

FEDERAL GOVERNMENT OF SOMALIA

PERFORMANCE OF FISCAL OPERATIONS END JULY 2016

KEY HIGHLIGHTS:

- **Revenue** for July 2016 was \$11.9 million, which was \$2.2 million lower than was collected in July last year.
- **Cumulative revenue** for Jan-Jul 2016 amounted to 101.4 million, which is 41.2% of the annual budget, 17 percentage points less than expected at pro-rata basis. **Domestic revenue** contributed 65.4% of the cumulative total while **grants** contributed 34.6%.
- **Expenditure** for the month was \$13.4 million while the cumulative expenditure amounted to \$103 million, thus 41.8% of the annual budget has been so far spent (as at end July). **Personnel costs** accounted for 50% of total expenditure, followed by **purchase of goods and services** (37%).
- **Compared to the same period last year** (i.e. Jan-Jul), **expenditure** has increased by 46% while **revenues** have increased by 36% (*creating a 10 percentage points gap*).

FISCAL OPERATIONS SUMMARY TABLE

Fiscal Variable	Budget 2016	Month of July	Cumulative (7 months)	% of annual budget executed	Year to Year%	Share to total% (cumulative)
Revenue	246.31	11.92	101.43	41.2%	36.1%	100.0%
Tax Revenue	107.77	7.80	53.32	49.5%	22.1%	52.6%
Non Tax Revenue	31.45	0.64	12.99	41.3%	-20.4%	12.8%
Grants	107.09	3.47	35.12	32.8%	141.8%	34.6%
Expenditure	246.31	13.44	103.04	41.8%	45.9%	100.0%
Compensation of Employees	118.30	7.51	51.38	43.4%	98.9%	49.9%
Purchase of Goods and Services	80.01	4.73	37.82	47.3%	7.2%	36.7%
Capital Expenditure	25.78	0.10	3.41	13.2%	315.7%	3.3%
Transfers (Grants)	16.00	0.70	5.12	32.0%	-25.9%	5.0%
Other expenses	2.12	0.20	1.21	57.0%	-32.8%	1.2%
Net lending and repayments	4.10	0.20	4.09	99.8%		4.0%
Deficit	0.00	(1.52)	(1.61)			

REVENUE IN DETAIL – YEAR TO DATE END JULY

- Of all the revenue sources, only **bilateral grants** and **stamp sales and duty** performed beyond the 7-month pro-rata expectations, at 84% and 113% respectively. The rest of the revenue sources performed below expectations, with **turnover taxes** and **individual income tax** performing worst, at 20.4% and 26.6% respectively.
- Reasons for the weak performance for **turnover taxes** remain same—impasse on enforcement of collection of all expected revenues from electric, water, and money transfer companies.
- The weak performance for **individual income taxes** was largely attributed to delayed payment of civil servants' salaries. This notwithstanding, the performance of **individual income tax** has improved significantly compared to last year, with a 152% year-on-year growth.
- Three revenue sources registered a negative year-on-year growth as at end of July—meaning their performance was worse than in the same period last year: **turnover taxes** (-14.3%); **administrative fees and charges** (-20.4%); **multilateral grants** (-17.7%) . The poor performance of **administrative fees and charges** was largely due to suspension of Turkish Airlines flights for three months after the February 2016 terrorist attack on one of the company planes operating in Somalia.

