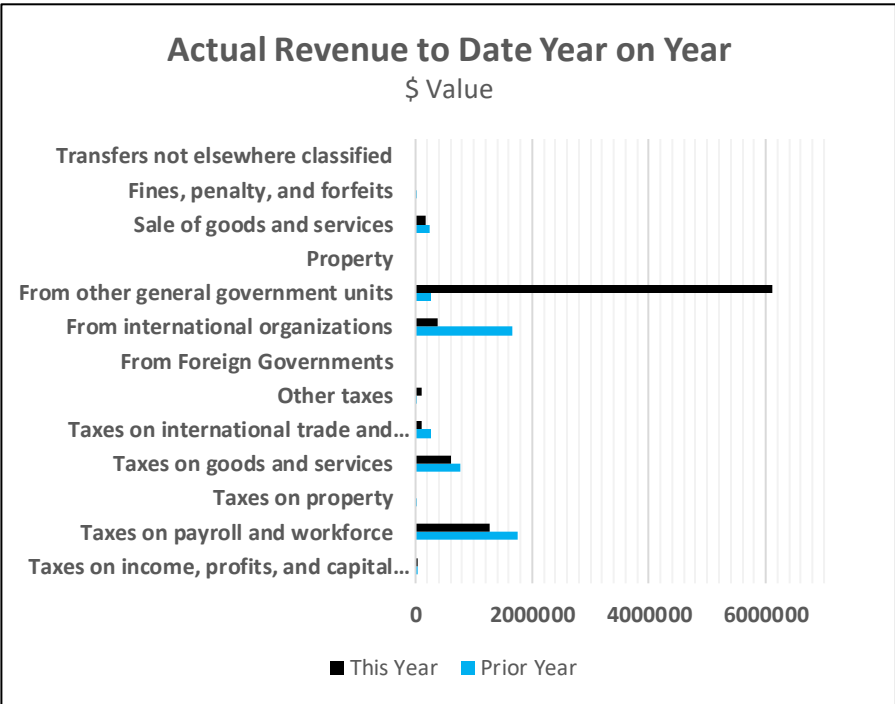
	Q1 2025	Original Budget at Q1	Current Budget 2025	Share	Transfers	Q4 2025	Q1 2026	Share	Change Y-O-Y	Change Q-O-Q	Budget Execution
REVENUES	8,384,301	39,792,431	40,318,610	100%	526179	3,379,687	8,763,667	100%	5%	159%	22%
Taxes	2,819,208	5,299,737	6,219,243	15%	919506	1,436,911	2,099,677	24%	-26%	46%	34%
Taxes on income, profits, and capital gains	36,441	135,988	64,881	0%	-71107	5,845	35,004	0%	-4%	499%	54%
Taxes on payroll and workforce	1,748,848	3,084,975	4,140,248	10%	1055273	747,567	1,271,030	15%	-27%	70%	31%
Taxes on property	200	220,134	-	0%	-220134	-	-	0%	-100%		
Taxes on goods and services	761,446	1,239,611	1,474,053	4%	234442	580,945	597,847	7%	-21%	3%	41%
Taxes on international trade and transactions	260,228	584,572	412,824	1%	-171748	72,720	93,777	1%	-64%	29%	23%
Other taxes	12,045	34,457	127,237	0%	92780	29,834	102,019	1%	747%	242%	80%
Grants	5,297,795	33,891,438	33,519,317	83%	-372121	1,890,610	6,493,886	74%	23%	243%	19%
From Foreign Governments	-	-	-	0%	0	33,190	-	0%		-100%	
From international organizations	1,649,032	9,621,944	2,901,183	7%	-6720761	485,093	381,608	4%	-77%	-21%	13%
From other general government units	3,648,763	24,269,493	30,618,134	76%	6348641	1,372,328	6,112,278	70%	68%	345%	20%
Other Revenue	267,298	601,256	580,050	1%	-21206	52,166	170,105	2%	-36%	226%	29%
Property	-	-	-	0%	0	72	-	0%		-100%	
Sale of goods and services	250,298	601,256	570,050	1%	-31206	52,094	170,105	2%	-32%	227%	30%
Fines, penalty, and forfeits	17,000	-	10,000	0%	10000	-	-	0%	-100%		0%

