



Federal Republic of Somalia (FRS)

Ministry of Finance

2012 Mini-Budget

*“Enhancing State Capacity for Security, Justice,
Public Financial Integrity and Regional Stabilization”*

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I. The Mini-Budget Proclamation ACT No. _____(2012)

Budget Proclamation of the Federal Republic of Somalia

WHEREAS, the adopted Constitution of the Federal Republic of Somalia provides that the Parliament shall approve and adopt the Mini-Budget;

WHEREAS, it has become necessary to approve and disburse the budgetary appropriation for undertakings by the Federal Republic of Somalia during the 2012 Mini-Budget;

NOW, THEREFORE, in accordance with Article 124 of the adopted Constitution of the Federal Republic of Somalia, it is hereby proclaimed as follows.

Part One General

1. Short Title

This Act may be cited as the "2012 Mini-Budget Act No._____/2012"

2. Definitions

In this Act, unless the context otherwise require:

1. "Appropriation" means any authorization of the Parliament to pay money out of the Consolidated Fund;
2. "Approval" means the endorsement by the Minister of the budget allocation prepared by item of expenditure based on the budget appropriated by Parliament;
3. "Capital Expenditure" means an outlay for the acquisition of or improvements to fixed assets, and includes expenditures made for training and consultancy services;
4. "Commitment" means an obligation that becomes a liability if and when the terms of existing contracts agreements or laws are met;
5. "Minister or Ministry" means the Minister of Finance or the Ministry of Finance respectively;
6. "Public Body" means any organ of the Federal Republic of Somalia
7. which is partly or wholly financed by the budget allocated under this Act;
8. "Budget transfer" means the authorized movement of funds in an approved budget from one head, subhead, project or item to another.

3. Total Mini-Budget Appropriated

The Mini-Budget of the Federal Republic of Somalia is hereby appropriated for the period commencing on October 1, 2012 and ending on December 31, 2012 from the Federal Government Revenues and other funds for undertakings set forth in schedule hereto. The total budget appropriated for expenditure is US\$ 38. million.

Part Two Budget Administration

4. Powers of the Federal Republic of Somalia Organs

1. The Minister of Finance is hereby authorized and directed, upon the request of the heads of concerned Federal Government organs, to disburse out of the Government revenues and other funds the amounts appropriated herein for undertakings of their respective organs.
2. Public bodies are hereby authorized to record on their appropriate budgetary head, subhead, project, or program, as the case may be, and undertake all acts necessary for the utilization of any additional loan or aid in kind and/or cash obtained from foreign or local sources for carrying out recurrent programs or capital projects, and report to the Ministry of Finance within one month from the end of the fiscal year.

5. Budget Transfer

1. Transfers shall be allowed from the Recurrent Budget to the Capital Budget.
2. No transfers shall be allowed from the Capital Budget to the Recurrent Budget.

6. Budget Transfers within Public Bodies

1. The Minister may within a Public Body:
 - a) Transfer funds within items of expenditure of the recurrent Budget;
 - b) Transfer budget from one capital project to another.
2. The Minister may delegate the appropriate head of public body to exercise the power vested in him under sub-article 1 of this Article.

7. Budget Transfers between Public Bodies

1. The Minister may transfer a recurrent budget from one Public Body to the other, if it is ascertained that the Public Body to which the budget is appropriated cannot wholly utilize its budget.
2. The Minister may authorize the transfer of funds from the capital budget of one public body to the capital budget of another public body where a deficiency in one Public Body's capital budget can be met by an offsetting transfer from another public body's capital budget approved for the fiscal year.

8. Transfer from Contingency Mini-Budget

Emergency expenditures may be provided on the authority of the Minister by transfer from the provision for Contingency Budget where additional funds are requested on the basis that they are urgently required for the current year's operations and could not have been foreseen in the Mini-Budget.

9. Supplementary Mini-Budget

Supplementary Mini-Budget appropriation may be authorized by the Parliament on the recommendation of the Council of Ministers.

Part Three Disbursements

10. Deposit

1. The revenue of the Federal Government must be deposited in the Central Bank of Somalia.
2. The Central Bank shall accept deposits and effect payments for the account of the Federal Government.

11. Disbursements out of the Consolidated Fund

1. No disbursements shall be made out of the Consolidated Fund without the prior authorization of the Parliament.
2. No expenditure or commitment of expenditure can be incurred from the budget approved before the budget is allocated and approved by the Ministry.

12. Disbursement Limits

Except as provided in Articles 4 to 8, no disbursements to public bodies shall be made in the relevant period, which exceeds the amounts appropriated under this Act.

13. Commitments

1. No commitment shall be made against an appropriation except by requisition of the head of the public body or by a person authorized by him in writing.
2. No contract or other arrangement requiring payment shall be entered into by any public body unless there is a sufficient unencumbered balance from the budget to discharge any debt that will be incurred during the period of the Mini-Budget.
3. The Ministry shall establish the procedures to be followed and the manner in which records for the control of financial commitments chargeable to each budgetary item will be registered.
4. The head of the public body shall maintain the records for the control of financial commitments chargeable to each budgetary item in a manner prescribed by the Minister.