EXPENDITURE IN DETAIL – YEAR TO DATE END JULY

- Spending on civil servants' **salaries and wages** amounted to \$12.2 million for the period Jan-Jul 2016, which gives an average of \$1.74 million paid to civil servants every month. The monthly average is not significantly different from the monthly average for 2015, which was \$1.73 million. Spending on this item would have been higher had it not been for the SMP-agreed three months lag in payment of staff salaries. **Civil servants salaries** accounted for 11.8% of total spending as at end July 2016.
- The **Allowances** bill for the seven months was \$15.3 million, which is an average of \$2.19 million per month. This average is quite lower than the recorded average of \$2.67 million for the 2015 financial year. In July 2016 allowances amounted \$2.42 million, which is slightly higher than the 7-month average. As at end July, allowances accounted for 14.9% of total expenditure.
- MDA running costs (**general expenses**) recorded a 7-month bill of \$7.9 million, or a monthly average of \$1.13 million. In 2015 the monthly average spending on this item was \$1.19 million, implying there has been a reduction on spending on **MDA running costs** in 2016.
- **Utilities and travel expenses** continue to be the highest spending items under the **general expenses category**, each having spent a 7-month average of \$307,147 and \$303,548 respectively. In 2015 these items consumed \$284,617 and \$311,682 respectively, which means **utilities** have gone up in 2016 (due to inflation?) while **travel expenses** have relatively declined.
- Spending on **rent and repairs and maintenance** has also declined, having registered negative year on year growth rates of -7.3% and -8.3% respectively. The 7-month average for **rent** in 2016 was \$24,763 compared to a 12-month average of \$29,477 in 2015. The corresponding averages for **repairs and maintenance** are \$86,052 and \$94,641 respectively. The unevenness in these averages was attributed to outstanding payments for some three months in 2016 that are yet to be cleared.
- **Education and training expenses** totaled \$844,285 by end July 2016, representing 35% of the annual budget (\$2.42 million), but 77% higher than in the same period last year. The bulk of this money is expected to be spent in the last quarter of the year, during which most training programs usually start.
- Expenditure on **consulting and professional fees** was \$1.41 million, which was 12.2% of the annual budget, and -3% lower than what was spent in the same period last year. The lower than expected spending was attributed to the delayed implementation of several of the various consultancy and audit assignments that were planned to be undertaken during 2016. This expenditure item comprises **fees for consultants** as well as for **audits**.
- **Finance costs**, which largely comprise bank commissions, amounted to \$1.69 million as at the end of July, representing 65.5% of the annual budget, and 18% higher than the **commissions** paid during the same period last year. The observed increase in **finance costs** was largely attributed to the increased transactions in revenue collection. On average, Government spent \$240,916 per month during Jan-Jul 2016, compared to the 12-month average of \$221,919 in 2015.
- **Other expenses** amounted to \$19.9 million for the Jan-Jul 2016 period, representing 58% of the annual budget—just in line with the pro-rata expectations. The expenditure item also registered a 27% year-on-year increase, from a monthly average of \$2.34 million in 2015 to an average of \$2.84 million during Jan-Jul 2016—thus **other expenses** have increased by \$508,301 per month. **Other expenses** mostly comprise operating costs of the **security sector**.
- **Arrears** worth \$3.12 million (**for goods and services**) were cleared as at end July 2016. This was 98.3% of the annual budget, which left just only \$55,079 to be cleared in the remaining five months of the financial year. A total of \$23.8 million worth of **arrears for salaries and wages** was also cleared as at end July, leaving a balance of \$325,948 to be cleared in the remaining five months of the financial year.

- **Transfers (grants)** for period Jan-Jul were \$5.12 million, representing 32% of the annual budget, and 26% lower than what was transferred during the same period last year. This figure included **transfers to international organizations** worth \$50,000. **Transfers to regions** reduced from a monthly average of \$1,153,291 in 2015 to a 7-month average of \$723,874 in 2016. **Mogadishu Local Government** received 90% of the transfers. The rest (10%) went to Jubbaland and Puntland.
- **Net lending and repayments** amounted to \$4.1 million as at end July 2016, which was 99.8% of the annual budget. This expenditure item accounted for 4% of total expenditure during Jan-Jul 2016.
- **Capital spending** claimed \$3.41 million as at end July 2016, which was 13.2% of the annual budget, but 316% higher than what was spent during the same period last year. **ICT** received 19% of total [cumulative] capital spending while the rest (81%) went to ‘**other fixed assets**’.

EXPENDITURE BY SECTOR – YEAR TO DATE END JULY

- **Administration and General Services**
 - The sector absorbed \$71.62 million as at end July 2016, which was 47.1% of the annual budget, and 76.2% higher than what the sector spent in the same period last year.
 - Sector took the lion’s share of 69.5% of total cumulative expenditure.
 - On average, the sector spent \$10.3 million every month compared to an average of \$6.3 million in 2015.
 - In July 2016, the sector absorbed \$9.5 million.
 - Half of the expenditure under the sector was spent on **General activities of Government** (38.2% of total FGS expenditure—which includes payments for arrears), followed by **Parliament** (6.4%) and the **Ministry of Interior and Federal Affairs** (5.4%).