Transfers not elsewhere classified	-	-	-			-	-	0%			
EXPENDITURES	8,245,330	39,792,431	39,918,610	100%	126179	3,904,013	9,076,005	100%	10%	132%	23%
Compensation of Employees	5,186,117	13,447,701	9,285,567	23%	-4162134	2,015,111	3,867,012	43%	-25%	92%	42%
Wages and Salaries	5,186,117	13,447,701	9,285,567	23%	-4162134	2,015,111	3,867,012	43%	-25%	92%	42%
Use of Goods and Services	2,762,080	20,487,761	22,976,652	58%	2488891	1,356,503	3,611,365	40%	31%	166%	16%
Travel & Conferences	454,284	3,399,715	2,128,443	5%	-1271271	244,238	801,379	9%	76%	228%	38%
Operating Expenses	729,735	5,527,249	3,307,359	8%	-2219891	447,439	611,743	7%	-16%	37%	18%
Rent	286,864	1,060,595	632,735	2%	-427860	104,606	116,108	1%	-60%	11%	18%
Other Operating Expenses	1,291,196	7,407,297	8,096,675	20%	689379	560,221	2,082,135	23%	61%	272%	26%
Conflict Resolution Expenses	-	-	-	0%		-	-	0%			
RCRF Non-Salary Recurrent Cost	-	2,769,255	8,471,475	21%	5702220	-	-	0%			0%
Contingency	-	323,650	339,965	1%	16315	-	-	0%			0%
Subsidies	-	-	-	0%	0	-	-	0%			
Subsidies to other sectors	-	-	-	0%	0	-	-	0%			
Grants	-	-	50,000	0%	50000	49,990	49,900	1%		0%	100%
Grants To Other General Government Units	-	-	50,000	0%	50000	49,990	49,900	1%		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	-	-	0%			0%
Transfers not elsewhere classified	-	-	-	0%	0	-	-	0%			
Premiums, fees, claims related to non-life insurance	-	5,500	11,000			-	-				0%
Acquisition of Nonfinancial Assets	297,132	5,839,469	7,595,391	19%	1755922	482,409	1,547,728	17%	421%	221%	20%
Fixed Assets	251,257	5,796,119	7,583,150	19%	1787031	477,729	1,535,487	17%	511%	221%	20%
Inventories	45,875	43,350	12,241	0%	-31109	4,680	12,241	0%	-73%	162%	100%
BALANCE	138,971	-	400,000			(524,326)	(312,338)		-325%	-40%	-78%

