



Galmudug State of Somalia

Ministry of Finance & Economic Development

Quarter 1 Report

(Unaudited)

1st Jan -31st March 2019

Contents

1.	Introduction	4
2.	Overview of Performance – Fiscal Overview	4
2.1.	Revenue	4
2.1.1.	Domestic Revenue (Taxes, fees and fines)	5
2.1.2.	Grants.....	5
2.2.	Expenditure.....	6
3.	Report on variances to Budget	7
3.1	Revenue	7
3.1.1	Domestically Raised Revenue	7
3.2	Grants	8
3.2.1	Grants from international organizations	8
3.2.2	Grants from the Federal Government of Somalia.....	8
3.3	Expenditure.....	8
4.	Donor Projects Reports	12
4.1	RCRFII Project Report	12
4.2	PREMIS Project Report.....	13
5.	Supplementary Budget	14
6.	APPENDIX -A- BUDGET REPORT	15

List of Acronyms

GSS	Galmudug State of Somalia
FGS	Federal Government of Somalia
MoFED	Ministry of Finance & Economic Development
RCRF	Recurrent Costs and Reform Financing
PREMIS	Public Resource Management in Somalia

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 three (3) months ending 31 March 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 financial Statement of Consolidated Comparison of Budget and Actual amounts has been prepared by the Ministry of Finance & Economic Development using a cash basis of accounting 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. Overview of Performance – Fiscal Overview

2.1.Revenue

Overall the Financial performance of Quarter1 for this financial year has improved compared to same period last year. Improved performance is as a result of improved in domestic revenue collection.

- 1) Domestic Revenue (Taxes, fees and fines)
- 2) Grants (Grants from International Organizations and the Federal Government of Somalia)

Domestic Revenue (Taxes, fees and fines)

There were four revenue streams targeted for collection in the 2019 budget, these are Turnover tax, local passenger fee, Road user tax and Custom duty (Khat).

Road user tax is one of the heads of Revenue that we can see good performance, comparing to others 9% was not achieved. This head of Revenue was intended to improve the roads, Security and wellbeing of the travelling people actually.

On other hand there is Custom duty (Khat tax) which has recorded Zero performance (100% variance) during this Q1 because of several challenges and arguments among its stakeholders such, KHAT tax is highly political due to uproar from the khat traders it could not be implemented during this quarter. Discussions to implement this tax type is on-going. The Revenue department has already prepared all documents needed to tax the KHAT but there is a bit of disagreement between ministry of Finance and KHAT merchants and we hope will be solved soon.

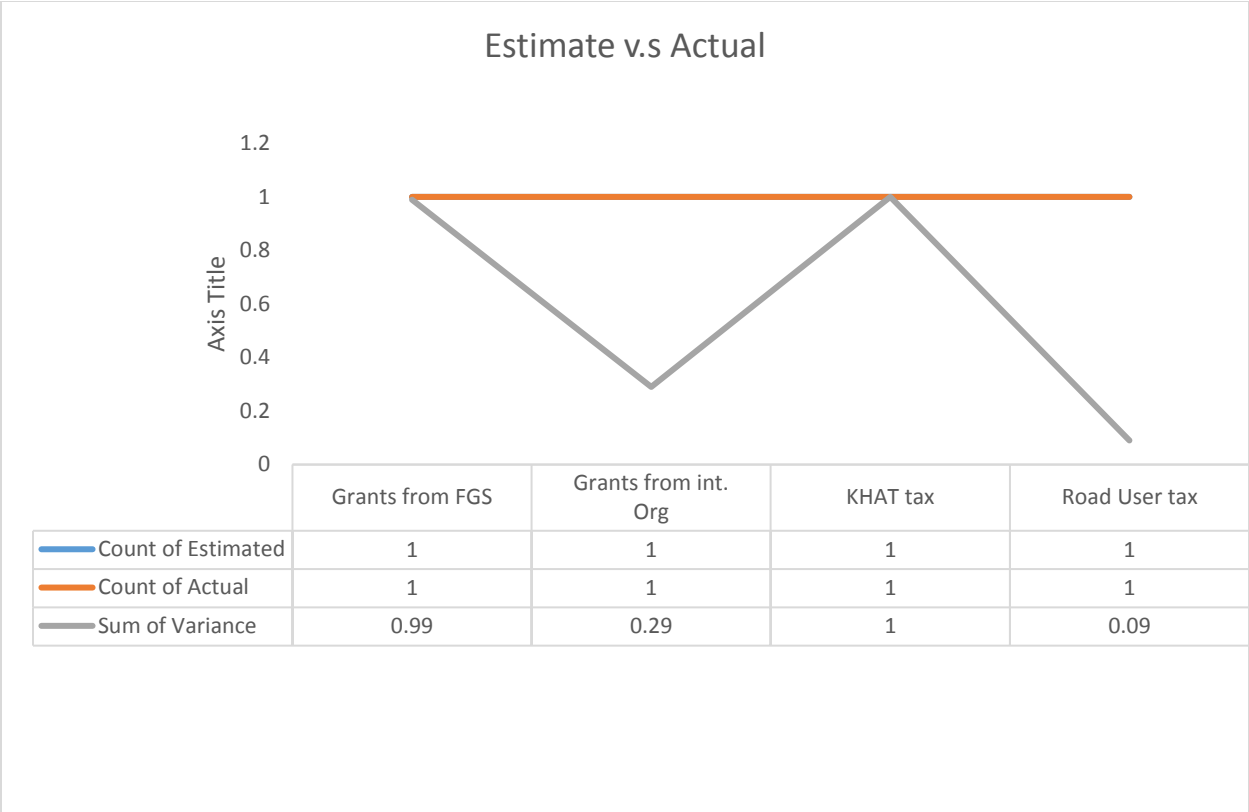
Grants.