14. Payments for Goods and Services

1. No payment shall be made by any public body unless, in addition to any other voucher or certificate required, the head of the public body or other person authorized by him certifies:
 - a) In the case of a payment for the performance of work, the supply of goods or the rendering of services:
 - i. That the work has been performed, the goods supplied or the services rendered, and that the price charged is according to the contract, or if not specified by the contract, is reasonable;
 - ii. That a payment is to be made, under the terms of the contract, before the completion of the work, delivery of the goods or rendering of the service, that the payment is according to the contract; or
 - iii. That, in accordance with the procedures prescribed by the Ministry, payment is to be made in advance of verification, that the claim for payment is reasonable; or
 - b) In the case of any other payment, that the payee is eligible for or entitled to the payment.

2. The Ministry may prescribe the procedures to be followed to give effect to the certification and verification required by this Article.
3. Public Bodies shall maintain safe deposit boxes in which petty cash is kept. The amount of money to be used as petty cash shall be determined to be issued by the Minister.

15. Unspent Funds

1. Subject to directives issued by the Ministry, the unspent balance of an appropriation granted for the period of the Mini-Budget shall lapse and shall be credited to the Treasury Account of the Ministry.
2. Notwithstanding the provisions of sub-Article 1 of this Article, unspent balances of grants and loans shall be retained in the Consolidated Fund for continued use as may be necessary.

Part Four Budget Appropriation

16. Appropriation to Public Bodies

1. The following Mini-Budget is appropriated to public bodies

For the 2012 Mini-Budget US\$ 38 million

2. The summary of the budget appropriations are attached as Annex 1, and the details in Vol. 1 of the 2012 Mini-Budget.

17. Effective Date

This Act shall enter into force as of the _____ day of _____ 2012.

Done at Mogadishu, this _____ day of _____ 2012.

**PRESIDENT OF THE
FEDERAL REPUBLIC OF SOMALIA**

II. Budget Policy Statement for the Federal Republic of Somalia (FRS)

II.1 Introduction

Sound and proper budget management makes easier for governments to achieve the three interrelated objectives:

- aggregate fiscal discipline,
- strategic allocation of resources in accordance with the national priorities, and
- efficient services delivery.

The multiple purposes that budgeting serves – legislative oversight of public sector operations, macroeconomic stability, allocations to strategic priorities, managerial efficiency – make budget reform an ongoing task.

The policy statement provides a framework for attaining sound budget performance and gives guidance on the key elements of a well-performing public expenditure management (PEM) system. The approach in this Mini-Budget is shaped by key principles that focus on sound budgeting and financial management.

The Federal Republic of Somalia (FRS) sets out herewith basic principles of its Mini-Budget of 2012 as follows:

- The Mini-Budget for 2012 has been prepared and will be implemented in compliance with the current Financial Legislation, Regulations and Directives
- Linking public expenditure to government policy
- The 2012 Mini-Budget is aimed at managing public revenue and expenditure, and all public monies as mandated by law (Mini-Budget Proclamation Act No. __ 2012) will be placed in a Consolidated Fund and that all disbursements from the consolidated Fund must be approved by the national Parliament through appropriation.
- Limiting expenditure to domestic revenue and external funding: The Ministry of Finance has estimated the domestic revenue and financing projections for the 2012 Mini-Budget and established the expenditure ceilings based on the resources available.
- The Government of Somalia will establish line item budgeting system, which will be closely based on programs and sub-programs.
- Lack of adequate information is one of the characteristics of budgeting in a post-conflict situation. This usually begins with incomplete information on revenue and expenditure, which is crucial to decision making and effective expenditure control
- Audit function plays an important role in ensuring compliance of budget execution with established legislation and procedures. External audit is another feature, independent of the executive; and reports to Parliament.

This budget statement provides an overview of the Mini-Budget of 2012 and identifies the main issues, including the following:

- The Mini-Budget of 2012 considers the key issues and challenges that the country is facing at this time and sets a limited number of targets for the coming three months (October-December). These include improving the level of adequate security; strengthening financial resources, and enhancing the capacity of the Judiciary system and other public institutions to deliver services.
- The Mini-Budget of 2012 is expected to follow clear and well defined budgeting procedures, which include: accountability, transparency; predictability and control in budget execution; accounting and reporting, and external oversight.
- Mini-Budget of 2012 intends to re-establish and strengthen key institutions, such as Security, Public Financial Integrity Institutions and Judiciary sector which are required to formulate strategies, and monitoring and evaluation through participatory processes.

II.2 Mini-Budget Priorities for 2012 (October-December)

Key government priorities during the Mini-Budget of 2012 are:

- Strengthen security,
- Enhance Public Financial Integrity institutions,
- Rebuilding of the Judiciary. And
- Stabilizing liberated regions and districts.

The objectives underpinning these budget priorities are to build the fundamentals of good governance. Lack of security, mismanagement of public funds and a weak judiciary system are significant factors hindering the rebuilding of public institutions and delivery of essential social services to the public, both of which are factors required for poverty reduction and for economic and social reconstruction.

