



**Galmudug State of Somalia**  
**Ministry of Finance & Economic Development**  
**Quarter 4 Report**  
**1<sup>st</sup> January to-31<sup>st</sup> December 2019**

**(Unaudited)**

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## List of Acronyms

|        |  |
|--------|--|
| CIPS   |  |
| FGS    | Federal Government of Somalia                      |
| GSS    | Galmudug State of Somalia                          |
| MoFED  | Ministry of Finance & Economic Development         |
| RCA    | Revenue Collection Authority                       |
| RCRF   | Recurrent Costs and Reform Financing               |
| PREMIS | Public Resource Management in Somalia              |
| NGO    | Non-Government Organizations                       |
| NRC    | Norwegian Refugee Council                          |
| SCI    | Save the Children International                    |
| SIPS   | Comitato Internazionale Per Lo sviluppo Dei Popoli |

## 1. Introduction

The Quarterly Report is prepared in accordance with Section 31 (4) of the Public Financial Management Act 2018. It presents financial results for the twelve (12) months ending 31<sup>st</sup> December 2019 for the Galmudug State of Somalia (GSS). Seasonal and timing factors impact the State's finances, especially the timing of Grants revenue and Grant expenses. The accompanying Statement of Consolidated Comparison of Budget and Actual amount reports for the twelve months to the 31 December 2019 in **Appendix A** and has been prepared by the Ministry of Finance & Economic Development (MoFED) using a cash basis of accounting and has not been subject to an external audit or review.

This report is not prepared in accordance with IPSAS cash basis of accounting but has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the Ministry, Departments and Agencies and the people of the Galmudug State of Somalia. All amounts in the financial statements are reported in USD\$ and have been rounded to the nearest \$1.

## 2. Fiscal Overview of Performance

### 2.1.Revenue

Table 1

| Revenue Heads                                 | Budget              | Actual Collections  | % against Estimate |
|---|---------------------|---------------------|--------------------|
| Turnover Tax                                  | 1,922,775           | 1,225,473           | 63.7%              |
| Taxes on international trade and transactions | 118,000             |                     | 0.0%               |
| From international organizations              | 2,331,402           | 1,238,549           | 53.1%              |
| From other general government units           | 3,305,170           | 868,370             | 26.3%              |
| Other Revenue                                 |                     | 12,190              |                    |
| <b>Total</b>                                  | <b>\$ 7,677,347</b> | <b>\$ 3,344,582</b> | <b>43.6%</b>       |

In overall, the performance of the Quarter 4 revenue was down with collections for the year of \$3,344,582 (43.6%) against an annual estimate of \$7,677,347. With 63% of the revenue collected relating to donor fund including budget support and 37% relating to own source revenue collections Grants are received from other organizations including the Federal Government of Somalia.

## Domestic Revenue

Table 2

| Revenue Heads                                 | Budget              | Actual Collections  | % against Estimate |
|---|---------------------|---------------------|--------------------|
| Turnover Tax                                  | 1,922,775           | 1,225,473           | 63.7%              |
| Taxes on international trade and transactions | 118,000             |                     | 0.0%               |
| Other Revenue                                 |                     | 12,190              |                    |
| <b>Total</b>                                  | <b>\$ 2,040,775</b> | <b>\$ 1,237,663</b> | <b>60.6%</b>       |

Domestic Revenue collected was \$1,237,663 (61%) against a revenue estimate of \$2,040,775. Collections were impacted by current political and economic challenges.

## Taxes and Goods and Services

Table 3

| Revenue Heads                   | Budget           | Actual Collections | % against Estimate |
|---------------------------------|------------------|--------------------|--------------------|
| Turnover Tax                    | 179,844          | 32,645             | 18.2%              |
| Local passenger Fees            | 100,000          | 23,328             | 23.3%              |
| Road User Tax                   | 1,642,931        | 1,169,000          | 71.2%              |
| International NGOs registration |                  | 500                |                    |
| <b>Total</b>                    | <b>1,922,775</b> | <b>1,224,973</b>   | <b>63.7%</b>       |

The only revenue stream which has not been estimated was the revenue from the Ministry of Education, this is because the revenue from the Ministry of education was not included in the budget for 2019. This revenue stream has been into the system for the last six months in 2019, this was unexpected revenue stream.