EXPENDITURE BY SECTOR SUMMARY TABLE

Sector/MDA	Budget		Q1	Q2	Jul	Cumulative (7 months)	% of		%share to cumulative total
	2016						annual budget spent	Year to Year Growth%	
Administration and General Services	152.05	41.04	21.07	9.50	71.62	47.1%	76.2%	69.5%	
Security	66.42	8.17	12.57	2.59	23.33	35.1%	-1.0%	22.6%	
Economic Services	21.22	2.02	3.02	0.92	5.97	28.1%	28.8%	5.8%	
Social Services	6.62	0.59	1.11	0.42	2.12	32.0%	27.1%	2.1%	
Grand Total	246.31	51.82	37.78	13.44	103.04	41.8%	46.1%	100.0%	

- **Security** spent a total of \$23.33 million as at end July, representing 35.1% of the annual budget, and -1% lower than what the sector spent during the same period last financial year. The sector accounted for 22.6% of total cumulative expenditure. The largest share of **security** expenditure went to the **armed forces** (11.1%) followed by **National Security Force** (4.3%) and **Police** (4.2%).
- The **Economic Services** Sector absorbed \$5.97 million during Jan-Jul 2016, which was 28.1% of the annual budget, and 28.8% higher than what the sector spent in the same period last year. The largest spender under this sector was the **Ministry of Information** (1.3%), followed by **ICT** (0.7%) and **Ministry of Minerals** (0.6%). The sector accounted for 5.8% of total expenditure.
- Expenditure for the **Social Services Sector** was \$2.12 million as at end July, representing 32% of the annual budget, and 27% higher than what the sector spent in the same period last financial year. **Somali National University** topped the sector MDAs with a share of 0.45% of total cumulative expenditure, followed by the **Ministry of Labor and Social Affairs** (0.42%) and **Ministry of Education** (0.38%). The sector has the lowest share of just 2.1% of total expenditure.