The Mini-Budget will address the following fundamental pillars and cornerstone for sustainable good governance, and improved livelihood for all.

a) Security

- Restructuring and Strengthening of the national security agencies
- Building the capacities of the national armed forces
- Compensating the armed forces for their service to the country
- Creating good relations and understanding between the armed forces and the public based on mutual trust and responsibility
- Establishment of new police stations, and rehabilitation and operationalization of existing ones
- Involving the public in security initiatives
- Complete restoration of security, law and order in Mogadishu

b) Public Financial Integrity Institutions

- Rebuilding integrity institutions based on competency, transparency and accountability.
- Preparation of an operating and capital budget for the government
- Establishment of an independent commission to fight corruption.
- Operationalizing the Central Bank
- Enhancing revenue collection

- Empowering the independent audit general
- Reviewing the country's financial system.
- Establishment of committees to assess the operations of the seaport and airport and advise the government on how to effectively manage these national resources

c) Judiciary System

- Establishment of an independent judiciary and justice system
- Compensating the Judiciary System staff for their service to the country
- Expediting the court decisions on all cases to increase the effectiveness of the justice system
- Building the capacities of the judges and other staff of the justice system
- Improving the living conditions of the prisons and inmates, and developing effective rehabilitation plans for the inmates
- Establishment of a commission to evaluate judges, monitor and audit the judiciary system, and prisons and corrections services agency

d) Regional Stabilization

The new Government intend to adopted a national policy for reconciliation and stabilization in newly liberated areas of South Central Somalia, and developed a strategy that showed in broad terms how the Government intended to operationalize this policy with immediate effect. This strategy laid out the overall approach and committed the resources within the Mini-Budget to implement the policy through a series of operational plans.

II.3 Objectives of the 2012 Mini-Budget

- Strengthening key security forces and integrating to the extent feasible militias into the national security forces;
- Strengthening key public institutions for economic and financial management;
- Rebuilding and strengthening tax administration for improved revenue collections;
- Improving external assistance coordination and effective utilization;
- Restructuring expenditures and allocating public resources to focus on supporting security and social services increasing access of the poor to social services and reducing poverty;
- Improving public sector performance through implementation of public expenditure management reforms, and ensuring financial integrity in all government organs.

II.4 Challenges of PFM in Somalia

Somalia has suffered prolonged insecurity and total destruction of public assets, such as economic and social infrastructure. This included devastation of all forms of public institutions, public utilities, such as power supplies, water and sanitation facilities. Most of the private businesses and social infrastructures: schools, hospitals and related facilities were damaged or destroyed. The continued insecurity contributed to impoverishing the population, displaced large numbers of the citizens and endangered the survival of millions of Somalis, particularly in the face of a severe drought in 2011.

The government believes that Somalis have been resilient in surviving under very difficult circumstances, and have the opportunity to learn from their misfortune and devise appropriate forms of governance institutions that stand a chance to succeed by avoiding relapses and improving management of the economic and financial operations of the Government. The government is committed to creating conducive environment under which individuals can develop a sense of self worth and security, which will ensure that the society does not live under the threat of violence, injustice and bad governance.

III. Assumption on Resources Mobilization

III.1 Introduction

Securing lasting peace and stability in Somalia is the utmost priority of the state and it requires serious attention in the rebuilding the foundation for solid financial system in the country. The Mini- Budget formulation of the Government of Somalia for the 2012 (October to December) requires a thorough investigation of sources of potential revenue and setting up administrative arrangements to collect legitimate revenues.

The revenue estimation for the last three months of the 2012 Mini-Budget includes the review of taxation policies, the existing revenue collection procedures, and assumptions that influence the revenue collection.

The current tax administration in Somalia is weak and has several deficiencies. Almost over 85 percent of the total government revenue consists of taxes on imports.¹ In contrast direct taxes on income, including income from private enterprises, account for less than 3 percent.

III.2 Opportunities for Revenue mobilization in the Current Economic Situation

Somalia needs to improve the administrative efficiency of its tax system and bring about structural changes in the system of taxation, which would help diversify the tax base. Studies undertaken by the World Bank, UNDP, HESPI and other partners indicate that Somalia has the potential for greater domestic revenue mobilization if the right legal and institutional framework is put in place and implemented accordingly.

Currently Revenue Administration (customs, internal revenue department and others) collects revenue from both international trade and limited domestic economic activities. Taxes not yet collected or partially collected include those levied directly on people's incomes and indirectly on their consumption.

III.3 Review and Performance of the Nine Months of 2012 Measures

Based on the information available, the performance of revenue for the past nine months is as given in table1:

Table 1: Summary of Government Approved Revenue and Estimated Actual for the First Nine Months of 2012 (in US\$)

Description	Nine Months 2012 Approved Revenue Budget	Nine Months 2012 Actual Revenue	Last quarter of 2012 Projections	Remarks
Total Domestic Revenue	34,813,499	25,526,671	8,508,890	
External Assistance	32,042,666	2,000,000		
Total Revenue				

III.4 External Assistance

¹ Besides the revenue classified under import taxes, a proportion of revenue from stamp taxes and administrative duties is also generated by imports.

