FEDERAL GOVERNMENT OF SOMALIA

2021 BUDGET POLICY FRAMEWORK PAPER

Abbreviations

AfDB	African Development Bank
ATM	Air Traffic Management
BCC	Budget Call Circular
BPFP	Budget Policy Framework Paper
BRA	Brnaadir Regional Administration
COVID	Coronavirus pandemic
CP	HIPC Completion Point
CRP	Constitutional Review Program
DMU	Debt Management Unit
DP	HIPC Decision Point
ECF	Extended Credit Facility
FGS	Federal Government of Somalia
FMS	Federal Member States
FY	Financial Year
GDP	Gross Domestic Production
HIPC	Heavily Indebeted Poor Country
HQ	Headquarters
ICT	Information & Communication Technology
IMF	International Monetary Fund
LMTO	Large and Medium Taxpayer Office
MDA	Ministries, Departements & Agencies
MOECH	Ministry of Education and Higher Education
MOF	Ministry of Finance
MOIFA	Ministry of Interior and Federal Affairs
MTFF	Medium-term Fiscal Framework
NDP	Ninth National development Plan
NGO	Non-government Organization
PBB	Program Based Budgeting
PCU	Project Coordination Unit
PDO	Project Development Objective
PFM	Public Financal Management
RCRF	Recurrent Cost and Reform Financing Facility
RIP	Road Infrastructure Program
SCAA	Somali Civil Aviation Authority
SELRP	Locust Response Project
SFMIS	Somali Financial Management Information System
SMP	IMF Staff Monitored Program
SNA	Somali National Army
SURP	Somalia Urban Resilience Project
UN	United Nations
WB	World Bank

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1. EXECUTIVE SUMMARY

The budget is the key instrument through which the Federal Government of Somalia (FGS) implements its policies, and the Budget Policy Framework Paper (BPFP) indicates the link between Government's overall policies and the annual budget. The purpose of this document is to set out how the Government intends to achieve its policy objectives over short to medium terms through the annual budget. In doing so the macroeconomic framework presented in this BPFP forms the basis of resource projections and indicative expenditure allocations. It also forms the basis of the detailed forecasts of revenue and expected expenditure for fiscal year 2021.

The objectives of the National Budget are to ensure: (1) control of aggregate expenditure (fiscal discipline); (2) effective allocation of resources (allocative efficiency); and (3) efficient delivery of public services.

With the successful achievement of meeting the Decision Point (DP) trigger with the International Monetary Fund (IMF) in March 2020, the 2021 Budget has been prepared consistent with the macroeconomic and structural policies agreed with the IMF. Additionally, the COVID-19 pandemic currently ravaging Somalia, coupled with the onset of torrential Gu' rains, and the locust infestation, has had a significant budgetary impact and may adversely affect Somalia's ability to fully meet the FGS's National Development Plan 9 (NDP-9) objectives and meet the Extended Credit Facility (ECF) benchmarks agreed with the IMF.

Based on the principles and rules guidance implicit in the ECF agreement with the IMF, and in particular, that the budget is zero cash balanced; does not lead to creation of new expenditure arrears; is based on realistic, conservative revenue forecasts derived from the proper application of the tax code; and prioritizes implementation of the NDP-9; a medium-term fiscal framework (MTFF) was prepared with a view to identifying the fiscal space available for new expenditure policies in 2021. The MTFF was updated to cover 2020-2025 and the MTFF has informed the 2021 budget preparation.

The MTFF has identified fiscal space to support government spending on NDP-9 priorities. The MTFF also reflects the continued committed to increase domestic revenue mobilization and meeting the ECF-program objectives of balancing the budget and servicing external debt.

The MTFF was discussed with the IMF and World Bank during the 1st review of the ECF program. The IMF review recognized that "*despite the crisis, the authorities have sustained their strong commitment to economic reforms and have made satisfactory progress in implementing key policies under the ECF program*".

An important indicator of the extent of fiscal stress in Somalia is the inability of domestic revenue collection to cover the operating costs of government; requiring reliance on Donor assistance grants to cover operating costs is a structural weakness in the budget. A fiscal rule has been adopted to ensure revenue increases from improved administration and the introduction of new revenue measures will be directed to increased programmatic spending and not administrative costs. Equally, all identified fiscal space will be applied towards the FGS's investment component of the NDP-9.

For 2021 the resources available to deliver goods and services to the citizens from the Federal Budget are indicated in the following table, with comparisons to the actual resources delivered in 2019 and the anticipated level in 2020 as provided for in the supplementary budget (note that in addition to the expenditures shown in the table, a further $14.0 million for debt repayment is anticipated in 2021 (under international accounting treatments debt repayment is treated as a below-the-line financing item)):

Table 1: Summary of FGS Budget, 2019 - 2021

(million US$)	2019 Dhabta	2020 Kunoqoshada	2021 Kutalagalka	Isbadalka Tiro	Isbadalka %
REVENUE and GRANTS	**337.8**	**578.1**	**680.5**	**102.4**	**17.7%**
EXPENDITURE	**315.7**	**684.8**	**666.5**	**-18.4**	**-2.7%**
BALANCE	-	**-106.7**	**14.0**	**120.8**	**-113.1%**

NB: 2021 Balance excludes $14million of debt repayment

The 2021 Budget Policy Framework Paper is arranged in the following chapters:

- Chapter 2 - **The 2021 Budget Strategy** which outlines the NDP-9 priorities to be addressed in the budget; the principles, fiscal rules, and targets applied; and discusses recent trends in revenue and expenditure that underpin the 2020 Supplemental Budget, which is the foundation for 2021. The chapter also presents the recently updated MTFF (2020-2025), the status of expenditure arrears, and risks and assumptions.

- Chapter 3 – **Economic Conditions**, which provides the recent economic context for the budget.

- Chapter 4 – **2021 Revenues**, with a discussion on the policy framework and proposed new revenue measures, forecasts for 2021 in detail, taxation rates, and tax expenditures.

- Chapter 5 – **2021 Expenditures** presents the 2021 estimates in detail; outlines the government's response to implementing the NDP-9 poverty reduction strategy and identifies and discusses the new activities supported from the identified fiscal space to support NDP-9 priorities. In addition, details are provided on funding within MDA baseline estimates that explicitly address NDP-9 priorities.

- Chapter 6 – **Special presentations**, which provides details on the budgets of sub-national governments; an explanation of the development objectives of donor on-budget projects; an explanation of the change in financial arrangement being proposed for Ministries, Departments, and Agencies (MDAs) with introduction of a pilot for program budgeting; donor spending both on and off-budget presented by NDP Pillar, and spending location; and a staffing table for FGS MDAs.

2. BUDGET STRATEGY FOR 2021

2.1. Priorities, principles, and fiscal rules

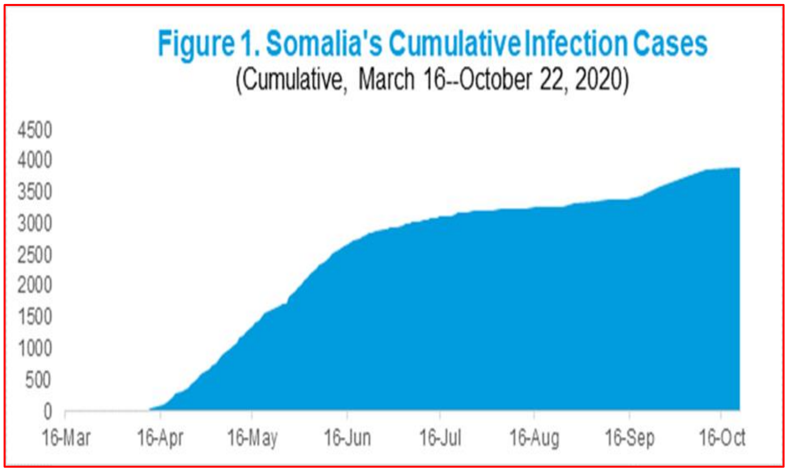
Government prepared a budget strategy paper for the financial year (FY) 2021 which outlined the economic and political climate and recommended resource ceiling within which the FY2021 Budget was to be prepared. The paper adopted a medium-term strategic view, providing an assessment of the macroeconomic outlook for Somalia over the medium-term (i.e., from 2021 to 2025). It provided a summary analysis of the FGS fiscal performance over the FY2013 to FY2019 period, as well as a forward-looking discussion of fiscal risks and assumptions drawing on this performance assessment. With an understanding of the macroeconomic outlook and historical fiscal performance, the paper then presented a fiscal forecast for the medium-term, outlining FGS budget principles, fiscal rules, and outlining the overall indicative resource ceiling for this period. Finally, the paper concluded by applying the indicative resource ceiling to the FGS's MDAs to derive detailed expenditure ceilings for each entity over the medium-term, as well as indicate a timetable for FY2021 Budget Preparation. Key elements from the 2021 Budget Strategy paper are repeated in the following paragraphs of this chapter.

2.1.1. Background

With the successful achievement of meeting the Decision Point (DP) trigger with the IMF in March 2020, the budget strategy paper draws on the macroeconomic and structural policies agreed with the IMF as stated in the IMF's Country Report No. 20/85. That said, the Coronavirus (COVID-19) pandemic that has ravaged Somalia, coupled with the onset of torrential Gu' rains, have made the process of medium-term forecasting highly challenging and may adversely impact on Somalia's ability to demonstrate a track-record of delivery against the FGS's NDP-9 and meet the ECF benchmarks identified in the IMF's Country Report No. 20/85.

As such, this strategy presented two possible scenarios depending on the quality of health and economic policy interventions to contain the pandemic. Detailed at the end of this chapter are the forecasts relating to the baseline scenario, which assumes that the COVID-19 pandemic health crisis abates over the balance of 2020 and the economy begins to recover in the final third of 2020. The chart below indicates the trajectory of improved management of COVOD-19 in Somalia.

Figure 1: Somalia's Cumulative Infection Cases



Macroeconomic trends and expectations are spelt out in detail in the next chapter.

2.1.2. Priorities

The budget is the key instrument through which the Government implements its policies. The 2021 Budget Strategy creates the link between Government's overall policies and the annual budget and sets out how the Government intends to achieve its policy objectives over short to medium term through the budget. In doing so the macroeconomic framework and MTFF analysis forms the basis of resource projections and indicative expenditure allocations for 2021.

The key fiscal objectives of the FGS are to anchor policy in a MTFF and integrate the costs of NDP-9 priorities into our budgets going forward; improve budget execution; accelerate the mobilization of domestic revenues; improve public financial management to safeguard fiscal resources and strengthen governance; and strengthen inter-governmental fiscal relations.

As articulated in the Government's NDP-9, the FGS's macroeconomic policy objectives are to:

- Promote economic growth in an environment of low inflation;
- Achieve a sustainable fiscal position through the preparation of balanced budgets;
- Minimize the trade deficit to ensure a favorable current account balance; and
- Accumulate foreign exchange reserves.

The priority areas for expenditure attention in 2021 are:

- Enable adequate and continuing security.
- Improve the fiscal framework and budget sustainability in the medium term.
- Identify fiscal space to reserve funds to deliver the FGS-investment component for implementation of the NDP-9.

- Budget for repayment of expenditure arrears and devote windfall revenues to settlement of arrears after fiscal buffer requirement are met.
- To resume full servicing on the rescheduled debt post-Heavily Indebted Poor Countries (HIPC) DP.

MDAs were required to take these priority areas into account when framing their detailed budgets for 2021. Detailed guidelines were issued in the Budget Call Circular (BCC).

Detailed spending priorities for development projects contained in the NDP-9 have been agreed upon under the ECF agreement with the IMF, and implementation of these priorities is non-negotiable and must be completed in order to reach the HIPC Completion Point (CP) by 2023. The NDP-9 priorities are:

- General Government & Administration Sector:
    - Build capability of government structures
    - Strengthen systems to monitor MDA performance
    - Issue Public Financial Management (PFM) regulations
    - Operationalize the Anti-Corruption Commission
    - Develop a National Anti-Corruption Strategy
    - Ratify the UN Convention Against Corruption
    - Strengthen debt management capacity
    - Create and build the national statistics office to publish national statistics
    - Reform justice and judiciary systems
    - Improve women's and other vulnerable groups' access to justice
    - Protect Human Rights
- Security Sector:
    - Increase the effectiveness of national army and police forces
    - Develop a pension scheme/social security arrangement for security forces
- Economic Sector:
    - Restore livelihoods and agricultural productivity in rural areas affected by the 2019/20 locust invasion
    - Build national capacity for early warning and response to locusts/pests’ outbreaks
    - Improve the business environment
    - Enact the Electricity Act and issue supporting regulations to facilitate private sector investment in the energy sector
    - Facilitate financial inclusion of the informal sector through savings accounts, mobile banking, and micro loans, including for the self-employed and producers in rural areas
    - Develop and implement a wages and remuneration policy, and an appropriate minimum wage law
    - Rehabilitate key infrastructure
    - Build a legal, regulatory, and institutional framework for private sector-led economic growth including: implementation of the Company Law; enactment of a Public-Private Partnership law; enactment of an Insurance Law; developing strategies and master plans for energy, livestock,

fisheries, urban development water, and agriculture; strengthen the transmission and distribution of electricity; strengthen regulatory bodies for banking, electricity, petroleum and telecommunications; provide support for small and medium-sized enterprises
    - Invest in renewable energy
    - Finalize the legal and regulatory framework governing the oil sector, its fiscal regime, and natural resource revenue sharing arrangements, including through the enactment of an Extractives Industries Income Tax Law
    - Establish an organizational framework for negotiating trade arrangements
    - Establish a trade information portal to streamline trade logistics processes
- Social Sector:
    - Establish a national social registry as a functional platform that supports registration and determination of potential eligibility for social programs
    - Establish a social transfer program for the most vulnerable populations and societies at high risk of food insecurity or malnourishment
    - Establish planning for social insurance provision
    - Develop a joint national health sector strategy between FGS and FMSs
    - Develop a strategy to rollout national curricula and examinations at basic and secondary education levels
    - Develop capacity of social workers in housing, health, nutrition, water, sanitation, hygiene, education, child protection, and other key services sectors
    - Support a school feeding program

2.1.3. Principles

The annual budget is prepared in accordance with a set of principles which have been agreed with the IMF under the ECF agreement and which are considered appropriate for sustainable fiscal management in Somalia today. The principles are:

- The budget is prepared on a cash basis;
- The budget is managed within a medium-term fiscal framework;
- Budget arithmetic – to prepare realistic budgets founded on conservative revenue projections;
- Grants – projections of grants from donors must be realistic, based on confirmed pledged grants, and ideally cover discretionary spending.
- The budget is limited to the funds that are under the control of the Government; and
- Rules for cash management are included in the appropriations law passed by Parliament.