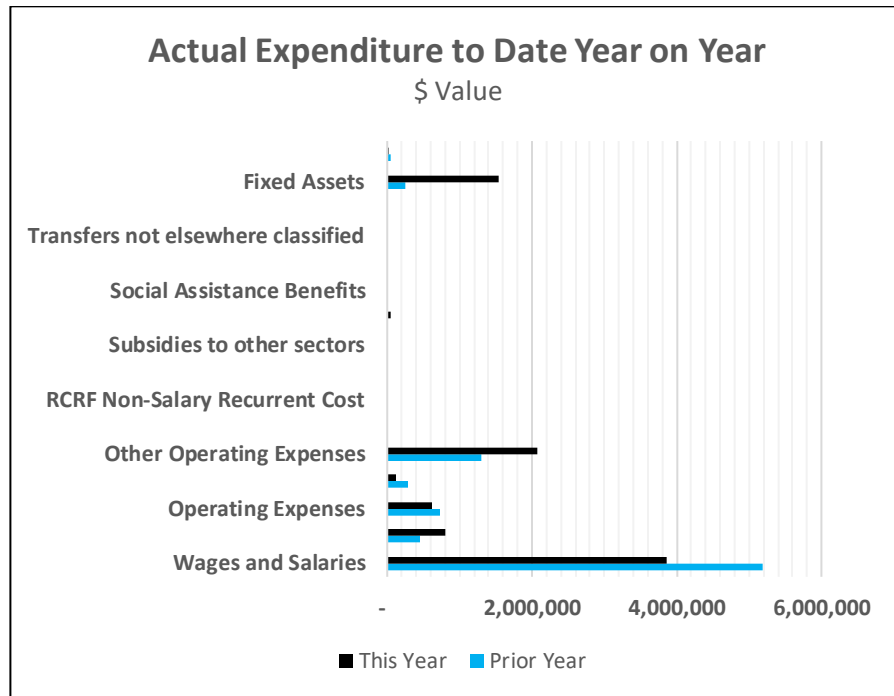
Key Charts



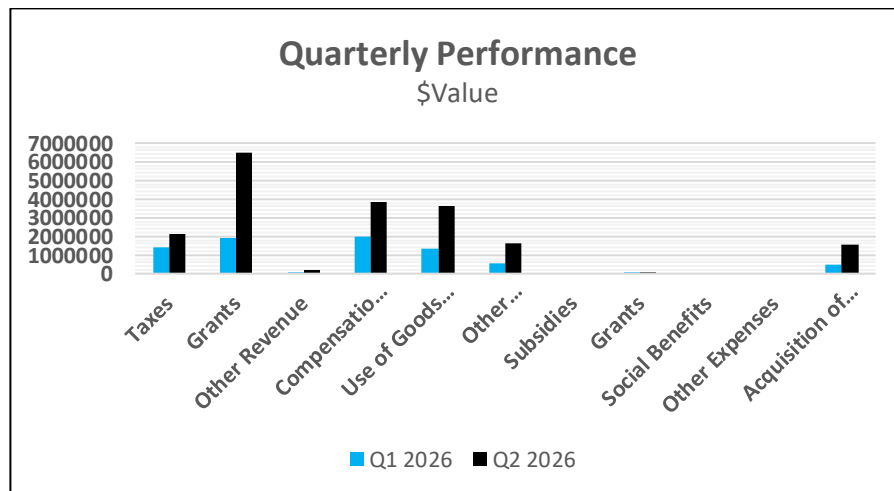
Government revenue Demonstrated a modest increase of 5% from 8.38 million in Q2 2025 to 8.76 million in Q2 2026, and compared to Q1 2026 (3.38 million), revenues increased sharply by 159%, reflecting a strong improvement in collection performance during the second quarter. Overall, the Q2 revenue outturn represents 22% of the annual budget, indicating steady budget execution and improved revenue mobilization in the first half of the year.



Domestic revenue diversification remains limited, posing a revenue sustainability risk as collections are heavily concentrated in taxes on income, profits and capital gains and taxes on payroll and workforce, which increased by 499% and 70% Q-o-Q, respectively. While other taxes recorded exceptional growth of 747% Y-o-Y, rising from 12,045 in Q2 2025 to 102,019 in Q2 2026, their contribution remains relatively small. This concentration leaves government revenues vulnerable to fluctuations in a few major tax sources and underscores the need to broaden the domestic tax base.



Government expenditure accelerated in Q2 2026, with Wages and Salaries increasing by 92% to 3.87 million, Other Operating Expenses rising to 2.08 million, and Fixed Assets surging by 511% to 1.54 million compared to Q1 2026. While this reflects increased investment in state-building and social sectors, the rapid spending growth could create fiscal sustainability risks if not supported by sustained revenue performance.