The attainment of external assistance targets performed disappointingly as the commitments made by the development partners could not be translated into actual disbursements. In some other cases, such as the UN agencies there is a complete lack of information on both their budgeted activities and their disbursements.

This area of revenue has been unpredictable as most of the commitments made by the development partners did not materialize during the first nine months of the 2012 financial year. The 2012 Mini-Budget will include only commitments that are expected to be realizing during the remaining period of the financial year.

III.5 Tax Revenue Estimates and its Structure in the 2012 Mini-Budget

There are several key factors that need be taken into account and some of them are not easy to measure. Mini-Budget is will take into consideration of key factors affecting predictability and unpredictability of the major economic activities.

The key factors to be addressed include:

- Limited or no-capacity of tax and customs administration relying on outdated procedures for collecting customs duty;
- Lack of clear and transparent legal framework, custom legislation and its procedures;
- Inadequate information on tax policies, that leads to poor understanding and awareness from the taxpayers;
- The need for simple and cost effective methods of tax collection; and

III.6 Direct Tax

Taxes on wages and salaries

Income taxes on wages and salaries constitute a principal source of receipts in the revenue structure of any government, and are a cost effective tax as it is collected by withholding. Consequently, one of the revenue areas the Government should act on is to commence collection of payroll taxes. The estimation of payroll taxes includes the public and private sectors, as well as from non-governmental organizations in some instances.

The total payroll tax at national level is estimated at US\$202,000 in the 2012 Mini-Budget:

Table 2: Proposed Employment Tax Rates Schedule in 2012

Income bracket (in US \$)	Tax Rate (%)	Assessment Formula
0-150	0	Exempt
151- 500	3	Income above US \$ 150
501-1,000	5	Income above US \$ 500
1,000-1,500	7	Income above US \$ 1,000
Over 1,500	9	Income above 1,500

III.7 Taxes on Business Profits

The government's new tax policy on income taxes of companies during the remaining period of the financial 2012 is to improve the collection from and compliance from private entities. Key issues that need to be addressed at this level consist of introducing proper legislations, and accounting and recording procedures.

Government intention is to improve its capacity to collect taxes on profits and related activities: corporate taxes and business profit taxes from non-corporate. In view of the lack of improved financial records and proper audited accounts, the government expects to collect income taxes on a presumptive basis.

Currently there are many business enterprises of different sizes operating in Somalia these include large, medium and small, including telecommunications, and money transfer companies; light industries, hotels, livestock exporters, and fishing companies.

Table 3: Presumptive Approach of Corporate tax 2012

Category	Range of Income US\$	Corporate Tax US\$
1. Telecommunications		
I	10,000,000 – 15,000,000	1,000,000
II	5,000,000 – 10,000,000	500,000
III	1,000,000 – 5,000,000	200,000
2. Hotels and Restaurants		
I	500,000 – 1,000,000	50,000
II	100,000 – 500,000	10,000
III	50,000 – 100,000	5,000

Corporate profit taxes if properly assessed and collected could constitute a significant portion of Federal receipts. Large corporate companies including telecommunication, money transfer firms, airlines, power and water supply are expected to contribute to the national treasury.

The method of corporate tax collection should be made simple so that the companies could pay the dues in a presumptive manner were accounts are non-existent. The tax which is estimated to be collected for the remaining quarter would be around US\$ 2,739,564 as shown below.

Table 4: Corporate tax estimates for the Mini-Budget 2012 (in US\$)

Description	Last quarter Projection 2012	Remarks
Turnover Tax on Services (Presumptive Tax)		
Telecommunications	1,465,000	tax plus receipts from dot so
Money Transfer Companies	1,250,000	0.5 percent per dollar remitted
Consumer Light Industries	- -	
Hotels	21,000	
Meat Exporters	3,564	
Fishing Companies	- -	
Total	2,739,564	

III.8 Customs Duties

The proposed tax on imports is chosen on simplicity and efficiency of collection, and should be levied at a uniform low ad-valorem (percentage) rate of 5 percent except for specified goods, which are either luxuries or have harmful effects on health or the environment, at 10 to 50 percent.

There are four important categories of imported goods which many countries either tax at a relatively low rate or completely exempt from duties: necessities, medicines, agricultural and industrial machinery, and raw materials.

With regard to exports of goods from Kenya to Somalia consideration is already being given by the Government to seek agreement from the Kenyan Revenue Authority to help collect import duties on behalf of the Somali authorities. A similar arrangement with United Arab Emirates (UAE) Customs authorities should be explored.

A major reason to use the UAE and Kenyan authorities to help with collecting import duty is that they will be better able to carry out valuation of goods and Somali officials could be trained in the use of their valuation procedures, some of which could be eventually adopted for general use by Somali customs.

III.9 Non-Tax Revenue

Non-tax revenue consists of administrative fees and penalties including service charges on major areas under the government. The non-tax receipts are estimated to at about USD 1,1 million. The major sources of non-tax receipt are derived from airport and harbor fees, visa charges (airport departure fees) and passports. Details of the estimates are given below in table 5.