The approach to the way budget resources are identified and allocated has as the first step the identification of what resources are available based on current (existing) policies, using a conservative approach to estimate realistic revenues. From that the fiscal space is identified and MDAs were provided guiding expenditure ceilings against which they were required to develop their detailed estimates.

2.1.4. Fiscal rules

To assist adherence to the budget principles, a set of fiscal rules is recommended to establish the framework for the fiscal strategy. These rules are:

- Debt limit – the budget makes no addition to government debt aside from arrangement implicit in the ECF agreements with the IMF;
- Budget balance – the budget has a zero or greater cash balance after allowance for use of prior year surplus, if required, and this fiscal space will be applied towards the FGS's investment component of the NDP-9;
- Revenue – maintain a domestic revenue floor as agreed with the IMF whilst reducing dependence on grants over time;
- Revenue increases from improved administration and the introduction of new tax measures will be directed to increased programmatic spending and not administrative costs;
- Windfall revenues - will go toward paying down arrears and, if needed, replenishing the fiscal buffer;
- Fiscal buffer – comprising sufficient funds to cover 2-month of total FGS compensation plus food component for Somali National Army (SNA), and a replenishment trigger of 1-months coverage;
- Expenditure – allow no expenditure arrears;
- Arrears – to avoid arrears accumulation, and start paying down outstanding arrears in a transparent manner in the event of windfall revenues and by explicit and affordable annual budget allocations;

The critical medium-term target for FGS is for domestic revenues to rise to a level sufficient to cover the operating running costs of MDAs.

2.2. Recent fiscal trends

2.2.1. Supplemental budget aggregates

A supplementary 2020 budget was prepared and approved to reflect the crisis-related fiscal needs mentioned above. The Supplemental Budget for 2020 takes account of the large inflow of budget support grants that are planned to be used to offset declines in domestic revenue at both the FGS level, but also across the FMS, the Banadir Regional Administration (BRA), and Somaliland to ensure that critical expenditures can be met across all levels of government. The supplemental budget also captures the significant increase in key social and resilience-enhancing expenditures that will be facilitated by specific donor projects, rendering this expenditure budget neutral. In addition, the supplementary budget has secured the necessary appropriations for debt servicing on restructured post-HIPC DP external debt in 2020.

Given the anticipated drop in domestic revenues across the FGS, FMS, BRA and Somaliland projected at the time the budget was prepared, the supplementary budget indicated a large financing gap. The 2020 Supplemental Budget included contingent expenditures, reflecting the uncertainty over donor responses to the COVID-19 crisis to be delivered to meet revenue shortfalls in the FGS and FMS. In the event revenues are not realized, expenditures will be sequestrated in accordance with the rules approved by parliament so the final budget, as executed, is in balance.

The overall supplemental budget aggregates are shown in the table below:

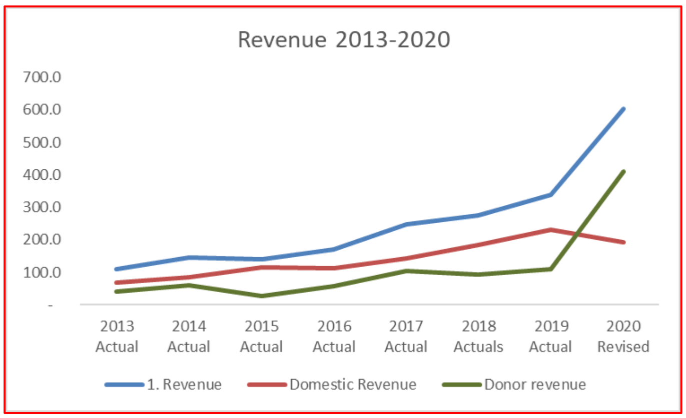
Table 2: FGS Supplemental Budget 2020 with 2019 Actual and 2021 Budget

In US$ Million	2019 Actual	2020 Revised	2021 Budget
1. Revenue	**337.8**	**578.1**	**680.5**
Domestic Revenue	**229.7**	**167.5**	**269.7**
Tax Revenue	**154.7**	**107.0**	**182.9**
Taxes on income, profits, and capital gains	11.7	8.7	13.8
Taxes on goods and services	25.0	17.8	30.0
Taxes on international trade and transactions	107.0	74.8	128.0
Other taxes	11.1	5.7	11.0
Non-tax Revenue	**74.9**	**60.5**	**86.8**
Donor revenue	**108.1**	**410.6**	**410.8**
Budget support	88.8	203.7	169.9
Project support	19.3	206.9	240.9
2. Expenditure	**315.7**	**684.8**	**666.5**
Operating expenditure	**298.4**	**478.0**	**425.6**
Compensation of Employees	162.4	226.9	246.9
Use of goods and services	82.2	83.6	98.3
Purchase of non-financial Assets	8.6	13.5	32.2
Interest	-	2.6	2.5
Grants (transfers)	44.8	146.2	43.2
Other expenses	**0.4**	**5.0**	**2.5**
Contingency	0.4	2.5	2.5
Repayment of arrears	-	2.5	-
Donor-funded Special projects	**17.3**	**206.9**	**240.9**
Compensation of Employees	0.4	3.0	5.8
Use of goods and services	10.5	68.9	84.9
Purchase of non-financial Assets	6.2	30.8	50.8
Subsidies	-	2.0	11.9
Grants (transfers)	0.2	8.7	27.3
Social benefits	-	93.4	60.2
Other expenses			-
3. Balance	**22.1**	**- 106.7**	**14.0**
4. Fiscal space			**0.0**
4. Financing requirement	**22.1**	**118.6**	**-**
Fiscal buffer and cash balances at 1 January		45.4	
10238 Contingent expenditures (2)		73.2	

As indicated in the footnotes to the table the contingent expenditures in 2020, being the difference between expected revenues and appropriations net of the holdings in the fiscal buffer and bank balances on 1 January 2020, was $73.2 million. On the expenditure side the large increase in grants (transfers) to FMS and the BRA reflected anticipated revenue shortfalls arising from the impacts of the COVID-19 emergency. These revenue forecasts were made in the first part of 2020 and would possibly be covered by additional donor grants later in the year if the shortfalls persisted. Evidence of revenue collections to August 2020 has been more encouraging suggesting that governments' revenue gaps may not be that large and the financing gap has narrowed. Assessments continue with donors to justify the need for additional bridging grants, and if these bridging grants are assessed as not required expenditures will be held back to keep the 2020 Budget in balance.

2.2.2. Recent trends in revenue

Figure 2: Historical Revenue; 2013-2020

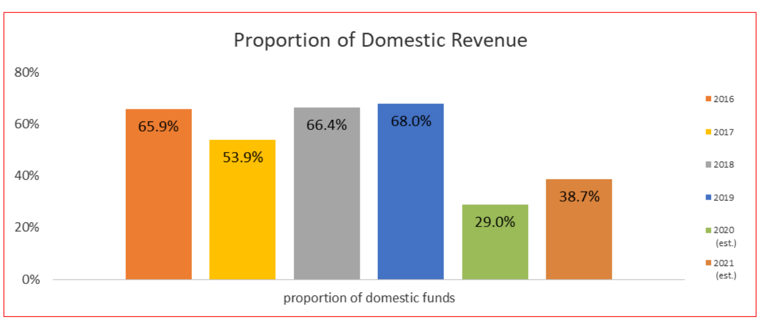


The trend in revenue in recent years has been volatile, reflecting the large share of Donor grants and projects in the total (see chart opposite). However, the impact of disasters in 2020 - COVID-19, drought, and floods - had a significant impact on the totals and compositions of revenues. These trends are illustrated in the following charts and text:

Total and Share of Domestic Revenue

Total revenue receipts have grown by about 206 percent between 2013 and 2019, growing from a total of $110.8 million to $338.9 million during the period. In 2020, due primarily to COVID-19 domestic revenue is expected to be lower in nominal terms over 2019, whilst donor support is expected to show significant increase.

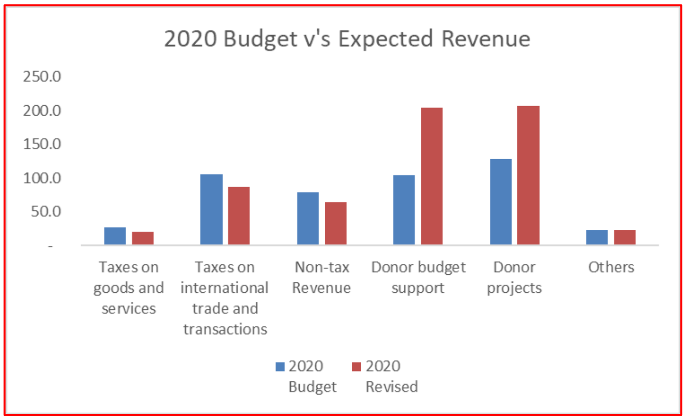
Figure 3: The Proportion of Domestic Revenue since 2016



Whilst the amount of domestic revenue has decreased to $194 million in the revised budget for 2020 from $230.3 million in 2019, it is expected to return to the growth evident in recent year in 2021. At the same time, the proportion of domestic revenue to total revenue has fluctuated between 54 to 68 percent in recent years and will drop to 29 percent for 2020 but is expected to recover to almost 40 percent in 2021 (refer to the chart above).

Composition of revenue in 2020

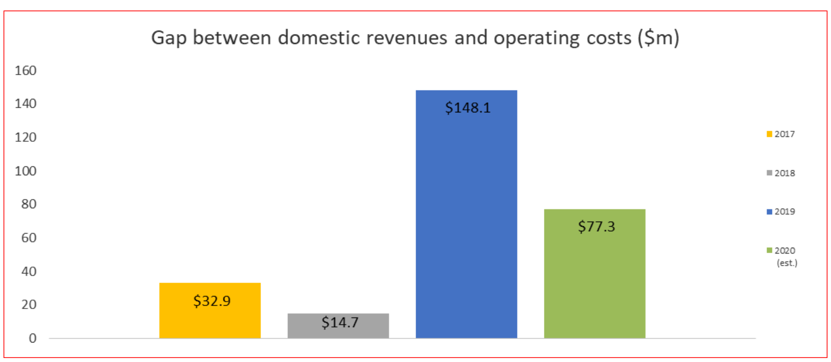
Figure 4: 2020 Original Budget v's Expected Revenue



The COVID-19 pandemic is having a serious impact on Somalia and the world at large. For Somalia, the outbreak of the virus was expected to lead to lower household consumption, declined domestic economic activity in both formal and informal sectors and an increased reliance on imports. Consumption has been supported by social benefit payments from donors to households in response to the locust and flood/drought disasters. Whilst the revenue shortfall in 2020 has been less that first expected, it was anticipated that the nominal decline in domestic revenues in 2020 would be more than offset by increased donor support. A significant element in the increased donor support in 2020 illustrated in the chart reflects grant assistance that will be transferred to FMS, and social benefit payments to individuals impacted by the other natural disasters impacting Somalia in 2020 – drought, floods and locusts. Flooding and the second wave of the locust infestation have a significant impact on crop yields and economic performance.

Covering Operating Expenses by Domestic Revenue

Figure 5: The gap between Domestic Revenue and Running Costs of FGS

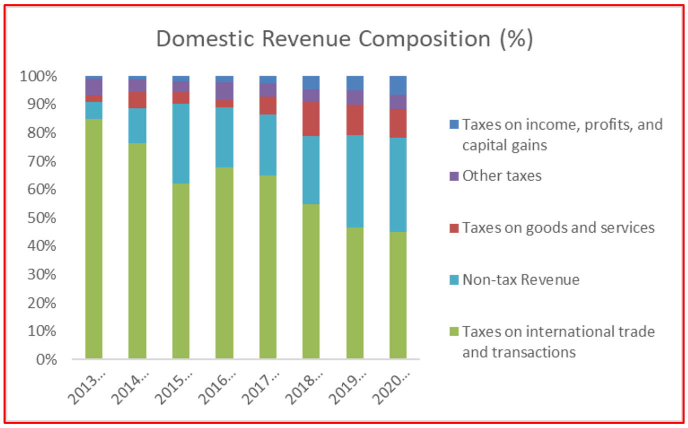


The FGS has set itself a medium-term fiscal goal where the administrative running costs of government operations are covered 100 percent by domestic revenues. The objective is to create over time more fiscal space for development (investment) expenditures.