Domestic revenue collection in the current year's Q2 (2,099,677) decreased by approximately -26% compared to last year's Q2 (2,819,208). 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 Names	Budget	Actual	%Execution
Economic Affairs	Ministry of Agriculture & Irrigation	4,399,245	771,204	17.5%
Economic Affairs	Ministry of Fisheries & Sea Minerals	23,444	10,722	45.7%
Economic Affairs	Ministry of Industry & Commerce	38,634	25,912	67.1%
Economic Affairs	Ministry of Information	150,256	33,528	22.3%
Economic Affairs	Ministry of Livestock & Veterinary	5,012,085	562,564	11.2%
Economic Affairs	Ministry of Petroleum and Mineral Resource	17,420	7,710	44.3%
Economic Affairs	Ministry of Posts & Communications	17,420	7,710	44.3%
Economic Affairs	Ministry of Seaports & Sea Transportation	18,420	7,710	41.9%
Economic Affairs	Ministry of Transportation & Airports	34,080	15,540	45.6%
Economic Affairs	Ministry of Water & Energy	3,459,374	1,089,701	31.5%
Economic Affairs	Ministry of Labour & Social Affairs	489,999	124,669	25.4%
Education	Ministry of Education	7,187,250	1,308,186	18.2%
Environmental Protection	Ministry of Environment & Wildlife	704,460	101,370	14.4%
General Public Services	Accountant General Office	8,400		0.0%
General Public Services	Civil Service Commission	456,565	63,878	14.0%
General Public Services	Ministry of Finance	2,694,227	521,433	19.4%
General Public Services	Ministry of Interior & Local Governments	1,326,811	373,223	28.1%
General Public Services	Ministry of Justice & Judiciary	42,716	20,358	47.7%
General Public Services	Ministry of Planning and International Cooperation	699,710	273,623	39.1%
General Public Services	Ministry of Reconciliation & Constitutional Affairs	27,056	12,528	46.3%
General Public Services	Office for Auditor General	204,276	32,634	16.0%
General Public Services	Parliament	816,920	210,660	25.8%
General Public Services	State Ministry of President	3,071,320	1,375,330	44.8%
Health	Ministry of Health	3,216,317	809,917	25.2%
Housing and community amenities	Ministry of Public Works & Reconstruction	477,044	20,422	4.3%
Public Order and Safety	High Court	54,000		0.0%
Public Order and Safety	Ministry of Internal Security	4,689,748	1,147,411	24.5%
Public Order and Safety	Ministry of Islamic Affairs & Endowments	17,420	7,710	44.3%
Social Protection	Ministry of Aid & Disaster Management	192,082	72,197	37.6%
Social Protection	Ministry of Women & Human Rights	322,030	52,614	16.3%
Social Protection	Ministry of Youth & Sports	33,080	15,540	47.0%
Social Protection	Ministry of Ruler Development and Resilience	16,800		0.0%
Grand Total		39,918,610	9,076,005	22.7%

Expenditure of government in Q2 2026 is accumulated on State Ministry of President, Ministry of Aid & Disaster Management, Ministry of Interior & Local Governments, Ministry of internal Security, Ministry of Finance, and Notably the Parliament had received 25% of its current Budget of 2026 for the first time since 2019, this indicates the state focus on social protection. On the other hand, Ministry of Ruler Development and Resilience, and High Court had received the lowest Expenditure rate of the Q2 2026.