FGS Summary Fiscal Operations as at end July 2016

Fiscal Variable	Budget 2016	Q1	Q2	Jul	Cumulative 7 months	%of annual budget executed	Year to Year%
Revenue	246.31	51.95	37.56	11.92	101.43	41.2%	36.1%
Tax Revenue	107.77	21.73	23.79	7.80	53.32	49.5%	22.1%
Taxes on income, profits, and capital gains	5.13	0.74	0.54	0.27	1.55	30.3%	96.0%
Income tax (individuals)	4.26	0.51	0.39	0.23	1.13	26.6%	152.4%
Income tax (corporations)	0.87	0.23	0.15	0.04	0.42	48.7%	22.7%
Taxes on payroll and workforce	-	-	-	-	-		
Taxes on property	-	-	-	-	-		
Taxes on goods and services	16.64	2.54	2.71	1.75	7.00	42.0%	37.4%
Turnover tax on services (presumptive tax)	11.78	0.80	1.20	0.40	2.40	20.4%	-14.3%
Stamp Sales and Duty	4.07	1.74	1.51	1.35	4.60	113.0%	100.4%
Taxes on international trade and transactions	86.00	18.45	20.53	5.78	44.76	52.1%	18.5%
Customs and other import duty	86.00	18.45	20.53	5.78	44.76	52.1%	18.5%
Non Tax Revenue	31.45	4.48	7.88	0.64	12.99	41.3%	-20.4%
Property income	-	-	-	-	-		
Sales of public goods and services	31.45	4.48	7.88	0.64	12.99	41.3%	-20.4%
Administrative fees and charges	31.45	4.48	7.88	0.64	12.99	41.3%	-20.4%
Grants	107.09	25.74	5.90	3.47	35.12	32.8%	141.8%
Bilateral	30.04	21.26	2.00	2.00	25.26	84.1%	892.7%
Current	30.04	21.26	2.00	2.00	25.26	84.1%	1282.3%
Capital	-	-	-	-	-		-100.0%
Multilateral	77.04	4.48	3.90	1.47	9.86	12.8%	-17.7%
Current	77.04	4.48	3.90	1.31	9.70	12.6%	869.8%
Capital	-	-	-	0.16	0.16		-98.5%
Expenditure	246.31	51.82	37.78	13.44	103.04	41.8%	45.9%
Compensation of Employees	118.30	28.12	15.75	7.51	51.38	43.4%	98.9%
Wages & salaries	93.89	7.84	14.47	5.19	27.50	29.3%	18.0%
Wages and salaries	34.96	3.21	6.21	2.77	12.20	34.9%	20.8%
Allowances	58.93	4.63	8.25	2.42	15.30	26.0%	15.9%
Social Contributions	-	-	-	-	-		
Other employee costs	0.24	-	0.04	-	0.04	16.7%	0.0%
Contingency - Salaries & Allowances	-	-	-	-	-		
Arrears on Salaries and Allowances	24.17	20.28	1.25	2.32	23.85	98.7%	853.8%
Purchase of Goods and Services	80.01	17.75	15.34	4.73	37.82	47.3%	7.2%
General expenses	19.68	3.19	3.62	1.08	7.89	40.1%	0.7%
Utilities	4.80	0.82	1.00	0.34	2.15	44.8%	22.2%
Rent	0.44	0.07	0.07	0.03	0.17	39.5%	-7.3%
Fuel and lubricants	4.42	0.69	0.84	0.16	1.69	38.2%	-8.3%
Repairs and maintenance	1.72	0.24	0.26	0.10	0.60	34.9%	-0.6%
Office materials and other consumables	3.07	0.45	0.55	0.15	1.15	37.4%	3.0%
Travel expenses	5.23	0.91	0.91	0.31	2.13	40.6%	-8.6%
Education and training expenses	2.42	0.19	0.48	0.17	0.84	34.9%	76.7%
Consulting and professional fees	11.96	0.40	0.93	0.12	1.45	12.1%	-2.3%
Consulting and professional fees	11.55	0.40	0.93	0.09	1.41	12.2%	-2.8%
Audit fees	0.41	-	-	0.04	0.04	9.6%	20.7%
Finance costs	2.58	0.92	0.70	0.06	1.69	65.5%	17.7%
Bank commissions	2.58	0.92	0.70	0.06	1.69	65.5%	17.7%
Bank charges	-	-	-	-	-		
Insurance charges/premium	-	-	-	-	-		
Specialized materials and services	5.87	1.47	0.99	0.47	2.92	49.8%	58.7%
Other expenses	34.35	8.72	8.38	2.82	19.91	58.0%	26.4%
Arrears	3.17	2.88	0.24	-	3.12	98.3%	-51.6%
Capital Expenditure	25.78	1.03	2.28	0.10	3.41	13.2%	315.7%
Interest and other charges	-	-	-	-	-		
Subsidies	-	-	-	-	-		
Transfers (Grants)	16.00	2.08	2.34	0.70	5.12	32.0%	-25.9%
External Transfers	0.15	0.03	0.03	-	0.05	33.3%	
Internal Transfers	15.85	2.05	2.32	0.70	5.07	32.0%	-26.6%
Sub-ventions to regions	-	-	-	-	-		-100.0%
Transfers to Puntland	4.50	0.11	0.12	-	0.23	5.1%	
Transfers to Interim Juba Administration	2.50	0.05	0.16	0.06	0.27	10.7%	
Transfers to Interim South-West Administration	1.50	-	-	-	-	0.0%	
Transfers to Interim Galmudug Administration	1.50	-	-	-	-	0.0%	
Grants to Mogadishu local government	5.85	1.89	2.04	0.64	4.57	78.1%	
Other expenses	2.12	0.56	0.45	0.20	1.21	57.0%	-32.8%
Net lending and repayments	4.10	2.28	1.61	0.20	4.09	99.8%	