The main source of grants are transfers from federal government of Somalia (FGS), Support from international organizations such as PREMIS, donor countries and other agencies that may provide support the GSS operations in different ways. RCRFII funds funded by World Bank are received through FGS.

Grants from FGS sees a 99% of variance to the annual estimate while Grants from international organizations' shows a variance of 29%. The variance in FGS grants is as a result of political misunderstanding between GSS and FGS that has persisted close to a year now. GSS has not received funds from FGS in terms of budget support and Surge fund since the August 2018. Unless political solution is reached, mostly likely FGS will continue to hold on to the funds meant for GSS.

In the table below, is a sample of revenue analysis for some selected revenue types. The table has selected both the best performing revenue tax (Road tax) and the least performing (Khat Tax). For more detail see table 3.1

Heads	Estimated	Actual	Variance
Road User tax	\$330,767	\$300,492	-9%
KHAT tax	\$9,383	\$0	-100%
Grants from FGS	\$655,170	\$ 5,170	-99%
Grants from int. Org	\$168,009	\$119,682	-29%



Overall Revenue performance has improved in some areas and we are expecting to see further improvements achieved in the next quarters accordingly.

2.2.Expenditure.

Expenditure performance directly relates to funds availability thus spending can only happen where revenue is collected or grant funds has been received. Expenditure line with higher spending is: Compensation of regular staff shows a variance of less than 40% to budget, while only 5% of external travel has been spent.

See example table of heads of Expenditure

Heads	Estimated	Actual	Variance
Regular staff	\$107,890	\$64,681	-40%
Rent	\$ 7,295	\$6,600	-9%
Wage workers	\$ 22,200	\$0	-100%
Ext. Travel & conferences	\$ 13,999	\$ 700	-95%

Further details are provided in **Appendix A**

3. Report on variances to Budget

3.1 Revenue

The revenue is received into two main revenue streams: Grants and Domestic revenue. Grants are received from the Federal Government of Somalia and International Organizations. The Revenue Department (MoFED) oversees the monitoring and collection revenue for GSS and For the FY2019. four (4) heads of revenue have been implemented domestically by the overall the performance for this quarter has improved compared to the previous year \$326,030 collected revenue while this year is \$461,644.

3.1.1 Domestically Raised Revenue

Turnover Tax

Turnover tax is the taxes levied on the commercial business within Galmudug state. \$29,732 was forecasted to be collected during the first quarter of this year, \$20,302 were achieved. only 9,430(32%) were not collected and this is because some businesses are yet to register such as Abudwak and Adado businesses.

Local passenger Fees

\$15,218 was collected against quarterly forecast revenue of \$21,631, a forecast under collection of \$6,413 (30%). The revenue was collected from two airports: Dhusemareb and Guri'el. With Adado, Abudwak and Galkacio yet to collect. All these Airports controlled by private agency/people and still GSS did not take over their controls to impose on passengers' taxes.

Road User Tax

Road tax is charged on vehicles using GSS roads, the tax rate is based on total weight (tonnage) of goods the vehicle is carrying. The tax type was intended to improve the wellbeing of roads likewise it occupies the largest amount of collected revenue compared to other heads of revenue, \$330,767 was estimated to collect in this quarter with collection of \$300,492 achieved, down 9% to the quarterly revenue forecast.