Table 3. Expenditure by Projects

	Sum of Budgeted	Sum of Paid	% of Execution
FAO	\$ 290,900.00	\$ 107,806.00	37%
Weakly Monitoring of Selected Strategic water sources in SWSS	\$ 266,600.00	\$ 90,006.00	34%
Echnical Supervision of Fodder Seeds Distribution and Training.	\$ 24,300.00	\$ 17,800.00	73%
Federal Government of Somalia	\$ 30,218,133.91	\$ 5,698,632.63	19%
Act 2.1.3 Non Salary Recurrent Costs	\$ 53,645.60	\$ 13,139.10	24%
Act 2.2 FMS Level Gov & Service Delivery	\$ 2,654,275.00	\$ 676,268.00	25%
Act 3.1.1: Financing core government func. in FMS	\$ 643,361.00	\$ 622,614.23	97%
Act 3.3.1: Developing female health worker cadre	\$ 142,800.00	\$ 138,960.00	97%
Act 4.1.1-Project Management and Coordination	\$ 160,000.00	\$ 85,160.80	53%
Act3.3.2: StrengthGovCapabi4cntrct mngt,moni&coord	\$ 252,995.08	\$ 62,400.00	25%
Budget Support	\$ 1,416,666.75		0%
Budget support ministry of education	\$ 1,416,666.75		0%
Comp.1.1 : Construction of new water points	\$ 1,940,440.00	\$ 760,744.38	39%
Comp.1.3 : Institutional and capacity development	\$ 1,525,780.00	\$ 344,219.50	23%
Comp.2.1 : Increased sustainable agricultural production and deve	\$ 51,840.00	\$ 19,100.00	37%
Comp.4.1 :Project management	\$ 260,580.00	\$ 107,308.25	41%
Comp.4.2 :Community Driven Development Planning	\$ 6,000.00	\$ 2,260.00	38%
Comp.4.3 :M&E, Knowledge Management, and Learning	\$ 259,400.00	\$ 113,585.00	44%
FGS-Budget Support	\$ 2,833,333.50		0%
Horn of Africa ground water resilience	\$ 776,130.00	\$ 161,877.55	21%
Improving Healthcare Services in Somalia Project (Damal Caafimad)	\$ 202,802.00	\$ 142,702.00	70%
Somali Education for Human Capital development project	\$ 1,960,460.00	\$ 833,755.37	43%
Somalia Urban resilience project 2 (SURP2)	\$ 568,699.00	\$ 252,537.51	44%
Sub-component 3.1 Strengthening the capacity of central and line	\$ 467,400.00	\$ 68,103.60	15%
Sub-component 2.1 Improve tax policy capacity	\$ 25,000.00		0%
Sub-component 2.2 Improve and harmonize inland revenue and select	\$ 429,200.00	\$ 45,232.20	11%
Sub-component 5.1 Project management	\$ 201,580.00	\$ 101,884.60	51%
GPE Girls Education Accelerator	\$ 1,446,000.00	\$ 19,731.00	1%
Act 1.1.1- Transfer from FMS to Local Government	\$ 150,000.00	\$ 49,900.00	33%
GPE System Transformation Grant	\$ 1,644,000.00	\$ 109,882.00	7%
Sub-component 1.1 Supporting Budget Execution Function	\$ 540,000.00	\$ 31,607.60	6%
Sub-comp 1.1: Crop and Livestock Research,Extension, and Seed Sys	\$ 1,974,500.00	\$ 252,949.00	13%
Sub-comp 1.2: Community engagement and Technology Transfer	\$ 431,000.00	\$ 175,753.00	41%
Sub-comp 1.3: Digital Agriculture Solutions and data systems	\$ 185,000.00		0%
Sub-comp 2.1: Water availability for agriculture and livestock	\$ 1,225,000.00		0%
Sub-comp 2.2: Rangeland management	\$ 520,000.00	\$ 20,040.00	4%
Sub-comp 3.1: Farmer Producer Organizations and Agri-food enterpr	\$ 59,000.00		0%
Sub-comp 3.2: Market Infrastructure and Enterprise Development	\$ 1,155,000.00	\$ 19,075.00	2%