The recent trend for coverage of operating costs (excluding capital and interest payment) of government as a percentage of domestic revenue has been reducing, from 18 percent in 2018 to 6.4 percent in 2019. The disasters of 2020 have increased the gap to 88 percent, although the situation is anticipated to improve in 2021 to about 30 percent.

Trade taxes as a proportion of Domestic taxes

Figure 6: Composition of Domestic Revenues since 2013



The chart shows the proportion of trade taxes to domestic revenues – falling from 85 percent in 2013 to a forecast 45 percent in 2020.

This trend underscores that domestic revenue mobilization efforts are improving, since nominal collections from Customs are also increasing significantly. The share of non-tax revenue in 2020 is forecast at 33 percent, compared to just 6 percent in 2013. Significant policy measures in the intervening years which increased the share of non-tax revenue include passport and visa fees, telecommunication spectrum and license fees, harbour and airport fees, and fees from overflights of international aircraft.

2.2.3. Recent trends in expenditure

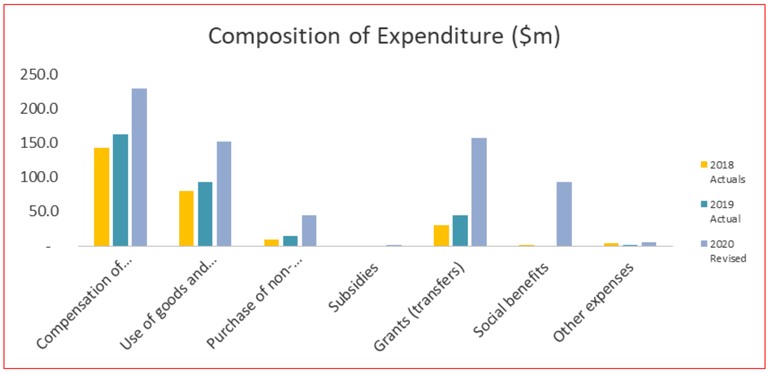
The changing composition of spending

Reflecting the medium term fiscal objective of increasing the share of programmatic spending in the FGS budget, and reflecting the response to recent natural disasters (drought, floods, locusts and COVID-19), the composition of FGS spending shown in the following table presents a picture of the changing nature of total FGS spending since 2015, especially in the areas of Social Benefits; Subsidies; and Interest payments.

Table 3: FGS Budgets, 2015 to 2020, by Object of Expenditure, (Operating plus Project spending)

Object of Expenditure ($m)	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actual	2020 Revised	2021 Budget
Total expenditure	**135.4**	**171.1**	**245.7**	**268.5**	**315.7**	**684.8**	**666.5**
Compensation of Employees	52.9	55.1	124.9	142.4	162.4	226.9	246.9
Use of goods and services	53.0	64.5	79.2	69.8	82.2	83.6	98.3
Purchase of non-financial Assets	2.3	5.9	6.4	2.4	8.6	13.5	32.2
Interest	-	-	-	-	-	2.6	2.5
Subsidies	-	-	-	-	-	-	-
Grants (transfers)	13.8	9.4	23.4	30.7	44.8	146.2	43.2
Social benefits	-	-	-	-	-	-	-
Other expenses	**13.4**	**36.2**	**11.8**	**4.1**	**0.4**	**5.0**	**2.5**
Contingency	2.6	2.1	4.0	4.1	0.4	2.5	2.5
Transfers to the Fiscal Buffer	-	-	-	-	-	-	-
Repayment of arrears	10.8	34.1	7.8	-	-	2.5	-
Donor-funded Special projects				**19.0**	**17.3**	**206.9**	**240.9**
Compensation of Employees				0.3	0.4	3.0	5.8
Use of goods and services				10.8	10.5	68.9	84.9
Purchase of non-financial Assets				7.5	6.2	30.8	50.8
Subsidies					-	2.0	11.9
Grants (transfers)				0.1	0.2	8.7	27.3
Social benefits				0.3	-	93.4	60.2
Other expenses							-

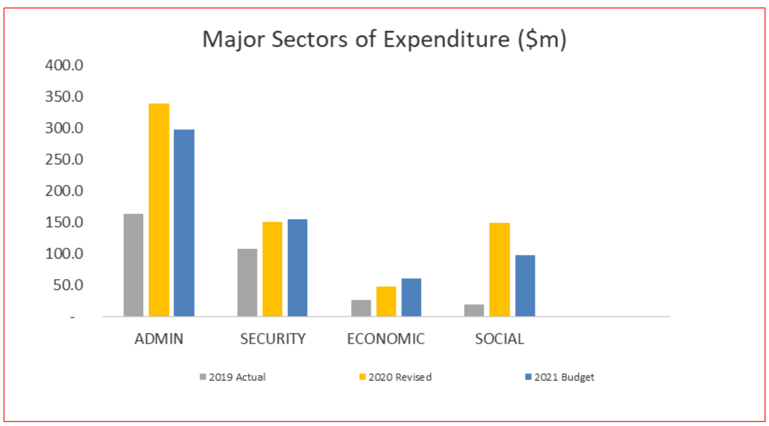
Figure 7: Composition of Expenditure; 2018 to 2020



The chart above illustrates the recent large increases in forecast spending on social benefits, transfers (to FMS and BRA) and on the consumption of fixed capital. Large increases are also shown for compensation, reflecting FGS takeover of SNA stipend payments, and for goods and services, principally from increased donor special project spending.

To assist the analysis, the Somali budget is divided into four sectors – Administrative, Security Services, Economic Services, and Social Services. The following Chart illustrates the compositional skew of the budget towards administration and security:

Figure 8: The Major Sectors of Expenditure; 2019 to 2021



The Chart illustrates the dominant share of spending for the security sector as well as for government administrative activity.

In 2020 and 2021, the share of resources directed to the social sector has increased, and it is expected that over-time, the social and economic sectors will gradually show further increased shares of total spending.

Changes in Federal Fiscal Arrangements

In recent years, the FGS has increasingly shared domestic and donor revenues with FMS, reflecting the maturing of federal fiscal arrangements. Discussion and agreement to a range of fiscal arrangements between FGS and FMS have occurred in recent years, including harmonizing of tax rates (e.g. Khat); harmonizing customs tariff schedules and agreement to move to *Ad Valorem* rates; natural resource revenue sharing (e.g. fisheries licensing); and sharing of budget and expenditure data.

The change in the proportion of transfers to FMS and BRA has grown from 5.5 percent of the FGS budget in 2015 to a predicted 30.6 percent in 2020, and is illustrated in the following table:

Table 4: Transfers to Sub-national Governments, 2016 to 2020

Recipent	2016 Actual	2017 Actual	2018 Actuals	2019 Actual	2020 Revised
Somaliland	$ -	$ -	$ 200,000	$ 200,000	$ 33,618,757
Puntland	$ 732,979	$ 4,205,002	$ 6,494,863	$ 6,426,275	$ 44,116,096
Jubaland	$ 600,544	$ 2,466,402	$ 3,383,278	$ 4,276,769	$ 14,288,898
Hirshabelle	$ -	$ 1,150,000	$ 3,190,000	$ 6,116,591	$ 8,088,707
South West State	$ -	$ 1,510,033	$ 4,128,927	$ 6,911,183	$ 9,910,463
Galmudug	$ -	$ 1,652,545	$ 4,307,525	$ 7,110,183	$ 8,686,925
Benadir-Mogadishu City	$ 8,005,126	$ 11,787,042	$ 10,530,000	$ 11,600,000	$ 25,319,394
total	**$ 9,338,649**	**$ 22,771,024**	**$ 32,234,593**	**$ 42,641,000**	**$ 144,029,239**
Proportion of FGS operating budget	5.5%	9.3%	12.0%	14.3%	30.3%

2.3 Medium Term Fiscal Framework

Based on the principles and rules outlined above, the economic outlook for Somalia, and the revenue and expenditure trends a medium-term fiscal framework was prepared with a view to identifying the fiscal space available for new expenditure policies in 2021. The MTFF was updated to cover 2021-2024 and this has informed the 2021 budget preparation.

The MTFF 2020-25 assumed that the COVID-19 pandemic health crisis abates over the balance of 2020 and the economy begins to recover in the final third of 2020. In fact, evidence has been emerging that the economic impacts of COVID-19 would be less severe than first predicted.

The MTFF has identified some modest fiscal space to support government spending on NDP-9 priorities. The MTFF also reflects the continued committed to increase domestic revenue mobilization and meeting the ECF-program objectives of balancing the budget and servicing external debt.

The MTFF was discussed with the IMF and World Bank during the 1st review of the ECF program. The IMF review recognized that "*despite the crisis, the authorities have sustained their strong commitment to economic reforms*".

The baseline scenario for the MTFF is reflected in the table below. The MTFF identified $21.8 million of fiscal space for new expenditure policy in 2021, net of debt repayment obligations (this was adjusted to $38.0 million after budget discussions concluded – see Chapter 5). The strategy is to direct the fiscal space to implementation of NDP-9 projects. Note that the 2020 Revised figures were adjusted on the revenue side from that presented with the 2020 Supplemental Budget after further discussions with the IMF during the ECF review, whilst the expenditures remained consistent with the Supplemental Budget.

The fiscal space in 2021 also provides for $14.0 million of repayment of debt. Under international accepted accounting treatments this amount is not included as expenditure in the budget.

Table 5: MTFF 2020 to 2025, and showing 2019

In US$ Million	2019 Actual	2020 Revised	2021 Budget	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast
1. Revenue	**337.8**	**578.1**	**680.5**	**575.1**	**681.9**	**756.9**	**837.4**
Domestic Revenue	**229.7**	**167.5**	**269.7**	**280.1**	**292.4**	**302.9**	**314.9**
Tax Revenue	**154.7**	**107.0**	**182.9**	**195.2**	**203.7**	**209.0**	**215.1**
Taxes on income, profits, and capital gains	11.7	8.7	13.8	15.2	16.2	17.4	18.9
Taxes on goods and services	25.0	17.8	30.0	32.8	34.0	34.7	35.8
Taxes on international trade and transactions	107.0	74.8	128.0	135.8	141.8	144.9	148.1
Other taxes	11.1	5.7	11.0	11.5	11.7	12.0	12.3
Non-tax Revenue	**74.9**	**60.5**	**86.8**	**84.9**	**88.7**	**93.8**	**99.8**
Donor revenue	**108.1**	**410.6**	**410.8**	**295.0**	**389.5**	**454.0**	**522.5**
Budget support	88.8	203.7	169.9	105.0	109.5	114.0	127.5
Project support	19.3	206.9	240.9	190.0	280.0	340.0	395.0
2. Expenditure	**315.7**	**684.8**	**666.5**	**583.7**	**691.2**	**771.5**	**826.7**
Operating expenditure	**298.4**	**478.0**	**425.6**	**392.6**	**411.2**	**431.5**	**431.7**
Compensation of Employees	162.4	226.9	246.9	226.9	226.9	226.9	226.9
Use of goods and services	82.2	83.6	98.3	95.0	95.0	98.3	95.0
Purchase of non-financial Assets	8.6	13.5	32.2	19.7	19.6	20.3	21.0
Interest	-	2.6	2.5	1.1	17.5	17.1	16.6
Grants (transfers)	44.8	146.2	43.2	44.9	47.2	49.5	52.0
Other expenses	**0.4**	**5.0**	**2.5**	**5.0**	**5.0**	**5.0**	**5.0**
Contingency	0.4	2.5	2.5	2.5	2.5	2.5	2.5
Repayment of arrears	-	2.5	-	2.5	2.5	2.5	2.5
Donor-funded Special projects	**17.3**	**206.9**	**240.9**	**191.1**	**280.0**	**340.0**	**395.0**
Compensation of Employees	0.4	3.0	5.8				
Use of goods and services	10.5	68.9	84.9				
Purchase of non-financial Assets	6.2	30.8	50.8				
Subsidies	-	2.0	11.9				
Grants (transfers)	0.2	8.7	27.3				
Social benefits	-	93.4	60.2				
Other expenses			-				
3. Balance	**22.1**	**-106.7**	**14.0**	**-8.7**	**-9.4**	**-14.6**	**10.7**
4. Fiscal space			**0.0**	**-24.4**	**-21.0**	**-31.4**	**-7.7**
4. Financing requirement	**22.1**	**118.6**	**-**	**-24.4**	**-21.0**	**-31.4**	**-7.7**

The 2021 BCC was issued on 15 September to MDA's. The BCC included expenditure ceilings for MDA's to guide preparation of their running costs for 2021. The aggregate amount of the expenditure ceilings was $390.4 million. The division of expenditure ceilings to the four primary sectors of the budget are shown in the table below:

Table 6: Proposed expenditure ceilings for 2021

Sector	2021 Ceiling ($)
Administration	179,391,796
Defence and Security	149,936,369
Economic Services	36,360,081
Social Services	24,705,110
	390,393,356

2.4 Expenditure arrears and public debt

Table 7: Expenditure Arrears since 2013

Year	Salaries	Goods & Services	Total
2013	904,302	-	904,302
2014	-	-	-
2015	14,739,644	-	14,739,644
2016	39,362,338	-	39,362,338
2017	451,930	-	451,930
2018	-	-	-
2019	-	-	-
Total	**55,458,214**	**-**	**55,458,214**

The table opposite summarized the expenditure arrears identified from earlier years. There have been no new arrears since 2017, and it is anticipated that there will be no arrears from FGS operations in 2020.