The Revenue Collection Authority (RCA) has expanded its operations to other Districts such as Dhusamareb and Guri-el. Turnover tax for 12 months to 31 December 2019 was estimated at \$179,844 based on this expansion, however, estimates with \$32,645 (18%) collected. This was as a result of political issues and stages of the operations. There are four districts in which there was registration of taxpayers (business registration) but only two districts have been somehow successful to collect (Dhusamareb and Guriel). But due to political instability after the unification of Galmudug State and Ehelu-Sunna Wal-Jamea there was lack of recognition and acceptance of the unification and the formation of new government by the local district council this has led to the collection of revenue locally by the existing district councils.

Despite having an increase in local flights in comparison local less passenger fees collected were \$23,328 which is 77% less than what was estimated of \$100,000 again impacted by current political issues. There are only two registered airports under the ministry of finance in the state but they operate under private local district councils, the main issue in here is that these airports have not been collecting revenue for the past seven months due the existing political instability and political reconciliations.

Road user tax is one of the most important domestic revenue sources with \$1,169,000 collected against an annual estimate of \$1,642,931. The inability to collect the revenue in line with the estimate is attributed to roads that were not passable through to Bossaso because of several reasons that included security issues and the decline in livestock export to other Countries as exporters had sought alternative sea ports like Mogadishu. In quarter 3 the rain fall season further impacted this revenue stream as livestock were not being exported as a result of the heavy rainfall. The revenue department has been aware on the shifting pattern of livestock exports to Mogadishu Sea Port as an alternative port to export livestock due to the floods and heavy rainfalls in central region of Somalia.

**Taxes on International Trade and Transaction**

**Table 4**

| <b>Revenue Description</b> | <b>Annual Budget</b> | <b>YTD Actual</b> | <b>% against Estimate</b> |
|----------------------------|----------------------|-------------------|---------------------------|
| Customs duties - KHAT      | 118,000              |                   | 0.0%                      |
| <b>Total</b>               | <b>118,000</b>       | <b>-</b>          | <b>0.0%</b>               |

No revenue was collected from Custom duties on Khat. This resulted from disagreements between the Ministry of Finance and Economic Development (MoFED) and Khat traders. Khat Traders and MoFED have not agreed yet on the tax rate applicable to Khat. The Revenue Department has prepared all regulations and documentations required to implement tax on Khat, however, agreeing on the Khat rates remains to be resolved. Collections are expected to resume once agreement is reached between the MoFED and Khat Traders.

## Other Revenue

**Table 5**

| Revenue Description                | Budget   | Actual Collections | % against Estimate |
|------------------------------------|----------|--------------------|--------------------|
| Individual Identification Fee      |          | 1,480              |                    |
| Civil Servant Identification Fee   |          | 300                |                    |
| Primary education certificate fees |          | 9,470              |                    |
| School Service Fees                |          | 940                |                    |
| <b>Total</b>                       | <b>-</b> | <b>\$ 12,190</b>   |                    |

Other Revenue relates to collections by the Ministry of Education on new revenue streams which were not anticipated to be collected in the 2019FY.

### 2.2.Grants from International organizations and FGS

**Table 6**

| Revenue Description                       | Annual Budget    | YTD Actual       | % against Estimate |
|---|------------------|------------------|--------------------|
| Grants from Federal Government of Somalia | 3,305,170        | 868,370          | 26.3%              |
| Grants from international Organizations   | 2,331,402        | 1,238,549        | 53.1%              |
| <b>Total</b>                              | <b>5,636,572</b> | <b>2,106,919</b> | <b>37.4%</b>       |

Grants relate to donor funds received from FGS, international organizations, donor countries and also other agencies that support the GSS operations. There is a significant variance in the grant budget line particularly grants from the Federal Government of Somalia, where an amount of \$868,370, was received against an annual estimate of \$3,305,170. The large variance in the FGS grant is attributed to the strained relationship between FGS and GSS earlier in the year but recent discussions between GSS and FGS have improved the relationship with funding provided by FGS to GSS in quarter 3 and 4, Grants from International Organizations relate to GSS operations including the World Bank RCRFII project which provides funding for payment of salaries to eligibly recruited staff. Details of Donor projects are included in **Annexure A**.

Table 4 shows a 74% variance (26% of the estimated grants were received) to the annual estimate with GSS's expectation to receive 80% of FGS transfers by end of the year.