Sub-comp 3.3: Access to finance	\$	94,000.00		0%
Sub-comp 5.1: Project Implementation and Coordination	\$	1,353,740.00	\$ 425,925.70	31%
Sub-comp 5.2: Monitoring and Evaluation	\$	131,839.23		0%
Sub-comp 4.1: Ministerial Capacity Building and Agri-food Policy	\$	1,060,000.00	\$ 41,917.24	4%
GIZ	\$	757,681.80	\$ 201,734.90	27%
Empowering & capacitating government Staff	\$	20,000.00		0%
Strengthening Resilience of IDPs (SHIR)	\$	94,943.40	\$ 25,436.40	27%
Promoting Climate and Disaster Resilient Food	\$	100,000.00		0%
Strengthening Resilience Displaced People and Returnees	\$	112,800.00	\$ 2,340.00	2%
Climate-Resilient Food Security Project (CFSP)	\$	53,650.00	\$ 28,930.00	54%
Climate-resilience Water Resource Management in Somalia MoA&I	\$	70,415.00	\$ 70,415.00	100%
EMPOWERING WOMEN AND YOUTH THROUGH TRADE AND ENTREPRENEURSHIP IN	\$	15,190.00	\$ 15,190.00	100%
Climate Resilient Food Security GIZ PROJECT	\$	123,152.00	\$ 20,807.00	17%
Promoting Climate and Disaster Resilient Food Security Project	\$	167,531.40	\$ 38,616.50	23%
International Labour Organization	\$	209,800.00	\$ 23,610.00	11%
Creating Decent Work Opportunities for Somali IDPs	\$	136,800.00	\$ 9,700.00	7%
Creating decent work opportunities for Somali IDPs through infras	\$	73,000.00	\$ 13,910.00	19%
Save the Children International In Somalia	\$	6,835.00	\$ 6,835.00	100%
Support to the government to develop child protection policy in s	\$	6,835.00	\$ 6,835.00	100%
Treasury Single Account - Regular Budget	\$	6,799,293.00	\$ 2,800,506.43	41%
Unassigned	\$	6,799,293.00	\$ 2,800,506.43	41%
UN HABITAT	\$	411,800.00		0%
Saameynta Scaling-Up Solutions to Displacement in Somalia.	\$	186,800.00		0%
Dolwad-Kaab	\$	95,000.00		0%
Dowladkab	\$	130,000.00		0%
UNCDF	\$	164,000.00	\$ 9,991.79	6%
Financing Durable Solutions for forcible Displaced People	\$	154,000.00		0%
Local Development Fund(MOI)	\$	10,000.00	\$ 9,991.79	100%
UNICEF	\$	878,166.00	\$ 110,624.86	13%
Child Sensitive Social Protection Programme	\$	67,000.00		0%
Effective and Efficient Program Implementation.	\$	350,000.00	\$ 33,875.86	10%
Emergency Preparedness.	\$	350.00	\$ 350.00	100%
Enabling Environment for Women and Children in SWS	\$	163,291.00	\$ 27,899.00	17%
Rolling Work Plan	\$	67,000.00	\$ 6,000.00	9%
Rolling Work Plan	\$	91,425.00	\$ 36,000.00	39%
Rolling Work-plan	\$	139,100.00	\$ 6,500.00	5%
WFP	\$	83,853.40	\$ 81,523.40	97%
Education in Emergency	\$	30,953.40	\$ 28,623.40	92%
Implementation Of Shock Response Social Protection	\$	35,500.00	\$ 35,500.00	100%
SRSP	\$	17,400.00	\$ 17,400.00	100%
World Vision International	\$	12,947.00	\$ 12,947.00	100%

Global Affairs Canada	\$	2,000.00	\$	2,000.00	100%
Global Fund	\$	10,947.00	\$	10,947.00	100%
Norwegian Refugee Council (NRC)	\$	85,200.00	\$	21,793.03	26%
SAGAL II	\$	85,200.00	\$	21,793.03	26%
Grand Total	\$	39,918,610.11	\$	9,076,005.04	23%

Table 4: Expenditure by Donor

Donor Name	Budget	Actual	%Execution
FAO	290,900	107,806	37%
Federal Government of Somalia	30,218,134	5,698,633	19%
GIZ	757,682	201,735	27%
International Labour Organization	209,800	23,610	11%
Save the Children International In Somalia	6,835	6,835	100%
Treasury Single Account - Regular Budget	6,799,293	2,800,506	41%
UN HABITAT	411,800		0%
UNCDF	164,000	9,992	6%
UNICEF	878,166	110,625	13%
WFP	83,853	81,523	97%
World Vision International	12,947	12,947	100%
Norwegian Refugee Council (NRC)	85,200	21793.03	26%
Grand Total	39,918,610	9,076,005	23%