Expenditure by Sector/MDA as at end July 2016

Sector/MDA	Budget 2016	Q1	Q2	Jul	Cumulative (7 months)	% of annual budget spent	Year to Year Growth%	% share to cumulative total
Administration and General Services	152.05	41.04	21.07	9.50	71.62	47.1%	76.2%	69.5%
Office of the Presidency	4.57	0.55	0.92	0.26	1.73	37.7%	-14.2%	1.7%
Office of the Parliament	4.30	0.48	0.92	0.32	1.71	39.8%	13.4%	1.7%
Members of Parliament (Allowance)	11.85	1.99	1.04	1.86	4.89	41.2%	27.8%	4.7%
Office of the Prime Minister	5.01	0.84	1.07	0.30	2.22	44.3%	23.0%	2.2%
Environmental Directorate	0.46	0.03	0.06	0.03	0.12	26.2%		0.1%
Capacity Injection Project	3.14	0.07	0.15	0.02	0.24	7.8%		0.2%
Ministry of Foreign Affairs	1.96	0.16	0.32	0.12	0.60	30.4%	-38.4%	0.6%
Embassies	4.93	0.44	0.94	0.36	1.75	35.5%	9.2%	1.7%
Ministry of Finance	7.06	1.54	1.72	0.33	3.59	50.9%	64.6%	3.5%
Accountant General	0.90	0.17	0.19	0.07	0.43	47.3%	47.3%	0.4%
General Activities for the Government	52.46	28.99	6.90	3.47	39.36	75.0%	108.3%	38.2%
Special Financing Facility (SFF)	16.93	-	0.18	0.03	0.21	1.2%	-81.1%	0.2%
Public Finance Management (PFM)	5.50	0.21	1.42	0.20	1.84	33.4%	64.6%	1.8%
Economic and Financial Governance (EFGP)	3.00	0.21	0.39	-	0.60	19.9%	1466.0%	0.6%
Recurrent Costs & Reform Financing Project	5.90	0.26	0.34	0.13	0.73	12.3%	6.9%	0.7%
Ministry of Planning	1.12	0.12	0.22	0.07	0.41	36.4%	15.0%	0.4%
Ministry of Interior and Federal Affairs	6.87	3.30	1.79	0.51	5.60	81.5%	845.2%	5.4%
Somali Refugee and IDPs Commission	0.47	0.03	0.03	-	0.07	13.8%	-23.7%	0.1%
Somali Disaster Management Agency	0.25	0.01	0.03	0.01	0.05	19.0%	-12.9%	0.0%
Ministry of Religious Affairs	0.70	0.06	0.14	0.06	0.26	37.7%	16.9%	0.3%
Ministry of Justice and Endowment	0.55	0.05	0.10	0.04	0.19	34.2%	-13.9%	0.2%
Custodian Corps	4.84	0.79	0.80	0.64	2.23	46.1%	73.1%	2.2%
Banadir Court	1.25	0.08	0.21	0.12	0.42	33.3%	14.0%	0.4%
Appeal Court	0.22	0.02	0.03	0.03	0.08	36.3%	35.3%	0.1%
Judiciary Service Committee	0.17	0.01	0.04	0.01	0.06	36.9%	21.7%	0.1%
Constitutional Court	0.22	-	-	-	-	0.0%		0.0%
Supreme Court	0.43	0.04	0.08	0.05	0.16	36.9%	10.7%	0.2%
Attorney General	1.01	0.08	0.20	0.09	0.37	36.4%	23.6%	0.4%
Solicitor General	0.49	0.06	0.10	0.02	0.18	36.0%	29.1%	0.2%
Auditor General	1.33	0.17	0.28	0.11	0.56	42.3%	77.2%	0.5%
Ministry of Constitution	0.48	0.02	0.06	0.01	0.10	20.0%	187.9%	0.1%
Boundaries and Federation Commission	0.64	0.05	0.05	0.05	0.15	23.3%		0.1%
National Reconciliation Commission	0.49	0.04	0.08	0.01	0.13	26.1%	18.4%	0.1%
National Independent Electoral Commission	0.76	0.06	0.06	0.12	0.24	31.8%		0.2%
Human Rights Commission	0.40	-	-	-	-	0.0%		0.0%