Table 5: Non-tax Revenues 2011-12 (in US\$)

Description	Actual 2011	Projection 2012	Projection for last quarter	Remarks
Administrative Charges	32,703	39,243	9810	20%
Fees and Penalties	100,000	120,000	30,000	20%
Airport and Harbor Fees	557,259	612,986	153,246	10%
Sales of Public Goods and Services	1,000,000	2,700,000		Expected return from Somali Airline Assets
Visa Charges and Passports	702,000	1,770,000	442,500	1.5M charges of issued passports and entry visas
Airports Departure Tax	701,335	771,469	192,867	10%
Other Non Tax Revenue	3,600,000	1,200,000	300,000	
Total	6,693,297	7,213,698	1,128,423	

The Government is currently not collecting or at least not receiving in the Government accounts major components of non-tax revenue. The components of non-tax receipts expected from government bodies are likely to be operational as stability becomes realized.

III.9 External Grants

The following table summarizes the external assistance received and recorded in Government accounts, which by all estimates is a small portion of the external assistance made available to Somalia. Very few of executing agencies report to Government the assistance channeled through them. In particular the UN agencies have not offered any information to the Government of Somalia the sources and amounts they have been responsible for and have been executing; this is a regrettable development that should be addressed.

III.10 Recommendations on Effective Mobilization of Revenues

In order to strengthen and enhance tax revenue, Government should ensure security in the country so that the tax collecting institutions could start operating and enforcing the tax provisions which government has endorsed. Specific actions to be taken urgently include the following:

- Commence tax collection and enforcement, giving priority to private economic units (Telecommunications, water and power companies, hotels, financial services companies, and big industries) in the country;
- Conduct tax awareness campaign to win the trust of the people and to rebuild positive attitude towards taxation; convince the people to rely only on the state for security and justice;
- Consolidate the tax collecting bodies with trained and skilled personnel and provide them with needed administration support and equipment;
- Ensure all collected taxes and non-tax revenues by government institutions are deposited at the consolidated account at the Central Bank of Somalia, i.e., by the following institutions: civil aviation, port and airport authorities and immigration should deposit in the Central Bank all public money receipts;
- Make sure that all government receipts, be it domestic or external, are deposited at the Ministry of Finance's consolidated account at the Central Bank and are registered in the Accountant General's cash book in accordance with the financial accounting procedure of the state and regulations for the accounts of the state;
- Undertake quick amendments with respect of the customs duty and tariff rates to establish value based customs duties; and inspection, valuation and assessment of imports goods;
- Introduce warehouse services in the customs areas of all feasible regions of the country;
- Account for all customs receipts and audit them and establish checkpoints for foreign goods coming into the country;
- The Government should call upon the owners of the large companies to pay taxes, or apply a rational presumptive tax (lump sum tax) when necessary.

III.11 Conclusions

The revenue estimates for the 2012 Mini-Budget amounted to be around US\$ 7.6 million, as presented in the following table:

Table 6: Summary Monthly Revenue Collected and Projected for the Mini-Budget

Description	Estimated Monthly Actual	Three Months Projections	Three Months Optimistic Est
Customs	2,000,000	6,000,000	7,500,000
Airport	260,000	780,000	1,500,000
Migration	100,000	300,000	450,000
Port Authorities	50,000	150,000	300,000
Telecommunication	85,000	255,000	1,465,000
Total Revenue	2,495,000	7,585,000	11,215,000

- The revenue from custom collection which is estimated now at US\$ 7.6 million is expected to reach US\$ 11.2 million;
- Corporate tax alone could contribute to US\$2.7 additional million;
- Non-tax revenue would contribute to another million US\$1.1;
- If the proposed reforms are implemented the total revenue estimates for the Mini-Budget period of 2012 are expected over 11 million US\$ dollars.

VI. Expenditure Framework and Priorities of the 2012 Mini-Budget

IV.1 Introduction

The Federal Republic of Somalia is confronting a number of challenges in restoring and sustaining peace and security and in rebuilding the justice and financial integrity institutions. Lack of resources both in terms of skilled manpower and resources is a significant constraint. Moreover by their very nature governments are faced with competing goals in the allocation of resources.

Thus the Mini- Budget preparation process relies on the total estimated resources envelope by taking into account the expenditure priorities of the government

- Enhancing Security and implementation of justice in the country as well as the Government's capacity for financial integrity and delivery of economic and social services;
- Strengthening the financial management system in place among all government institutions, particularly at the highest levels of government;
- Making essential payments for public servants and the running costs of government Ministries;

IV.2 Expenditure outturn in the first Nine Months of 2012

As shown on the table below 98 percent of the total approved budget recurrent expenditure is expected to be spent during the year. This shows that almost all will be spent as appropriated.

Table 7. Expenditure outturn (in Million USD)

Functional Classification	2011 Approved Budget	2011 Preliminary Out turn	Outturn as percentage of budget	2012 Budget estimate
Admin and General Service	84%	47%	23%	84%
Economic Services	6%	7%	46%	7%
Social Services	4%	2%	21%	3%
Other	5%	0%	0%	6%
Total	100%	55%	90%	100%

The October 1st- December 31, 2012 Mini-Budget

The total budgeted expenditure amounts to US\$ 37 million, out of which **General and Administrative services** includes activities which are indispensable to the existence of an organized state, accounts for 84 percent of allocated resources.