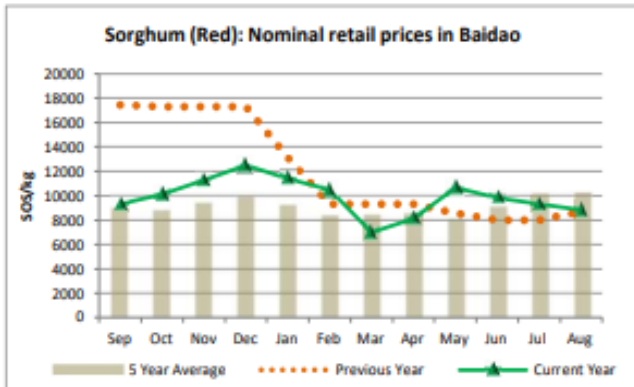
Table 5. Performance Matrix

	Performance	Execution Rate
REVENUES		43.5%
Taxes		67.5%
Taxes on income, profits, and capital gains		107.9%
Taxes on payroll and workforce		61.4%
Taxes on property		-
Taxes on goods and services		81.1%

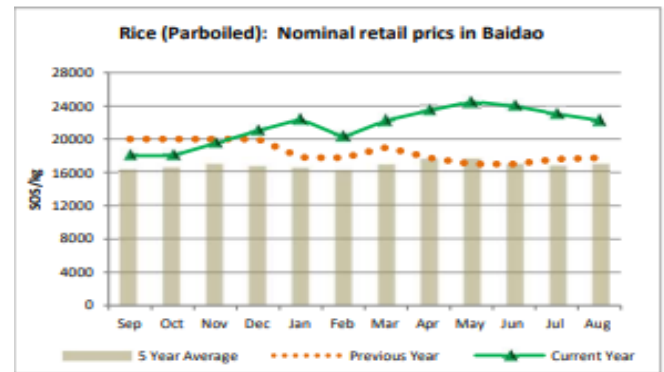
Revenue Performance was lower than the expected level of 50% of the Budgeted Revenue, the government shall improve in meeting the Revenue forecast by making a reliable forecast on grants, however the revenue is driven by Taxes on income, profits, and capital gains, Taxes on payroll and workforce and Taxes on international trade and transactions.

Taxes on international trade and transactions		45.4%
Other taxes		160.4%
Grants		38.7%
From Foreign Governments		-
From international organizations		26.3%
From other general government units		39.9%
Other Revenue		58.7%
Property		-
Sale of goods and services		59.7%
Fines, penalty, and forfeits		0.0%
EXPENDITURES		45.5%
Compensation of Employees		83.3%
Wages and Salaries		83.3%
Use of Goods and Services		31.4%
Travel & Conferences		75.3%
Operating Expenses		37.0%
Rent		36.7%
Other Operating Expenses		51.4%
Conflict Resolution Expenses		-
RCRF Non-Salary Recurrent Cost		0.0%
Contingency		0.0%
Subsidies		-
Subsidies to other sectors		-
Grants		199.6%
Grants To Other General Government Units		199.6%
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%
Acquisition of Nonfinancial Assets		40.8%
Fixed Assets		40.5%
Inventories		200.0%