Provision is made in the 2021 Budget to repay a portion of the arrears from earlier years. Also, a fiscal rule was adopted to ensure that windfall revenues i.e. additional revenues that were not anticipated, would be applied to pay down arrears provided the fiscal buffer was replenished.

The Debt Management Unit (DMU) will continue negotiations with external creditors on restructuring Somalia's external public debt. The March 31, 2020 agreement with the Paris Club provides a framework for these discussions, and discussions are already well advanced with several Paris Club members. Somalia has also reached out to its multilateral creditors and non-Paris Club members, including at the September 2020 meeting of the League of Arab States, with a view to advancing these negotiations.

2.5 Risks and Assumptions

While the FGS has made tremendous progress with regards to improving domestic revenue mobilization, securing debt relief, and increasing sectoral allocations to social spending sectors, it nevertheless faces several risks that threaten its public financial management reforms undertaken to date. These risks are covered below.

2.4.1. Natural Disasters and Environmental risk

COVID-19: The outbreak of the virus is likely to lead to lower household consumption, declined domestic economic activity in both formal and informal sectors and an increased reliance on imports. The 2021 budget strategy assumes that the COVID-19 pandemic health crisis abates over the balance of 2020 and the economy begins to recover in the final third of 2020.

Locusts: Somalia has already issued a state of emergency in reaction to the spread of desert locusts, which threaten to decimate domestic crop production. A second wave of locust swarms in 2020 will impact further on domestic crop production.

Floods: The Gu' rains have intensified across Somalia, leading to flash flooding in SWS, JSS, BRA, PL, and SL as of late April, less than four months after unusually heavy Deyr rains flooded significant swathes of Somalia. Heavier than anticipated floods are likely to have an adverse impact on domestic food production, creating a further increase in demand for imported foodstuffs and further contributing to the country's fragile food security situation.

2.4.2. Fiscal risks

Reliance on key revenue streams: Federal Government own-source revenues are highly dependent on taxes on international trade and transactions, which are known to have highly distortionary effects on the domestic economy and be extremely sensitive to global economic trends.

Level of security sector expenditure: Salary and non-salary obligations to the Somali National Army and Police Force continue to account for a significant share of government expenditure. Given the country's precarious security situation, these expenditures are likely to account for a significant share of total government spending over the medium-term as Somalia continues to make cautious progress towards improving peace and stability outcomes, thereby crowding out planned spending on NDP-9 investments.

Budget Outturns: Preliminary data for FY2019 suggests that the quality of the aggregate budget outturn has deteriorated compared to the two previous fiscal years. This is largely driven by less than anticipated receipts of donor grants against identified commitments. This is not necessarily due to donor delays in releasing funds, however, as the FGS MDAs receiving grants often must complete reform activities and provide evidence of this prior to receipt of funds.

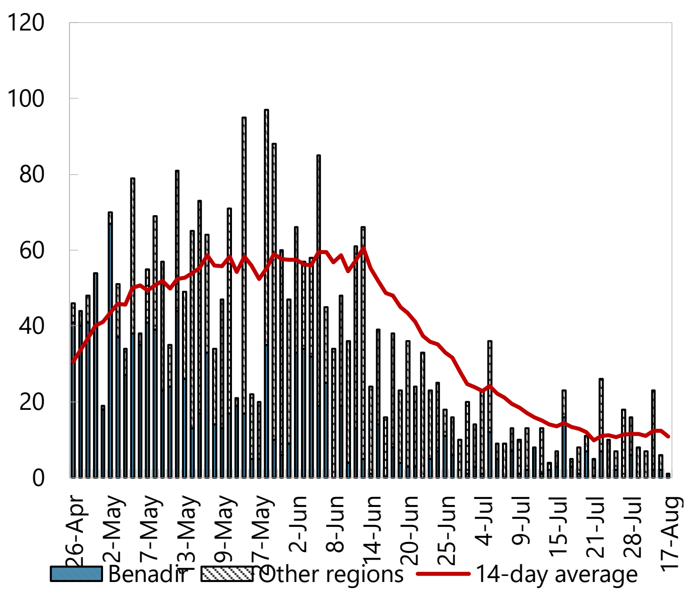
Cash Management: Clustering of grants receipts in the last quarter of the year, and in December in particular, places a cash rationing constraint on government operations during the first three quarters of the year.

Fiscal Flexibility: Limited domestic revenue mobilization coupled with the balanced budget constraint mean that the Government has little to no fiscal space at its discretion to respond to economic shocks as they occur. Given the debt limit constraint, the Government is unable to borrow in international and domestic markets to secure funding to respond to shocks and therefore must rely on Donor grants.

3. ECONOMIC CONDITIONS

Whilst the Somali economy showed strong growth in 2019, the concurrent challenges brought about by the COVID-19 pandemic, flooding, and desert locust invasions have significantly altered Somalia's medium-term economic outlook at interrupted economic recovery. The 14-day average of the number daily new cases across Somalia started to decline three months into the onset of the pandemic in June – thanks in large part due to the swift closure of airports and hotels – the number of cases of COVID-19 per capita remains higher in Somalia than in neighboring countries including South Sudan, Yemen, and Uganda.

Figure 9: Daily New Cases Banadir and Other Regions (April 25 - August 17, 2020).



Source: Ministry of Health

Prior to the onset of these challenges, the World Bank estimated Somalia's growth at 3.2 percent in 2020, increasing to 3.5 percent in 2021 before settling at a medium-term average of 3.2 percent. Since COVID-19, the Somali economy projected to contract by 2.5 percent in 2020, before recovering to a lower growth trend of 2.9 percent in 2021 and 3.2 percent in 2022. The pandemic is likely to increase inflationary pressures in 2020, with inflation projected to reach 3.0 percent overall, but with considerable variability in food prices across regions and states.

Macroeconomic projections are shown in the table below:

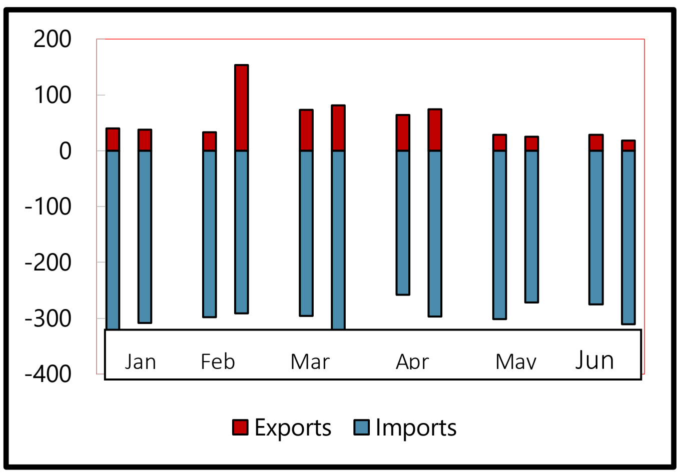
Table 8: Macroeconomic projections

Item	2018e	2019e	Before COVID-19		Since COVID-19		Outer Forecast
			2020f	2021f	2020f	2021f	2022f
Nominal GDP (millions of US$)	4,721	4,942	5,219	5,507	4,632	5,070	5,340
Real annual GDP Growth (%)	2.8	2.9	3.2	3.5	-2.5	2.9	3.2
Nominal per capita GDP (US$)	332	338	347	357	331	335	344
Current account balance (% of GDP)	-10.3	-13.7	-2.3	-12.5	-12.7	-11.6	-10.9
Trade balance	-84.8	-88.7	-88.9	-89.3	-96.4	-90.7	-85.8
Exports of goods and services	23.7	22.7	22.6	22.3	15.2	23.1	21.6

Item	2018e	2019e	Before COVID-19		Since COVID-19		Outer Forecast
			2020f	2021f	2020f	2021f	2022f
Imports of goods and services	108.5	111.3	111.5	111.6	111.6	113.8	107.5
Remittances, private transfers	31.4	31.9	32.4	32.7	30.2	31.2	29.4
Official grants	43.9	43.7	44.9	44.9	53.7	48.7	46.2
Foreign Direct Investment	8.6	9.1	8.9	9.0	9.1	9.4	9.1
External Debt	111.3	106.4	73.3	70.1	84.1	77.4	74.1
Exchange Rate (shilling/dollar)	24,475	26015	..	..	..	..	..

Source: FGS, IMF, and World Bank Estimates in Somalia Economic Update #5, August 2020.

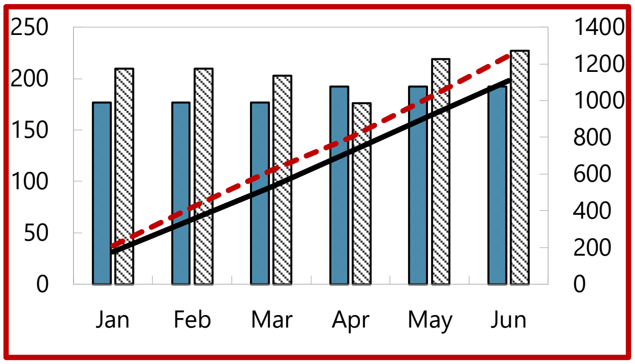
Figure 10: Month on Month Comparison of Exports and Imports ($m)



Source: FGS – the left bar of each pair is 2019

The contraction in the agricultural sector brought about by delayed *Gu* season rains in 2019 and two waves of desert locust invasions poses a massive threat to Somalia's food security and citizen's livelihoods. The Food and Agriculture Organization estimates that an estimated 4.5 million people in Somalia are at risk of hunger and livelihood losses stemming from the pandemic. To contain the pandemic, the government forced to close shops and restaurants, shuttering demand for transport services and local markets, resulting in an estimated contraction of 17.3 percent, 25.6 percent, and 17.5 percent in commercial banks loans to trade, real estate, and hotels sectors respectively. Internationally, month-on-month comparisons show that exports in May and June have contracted, driven largely by slump in demand for Somalia's livestock in G.C.C. countries. Concerning, a rise in imports in June as the effects of the COVID-19 lockdown measures took effect suggest that the overall trade balance is likely to deteriorate in 2020 and 2021 as the country exports less and imports more in response to supply shocks in the domestic agricultural sector.

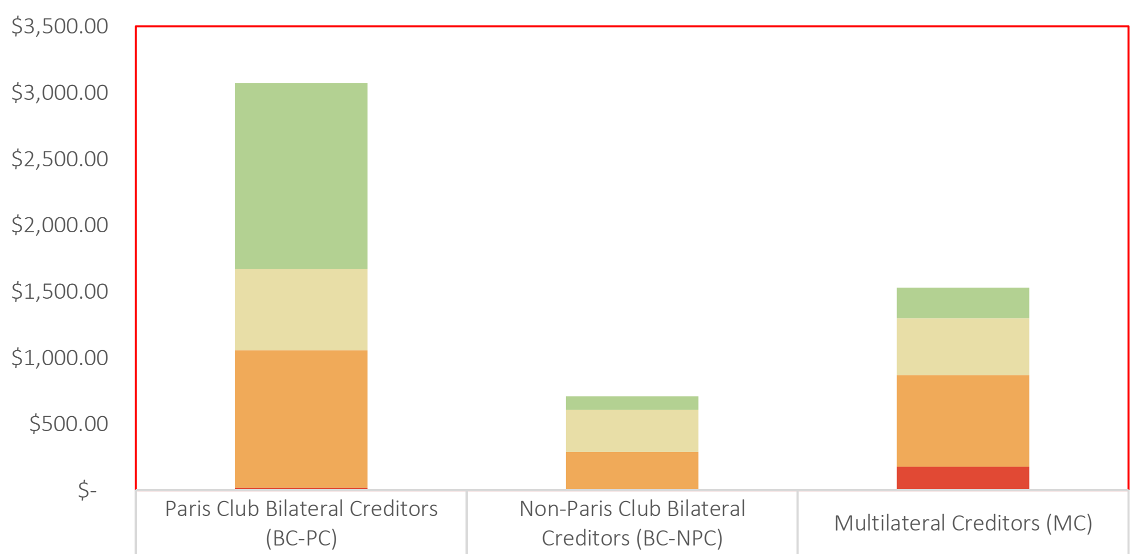
Figure 11: Month on Month Comparison of Remittances, 2019 and 2020 ($m)



Whilst remittances are projected to decrease in 2020 and 2021, as our diaspora face adverse economic conditions abroad, Federal data through June of this year shows that despite a slight drop in remittances in April compared to the prior year, remittances have in fact increased at the onset of the crisis, although it is unlikely that this will be sustained as the pandemic continues.

Somalia's large debt remains a critical constraint to positive economic development. The total stock of Somalia's outstanding debt at the end of 2019 was $5.3 billion, of which $3.4 billion was in arrears and a further $1.7 billion in accrued penalties.

Figure 12: Total public and Publicly Guaranteed Debt Composition by Creditor.