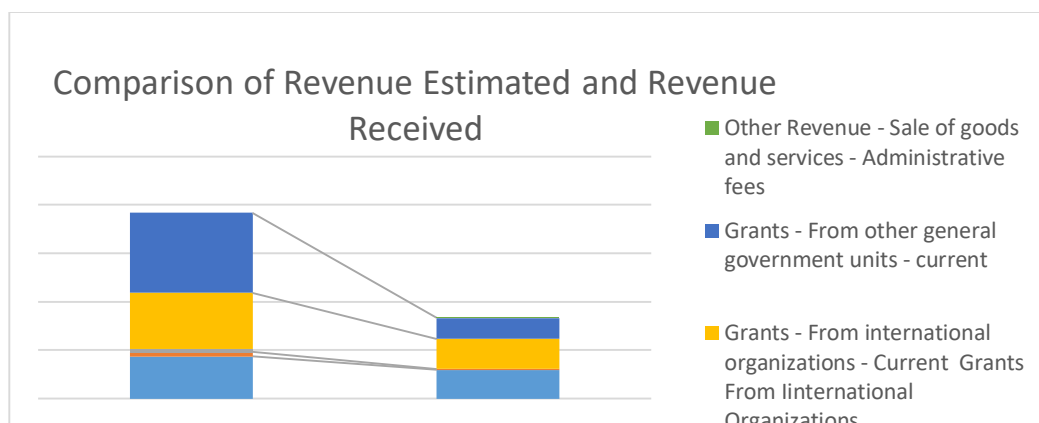


Figure 1.0.

Figure 1.0 shows the grant revenue estimated against the amount received.

### 2.3. Expenditure

**Table 7**

| Expenditure               | Budgeted         | Actual           | % against Estimate |
|---------------------------|------------------|------------------|--------------------|
| Compensation of Employees | 5,165,824        | 2,496,425        | 48.3%              |
| Use of Goods and Services | 1,106,421        | 171,618          | 15.5%              |
| Grants                    | 263,000          | 49,385           | 18.8%              |
| Social Benefits           | 10,000           |                  | 0.0%               |
| Nonfinancial assets       | 1,132,102        | 499,763          | 44.1%              |
| <b>Total</b>              | <b>7,677,347</b> | <b>3,217,191</b> | <b>41.9%</b>       |

Spending at the end of Quarter 4 was \$3,217,190, (41.9%) against an annual budget of \$7,677,347 with 77% of spending relating to donor funded projects. The underspend was directly related to low revenue collections and budget support funds not received as estimated.

### Compensation of employees

**Table 8**

| Expenditure                                       | Budgeted         | Actual           | % against Estimate |
|---|------------------|------------------|--------------------|
| Permanent employees/Regular staff                 | 1,494,377        | 825,937          | 55.3%              |
| Contract employees                                | 24,000           | 3,000            | 12.5%              |
| Wage workers                                      | 597,880          | 104,750          | 17.5%              |
| Security Forces (Police, Intel Forces and Prison) | 1,095,186        | 1,073,885        | 98.1%              |
| Salaries to Ministers and Statutory Appointments  | 516,678          | 10,283           | 2.0%               |
| Remuneration to Politicians                       | 1,225,200        | 407,000          | 33.2%              |
| Accommodation Allowance                           | 6,250            | 2,550            | 40.8%              |
| Transportation allowance                          | 11,400           | 540              | 4.7%               |
| Other allowances                                  | 34,490           |                  | 0.0%               |
| Security Operational Allowances                   | 20,000           |                  | 0.0%               |
| Regular Food Provision                            | 140,363          | 68,480           | 48.8%              |
| <b>Total</b>                                      | <b>5,165,824</b> | <b>2,496,425</b> | <b>48.3%</b>       |



This Permanent employees/regular staff budget is funded by the RCRFII project with \$825,937 paid out against an annual budget of \$1,494,377 an overall variance of 55.3%. The variance is due to recruitment plans for Ministries, Departments and Agencies (MDA's) not being implemented as planned and delay in recruitment of staff including the Director General's for some MDAs due to political issues.

Expenditure in relation to Security forces of \$1,073,885 was in line with the annual budget of \$1,095,186 with 98.1% of the budget spent.

Salaries for Ministers, Remuneration to Politicians and Regular Food Provisions was well below budget due to lack of funds directly resulting from revenue not being collected and budget support funds not received as estimated with only 2% of the Ministers salary budget spent, 33.2% for Remuneration to Politicians and 48.8% for Regulate Food Provisions.