Custom Duties (KHAT)

This revenue was scheduled to commence collection at the beginning of this financial year. So far, the tariff has been developed and is currently as the implementation stage. However, due to ongoing discussions between the Ministry of Finance and the Khat merchants the implementation of this revenue has been delayed. The dialogue is going on and its hoped to finish it as soon as possible, after that the collection process will be started.

3.2 Grants

3.2.1 Grants from international organizations

The GSS receives grants from international organizations for the purpose of supporting GSS operations. Multi donor funded by World Bank for GSS staff salaries through RCRFII project is received from the Federal Government of Somalia (FGS) Other funds received from PREMIS which supports office rents, internet and other operational costs. Therefore, GSS had estimation of receiving throughout this quarter amount totaling \$168,009, however and, amount totaling \$119,962 was actually received. Only 29% percent received mainly due to civil servants not recruited on time as anticipated and other grants from international organization not received due to projects not implemented as planned.

3.2.2 Grants from the Federal Government of Somalia

Due to political disagreement between FGS and GSS, GSS has not received FGS monthly budget support and Surge fund since August 2018. The only way that these grants can be received is to resolve the matter with FGS. There is also amount of \$5170 from ministry of Water and Energy FGS allocated world water day event under GSS ministry of Water and Energy.

Table 3.a Revenue

Name	Annual		Year To Date		Q1		
	Annual Estimates USD	Annual Forecast USD	YTD Estimate USD	Actual YTD USD	Forecast USD	Actual USD	Variance %
Revenue	7,003,300	7,003,300	1,215,147	461,644	1,215,147	461,644	-62
Turnover Tax	179,844	179,844	29,732	20,302	29,732	20,302	-32
Local Passenger Fees	100,000	100,000	21,631	15,218	21,631	15,218	-30
Road User Tax	1,642,931	1,642,931	330,767	300,492	330,767	300,492	-9
International NGOs registration				500		500	
Customs duties - KHAT	118,000	118,000	9,838		9,838		-100
Grants	4,962,525	4,962,525	823,179	125,132	823,179	125,132	-85
Current Grants From international Organization	1,657,355	1,657,355	168,009	119,962	168,009	119,962	-29
Grants from Federal Government of Somalia	3,305,170	3,305,170	655,170	5,170	655,170	5,170	-99

3.3 Expenditure

This section explains all the expenditures incurred during this quarter where the variances are 10% more against budget.

3.3.1 Employee Compensation

This section combines all expenses related to the workers of civil servants and salaries of ministries and security forces. It consists of many heads of expenditures and details are as follows:

Permanent Employees/Regular Staff

Ministry of Finance & Economic Development planned to pay to the civil servant's amount totaling \$107,890 during this quarter but the actual amount which was paid to the employees were \$64,681. y 40% was not paid and this resulted from March salaries had not been paid because of lack of money that due to the RCRFII funds not transferred to GSS in March.

Contract of Employees

This expenditure relates personnel who are contracted by the ministries for specific activities aerie. contracted for data collection for certain location or business registration as part of revenue campaign. So far, the Ministry of Finance & Economic Development (MoFED) conducted revenue campaign at Guri'el district and paid contracted individuals \$3,000. Other activities were planned to be carried out but unfortunately did not happen due to some issues relating to the communities of the projected areas.

Wage Workers

\$22,200 was estimated to be spent during this quarter, however nothing has been paid as the expected amount was mainly for wages for contracted teachers They delay has been as a result of the selection progress taking longer than expected.

Politician Remuneration and Salaries

There was a hope of paying politicians (ministries and parliaments) but this did not materialize since budget support from FGS which was ear marked to fund this expenditure was not received.

Below table explains all activities related above explanations.

Table 3.b Employee Compensation

Name	Annual		Year To Date		Q1		
	Annual Estimates USD	Annual Forecast USD	YTD Estimate USD	Actual YTD USD	Forecast USD	Actual USD	Variance %
Compensation of Employees	4,839,865	4,839,865	783,450	372,513	783,450	372,513	-52
Permanent employees/Regular staff	1,082,238	1,082,238	107,890	64,681	107,890	64,681	-40
Contract employees	22,200	22,200	22,200	3,000	22,200	3,000	-86
Wage workers	758,000	758,000	189,498		189,498		-100
Security Forces (Police, Intel Forces and Prison)	1,095,186	1,095,186	294,559	304,832	294,559	304,832	3
Salaries to Ministers and Statutory Appointments	516,678	516,678	43,665		43,665		-100
Remuneration to Politicians	1,225,200	1,225,200	109,273		109,273		-100
Regular Food Provision	140,363	140,363	16,365		16,365		-100

3.3.2 Use of Goods and Services

This is expenditure relating to the day to day operations of the GSS.