	Paris Club Bilateral Creditors (BC-PC)	Non-Paris Club Bilateral Creditors (BC-NPC)	Multilateral Creditors (MC)
	Bilateral Creditors (BC)		Multilateral Creditors (MC)
Penalties Accumulated	$1,404.00	$102.64	$235.30
Interest Arrears	$614.08	$320.83	$425.82
Principal Arrears	$1,036.90	$282.71	$689.22
DOD Excluding Arrears	$17.26	$3.02	$179.28

Source: MoF Debt Management Unit

In March 2020, Somalia achieved a critical milestone towards improved economic conditions, meeting the Decision Point Criteria under the enhanced Heavily Indebted Poor Countries (HIPC) initiative. This achievement significantly changes Somalia's public debt position, as clearance of arrears to International Financial Institutions has reduced the present value of external debt to 41 percent of GDP. Furthermore, the FGS has also secured debt relief with Paris Club Bilateral Creditors. Total public debt, however, remains significantly above the World Bank's recommended threshold of 30 percent of GDP for countries with weak capacity to manage debt. The data presented in the figure above is the first in a series of planned reports on Somalia's public debt by the newly established Debt Management Unit, and expect to be able to better report on the public debt position in the FY2022 Budget Strategy and Budget Framework Paper.

As identified in the FY2021 Budget Strategy Paper, several significant downside risks threaten economic activity in the upcoming budget period:

- Macroeconomic shocks: The potential for continued suppressed demand for Somalia's livestock, especially due to the closing of the 2020 Hajj due to COVID-19 restrictions, threaten the projected recovery in Somalia's trade balance in 2021 and beyond. The closure of hotels, aviation, and withdrawal of most international organizations from Somalia is likely to lead to an increase in unemployment in the event that these employers are forced to lay off workers in response to declining income. This increasing unemployment could potentially in turn contribute to increased insecurity, as insurgent groups rely on unengaged youth for recruitment. The pandemic has also had a visible impact on food prices, adversely affecting an already distraught citizenry. The economy will also need time to recover from the concurrent impact of floods and desert locusts. As estimated 180,000 hectares of rangelands have been affected by desert locusts, which is likely to lead to a significant cereal production deficit and lower milk and livestock production. Externally, development partners' economies have been divested by the pandemic, which given Somalia's reliance on remittances from the diaspora abroad as well as reliance on external grants to underwrite government operations, could entail more limited funding until their economies recover;
- National Elections: Run-ups to national and sub-national elections have typically coincided with increased insurgent actions. These actions continue to threaten security and preclude a conducive economic operating environment that enables well-being and prosperity for our citizens. Passing the FY2021 Budget in a timely manner is critical to ensuring that key Federal services critical to the delivery of timely, accountable elections are adequately staffed;
- Inter-Governmental Fiscal Transfers: COVID-19 has had an impact on Federal and sub-national domestic revenue mobilization, which is likely to create additional pressure on the Federal budget as Federal Member States become increasingly reliant on Federal funds to underwrite their operations. As Federal and sub-national government operations mature, it is critical that fiscal information flow better between both levels of government to ensure that sub-national risks are reflected in Federal level budgets although some optimistic mutual tolerant implementations going on;
- Achieving Completion Point: Maintaining the momentum of public financial management reforms through the election period will be critical to achieving the HIPC completion point and creating much needed fiscal space to enable the country's economic development. This will require continued and extensive inter-MDA cooperation within both Federal and FMS-levels of government, as well as strong cooperation between both levels of government.

> COVID-19 has significantly impact on Somalia's economic recovery, and risks to growth and stability remain substantial. To respond to these risks, Government is committed to continuing and accelerating reforms under the IMF ECF/EFF program as we work towards achieving the HIPC Completion Point, and to continued cooperation with the international donor community and to deeper coordination with the FMSs in the spirit of fiscal federalism.

The macroeconomic conditions summarized above have informed preparation of the 2021 Budget and the narrative in the Policy Framework Paper.

4. REVENUES

4.1. 2021 Revenue Forecasts

The forecast for revenue in 2021 is shown in the following table, with comparisons to 2019 and the expected 2020 outcome:

Table 9: Revenue 2019 - 2021

In US$ Million	2019 Actual	2020 Revised	2021 Budget	Change in Amount	Change %
1. Revenue	**337.8**	**578.1**	**680.5**	**102.4**	**17.7%**
Domestic Revenue	**229.7**	**167.5**	**269.7**	**102.2**	**61.0%**
Tax Revenue	**154.7**	**107.0**	**182.9**	**75.8**	**70.8%**
Taxes on income, profits, and capital gains	11.7	8.7	13.8	5.1	58.1%
Taxes on goods and services	25.0	17.8	30.0	12.2	68.7%
Taxes on international trade and transactions	107.0	74.8	128.0	53.3	71.2%
Other taxes	11.1	5.7	11.0	5.3	92.0%
Non-tax Revenue	**74.9**	**60.5**	**86.8**	**26.4**	**43.6%**
Donor revenue	**108.1**	**410.6**	**410.8**	**0.2**	**0.1%**
Budget support	88.8	203.7	169.9	- 33.8	-16.6%
Project support	19.3	206.9	240.9	34.0	16.4%
Proportion of domestic funds	**68.0%**	**29.0%**	**39.6%**		

Nominal domestic revenues in 2021 are forecast to return to the growth trajectory evident in the period to 2019 despite one-off collections in 2019 of 20-year telecommunications license fees and the repayment by ICAO of airline overflight fees from prior years.

Continued reforms to tax policy and administration efficiency improvements, together with the introduction of further taxes to bring Somalia into line with comparable countries tax regimes, largely explain the return to growth in collections expected in 2021. These issues are illustrated below in the detailed tax tables and narratives.

4.1.2. Domestic Revenue

Table 10: Tax on Income, Profit and Capital Gains

DESCRIPTION	2019 Actual	2020 Revised	2021 Budget	Change in Amount	Change %
	11.7	**8.7**	**13.8**	5.1	58.1%
Wages and salaries (Public Sector Payees)	4.2	3.8	5.2	1.4	36.8%
Wages and salaries (Private Sector Employees)	5.5	3.6	6.5	2.9	79.1%
Corporate profit tax	1.5	1.0	1.5	0.5	50.0%
Rental income	0.5	0.3	0.6	0.3	102.2%

As shown in the table collections in income, profit and capital gains taxes will increase by $5.1 million, or 58.1 percent. The following assumptions underpin the forecasts:

- **Wages and salaries (public)** – are based on anticipated staffing levels and compensation rates for government and Parliament which are expected to remain as in 2020.
- **Wages and salaries (private) –** reflect the full-year impact of a wider base of taxpayers in 2021, including some Donor funded Somali employees of non-government organizations (NGOs).
- **Corporate profit tax –** the increased collections follows implementation of the policy to use indirect methods to estimate tax liability, and creation of the Large and Medium Taxpayer Office (LMTO) to manage the tax liabilities of the largest 80 firms in Mogadishu.
- **Rental income** - the rental income taxes collections will be improved with expectation that ITAS will be operational, coupled with information provided by the BRA. The BRA has a database supporting properties tax collection.

Table 11: Taxes on Goods and Services

DESCRIPTION	2019 Actual	2020 Revised	2021 Budget	Change in Amount	Change %
	25.0	**17.8**	**30.0**	12.2	68.7%
General taxes on goods and services	**25.0**	**17.8**	**30.0**	12.2	68.7%
Sales taxes - Hotels	1.2	0.3	0.9	0.6	208.7%
Sales taxes - Telecommunications	6.9	4.2	5.2	1.0	23.8%
Sales taxes - Electricity Companies	-	1.3	1.3	-	0.0%
Sales taxes - on imported goods	16.0	11.0	18.0	7.0	64.2%
Sales taxes - Airline tickets	0.9	0.3	1.3	1.0	300.0%
Sales taxes - Others (TV Cable Providers)	0.0	0.7	1.3	0.6	82.1%

Overall tax collections in this category are forecast to increase by $12.2 million (68.7 percent). The following assumptions underpin the forecasts:

- **Hotels –** reflect continued sales tax collections from the 44 largest hotels in Mogadishu.
- **Telecommunications –** is based on collections returning to levels that were paid in 2019, as the impacts of the COVID-19 pandemic are anticipated to ease. The COVID-19 pandemic was especially difficult for this industry sector as uncertainty impacted usage rates in the short-term. Meetings with the industry sector were held during 2020 to discuss the impact of COVID-19 and the timetable for a return to tax payments.
- **Electricity Companies –** the estimates reflect the full-year impact of sales tax collections in this sector which commenced for the first time in 2020 but were suspended due to the COVID-19 pandemic. The expectation is for these collections to resume in 2021.
- **Sales tax on imported goods –** the sales tax on imported goods is collected at the entry port, based on the value of the goods. The increase is reflective of the expected increase in imports and the proposal in 2021 to collect petroleum sales taxes at the port of entry.
- **Airline tickets –** In 2021 the increase to $1.0 million reflects the anticipated return to normality of airlines using Mogadishu airport; flights which were suspended as a COVID-19 safety measure.
- **Sales tax (Cable TV) –** modest collections in this category were made in 2019 and 2020, and a full-year value of collections is forecast in 2021 following detailed discussion with the industry sector in the second half of 2020.

Table 12: Taxes on International Trade

DESCRIPTION	2019 Actual	2020 Revised	2021 Budget	Change in Amount	Change %
Taxes on international trade and transactions	**107.0**	**74.8**	**128.0**	53.3	71.2%
Customs and other Import duties	90.5	69.8	91.0	21.2	30.4%
Import tax on Khat	16.6	5.0	37.0	32.0	640.8%

Taxes on international trade are forecast to increase by $53.3 million (71.2 percent) in line with anticipated growth in trade post-COVID-19. The following assumptions underpin the forecasts:

- Customs at the port - a continuation of the trend in collections are being further assisted by productivity improvements from the customs reform project. The tax relief provided on essential imports such as rice during the COVID-19 emergency will be reversed in 2021.
- Khat imports were suspended during the COVID-19 emergency. The assessment is that demand remains strong for the sale of the product, and its sale is not prohibited by law, so once supply issues are resolved and international airline flights resume, it is anticipated that imports will restart. Current flight restrictions to Kenya indicate imports may be sourced from Ethiopia. A tax rate increase from $2.50 to $4 per bundle has been agreed with FMS.

Table 13: Other taxes

DESCRIPTION	2019 Actual	2020 Revised	2021 Budget	Change in Amount	Change %
Other taxes	**11.1**	**5.7**	**11.0**	**5.3**	**92.0%**
Stamp duties of invoices and contaracts (notary)	1.6	0.3	1.5	1.2	421.3%
Road tax	1.7	0.5	1.6	1.1	212.9%
Other stamp duty	4.0	2.2	4.0	1.8	78.3%
Stamp duty on customs	3.8	2.7	3.9	1.2	45.3%

The assumptions underpinning the forecasts reflect a return in 2020 to the 2019 collect trends.

Table 14: Non-tax Revenue

DESCRIPTION	2019 Actual	2020 Revised	2021 Budget	Change in Amount	Change %
Non-tax Revenue	**74.9**	**60.5**	**86.8**	**26.4**	**43.6%**
Administrative charges	4.3	2.0	2.0	0.0	1.1%
Visa charges	6.5	2.6	4.0	1.4	53.8%
Passports fees	4.7	3.6	4.7	1.1	31.2%
Licence fees - Commerce and industry	1.0	0.6	1.5	0.9	136.3%
Work permits and other fees	1.1	0.3	1.2	0.9	361.5%
Harbour fees - Albayrak	27.4	21.2	28.5	7.3	34.6%
Airport fees - Favori	3.6	1.4	3.3	1.9	131.8%
Fisheries licence fees	1.0	2.1	2.1	0.0	0.0%
Telecommunication Spectrum fees	8.7	12.6	12.6	0.0	0.0%
Overflight fees (IATA)	12.2	10.6	12.4	1.8	16.5%
Customs harbour fees	4.4	3.5	5.0	1.5	42.9%

Non-tax revenues are forecast to increase by $16.8 million (27.8 percent) in 2021. The following assumptions underpin the forecasts:

- **Administrative charges** – the expectation is for a small nominal growth in 2021 over the latest forecast for 2020 in administrative fees collected by MDA's. All election fees are expected to be collected in 2020.
- **Visa charges and passport fees –** are shown separately in 2021 and are both now administered by the Ministry of Finance (MoF). Taking them together we anticipate an increase of about $2.5 million in 2021 in these collections reflecting the impacts in 2020 of the bans on international flights into Somalia.
- **License fees – Commerce and Industry** – business license fees are expected to be higher in 2021.
- **Work permits and other fees** – fees are paid by foreign workers wishing to engage in employment in Mogadishu, and the are expected to return to previous growth trends in 2021.
- **Harbour and Airport fees –** are collected by the port and airport operators and remitted to the government. In 2021 Airport fees are shown separately from harbor fees. Taken together, collections of harbor and airport fees will increase by $9.2 million. Airport fees show growth of 131.5 percent over 2020 reflecting the lifting of bans on aircraft movements during 2020.
- **Fisheries license fees –** are collected on the licenses for tuna fishing. The fees are collected by the FGS and 71 percent are distributed to Federal Member States.
- **Telecommunications spectrum fees** – the telecommunications industry was initially severely impacted by the COVID-19 pandemic, with usage rates gradually stabilizing and recently showing signs of returning towards normal.
- **Overflight fees -** The estimate in 2021 reflects a full-year of anticipated international flyovers in that year; i.e. a return to flight patterns experienced in 2019 after the COVID-19 induced interruptions to international air travel.
- **Customs harbor fees –** are expected to continue to grow strongly, returning to the growth and activity levels experienced in 2019.