Indep. Constitution Review and Imp. Commission	0.60	0.05	0.09	0.01	0.16	26.3%	-3.3%	0.2%
National Civil Service Commission	0.76	0.07	0.13	0.02	0.21	28.0%	49.3%	0.2%
Security	66.42	8.17	12.57	2.59	23.33	35.1%	-1.0%	22.6%
Ministry of Defence	1.07	0.09	0.19	0.05	0.33	31.0%	0.5%	0.3%
Armed Forces	35.47	3.80	6.17	1.42	11.39	32.1%	-12.5%	11.1%
Military Court	1.48	0.37	0.37	-	0.73	49.6%	45.2%	0.7%
Disabled and Orphans Organization	0.12	0.01	0.01	-	0.02	12.5%		0.0%
Ministry of National Security	2.56	0.32	0.67	0.05	1.04	40.6%	10.8%	1.0%
Police Force	13.95	1.66	2.15	0.55	4.36	31.3%	34.8%	4.2%
National Security Force	10.06	1.65	2.43	0.38	4.46	44.3%	-5.0%	4.3%
Immigration Department	1.72	0.29	0.58	0.14	1.00	58.3%	16.7%	1.0%
Economic Services	21.22	2.02	3.02	0.92	5.97	28.1%	28.8%	5.8%
Ministry of Water and Energy	0.68	0.06	0.11	0.04	0.21	30.7%	-8.7%	0.2%
Ministry of Mineral	1.07	0.46	0.12	0.04	0.62	57.8%	215.3%	0.6%
Ministry of Agriculture	0.76	0.06	0.13	0.04	0.23	31.0%	-2.6%	0.2%
Ministry of Livestock and Forestry	0.75	0.06	0.12	0.05	0.24	31.8%	3.6%	0.2%
Ministry of Fishery and Marine Resource	0.91	0.07	0.13	0.06	0.26	28.7%	-1.0%	0.3%
Somali Marine Research	0.41	0.03	0.06	0.03	0.11	27.6%	43.4%	0.1%
Offshore and Fisheries Development Project	0.10	0.02	0.02	0.01	0.04	40.7%		0.0%
Ministry of Information	3.54	0.45	0.70	0.20	1.35	38.1%	13.2%	1.3%
Ministry of Post and Telecommunication	1.19	0.11	0.21	0.08	0.40	33.5%	1.4%	0.4%
ICT Sector Support	5.90	0.14	0.47	0.07	0.69	11.7%	31279.4%	0.7%
Ministry of Public Work & Reconstruction	0.77	0.06	0.12	0.04	0.22	28.6%	11.7%	0.2%
Ministry of Transport and Aviation	0.93	0.07	0.17	0.06	0.30	32.0%	-4.9%	0.3%
Civil Aviation and Meteo-Authority	0.67	0.05	0.10	0.05	0.19	28.9%	-3.9%	0.2%
Ministry of Transport and Ports	1.05	0.09	0.19	0.09	0.37	34.9%	6.1%	0.4%
Hamar Port	1.01	0.17	0.17	-	0.34	33.3%	-19.7%	0.3%
Ministry of Industry & Commerce	1.47	0.12	0.20	0.08	0.40	27.1%	20.7%	0.4%
Social Services	6.62	0.59	1.11	0.42	2.12	32.0%	27.1%	2.1%
Ministry of Health	1.10	0.07	0.17	0.07	0.31	28.4%	42.0%	0.3%
Ministry of Education and Higher Education	1.37	0.10	0.23	0.06	0.39	28.5%	0.9%	0.4%
Somali National University	1.42	0.16	0.21	0.10	0.46	32.6%	45.7%	0.4%
Somali Academy of Sciences and Arts	0.26	0.01	0.03	0.01	0.05	20.6%	-15.8%	0.1%
Intergovernmental Ackademy of Somali Language	0.19	-	-	-	-	0.0%		0.0%
Ministry of Labor and Social Affairs	0.97	0.13	0.24	0.07	0.44	45.3%	82.9%	0.4%
Ministry of Youth and Sport	0.57	0.05	0.11	0.05	0.21	36.8%	4.2%	0.2%
Ministry of Women and Human Rights Dev.	0.74	0.06	0.13	0.06	0.26	34.5%	6.1%	0.2%
Grand Total	246.31	51.82	37.78	13.44	103.04	41.8%	46.1%	100.0%