Economic Services include activities related to economic development such as agricultural, irrigation, mining, transportation and communication, community development, water affairs and other economic infrastructure. The government has allocated 7 percent of the total.

Social Services comprise administration, management, operation and support of health, education, rehabilitation and related activities. Under this category 3 percent is being allocated for the Mini-Budget period.

Other Expenditures are those not included in the above classifications, such as contingency. The amount allocated for contingency is to be used only for incidental and unforeseen expenditures.

Also shown in other expenditure are the debt obligations on salary arrears that have to be met during the Mini-budget period a 6 percent of the resources have been allocated.

Table 8: Summary of the Government Revenue and Expenditure for the Mini-Budget of 2012 (in USD)

Total Domestic Revenue	11,215,000
Tax Revenue	10,013,000
Non Tax Revenue	1,202,000
Total External Grants	10,000,000
Bilateral	10,000,000
Total Revenue and Grants	<u>21, 215,000</u>
Total Recurrent Expenditure	38,428,545
Administration and General Services	32,661,000
Economic Services	2,628,860
Social Services	1,138,685
Contingency	2,000,000
Total Capital Expenditure	
Administration and General Services	
Economic Services	
Social Services	
Total Expenditure	<u>37,803,545</u>
FINANCING GAP	(17,213,545)

IV.3 Emoluments structure

The human resources estimates take into account the imperative need for the Federal Government to effectively implement the government's priority programs. Government must first establish an effective human resource base and an operational civil service. A timely support by the international community both financially and technically is needed to set up the operational capacity of the government. The data on the human resources of the government, as shown in Table 9 below, are based on information provided by the civil service commission and the budget taskforce.

Table 9: Summary of the Human Resources Base

Employee Classification	2011	2012	Difference in	
			Number	Percent
Civil Service	2013	2232	219	10.9
Adm. and General Services	1311	1,377	66	5.0
Economic Services	469	597	128	27.0
Social Services	233	258	25	10.7
Non-Civil Services	26,973	28,371	1,398	5.1
Military Army	19,661	22,103	2,442	12
Police Force	6278	5670	(608)	(9)
Prison Custodians	234	598	364	1.5
National Security Service	800	Not Specified		

The following assumptions are made to set the parameters of the principle components of the government wages and salaries expenditure.

- Establishing a realistic and sustainable emoluments (wages, allowances and salaries) structure that would provide adequate incentives to civil servants of all federal public bodies;
- Ensuring and putting the structure of Federal Government Institutions; and setting a plan uniformly across civil servants for budget allocation;
- Including all security forces of the Ministry of Defense; police and other agencies for the comprehensive estimation of annual wages and salaries expenditure;

As noted, formulation of the human resources numbers of the Government is informed by the assessment in establishing the wages and salaries of the civil service, in accordance with the details provided in Tables 10 and 11 below. The overall numbers of civil service are expected to be 2,232; out of which, 27 percent, 10 percent and 10 percent are respectively for Economic service Social sectors and general administration.

Table 10: Recommended Wages and Salaries for Members of FGS, Council of Ministers, National Commissions and Civil Servants in 2012.

Position/Title	Number approved in 2011	Individual allowance in 2011 USD	Public Employees in 2012	Individual new Salaries in 2012 per month
President	--	--	1	
Speaker	--	--	1	
Prime Minister			1	
Ministers, Deputy Ministers & state Ministers	45	2,000	51	2,000
Members of Parliament	550	1,200	550	900
President of Supreme Court	1	1,000	1	1,000
Ambassadors	30	1,000	34	1,000
Councilors	30	750	34	750
First Secretaries	30	550	34	550
Embassy clerks	30	400	34	400
Embassy auxiliary staff	30	300	34	300
Independent Commissions	74	700	74	700
Governor of Central Bank	1	700	1	700
Auditor General	1	700	1	700
Accountant General	1	700	1	700
Attorney General	1	700	1	700
Prosecutor General	1	700	1	700
Appeal court & Benadir Court	--	--	2	700
Director Generals	34	500.00	24	600
Judiciary committees & Managers, others seconded Numbers	--	--	38	600
Director of Department	220	400.00	282	450
Head Section	339	300.00	389	350
Technical staff	259	250.00	459	300
Clerical Staff	132	150.00	684	200
Auxiliary Staff	240	100.00	651	150
Total	2048		3,383	

Table 11: Federal Government of Somalia – the Total Human Resource of each Ministry/Agency and their salaries for 2012