4.1.3. Grants (Donor revenue)

The table below indicates expected grants from bilateral and multilateral donors in 2021. The table separates out the funding that is untied to specific activities – budget support, and is therefore available for use at the discretion of the FGS – from project support, where donors have specified the activities to be resourced from these funds; funds which are tied to the specific grant conditions. The latter category is budget neutral, that is, if revenues are not forthcoming, the related expenditures are deferred.

The table indicates the changing nature of the project support, with some projects completing in 2020, and resources increasingly being influenced by the NDP-9 priorities.

Table 15: Donor Grants, 2019 - 2021

DESCRIPTION	2019 Actual	2020 Revised	2021 Budget	Change in Amount	Change %
Donor revenue	**108.1**	**410.6**	**410.8**	**0.2**	**0.1%**
Budget support	**88.8**	**203.7**	**169.9**		
Bailateral - Budget Support	36.4	30.0	30.0	-	0.0%
Current - Turkey	15.0	30.0	30.0	-	0.0%
Current - Qatar	21.3	-	-	-	
Current - Algeria	0.1	-	-	-	
Multilateral - Budget support	52.4	173.7	139.9	-33.8	-19.5%
World Bank - RCRF - Budget support	23.3	36.4	39.9	3.5	9.6%
World Bank - Development Policy Financing (DPF)	-	100.0	100.0	-	0.0%
European Union	29.1	25.3	-	-25.3	-100.0%
African Development Bank	-	12.0	-	-12.0	-100.0%
Project support	**19.3**	**206.9**	**240.9**	**34.0**	**16.4%**
World Bank (WB)					
Special Financing Facility (WB-MPTF and UN)	1.1	0.1	3.2	3.1	3404.6%
Capacity Injection and Institutional Strengthening Project	1.7	3.0	4.1	1.1	37.6%
Domestic Revenue Mobilization and PFM Capacity Strengthening Project	2.4	5.0	10.4	5.4	107.3%
ICT Sector Support Project	1.3	0.6	-	-0.6	-100.0%
Core Economic Institutions (SCORE) Project	2.7	6.0	-	-6.0	-100.0%
Recurrent Cost & Reform Financing Facility	1.3	8.1	8.6	0.5	5.6%
Petroleum Technical Assistance Project (SOPTAP)	0.3	0.3	0.1	-0.1	-52.8%
Somalia Urban Resilience Project (SURP)	3.1	5.4	1.8	-3.5	-65.9%
Somalia Urban Resilience Project PH2 (PCU)	-	9.0	29.5	20.5	227.7%
Electricity Access (SEAP) Project	0.2	2.2	2.8	0.6	28.9%
Baxnaano Project (Shock-Responsive Social Safety Net)	-	51.7	11.4	-40.4	-78.0%
Biyoole Project (Water for Agro-pastoral Productivity and Resilience)	-	7.9	11.8	3.9	48.9%
Capacity Advancement (SCALED - UP) Project	-	5.5	24.8	19.3	350.7%
Somali Urban Investment Planning Project - Additional Financing (SUIPP-AF)	-	0.6	-	-0.6	-100.0%
Somali Crises Recovery (SCR)	-	33.0	71.4	38.4	116.1%
Somali Integrated Statistics and Economic Capacity Building Project	-	4.0	10.5	6.5	162.9%
Shock Responsive Safety Net for Locust Response Project	-	40.0	31.5	-8.5	-21.3%
African Development Bank (AfDB)					
Economic and Financial Governance Institutional Support Project	1.9	5.7	2.8	-2.9	-50.8%
Road Infrastructure Programme (RIP)	-	3.0	4.1	1.1	36.0%
Strengthening Institutions Project (SIEPMID)	-	2.2	3.3	1.1	50.1%
Regulatory Authority For Energy Sector Project	-	0.7	1.0	0.3	41.5%
United Nations (UN)					
UN - Peace Building Fund (SFF)	0.6	3.9	-	-3.9	-100.0%
Support Stabilization Project (S2S)	1.7	1.9	1.9	-0.0	0.0%
Maximum County Allocation (MCA) Project	-	2.6	3.3	0.7	26.1%
Global Partnership for Education (GPE)					
Education Sector Program Implementation Grant (ESPIG)	0.9	4.4	2.6	-1.9	-42.3%

4.2 Tax measures in 2021

Over the next 12 months under the ECF program agreements, the FGS will introduce some of the recommendations from a November 2019 IMF tax policy technical assistance mission starting with the introduction of turnover tax. The planning to implement the Revenue Act is complete and focuses on increasing the awareness of the Revenue Act and its instruments across the FMS and building broader capacity in revenue administration. Reforms to reinvigorate the tax administration will continue.

Additionally, Government will continue working on the Customs Reform Road Map, including by implementing the agreed *ad valorem* tariff schedule at the three largest ports in Somalia, based on the individual valuation tables and in preparation for the eventual introduction of a single tariff schedule (based on either pre-shipment declarations or commercial invoicing) (which is an HIPC CP trigger). The FGS will also complete the drafting of, and enact, the Extractive Industry Income Tax Law (also a CP trigger) and finalize the revised model Petroleum Sharing Agreement to provide a clear fiscal framework for the petroleum sector as it develops.

In the medium term, the FGS are committed to rolling-out the Revenue Act to the FMS, prioritizing customs, and sales taxes. The plan is to implement the single customs tariff schedule. To support future progress on revenues, FGS will continue building the administrative and enforcement capacity of the LMTO, including issuing any required guidance, and strengthening capacity and compliance on customs, including across the FMS. More broadly, to safeguard fiscal revenues from key economic sectors as they develop and new regulatory frameworks are implemented, such as telecommunications and petroleum, the government will ensure that fiscal management issues are reserved for the MoF while sector regulators operate independently and transparently within their regulatory mandates.

The following table indicates the tax measures to be applied in 2021:

Table 16: Proposed Tax Measures in 2021

Category	Measure	2021 Additional Revenue ($ m)
Khat tax	Increase the rate per bundle from $2.50 to $4	20.4
Petroleum products excise	Additional charge on petroleum products	1.9
COVID-19 tax relief measures	Removing the temporary lower rates on dates, rice, and flour	3
COVID-19 increased rates	Tobacco, plastic bags and cosmetics excise rates	3.2
Electricity sales tax	Resume full rate collections from 1 January 2021	1.3
Rental income	Increased collections due to automation	0.11
Total		**29.9**

4.3. Tax expenditures

International best practice in budget transparency is that the production of tax expenditure cost estimates should be required by law and presented to the legislature with the annual budget or early in the budget cycle to inform policymaking. Tax expenditure disclosure in the budget is a key transparency requirement under the 2019 Public Financial Management Law of Somalia (Article 17 (f)).

The objective of estimating the value of tax concessions focuses on improving transparency of tax breaks. This is primarily through the inclusion of tax expenditures – government programs that use tax abatements, in the budget narrative statements. A tax abatement is a reduction of taxes granted by a government to encourage economic development. There are different types of tax abatements including special tax rates, tax credits, and tax deductions, and others to induce behavior by individuals and entities. Tax expenditures are often utilized to provide economic development incentives for private investment and job creation, and they are also used to encourage certain social programs. In such circumstances, the tax system fulfills a role like that of a spending program. However, unlike a spending program in which taxes are collected and spent by the government, a tax expenditure reduces revenues when the taxpayer engages in specific activities. The quantum of the tax expenditure remains hidden in the absence of a tax expenditure report.

Work is continuing in the revenue administration to identify and make this information available.

4. EXPENDITURE

5.1. The 2021 Estimates

The planned 2021 Budget expenditures, compared with data since 2019, are presented in the following table:

Table 17: Summary of Expenditures, 2019 to 2021

In US$ Million	2019 Actual	2020 Revised	2021 Budget	Change in Amount	Change %
Expenditure	**315.7**	**684.8**	**666.5**	**- 18.4**	**-2.7%**
Operating expenditure	**298.4**	**478.0**	**425.6**	**- 52.4**	**-11.0%**
Compensation of Employees	162.4	226.9	246.9	20.0	8.8%
Use of goods and services	82.2	83.6	98.3	14.6	17.5%
Purchase of non-financial Assets	8.6	13.5	32.2	18.7	138.0%
Interest	-	2.6	2.5	- 0.1	-5.3%
Grants (transfers)	44.8	146.2	43.2	- 103.0	-70.5%
Contingency	0.4	2.5	2.5	-	0.0%
Repayment of arrears	-	2.5	-	- 2.5	-100.0%
Donor-funded Special projects	**17.3**	**206.9**	**240.9**	**34.0**	**16.4%**
Compensation as share of operating costs	54.4%	47.5%	58.0%		

The table indicates a fluctuating trend in the share of employees' compensation to total operating expenditures of government which in 2021 is expected to return to levels seen in the period to 2019. The donor funded special projects are fully funded by the international community and are therefore budget neutral.

The table below displays the FGS budget in terms of the Classifications of the Functions of Government, which reflects a set of international classification rules developed by the OECD and adopted by the UN and IMF that facilitates international expenditure comparisons.

Table 18: Expenditures by the Classification of the Functions of Government (COFOG), 2019 to 2021

Functions of Government (US$ m)	2019 Actual	2020 Revised	2021 Budget	Proportion 2021
1. GENERAL PUBLIC SERVICES	141.3	277.6	202.9	30.8%
2. DEFENCE	58.9	86.9	95.6	14.5%
3. PUBLIC ORDER AND SAFETY	62.2	81.7	94.0	14.3%
4. ECONOMIC AFFAIRS	28.5	58.7	62.3	9.5%
5. ENVIRONMENTAL PROTECTION	-	-	-	0.0%
6. HOUSING AND COMMUNITY AMENITIES	5.2	21.0	43.4	6.6%
7. HEALTH	2.6	30.9	33.6	5.1%
8. RECREATION,CULTURE AND RELIGION	2.3	1.7	1.8	0.3%
9. EDUCATION	13.5	23.2	29.1	4.4%
10. SOCIAL PROTECTION	1.2	103.1	95.2	14.5%
Grand Total	**315.7**	**684.8**	**657.9**	**100.0%**

5.1.1. Compensation of employees

The following table illustrates the growth in civil service permanent staff since 2013 until recent years. In addition to the 5,206 permanent staff positions to be funded in 2021, the budget supports Members of Parliament in the Peoples House and Senate, Cabinet members, and security staff.

Table 19: Staff numbers, 2013 2021

Group/year	2015	2016	2017	2018	2019	2020	2021
Sector	**4,674**	**4,927**	**5,025**	**5,597**	**5,481**	**5,481**	**5,205**
Administration	**2,558**	**2,719**	**2,724**	**3,056**	**2,923**	**2,923**	**2,719**
Defence and Security	**154**	**154**	**143**	**160**	**155**	**155**	**153**
Economic Services	**1,408**	**1,455**	**1,442**	**1,655**	**1,733**	**1,733**	**1,652**
Social Services	**554**	**599**	**716**	**726**	**670**	**670**	**681**

The significant story in this staffing table is the impact of the staffing freeze commenced in 2018.

The overall increase in the **compensation of employees** shown in the summary table above of $17.1 million reflects several funding adjustments to MDAs. Significant ones include:

- +$8.6 million in SNA wage costs;
- +$1.7 million in Police compensation costs;
- +$0.9 million for the Supreme Court;
- +$0.6 million for the National University; and
- +$0.6 million for the Custodian Corps;
- Which are offset in part by small decreased provisions for several MDAs.

5.1.2. Use of goods and services

The table below shows, for both operating and project expenditures, the breakdown of the planned goods and services (running costs) of the FGS for 2021:

Table 20: Goods and Services Expenditures, 2018 - 2021

DESCRIPTION	2018 Actuals	2019 Actual	2020 Revised	2021 Budget	Change in Amount	Change %
Use of goods and services	**80.6**	**92.7**	**152.6**	**183.1**	**30.6**	**20.0%**
General Expenses	**19.1**	**27.3**	**35.7**	**44.6**	**8.9**	**24.9%**
Utilities	4.9	6.2	7.0	7.4	0.3	4.4%
Rent	1.4	1.8	2.1	4.5	2.4	113.1%
Fuel and lubricants	4.7	5.3	7.0	7.1	0.1	1.7%
Repairs and maintenance	1.3	2.3	2.9	4.2	1.3	43.3%
Office materials and other consumables	2.7	3.2	5.1	6.5	1.4	28.0%
Travel expenses	4.2	8.7	11.5	14.8	3.3	29.1%
Education and training	**1.5**	**2.3**	**11.6**	**16.2**	**4.6**	**39.5%**
Education expenses	0.8	1.3	3.6	6.3	2.7	76.4%
Training expenses	0.7	1.1	8.0	9.9	1.8	23.0%
Consulting and professional fees	**8.6**	**8.2**	**39.0**	**52.6**	**13.6**	**34.8%**
Consulting and professional fees	8.3	8.2	38.1	51.5	13.4	35.1%
Medical fees		0.1	0.9	0.7	- 0.2	-18.4%
Audit fees	0.4		-	0.4	0.4	
Bank charges	**4.9**	**6.0**	**5.2**	**5.5**	**0.3**	**6.2%**
Bank commissions	4.9	6.0	5.1	5.5	0.4	7.2%
Bank charges			-	-	-	#DIV/0!
Insurance charges/premium			0.1	0.1	- 0.0	-44.8%
Specialized materials and services	**8.5**	**12.8**	**31.0**	**27.8**	**- 3.2**	**-10.3%**
Health and hygiene	1.1	0.9	8.5	7.6	- 0.9	-11.0%
Agricultural supplies and inputs					-	
Military materials, supplies and services	1.7	0.6	0.7	0.7	-	0.0%
Police materials, supplies and services					-	
Other specialized materials and services	1.3	3.0	13.4	10.0	- 3.4	-25.5%
Special operational services	4.4	8.2	8.4	9.6	1.2	13.7%
Other expenses	**38.0**	**35.9**	**29.0**	**34.0**	**4.9**	**17.0%**
Other General Expenses	38.0	35.9	29.0	34.0	4.9	17.0%

The table includes funds anticipated to be spent by donor funded projects on goods and services to show the likely impact on the domestic economy of this level of consumption in the various categories.