Travel and Conferences

This relates to both internal and external travel. \$700 was actually paid against an estimate of \$13,999. This shows an underspend for the quarter of 95% which was due to a lack of expected fund from expected donors and shortfall in the collection of domestic revenue.

Operating Expenses

This line related all expenses related to the daily operations such as water, electricity, internet stationary and etc. (see below table). \$24,575 was to be spent, however \$9,300 was spent which is an underspend of 62% against the quarterly budget forecast. This was as a result of lack of expected collections of domestic revenue and also Grants from FGS and other donors, which meant that spending was focused in priority areas such as employee compensation...

Rents

In Galmudug there are two types of rent: office rent and other rent. Office rent was estimated to be \$7,295 for the quarter with actual spend of \$6,600 incurred which is 9.5% less than forecasts., Other rent spending was \$7,185 against forecasted amount \$3,200 which was \$3,985 higher than the estimated amount. The overspend in the quarter was as a result of outstanding payments from 2018 which was paid during this quarter.

Other Operating Expenses

Other Operating Expenses includes Staff Training and Development, Other Office Administrative Cost, Television and Newspaper Advertisements and some others. \$71,557 was forecast to be spent in order to increase Performance of the employees and effective administrations, however only \$3,549 was actually spent This reveal 95% of the estimated amount were not used due lack of available funds resulting from revenue not being collected in line with the quarterly revenue estimate.

Table 3.c Use of Goods and Services

Name	Annual		Year To Date		Q1		
	Annual Estimates USD	Annual Forecast USD	YTD Estimate USD	Actual YTD USD	Forecast USD	Actual USD	Variance %
Use of Goods and Services	817,133	817,133	120,626	27,334	120,626	27,334	-77
Travel & Conferences	84,415	84,415	13,999	700	13,999	700	-95
Internal Travel	43,699	43,699	8,499	700	8,499	700	-92
External Travel	40,716	40,716	5,500		5,500	-	-100
Operating Expenses	168,501	168,501	24,575	9,300	24,575	9,300	-62
Water	8,602	8,602	1,270	-	1,270	-	-100
Electricity	18,080	18,080	2,585	-	2,585	-	-100
Mobile Phone Expenses	2,250	2,250	180	-	180	-	-100
Internet	21,503	21,503	6,466	6,690	6,466	6,690	3
Diesel	25,600	25,600	2,300	-	2,300	-	-100
Stationary	9,392	9,392	294	500	294	500	70
Books	1,410	1,410	150	-	150	-	-100
Published fees	1,460	1,460	100	-	100	-	-100
Meeting Supplies	8,480	8,480	340	-	340	-	-100
Security Operational Allowances	31,111	31,111	3,000	-	3,000	-	-100
Publications	3,070	3,070	670	670	670	670	-
Cleaning Supplies	2,983	2,983	520	-	520	-	-100
Vehicle Hire/car rental	33,560	33,560	6,550	1,340	6,550	1,340	-80
Cleaning Services	1,000	1,000	150	100	150	100	-33
Rent	64,800	64,800	10,495	13,785	10,495	13,785	31
Office Rent	50,100	50,100	7,295	6,600	7,295	6,600	-10
Other Rent	14,700	14,700	3,200	7,185	3,200	7,185	125
Other Operating Expenses	499,417	499,417	71,557	3,549	71,557	3,549	-95
Consultation Fees	148,000	148,000	4,000	-	4,000	-	-100
Staff Training and Development	26,000	26,000	5,100	-	5,100	-	-100
Other Office Administrative Cost	33,086	33,086	824	174	824	174	-79
Television and Newspaper Advertisements	28,400	28,400	2,400	2,375	2,400	2,375	-1
Conflict Resolution Expenses	31,000	31,000	1,000	1,000	1,000	1,000	
Contingency	232,931	232,931	58,233	-	58,233	-	-100

3.3.3 Transfers to Lower Level Government

This budget is intended to develop lower level and district administrations to make them able to support districts effectively. An amount of \$41,708 was intended to be paid with \$24,929 or 60% paid out. Again, the underspend was as a result of the under collection of revenues for the quarter.

3.3.4 Non-Financial Assets

As detailed on Table 3.4, there were fixed assets (cars, computers furniture and buildings which were planned to be purchased during the quarter. \$253,209 was forecast, however, there was no spending due to these budgets being funded by FGS and other donors with no funds received during the quarter, due to delay in implementing projects and ongoing discussion with FGS to resolve political matters.