Codes	Institution	Number of Civil Servant approved 2011	Monthly allowance in USD	New number of Civil servants in 2012	Basic salaries per year
111	Office of the President	50	26,667.00	50	
112	Office of the Parliament	50	25,000.00	59	
	Member of Parliaments	550	660,000.00	275	
113	Office of the Prime Minister	35	21,667.00	35	
114	Ministry of Foreign Affairs	33	12,000.00	49	
115	Ministry of Defense	37	12,000.00	37	
116	Ministry of Finance and Treasury	200	43,167.00	216	
117	Ministry of interior and National Security	37	18,000.00	86	
118	Ministry of planning & Int. corporation	16	10,000.00	22	
119	Ministry of Justice, endowment & and Religious Affairs	37	18,500.00	44	
120	Ministry of Federal and Constitution & reconciliation	34	16,000.00	35	
126	National Constitution & Federal Affairs Commission	40	24,000.00	34	
127	National Civil Service Commission	24	17,834.00	24	
128	National Reconciliation Commission	40	24,000.00	35	
129	Supreme Court	18	6,000.00	17	
130	Judiciary Service Committee	18	6,000.00	17	
131	prosecutor	18	6,000.00	18	
132	Solicitor General	18	6,000.00	18	
133	Appeal Court & Be nadir Court	18	6,000.00	91	
134	Accountant General	19	7,000.00	20	
135	Auditor General	19	6,000.00	25	
136	Central Bank	- -	- -	--	
	20 Embassies of staff	150	90,000.00	170	
211	Ministry of mineral, Energy and Water	38	16,000.00	48	
214	Ministry of Agriculture and Livestock	34	20,000.00	62	
216	Ministry of Ports and Transports	34	22,000.00	47	
	Civil Aviation	40	9,084.00	71	
	Port authority with Mogadishu Port	210	33,834.00	210	
	Shipping authority agency	10	6,000.00	10	
218	Ministry of Public works and Reconstruction	34	18,000.00	40	
220	Ministry of Fishery and marine resource, & environment	35	20,000.00	59	
221	Ministry of Commerce and Industry	34	16,000.00	50	
311	Ministry of Education and Culture	34	26,667.00	38	
312	Ministry of Health	35	31,250.00	33	
313	Ministry of information, and post	100	31,250.00	101	
314	Ministry of Labor, Social Affairs and Sports	48	34,500.00	70	
316	Ministry of Women Development and Family affairs	16	12,500.00	16	
	Total	2,163		2,232	

The allocation of wages and non-wages expenditure of recurrent expenditure is also based on a classification of the Government ministries and other public bodies that account for the government's stated priorities as well as the basic social needs of the society. In accordance with this classification, the special needs of the ministries responsible for security and reconciliation as well as a set of other institutions including the legislative and executive organs (category A) were given preference in resources allocations. All other public bodies (categories B-C) were provisioned less generously as shown in Table 12.

Table 12: Classification of Government Ministries

<u>Category Rank A</u>	<u>Category Rank B</u>	<u>Category Rank C</u>
Office of the President	Ministry of Planning and Inter. Coop	National Constitution and Federalism Commission
Office of the Speaker	Ministry of Constitution and Reconciliations	National Civil Service Commission
Office of the Prime Minister	.Ministry of Water, Energy and Petroleum	National Reconciliation Commission
The Members of Parliament	Ministry of Agriculture and Livestock	Supreme Court
Ministry of Foreign Affairs	Ministry of Air and Land Transport and Marine Transport.	Attorney General
Ministry of Defense	Civil Aviation	Judiciary Service Committee
Ministry of Finance and Treasury	Port Authority and Mogadishu Port	Appeal and Benadir Court
Ministry of Interior and National Security	Shipping Agency	Immigration Department
National Army	Ministry of Industry and Commerce	Accountant General
Ministry of Information and Post Telecommunication.	Ministry of Fishers and Marine Resources	Auditor General
Ministry of Justice and Courts	Ministry of Education and Culture	Central Bank
Embassies	Ministry of Health	
	Ministry of Labor, Social Affairs and Youth Sports	
	Ministry of Women and family affairs	

1. Capital outlay

The 2012 Mini- budget affords limited assured financing for capital expenditures. The major components of the capital budget are set to meet pro poor sectors expenditure which includes:

- Ñ **Institutional capacity building:** the institutional and public services capacity building is a key priority of the Government. A key requirement is to equip the offices of the public bodies with the machinery to perform essential functions, including hardware and software. A major concern of the government is also to improve the skills of the civil service throughout the public Institutions.
- Ñ **Education and health facilities:** The capital budget provides generously for the education and health sectors, in order to permit government to strengthen the delivery of essential social services. In this context donors are expected to readily support such pro-poor expenditure.

2. Financing requirement

In the 2012 Mini-Budget estimates, the domestic revenue augmented with external grants for security services covers the recurrent expenditure of USD 21, 2 million expenditures. The capital requirement needs are not yet funded and is expected to be financed from external assistance.

The government of Somalia has no access to international credits until its relations with creditors (including international financial institutions) are regularized.

IV.4 Recommendations

The Government of the Federal Republic of Somalia understands that sound management of government accounts and budget execution will be more difficult unless all government revenue is deposited in Government accounts at the Central Bank of Somalia. To this effect the budget Act specifically instructs all government agents to deposit all revenue in the Government’s consolidated account at the Central Bank of Somalia.