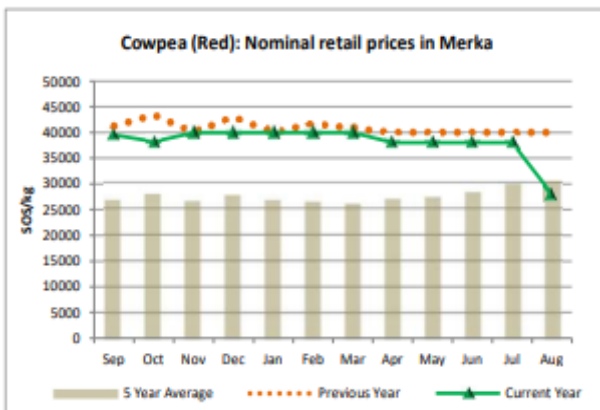
Macro-economic Situation



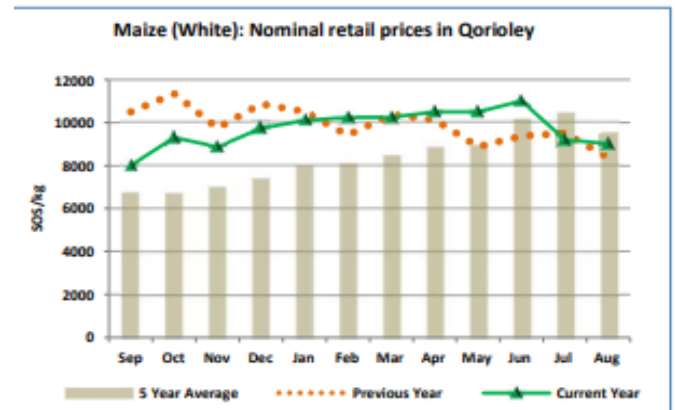
The price of Sorghum has Decreased steadily from May 2024 to Aug 2024 this year, and due to harvesting season of GU and expected to raise again for the cultivation period of Deyr 2025.



SWS imported rice price is exposed to global crises and prices remain high since last year Q4 2023, and remained high in 1, and q2 2024, and the price had fallen noticeably on Q3 2024, and expected to remain stable through the end of the year 2025.

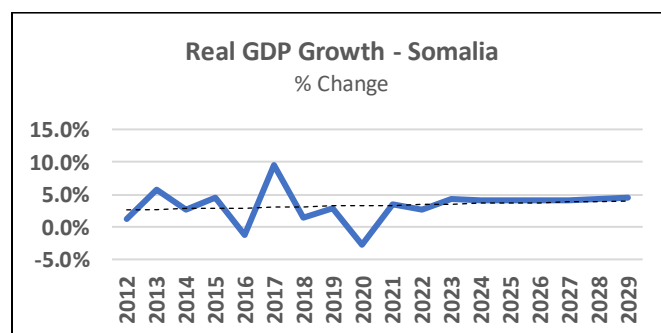


Prices of cowpea remained stable through the last year, and remained the same in 2024, and the price had started to fall in July 2024 due to the good harvesting season of GU 2024.

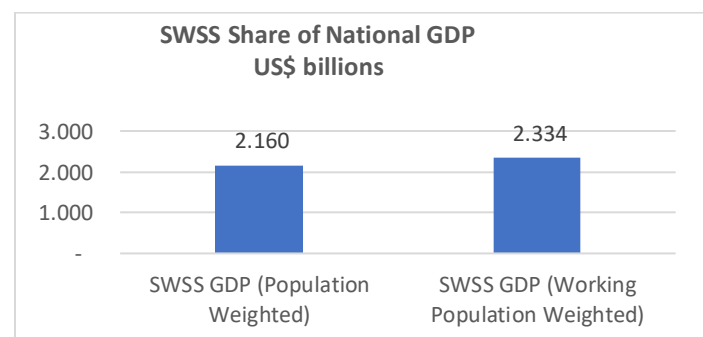


The price of maize had remained stable through Jan 2024 to May 2024, and had fallen sharply in June 2024 due to the harvesting season in GU 2024, and it's expected to remain stable due to low local demand.

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 and with the increase of working population the SWS contribution is expected to see an upward trend.

Revenue Actual and Forecasts 2024 – 2026

	2024 Actuals	2025 Actuals	Increase 2024/25	FINAL PROJECTIONS 2026	Increase 2025/26
Tax revenue	5,555,651	4,859,069	-12.50%	6,446,139	32.7%
Non Tax Revenue	445,529	310,812	-30.20%	320,147	3%
Total	6,001,180	5,169,881	-13.90%	6,766,286	30.9%

The SWS Revenue had increased gradually and had seen a yearly development; except the 2025 FY, the trend of the revenue for the last three years can be seen in this table.