There was no spending in relation to allowance as a result of lack of funds with available funds spent on essential operational costs.

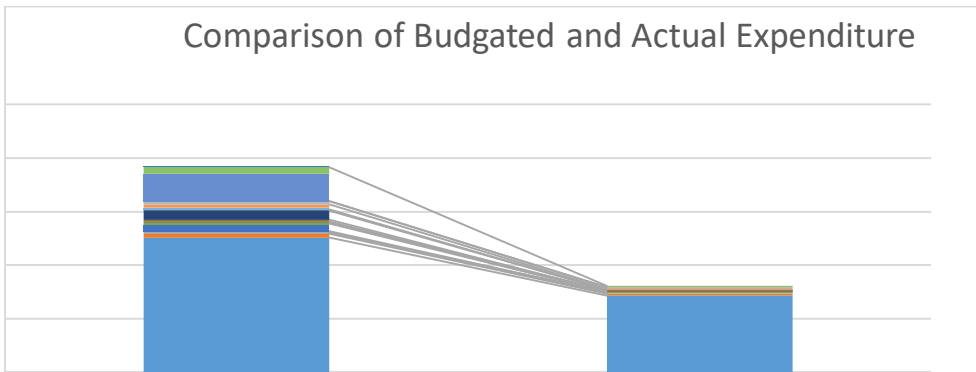


Figure 2.

**Use of Goods and Services**

**Table 9**

| <b>Expenditure</b>                      | <b>Budgeted</b>     | <b>Actual</b>     | <b>% against Estimate</b> |
|---|---------------------|-------------------|---------------------------|
| Internal Travel                         | 44,219              | 15,665            | 35.4%                     |
| External Travel                         | 40,716              | 10,397            | 25.5%                     |
| Local conferences                       | 34,240              | 3,278             | 9.6%                      |
| Water                                   | 8,602               | 720               | 8.4%                      |
| Electricity                             | 18,080              | 5,053             | 27.9%                     |
| Mobile Phone Expenses                   | 2,250               |                   | 0.0%                      |
| Internet                                | 21,503              | 10,180            | 47.3%                     |
| Diesel                                  | 25,600              | 11,730            | 45.8%                     |
| Stationary                              | 7,710               | 892               | 11.6%                     |
| Books                                   | 1,410               |                   | 0.0%                      |
| Published fees                          | 3,100               |                   | 0.0%                      |
| Meeting Supplies                        | 8,480               | 250               | 2.9%                      |
| Security Operational Allowances         | 31,111              | 21,775            | 70.0%                     |
| Publications                            | 5,650               | 1,601             | 28.3%                     |
| Cleaning Supplies                       | 2,983               | 120               | 4.0%                      |
| Computer Consumable                     | 800                 |                   | 0.0%                      |
| Maintenance of Vehicles                 | 8,400               |                   | 0.0%                      |
| Maintenance of buildings and repairs    | 2,400               |                   | 0.0%                      |
| Maintenance contracts                   | 5,000               |                   | 0.0%                      |
| Vehicle Hire/car rental                 | 49,230              | 4,500             | 9.1%                      |
| Cleaning Services                       | 1,000               | 700               | 70.0%                     |
| Office Rent                             | 50,100              | 28,800            | 57.5%                     |
| Other Rent                              | 16,880              | 8,865             | 52.5%                     |
| Consultation Fees                       | 143,200             | 28,609            | 20.0%                     |
| Audit Fees                              | 20,000              |                   | 0.0%                      |
| Staff Training and Development          | 20,000              |                   | 0.0%                      |
| Other Office Administrative Cost        | 33,086              | 10,408            | 31.5%                     |
| Non-consultancy Service Fee             | 126,000             |                   | 0.0%                      |
| Television and Newspaper Advertisements | 40,040              | 2,975             | 7.4%                      |
| Marketing & Promotion                   | 700                 | 100               | 14.3%                     |
| Conflict Resolution Expenses            | 31,000              | 5,000             | 16.1%                     |
| RCRF Non Salary Recurrent Cost          | 70,000              |                   | 0.0%                      |
| Contingency                             | 232,931             |                   | 0.0%                      |
| <b>Total</b>                            | <b>\$ 1,106,421</b> | <b>\$ 171,618</b> | <b>15.5%</b>              |

Spending on Use of goods and Service was \$ 171,618, which is 15.5% of the annual Use of Goods and Services budget.