In 2021 the government's' goods and services costs are expected to increase by $20.8 million or 13.6 percent. The larger items contributing to this change are:

- Removal of the one-off expenses associated with the 2020 election of -$6.5 million (the election costs are included in the 2020 Supplemental Budget); offset by increased provisions of:
- +$16.0 million for Donor special projects running costs;
- +$1.2 million for the National Statistics Department;
- +$1.1 million for the Supreme Court;
- +$2.2 million for the Ministry of Finance;
- +$1.3 million for the Civil Aviation and Metro-Authority;
- +$3.0 million for the National Security Force; and
- +$1.5 million for the National University.

Further details of additional expenditures measures are outlined in Chapter 5.4 below.

5.1.3. Purchase of non-financial assets

Purchase of non-financial assets (capital spending) for the governments operating expenditures is shown in the following table.

Table 21: Expenditure on the Purchase of Non-financial Assets, 2018 - 2021

DESCRIPTION	2018 Actuals	2019 Actual	2020 Revised	2021 Budget	Change in Amount	Change %
Other fixed assets	**9.9**	**8.6**	**13.5**	**32.2**	**18.7**	**138.0%**
Buildings and structures	-	-	-	9.8	9.8	
Machinery, furniture and equipment	-	-	-	2.6	2.6	
Information and Communication Technology (ICT)	0.4	-	1.7	3.3	1.6	96.9%
Other fixed assets	9.5	8.6	11.9	11.6	- 0.3	-2.4%
Other Inventories	-	-	-	4.9	4.9	

The main variations in the capital program for 2021 are described below, and further details are provided below in Chapter 5.4 and in the Annex Chapter 6.3 for the MDAs that have introduced program budgeting:

- +$5 million for the Ministry of Public Works for NDP-9 priorities;
- +$4 million for the Ministry of Water and Energy for NDP-9 priorities;
- +$2.6 million for the Ministry of Education and Higher Education for NDP-9 priorities;
- +$2.5 million for the Ministry of Health for NDP-9 priorities;
- +$1.3 million for the Supreme Court;
- +$1.3 million for the National University for NDP-9 priorities; and
- +$1 million to the Intergovernmental Somali Language academy;
- which are offset in part by decreased funding for capital projects completed in 2020.

In addition, the Donor special projects are planning to spend $50.8 million on capital equipment in 2021.

5.1.4. Grants

Details of proposed grant payments are shown in the table below:

Table 22: Planned Transfers to FMS, 2019 - 2021

Recipent	2019 Actual	2020 Revised	2021 Budget
Somaliland	$ 200,000	$ 33,618,757	$ 400,000
Puntland	$ 6,426,275	$ 44,116,096	$ 6,701,108
Jubaland	$ 4,276,769	$ 14,288,898	$ 4,342,998
Hirshabelle	$ 6,116,591	$ 8,088,707	$ 5,310,515
South West State	$ 6,911,183	$ 9,910,463	$ 5,541,951
Galmudug	$ 7,110,183	$ 8,686,925	$ 5,347,846
Benadir-Mogadishu City	$ 11,600,000	$ 25,319,394	$ 13,650,000
total	**$ 42,641,000**	**$ 144,029,239**	**$ 41,294,417**
Proportion of FGS operating budget	14.3%	30.3%	9.6%

The earmarked payment to BRA is based on 15 percent of customs collections at the Port of Mogadishu and is estimated to total $13.65 million for 2021. The remaining grants to FMS are funded from general budgetary support and paid through the Ministry of Interior and Federal Affairs, and also by the Donor community, paid through the MoF appropriation for "Other activities of the State", with the latter category subject to performance agreements based on PFM reforms and other conditions. A further source of funding is from shared natural resource revenues. In 2021, from fishing license fees, and amount of $2.1 million is anticipated. The sharing formulae and respective amounts for 2021 are shown in the following table.

Table 23: Revenue sharing from common (shared) natural resources

Funding source/recipent	2019 Actual	2020 Revised	2021 Budget	Share %
Puntland			$ 378,000	18
Jubaland		$ 840,000	$ 273,000	13
Hirshabelle			$ 294,000	14
South West State			$ 273,000	13
Galmudug			$ 273,000	13
Federal Government		$ 2,100,001	$ 609,000	29
total	**$ -**	**$ 2,940,001**	**$ 2,100,000**	**100**

Grants calculated at 0.5% of customs revenue are also paid to the Somali Chamber of Commerce and to the Development Bank of Somalia, with each grant forecast to total $455,000 in 2021.

5.1.5. Contingency

Access to the fund is limited to payments that are judged to be urgent and unforeseen at the time of the budget. International accounting treatment for access to a contingency fund appropriates the money to the MoF, for administrative control. Once access to the fund is approved, the accountability for the appropriation is transferred to the responsible MDA and recorded as a budget allocation to that MDA. This facilitates Parliament accountability for the spending. A provision of $2.5 million is provided for in 2021.

5.1.6. Repayment of arrears and advances

A provision for repayment of expenditure arrears from earlier years of $2.5 million is included in the budget. The provision will be treated as a buffer to non-discretionary spending if domestic revenues are lower than anticipated or where donor pledges are not fully met. If funds are available, the arrears payments will be processed closer to the end of 2021 fiscal year.

5.1.7. Donor funded Special Projects

The planned 2021 appropriation for on-budget donor special projects is summarized in the following table.

In total, Donors are anticipating spending $240.8 million on special projects in 2021. The composition of this spending by main object of expenditure include:

- $60.2 million for social benefits;
- $84.9 million for the running costs of the projects, including consultancy, training and banking costs;
- $50.8 million in capital expenditure;
- $27.3 million in grants to FMS; and
- $11.9 million in subsidy payments.

Table 24: Donor funded on-budget projects, 2019 - 2021

DESCRIPTION	2018 Actuals	2019 Actual	2020 Revised	2021 Budget	Change in Amount	Change %
Special Projects	**19,000,148**	**17,315,105**	**206,877,110**	**240,901,505**	**34,024,395**	**16.4%**
Office of the Prime Minister	**3,502,438**	**1,822,430**	**3,000,000**	**4,127,080**	**1,127,080**	**37.6%**
Capacity Injection and Institutional Strengthening Project	3,502,438	1,822,430	3,000,000	4,127,080	1,127,080	37.6%
Ministry of Finance	**11,832,604**	**9,378,187**	**41,628,462**	**98,874,075**	**57,245,614**	**137.5%**
Special Financing Facility (WB-MPTF and UN)	5,620,368	1,521,972	3,941,051	3,189,655	- 751,396	-19.1%
Domestic Revenue Mobilization and PFM Capacity Strengthening Project	2,313,903	2,579,679	5,000,000	10,365,062	5,365,062	107.3%
Economic and Financial Governance Institutional Support Project	153,060	1,899,833	5,702,486	2,806,912	- 2,895,574	-50.8%
Recurrent Cost & Reform Financing Facility	1,722,971	1,346,764	2,570,646	2,550,000	- 20,646	-0.8%
Core Economic Institutions (SCORE) Project	2,022,302	2,029,939	6,000,000	-	- 6,000,000	-100.0%
Capacity Advancement (SCALED - UP) Project	-	-	5,500,000	24,787,200	19,287,200	350.7%
Strengthening Institutions Project (SIEPMID)	-	-	2,212,356	3,321,165	1,108,809	50.1%
Regulatory Authority For Energy Sector Project	-	-	693,582	981,205	287,623	41.5%
Somali Crises Recovery (SCR)	-	-	10,008,341	50,872,877	40,864,536	408.3%
Ministry of Planning, Investment and Economic Development	**-**	**-**	**7,910,529**	**11,780,079**	**3,869,550**	**48.9%**
Biyoole Project (Water for Agro-pastoral Productivity and Resilience)	-	-	7,910,529	11,780,079	3,869,550	48.9%
National Statistics Department	**-**	**-**	**4,000,032**	**10,517,720**	**6,517,687**	**162.9%**
Somali Integrated Statistics and Economic Capacity Building Project	-	-	4,000,032	10,517,720	6,517,687	162.9%
Ministry of Interior and Federal Affairs	**1,046,161**	**4,135,250**	**15,867,637**	**28,759,464**	**12,891,827**	**81.2%**
Support Stabilization Project (S2S)	705,114	1,086,506	1,930,507	1,930,500	- 7	0.0%
Somalia Urban Resilience Project (SURP)	341,047	3,048,744	5,372,521	1,830,000	- 3,542,521	-65.9%
Somali Urban Investment Planning Project - Additional Financing (SUIPP-AF)	-	-	564,609	-	- 564,609	-100.0%
Somalia Urban Resilience Project PH2 (PCU)	-	-	8,000,000	24,998,964	16,998,964	212.5%
Ministry of Mineral	**-**	**263,577**	**279,583**	**132,000**	**- 147,583**	**-52.8%**
Petroleum Technical Assistance Project (SOPTAP)	-	263,577	279,583	132,000	- 147,583	-52.8%
Ministry of Agriculture	**-**	**-**	**2,500,000**	**-**	**- 2,500,000**	**-100.0%**
Somali Crises Recovery (SCR)	-	-	2,500,000	-	- 2,500,000	-100.0%
Ministry of Post and Telecommunication	**2,618,946**	**1,537,539**	**601,700**	**-**	**- 601,700**	**-100.0%**
ICT Sector Support Project	2,618,946	1,537,539	601,700	-	- 601,700	-100.0%
Ministry of Water and Energy	**-**	**178,122**	**2,179,800**	**2,809,285**	**629,485**	**28.9%**
Electricity Access (SEAP) Project	-	178,122	2,179,800	2,809,285	629,485	28.9%
Ministry of Public Work & Reconstruction	**-**	**-**	**4,030,939**	**8,617,766**	**4,586,827**	**113.8%**
Road Infrastructure Programme (RIP)	-	-	3,030,939	4,123,247	1,092,308	36.0%
Somalia Urban Resilience Project PH2 (PCU)	-	-	1,000,000	4,494,519	3,494,519	349.5%
Ministry of Labour and Social Affairs	**-**	**-**	**91,745,509**	**42,869,057**	**- 48,876,452**	**-53.3%**
Baxnaano Project (Shock-Responsive Social Safety Net)	-	-	51,745,509	11,380,000	- 40,365,509	-78.0%
Shock Responsive Safety Net for Locust Response Project	-	-	40,000,000	31,489,057	- 8,510,943	-21.3%
Ministry of Education and Higher Education	**-**	**-**	**8,800,723**	**7,699,767**	**- 1,100,956**	**-12.5%**
Education Sector Program Implementation Grant (ESPIG)	-	-	4,428,608	2,555,504	- 1,873,103	-42.3%
Recurrent Cost & Reform Financing Facility	-	-	1,760,876	1,852,543	91,667	5.2%
Maximum County Allocation (MCA) Project	-	-	2,611,240	3,291,720	680,480	26.1%
Ministry of Health	**-**	**-**	**24,332,195**	**24,715,211**	**383,016**	**1.6%**
Recurrent Cost & Reform Financing Facility	-	-	3,796,370	4,179,386	383,016	10.1%
Somali Crises Recovery (SCR)	-	-	20,535,825	20,535,825	-	0.0%

As noted below the number and value of donor special projects included in the FGS annual budget showed a dramatic increase in 2020. Additionally, in the 2020 Supplemental Budget an additional $79.3 million was forecast to be spent on donor special projects.

An explanation of the development goals of each of these projects is included in the Annex.