Table 3.d: Non-Financial Assets

Name	Annual		Year To Date		Q1		
	Annual Estimates USD	Annual Forecast USD	YTD Estimate USD	Actual YTD USD	Forecast USD	Actual USD	Variance %
Nonfinancial assets	546,517	546,517	253,209		253,209		-100
Non-residential Buildings	500,000	500,000	250,000		250,000		-100
Machinery and Equipment not elsewhere classified	35,198	35,198	2,720		2,720		-100
Furniture & fixtures	11,319	11,319	489		489		-100

4. Donor Projects Reports

GSS deal with two Donor Projects RCRFII Project and PREMIS Project. Below are their details.

4.1 RCRFII Project Report

The purpose of RCRFII project is to support GSS recurrent costs such employee salaries and development activities such as training employees, revenue enhancements costs and other administration costs. \$96,776 was actually received against forecasted grants amounting \$143,884, a variance of 33% due to the funds being received in early April and it will appear in the next quarters report. On the other side, \$195,812 was forecast to be sent for this quarter however \$64,855 was actually paid. 99% of it was paid to employees salary, with the variance of 31% received in early April and will be reported in the next quarterly report.

Table 4.a: RCRFII Project Report

RCRF Project Report							
Name	Annual		Year To Date		Q1		
	Annual Estimates	Annual Forecast	YTD Estimate	Actual YTD	Forecast	Actual	Variance
	USD	USD	USD	USD	USD	USD	%
Grants	1,550,238	1,539,268	143,884	96,776	143,884	96,776	-33
Current Grants From international Organization	1,550,238	1,539,268	143,884	96,776	143,884	96,776	-33
Expense	1,486,238	1,486,238	195,812	64,855	195,812	64,855	-69
Permanent employees/Regular staff	1,082,238	1,082,238	107,890	64,681	107,890	64,681	-40
Wage workers	308,000	308,000	76,998	-	76,998	-	-100
Internal Travel	20,000	20,000	1,000	-	1,000	-	-100
Consultation Fees	48,000	48,000	4,000	-	4,000	-	-100
Staff Training and Development	20,000	20,000	5,100	-	5,100	-	-100
Other Office Administrative Cost	8,000	8,000	824	174	824	174	-79

4.2 PREMIS Project Report

This project was created to support GSS Expenditures related day to day operations (rents, internet, stationary and etc. \$20,201 were estimated and actually received \$23,187 which is a bit high compared to the forecasted amount. This is because unexpected amount was released.

In the expenditure side, \$23,190 was expensed against \$40,814 which is actual amount received from this project. Internet, stationary was paid more than expected and the reason is that internet is billed more than expected and the stationary was needed more than planned to facilitate the work.

Table 4.b: PREMIS Project Report

Premis Project Report							
Name	Annual		Year To Date		Q1		
	Annual Estimates	Annual Forecast	YTD Estimate	Actual YTD	Forecast	Actual	Variance
	USD	USD	USD	USD	USD	USD	%
Grants	107,117	101,931	20,201	23,187	20,201	23,187	15
Current Grants From international Organization	107,117	101,931	20,201	23,187	20,201	23,187	15
Expense	90,962	90,962	40,814	23,190	40,814	23,190	-43
Contract employees	22,200	22,200	22,200	3,000	22,200	3,000	-86
Internal Travel	300	300	300	-	300	-	-100
Mobile Phone Expenses	180	180	180	-	180	-	-100
Internet	12,000	12,000	4,750	6,690	4,750	6,690	41
Stationary	5,992	5,992	144	500	144	500	247
Meeting Supplies	40	40	40	-	40	-	-100
Vehicle Hire/car rental	6,150	6,150	5,400	740	5,400	740	-86
Office Rent	38,400	38,400	6,600	6,600	6,600	6,600	-
Other Rent	4,500	4,500	-	4,485	-	4,485	-
Television and Newspaper Advertisements	1,200	1,200	1,200	1,175	1,200	1,175	-2
Change In Net Worth. Transactions (Assets)	620	620	620	-	620	-	-100
Machinery and Equipment not elsewhere classified	620	620	620	-	620	-	-100

4.3 Surge support:

Although budgeted for and confirmation received from FGS on the 2019 allocations, no funds have been received for this project in Quarter 1 due to the existing political situation

5. Supplementary Budget

Budget review will be conducted at the end of quarter two 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, they will do review the year to date budget execution and will recommend accordingly if supplementary budget is required.

6. APPENDIX -A- BUDGET REPORT



Budget Segmented
Report - 2019 2019 £