There was no spending against the contingency fund budget of \$232,931 as there was no urgent or unforeseen costs for year. Other costs were down as a result of lack of available funds from revenue collections not meeting revenue forecast and budget support funds not received from the FGS as forecast.

## Grants

**Table 10**

| <b>Expenditure</b>                  | <b>Budgeted</b>   | <b>Actual</b>    | <b>% against Estimate</b> |
|-------------------------------------|-------------------|------------------|---------------------------|
| Transfers to Lower Level Government | 263,000           | 49,385           | 18.8%                     |
| <b>Total</b>                        | <b>\$ 263,000</b> | <b>\$ 49,385</b> | <b>18.8%</b>              |

Grants relate to payments to lower level government with \$49,385 paid which was 18.8% of the annual budget of \$263,000,

## Social Benefits

Table 11

| Expenditure       | Budgeted         | Actual   | % against Estimate |
|-------------------|------------------|----------|--------------------|
| Medical Treatment | 10,000           | -        | 0.0%               |
| <b>Total</b>      | <b>\$ 10,000</b> | <b>-</b> | <b>0.0%</b>        |

Social benefits costs relate to medical treatment budget

## Non-Financial Assets

Table 12

| Expenditure                                      | Budgeted            | Actual            | % against Estimate |
|--|---------------------|-------------------|--------------------|
| Non-residential Buildings                        | 585,000             | 428,000           | 73.2%              |
| State House and Ministry Offices                 | 430,000             |                   | 0.0%               |
| Cars   | 40,000              | 38,950            | 97.4%              |
| Information ,Computer & Telecomm(ICT) Equipment  | 14,385              | 6,361             | 44.2%              |
| Machinery and Equipment not elsewhere classified | 46,998              | 18,514            | 39.4%              |
| Furniture & fixtures                             | 15,319              | 7,538             | 49.2%              |
| Computer software                                | 400                 | 400               | 100.0%             |
| <b>Total</b>                                     | <b>\$ 1,132,102</b> | <b>\$ 499,763</b> | <b>44.1%</b>       |

Non-financial assets relates to capital expenditure which has a useful life of more than 12 months such as, buildings, land, Computers, equipment, cars, office furniture . Expenditure relating to non-financial assets was predominantly funded by donors.

### 3. Detailed Report on Variances to Budget

#### 3.1 Revenue

GSS revenue is received from two main revenue streams: Grants and Domestic revenue. Grants are donations received from the Federal Government of Somalia and International Organizations. The Revenue Department of the MoFED oversees the monitoring and collection of revenue for GSS. For the FY2019, Domestic revenue collections were from four main sources, namely; turnover tax, local passenger fees, road user taxes and custom duties from Khat. There was an improvement in the revenue collection for quarter 4 of 2019. A total of \$ 3,344,582 was collected against the FY2019 estimate of \$7,677,347.

##### 3.1.1. Domestic Revenue

In this quarter MoE is joined by MoFED in collecting domestic revenue. MoE started generating income from the service it offers to the public which is very important to the

operations of the ministry. Below are the details of all domestic revenue generated by GSS during this year.

### ***Turnover Tax***

Turnover tax is levied on the commercial business within the Galmudug State. A total collection of \$32,645 was achieved against yearly forecast of 179,844. This means only 18% was collected during the year. And the reason behind this is due to some businesses are yet to be registered in Abudwak, Galkacyo and Adado districts, and there were political tensions that caused some district administrations to boycott collecting turnover tax.

### ***Local passenger Fees***

\$23,328 was collected since January which is 23% of our annual target of \$100,000. This Collections were only from two (2) out of six (6) airports: Dhusamareb and Guri'el are operated by the Ministry of Finance & Economic Development with Adado, Abudwak and Galkacio and Hobyo are currently privately managed by agencies/people who are currently not paying taxes to GSS. GSS is yet to superintend these Airports and impose local passengers' fees.

### ***Road User Tax***

Road User tax is charged on vehicles using the GSS roads. Tax rate is based on total weight (tonnage) of goods the vehicle is carrying. This occupies the largest amount of collected revenue compared to other heads of revenue with \$1,169,000 collected during this year which represents a collection of 71% against the annual revenue estimate which was 1,642,931. This is quite good compared to other heads of revenue, though it's not reached the target that was estimated to be achieved. During the year there has been repeated clan conflicts and political disagreements, which have hindered the interaction between the community and their business transactions.