In order to manage the government budget:-

- The Central Bank should strengthen its capacity in line with international standards;

- The government should pay for all services it receives from bank operations;
- The Ministry of Finance is responsible for supervising all central government bank accounts to administer financial resources, which is available for expenditure payments;
- Treasury accounts of public bodies must be opened in the Central Bank of the country and through these accounts government transacts all payments to the suppliers and beneficiaries;
- The transferring of any funds from treasury to the accounts of other public agencies should be done in written form to the Central Bank. The transferred amount should be an input in the Treasury data base to facilitate reporting and recording;
- The disbursed amount should be net of any deductions in the form of income tax;
- The Ministry of Finance should notify the release of money to each public body to facilitate the recording and reporting process;
- An aid coordination and management framework should be established to strengthen grants disbursements and to lay foundation for fiscal discipline to be sustained.
- A financial Integrity Authority should be established and an Anti-corruption Commission operationalized to address endemic corruption

Description	Est. Budget 9 months	Preliminary Actual Budget 9 months	Payments arrears	Projection without arrears	All Projection with arrears
	58,587,453	24,895,775	12,954,939	25,398,600	38,429,000
General Administration Institutions	49,481,898	11,600,000	11,359,410	21,226,600	32,661,000
Office of the Presidency	1,729,500	809,438	279,000	703,800	982,800
Regional Stabilization Fund	-	0	-	2,000,000	2,000,000
Office of the Parliament	750,000	345,938	75,000	401,250	476,250
Members of Parliament (Allowance)	4,455,000	1,661,513	3,520,000	1,650,000	5,170,000
Office of the Prime Minister	1,107,000	1,104,750	219,000	555,300	774,300
Somali Disaster Management Agency	-	-	-	48,000	48,000
Anti Corruption Commission	-	-	-	72,000	72,000
Somali Hides and Skin Agency	-	-	-	45,000	45,000
Somali Marine Research Agency	-	-	-	90,000	90,000
Anti Piracy Task Force	-	-	-	84,000	84,000
Ministry of Foreign Affairs	334,725	121,838	64,200	93,720	157,920
Embassies	1,485,000	0	1,485,000	450,000	1,935,000
Ministry of Defense	239,400	76,388	41,400	66,900	108,300
Armed Forces	27,441,600	3,165,535	4,400,000	9,820,561	14,220,561
Military Court	162,000	167,625	24,300	75,900	100,200
Ministry of Finance & Treasury	808,635	333,281	165,750	481,500	647,250
Ministry of Interior	446,850	246,713	115,950	148,950	264,900
Police Force	7,045,623	1,643,715	-	2,363,541	2,363,541
National Security Force	147,510	135,000	-	49,000	49,000
Immigration Department	140,580	111,375	27,000	49,500	76,500
Ministry of Planning & Int. Corporation	268,725	90,563	45,000	81,825	126,825
Ministry of Justice, Endowment & Religious Affairs	310,500	102,713	58,650	147,300	205,950
Custodian Corps	666,750	845,294	305,160	977,310	1,282,470
Banadir Court	248,100	56,250	18,000	82,700	100,700
Judiciary Service Committee	122,400	56,250	18,000	60,000	78,000
High Court	130,500	67,500	39,000	102,000	141,000
Attorney General	126,450	38,250	18,000	60,000	78,000
Solicitor General	121,950	38,250	18,000	60,000	78,000
Ministry of Constitution & Reconciliation	223,200	89,438	45,000	74,400	119,400
National Constitution & Federal Affairs Commission	234,150	41,625	27,000	61,800	88,800
National Reconciliation Commission	211,950	59,625	33,000	64,800	97,800
Accountant General	135,450	95,513	30,450	101,100	131,550
Auditor General	136,800	95,625	36,000	96,000	132,000
Central Bank	251,550	0	251,550	83,850	335,400

Economic Service Institutions	3,633,375	1,664,232	1,334,844	1,294,016	2,628,860
Ministry of Water, Energy & Petroleum	245,175	118,856	66,000	91,941	157,941
Ministry of Information, Posts & Telecommunication	1,424,700	881,625	208,500	474,900	683,400
Ministry of Agriculture & Livestock	256,050	145,688	81,000	107,250	188,250
Ministry of Air, Land, Ports, & Marine Transport	292,950	171,563	93,900	108,900	202,800
Civil Aviation Authority	153,750	0	153,747	51,250	204,997
Port Agency	417,000	0	416,997	139,000	555,997
Shipping Agency	126,000	0	126,000	42,000	168,000
Ministry of Public Work Reconstruction	221,400	90,281	45,450	83,025	128,475
Ministry of Fishery & Environment	265,050	142,875	78,300	104,550	182,850
Ministry of Industry & Commerce	231,300	113,344	64,950	91,200	156,150
Social Service Institutions	2,432,430	499,922	260,685	878,058	1,138,685
Ministry of Education & Higher Education	818,475	90,563	45,600	272,825	318,425
Ministry of Health and Public Care	764,880	87,722	47,685	286,830	334,515
Ministry of Social Affairs, Labor, Youth & Sports	328,275	154,294	82,050	123,103	205,153
National Civil Service Commission	196,200	74,531	37,350	73,575	110,925
Ministry of Women and Family Affairs	324,600	92,813	48,000	121,725	169,725
Un budgeted Expenditures		11,131,621			
Others (Contingency)	3,039,750	0		2,000,000	2,000,000