### ***Custom Duties (KHAT)***

There has been a lot of efforts made by the MoFED to commence Khat collections, unfortunately it was not successful during the in 2019FY so there were no collections against the annual estimate of \$118,000. However, during the year, the MoFed has developed a Khat tariff and commenced negotiations with Khat merchants about the best possible ways of collecting this revenue. The majority of disputed issues has been agreed and the MoFED is hoping that the FY2020 will be the year for commencement of collecting Khat duties.

### *Collections from MoE*

In this quarter MoE has collected \$12,160 that GSS had not expected to collect. This revenue is expected to continue to be collected in subsequent year.

**Table 13**

| <b>Revenue Description</b>         | <b>Budget</b> | <b>Actual Collections</b> | <b>% against Estimate</b> |
|------------------------------------|---------------|---------------------------|---------------------------|
| Individual Identification Fee      |               | 1,480                     |                           |
| Civil Servant Identification Fee   |               | 300                       |                           |
| Primary education certificate fees |               | 9,470                     |                           |
| School Service Fees                |               | 940                       |                           |
| <b>Total</b>                       | <b>-</b>      | <b>\$ 12,190</b>          |                           |

### 3.1.2. **Grants**

#### **Grants from international organizations**

The GSS receives grants from international organizations to support GSS operations. A multi partner donor project administered by World Bank (RCRF11) pays for GSS staff salaries. There are also other funds received from PREMIS which supports office rents, internet and other operational costs. There is also other NGOs those who supports GSS teachers. In 2019, GSS had budgeted \$2,331,402 however, \$1,238,549 was actually received. The problem is mainly due to civil servants not recruited on time as anticipated and implementations of some projects have been delayed into the next year.

Table 14 summarizes the budgeted and actual amount received from each organization.

**Table 14**

| <b>Donor Organisation</b>              | <b>Estimate</b>  | <b>Funds Received</b> | <b>% Variance to Estimate</b> |
|--|------------------|-----------------------|-------------------------------|
| RCRFII                                 | 1,779,901        | 1,054,481             | 59.2%                         |
| PREMIS                                 | 393,721          | 68,566                | 17.4%                         |
| SCI                                    | 50,000           | 54,000                | 108.0%                        |
| NRC                                    | 10,800           | 9,450                 | 87.5%                         |
| Care International                     | 45,500           | 32,313                | 71.0%                         |
| CIPS                                   | 47,480           | 19,740                | 41.6%                         |
| Norad Framework Program - The Children | 4,000            |                       | 0.0%                          |
| <b>Total</b>                           | <b>2,331,402</b> | <b>1,238,550</b>      | <b>53.1%</b>                  |

#### **Grants from the Federal Government of Somalia**

GSS had budgeted amount totaling \$3,305,170 only 36% of it had been received totaling \$868,370. This is due to political disagreement between FGS and GSS, GSS only commenced receiving FGS budget support in quarter 3 and quarter 4 of this year..

## **3.2 Expenditure**

### **3.2.1. Employee Compensation**

Employee compensation combines all expenses related to the workers of civil servants, salaries of ministries and security forces. It consists of many heads of expenditures and are broken down into the following:

#### ***Permanent Employees/Regular Staff***

Ministry of Finance & Economic Development planned to pay civil servants \$1,494,377 during the 2019 budget. However, the actual amount which has been paid during this year is \$825,937 resulting in 55.3% of the total budget. Recruitment plans did not materialize leading to delay in recruitment process and hence the budgets underspend.

#### ***Wage Workers***

Wage workers relates to GSS teacher salaries paid through the RCRFII project. This component is managed by the Ministry of Education. A total \$597,880 was estimated to be paid to teachers during the Third quarter, \$104,750 have been paid to the teachers which equal 17.5% and this is due to delay in finalizing the mandatory teacher selection process.

#### ***Security forces***

Security forces salaries occupies the largest portion of expenditure for the year. This is warranted by the security situation of the state. A total of \$1,095,186 for this year with \$1,073,885 paid out which is 98.1% in line with the annual budget.

#### ***Salaries to Ministers and Statutory Appointments,***

This relates to salaries paid to Ministers and other statutory appointees. A total of \$516,678 was budgeted for the year, however, only \$10,283 was paid out during the year. Salaries to Ministers and Statutory appointees are majorly funded by FGS budget support and as mentioned above there was no FGS budget support provided resulting in lack of funds for payment of salaries to the Ministers and statutory appointees.

#### ***Remuneration to politicians***

This relates to payments made to GSS members of parliament. Previously, FGS grants covered the salaries of the parliamentarians. Parliamentarians were not paid the first three

(3) quarters of the year, but fortunately they were paid in quarter four (4) for \$ 407,000 at the end of their term.

***Security operation allowance and Regular Food Provisions***

Security operation allowance relates to costs incurred when the security forces are conducting an operation within the state while regular food provisions are in-kind food rations that are provided to the security forces. In the FY2019, GSS budgeted to pay a total of \$20,000 for security operational allowances and \$140,363 for regular food operation, however there were actual payments for both the budget lines in 4<sup>th</sup> quarter better than the previous three (3) quarters of the year. Therefore, there were no payments for Security Operational Allowances, while \$68,480 was paid for Regular Food Provisions.

**3.2.2. Use of Goods and Services**

This expense relates the day to day operations of the GSS and consists of the flowing expense categories.

***Travel and Conferences***

Travel expense relates to both internal and external travel. Table below illustrates the breakdown for the travel and conference category. \$15,665 a variance of 35% was actually paid for internal travel against budget of \$44,219. Similarly, \$40,716 was budgeted for external travel expenses and only \$10,397 was paid out which is 26% of the budget.

Un-utilization budget is due to a lack of expected fund from donors and shortfall in the collection of domestic revenue.

**Table 15**

| <b>Expenditure</b> | <b>Budget</b> | <b>Actual</b> | <b>% Against Budget</b> |
|--------------------|---------------|---------------|-------------------------|
| Internal Travel    | 44,219        | 15,665        | 35.4%                   |
| External Travel    | 40,716        | 10,397        | 25.5%                   |
| <b>Total</b>       | <b>40,716</b> | <b>26,062</b> | <b>64.0%</b>            |

***Operating Expenses***

This refers to all expenses related to the daily operations of GSS such as water, electricity, internet stationary, clearing supplies and etc. However, Operating Expenses was spent a 31%, and under spend of 69% against the yearly budget. This was as a result of lack of low domestic revenue collections and temporary suspension of FGS grants, which means that

spending, was focused in priority areas such as employee compensation and payment of security personnel.

***Rents***

Office rent was budgeted to be \$50,100 for the year 2019 with actual spending of \$28,800 incurred which is 57% of the annual budget. Both office rent and other rent of GSS is paid for by PREMIS. A total amount of \$16,880 was budgeted for the other rent, however, \$8,865 has been paid. This is because the payments of some offices have been released for the last two quarters.

**Table 16**

| <b>Expenditure</b> | <b>Budget</b> | <b>Actual</b> | <b>% Against Budget</b> |
|--------------------|---------------|---------------|-------------------------|
| Office Rent        | 50,100        | 28,800        | 57.5%                   |
| Other Rent         | 16,880        | 8,865         | 52.5%                   |
| <b>Total</b>       | <b>66,980</b> | <b>37,665</b> | <b>56.2%</b>            |

***Other Operating Expenses***

Other Operating Expenses consist of consultation fees, Staff Training and Development, and Other Office Administrative Cost, the following table summarizes other operating costs Budget and actual expenditure.

**Table 17**

| <b>Expenditure</b>                | <b>Budget</b>  | <b>Actual</b> | <b>% Against Budget</b> |
|-----------------------------------|----------------|---------------|-------------------------|
| Consultation fees                 | 143,200        | 28,609        | 20.0%                   |
| Staff training and Development    | 20,000         | -             | 0.0%                    |
| Other Office administrative costs | 33,086         | 10,408        | 31.5%                   |
| <b>Total</b>                      | <b>196,286</b> | <b>39,017</b> | <b>19.9%</b>            |

A total of \$143,200 and \$20,000 was the budget to be spent on consultation fees and staff training costs respectively, however 20% of the consultation fees budget was spent during the year with 31.5% of office administrative costs budget spent. There was no spending against the Staff training and development budget.



### ***Conflict Resolution Expenses.***

Conflict Resolution expenses relates to costs associated with resolving conflicts within GSS. These conflicts can arise from within GSS state or on its borders with other states in particular Puntland. There were very little conflicts or tensions during the year and as a result, of the \$31,000 budgeted only \$5,000 was paid during the year.

### ***Contingency Fund***

The Contingency Fund relates to costs incurred that are urgent and unforeseen; natural disasters such as earthquakes, floods, drought and famine. During the year, a total of \$232,931 had been budgeted in preparation for floods however, none was spent as forecast due to no natural disasters occurring. .

### **3.3.3 Transfers to Lower Level Government**

GSS has local governments that operates under the Ministry of interior which is provided with operational and administrative budget support. Local government collect their own revenue domestically and deposit with the TSA with the Ministry of Interior providing funds through a budget execution process. Transfers are made to the local government based on request and budget availability. A total of \$263,000 was budgeted for the year with \$49,385 actually paid. Differences is attributed to the low domestic revenue collections.

### **3.2.3. 3.3.4 Medical Treatment**

Medical treatment relates to in-kind treatments provided to GSS security personnel injured in line of duty. Actual treatment costs for medical treatments are on need-basis. A total of \$10,000 was budgeted for the year however nothing was paid to date due to no medical treatment requests.

### **3.2.4. 3.3.4 Non-Financial Assets**

Non-Financial assets are fixed assets such as cars, computers furniture and buildings which were planned to be purchased during the year of 2019.

A total amount of \$1,132,102 was the annual budget for the 2019 and paid during the year \$499,763 which is 45% of the budget. However, these budgets are funded by FGS and other

donors, and the expected funds were not received during the year, due to the delay in implementing projects and ongoing discussion with FGS to resolve political matters.

#### **4. Donor Projects Reports**

GSS has six ongoing projects for the third quarter. RCRFII Project and PREMIS Project are the main ones. Following demonstrates estimates and actual expenses of GSS donor projects.

##### **3.1.1. RCRFII Project Report**

The purpose of the RCRFII project is to support GSS in paying its recurrent costs such as employee salaries and development activities such as training employees, revenue enhancements costs and other administration costs. \$1,054,481 was actually received against forecasted grants amounting to \$1,779,901. 60% of it had been actualized. of the variance is a result of delayed recruitment of staff and some reform activities such as revenue enhancement and staff capacity development are yet to be funded.

##### **3.1.2. PREMIS Project Report**

PREMIS funds a number of Special purpose projects designed to support GSS in paying for its operational costs such as rents, internet, stationary, office equipment and etc. In the year of 2019, a total of \$393,721 were estimated to receive from PREMIS, however \$68,566 has been received which is 17% compared to the yearly estimate. And this is the cost of internet, rents and staff capacity building and some SPG projects. there are also office equipment and computers costs and SPG projects which are supposed to be purchased and funded under this project but its yet to be utilized.

##### **3.1.3. SURGE support:**

SURGE support projects are funds provided by FGS to GSS to implement predetermined projects agreed between FGS and GSS. During the year, a total of \$1,505,170 was forecasted to be received for the SURGE project and \$1,800,000 for budget support. However, \$5,170 was received for SURGE support and \$863,200 budget support received in quarters 3 and 4. Political tension between the GSS and FGS was main reason for this.

#### 3.1.4. GSS Teachers Projects support

GSS teachers receive support for incentives and scholastic materials from international organizations such as JICP, NRC, SCI and Care International. table 18 summarizes funds relating to this project.

**Table 18**

| <b>Expenditure</b> | <b>Budget</b> | <b>Actual</b> |
|--------------------|---------------|---------------|
| JICP               | 47,480        | 19,740        |
| NRC                | 10,800        | 9,450         |
| Care International | 45,500        | 32,313        |
| SCI                | 50,000        | 54,000        |

### **5. Supplementary Budget**

A Budget review was conducted at the end of June by the Budget and Treasury Departments as part of the mid-year fiscal review as required under Section 19 of the Public Finance Management Act 2018. The mid-year review highlighted that a supplementary budget was required but the Ministry of Finance & Economic Development opted not to formulate a supplementary budget since the Relationship between FGS and GSS had been resolved and expected that budget support and SURGE funding would be received during the latter part of the year

## **APPENDIX -A- BUDGET REPORT**



Budget Segmented  
Report - 2019\_2019 E

## **APPENDIX -B- DONOR REPORTS**



Donor Reports  
FY2019.pdf

## **APPENDIX -B- Periodic Comparison of Budget and Actual Amount**



Consolidated Fund  
Statement of Compari