5.2 MDA Appropriations for 2021

The following table shows the appropriations in 2021 that Parliament is being asked to appropriate under law to MDAs, including donor special projects funding:

Table 25: 2021 Appropriation Summary

CODE	MDA	2019 Actual	2020 Revised	2021 Budget
	Total Expenditure	**315,717,299**	**684,846,669**	**666,484,655**
1	**Administration**	**163,171,462**	**338,158,026**	**331,204,262**
	Office of the Presidency	**6,739,826**	**7,742,657**	**9,025,169**
10101	Office of the Presidency	6,739,826	7,742,657	9,025,169
	Parliament	**25,359,699**	**24,338,518**	**24,766,078**
10201	Office of Speaker (People's House)	5,895,264	5,602,058	5,868,974
10202	Member of Parliament (People's House)	15,477,800	14,632,712	14,644,712
10203	Upper House (Senate)	3,986,635	4,103,748	4,252,392
	Prime Minister	**9,024,959**	**10,248,130**	**22,375,870**
10301	Office of the Prime Minister	7,202,529	7,248,130	18,248,790
	Donor-funded Special projects	1,822,430	3,000,000	4,127,080
	Ministry of Foreign Affairs	**8,016,499**	**10,502,667**	**10,717,695**
10401	Ministry of Foreign Affairs	3,122,152	3,333,447	3,338,235
10402	Embassies	4,894,347	7,169,220	7,379,460
	Ministry of Finance	**77,176,172**	**211,967,971**	**163,572,189**
10501	Ministry of Finance	9,944,610	9,748,540	12,533,274
	Donor-funded Special projects	9,378,187	41,628,462	98,874,075
10502	Accountant General	1,732,585	1,836,680	1,939,580
10503	Other Activities of the State	55,477,911	157,962,289	48,753,259
10504	Directorate of Financial Reporting Center	642,878	792,000	972,000
10505	Public Procurement Authority	-	-	500,000
	Ministry of Planning, Investment and Economic Development	**2,046,399**	**14,332,297**	**26,328,593**
10601	Ministry of Planning, Investment and Economic Development	2,046,399	2,421,736	2,583,074
	Donor-funded Special projects		7,910,529	11,780,079
10602	National Statistics Department	-		1,447,720
	Donor-funded Special projects		4,000,032	10,517,720
	Ministry of Interior and Federal Affairs	**13,341,975**	**24,638,904**	**38,354,525**
10701	Ministry of Interior and Federal Affairs	8,636,131	8,148,903	8,172,697
	Donor-funded Special projects	4,135,250	15,867,637	28,759,464
10702	Somali Refugee and IDPs Commission	570,593	622,364	722,364
10703	National ID Authority DADSOM			700,000
	Ministry of Religious Affairs	**1,609,945**	**1,030,876**	**1,107,196**
10801	Ministry of Religious Affairs	1,609,945	1,030,876	1,107,196
	Ministry of Justice and Endowment	**7,292,838**	**10,176,288**	**11,804,254**
10901	Ministry of Justice and Endowment	617,815	738,104	1,754,814
10902	Custodian Corps	6,675,024	9,438,184	10,049,440
	Judicial Authorities	**2,705,232**	**3,074,472**	**7,784,508**
11001	Supreme Court	896,892	1,013,644	4,406,772
11002	Banaadir Court	1,410,219	1,458,392	1,869,124
11003	Appeal Court	293,757	342,268	925,368
11005	Judiciary Service Committee	104,364	260,168	583,244
	Attorney General	**1,045,585**	**1,303,308**	**1,465,028**
11101	Attorney General	1,045,585	1,303,308	1,465,028
	Solicitor General	**491,294**	**553,764**	**624,144**
11201	Solicitor General	491,294	553,764	624,144
	Auditor General	**1,729,601**	**1,771,404**	**2,428,504**
11301	Auditor General	1,729,601	1,771,404	2,428,504
	Ministry of Humanitarian Affairs and Disaster Management	**1,074,415**	**1,156,232**	**1,224,032**
11401	Ministry of Humanitarian Affairs and Disaster Management	1,074,415	1,156,232	1,224,032
	Ministry of Constitution	**794,356**	**1,912,668**	**2,174,227**
11501	Ministry of Constitution	794,356	1,912,668	2,174,227
	Special Commissions	**4,722,666**	**13,407,870**	**7,452,250**
11601	Boundaries and Federation Commission	586,154	644,928	644,928
11602	National Reconciliation Commission	456,258	501,132	501,132
11603	National Independent Electoral Commission	1,718,919	10,000,000	3,560,000
11604	Human Rights Commission	-	100,000	100,000
11605	Independent Constitution Review and Implementation Commission	664,910	686,816	699,596
11606	National Civil Service Commission	1,296,425	1,374,994	1,522,594
11607	National Independent Anti- Corruption Commission	-	100,000	424,000

2	**Defence and Security**	**107,287,415**	**149,943,644**	**163,859,558**
	Ministry of Defence	**58,971,490**	**87,013,853**	**95,744,097**
20101	Ministry of Defence	1,145,772	1,238,363	1,262,363
20102	Armed Forces	56,284,475	84,198,490	92,904,734
20103	Military Court	1,444,588	1,462,000	1,462,000
20104	Orphans and Disabled	96,656	115,000	115,000
	Ministry of National Security	**48,315,925**	**62,929,791**	**68,115,461**
20201	Ministry of National Security	1,876,005	1,832,672	1,895,202
20202	Police Force	29,089,794	41,995,800	44,118,940
20203	National Security Force	12,754,562	14,505,679	17,505,679
20204	Immigration Department	4,595,564	4,595,640	4,595,640
3	**Economic Services**	**26,007,365**	**47,655,543**	**62,413,512**
	Ministry of Water and Energy	**1,290,061**	**3,373,552**	**8,049,477**
30101	Ministry of Water and Energy	1,111,940	1,193,752	5,240,192
	Donor-funded Special projects	178,122	2,179,800	2,809,285
	Ministry of Mineral	**1,186,443**	**1,681,595**	**1,695,772**
30201	Ministry of Mineral	922,866	1,402,012	1,563,772
	Donor-funded Special projects	263,577	279,583	132,000
	Ministry of Agriculture	**1,132,698**	**4,002,516**	**1,739,756**
30301	Ministry of Agriculture	1,132,698	1,502,516	1,739,756
	Donor-funded Special projects	-	2,500,000	-
	Ministry of Livestock and Forestry	**926,511**	**1,019,368**	**1,648,188**
30401	Ministry of Livestock and Forestry	926,511	1,019,368	1,648,188
	Ministry of Fishery and Marine Resource	**2,031,286**	**2,522,116**	**2,527,840**
30501	Ministry of Fishery and Marine Resource	1,454,164	1,899,932	1,914,536
30502	Somali Marine Research	495,979	516,208	507,328
30503	Offshore Fisheries Development Project	81,143	105,976	105,976
	Ministry of Information	**4,848,710**	**5,038,466**	**6,073,806**
30601	Ministry of Information	4,848,710	5,038,466	6,073,806
	Ministry of Post and Telecommunication	**4,225,252**	**4,227,726**	**2,903,586**
30701	Ministry of Post and Telecommunication	1,664,537	1,662,006	1,735,806
	Donor-funded Special projects	1,537,539	601,700	-
30702	Somali National Telecommunications Authority	1,023,176	1,964,020	1,167,780
	Ministry of Public Work & Reconstruction	**1,102,507**	**5,143,571**	**14,674,598**
30801	Ministry of Public Work & Reconstruction	1,102,507	1,112,632	6,056,832
	Donor-funded Special projects		4,030,939	8,617,766
	Ministry of Transport and Aviation	**4,914,217**	**16,142,731**	**17,395,251**
30901	Ministry of Transport and Aviation	1,936,401	2,193,256	2,317,876
30902	Civil Aviation and Metro-Authority	2,977,816	13,949,475	15,077,375
	Ministry of Transport and Ports	**2,189,723**	**2,268,848**	**2,606,228**
31001	Ministry of Transport and Ports	1,178,948	1,247,548	1,584,928
31002	Hamar Port	1,010,775	1,021,300	1,021,300
	Ministry of Industry & Commerce	**2,159,956**	**2,235,054**	**3,099,010**
31101	Ministry of Industry & Commerce	2,159,956	2,235,054	2,599,010
31102	Somali Quality Assurance Agency			500,000
4	**Social Services**	**19,251,058**	**149,089,456**	**109,007,323**
	Ministry of Health	**2,638,841**	**30,886,291**	**33,637,267**
40101	Ministry of Health	2,638,841	6,554,096	8,922,056
	Donor-funded Special projects	-	24,332,195	24,715,211
	Ministry of Education and Higher Education	**13,535,820**	**23,244,975**	**29,050,886**
40201	Ministry of Education and Higher Education	8,575,441	8,723,986	10,567,602
	Donor-funded Special projects	-	8,800,723	7,699,767
40202	National University	3,870,834	4,745,935	8,357,410
40203	Somali Academy Arts and Sciences	848,157	646,271	1,062,851
40204	Intergovernmental Acedamy of Somali language	241,389	328,060	1,363,256
	Ministry of Labour and Social Affairs	**1,524,840**	**93,332,549**	**44,653,089**
40301	Ministry of Labour and Social Affairs	1,524,840	1,587,040	1,784,032
	Donor-funded Special projects	-	91,745,509	42,869,057
	Ministry of Youth and Sport	**666,419**	**625,396**	**675,436**
40401	Ministry of Youth and Sport	666,419	625,396	675,436
	Ministry of Women and Human Rights Dev.	**885,137**	**1,000,244**	**990,644**
40501	Ministry of Women and Human Rights Dev.	885,137	900,244	890,644
40502	Somali Disabled Agency	-	100,000	100,000

The MoF appropriation in the table above shows the cost center "**Other Activities of the Sate**" to indicate funds the MoF administers on behalf of the FGS. These amounts are not funding that is available for spending on operational expenses of the MoF. Internationally, budget documentation often distinguishes between administered and departmental items. Administered items are expenses that agencies manage on the government's behalf. Examples of administered expenses In Somalia included in the cost center "**Other Activities of the State**" are:

- Payment of expenditure arrears from earlier years
- Payments transferred to the Central Bank of Somalia for banking operations of the FGS
- Loan interest charges, and
- Transfers of donor project funds to FMS.

5.3 Ninth National Development Plan (NDP-9)

The Somalia NDP-9 2020 to 2024 was issued on 15 October 2019. The plan is based on extensive consultations, to ensure that the plan's priorities reflect the voices of all Somalis. It offers a path to a just, stable, and prosperous Somalia.

NDP-9 serves firstly as a roadmap for the FGS for interventions and investments over the next five years; secondly, as a source of strategy and alignment for FMS plans, and; thirdly, as a guide for development partners in their planning. Identifying and monitoring the allocation of financial resources—from both external and domestic sources—to NDP-9 priorities through the annual budget process plays an essential role in ensuring that Somalia achieves the objectives laid out in NDP-9.

NDP-9 also serves as Somalia's poverty reduction strategy in the context of the country's participation in the HIPC Initiative. As such, NDP-9 provides a roadmap for how Somalia will channel the benefits of debt relief towards long-term poverty reduction. The tables presented below enhance the transparency and accountability of FGS spending on poverty reduction and support Somalia's participation in the HIPC process, as well as Somalia's national planning process more generally.

NDP-9 identifies that development and poverty reduction in Somalia are dependent on making progress on four causes of poverty and under-development: political fragility (inclusive politics), conflict (security and rule of law), weak economy (economic growth and employment), and community vulnerability (social development), all requiring a framework of strengthened governance.

In line with past practice, the complete financial resources of the FGS mapped to these pillars over recent years, and planned allocations for 2021 are shown in the table below against the NDP-9 Pillars (it has been standard practice in Somali budget presentations to include mapping of the entire budget to the pillars of the NDP of that time – refer to the Appendix of BPFP in previous budgets). This table covers the entire FGS budget for the years shown, and is a broader mapping than the specific activities identified and discussed further below:

Table 26: The 2019 to 2021 FGS Budget mapped to the NDP-9 Pillars

DESCRIPTION	2019 Actual	2020 Revised	2021 Budget	Change in Amount	Change %
Total NDP Costs	**315.7**	**684.8**	**657.9**	**- 27.0**	**-3.9%**
Inclusive Politics	140.8	261.9	159.9	- 102.0	-39.0%
Security and the Rule of Law	119.6	166.0	186.1	20.0	12.1%
Economic Development	35.8	107.4	200.3	92.8	86.4%
Social Development	19.5	149.5	109.5	- 40.0	-26.8%

Data mapped from MDA and Donor on-budget Projects

Donor on-budget funding to support poverty reduction

In 2020 a significant increase in donor financing in response to the number of natural disasters impacting Somalia in 2020: COVID-19; drought; floods; and locusts supported a substantial increase in poverty reduction spending through the budget. The revenue source for this resource has been the donor community.

The increased poverty reduction spending increased across all NDP-9 Pillars, but was largest in pillars 3 and 4. From the table above the increase in planned funding in 2020 over 2019 for **Pillar 4 – Social Development** shows and increase of $130.1 million, or over 6 times the support. The largest portion of this assistance is being directed provide cash support to the poor and vulnerable households and recovery of livelihoods. In support of **Pillar 3 – Economic Development** the increase of funding by $71.8 million in 2020 over 2019 (an increase of about 200 percent) is primarily directed at improving rural infrastructure, roads, water, and agricultural services. Significant increases in the 2020 Supplemental Budget compared to spending in 2019 include:

<u>In Pillar 4 – Social Development:</u>

- **Baxnaano program (Somalia Shock-Responsive Social Safety Net Project) (WB)** - +$ 51.7 million, to provide cash transfers to targeted poor and vulnerable households and establish the key building blocks of a national shock-responsive safety net system.
- **Shock Responsive Safety Net for Locust Response Project (SELRP) (WB)** - +$ 40 million, to respond to the threat to livelihoods and food security posed by the locust outbreak through the provision of emergency cash transfers.
- **Somali Crisis Recovery (WB)** - +$ 33.0 million to support the recovery of livelihoods and infrastructure in flood and drought-affected areas and strengthen capacity for disaster preparedness nationwide.
- **Recurrent Cost and Reform Financing Facility (WB)** – +$ 5.6 million to support improved service delivery in health and education sectors.
- **Education Sector Program Implementation Grant (ESPIG) (Global Partnership for Education)** - +$4.4 million to improve equitable access to and quality of education outcomes for all Somali primary school children.

<u>In Pillar 3 – Economic Development</u>

- **Water for Agro-pastoral Productivity and Resilience (Biyoole) Project (WB)** - +$ 7.9 million to develop water and agricultural services among agro-pastoralist communities in dryland areas of Somalia.

- **Somalia Urban Resilience Project (SURP) (WB) -** +$ 8 million to provide: (i) an assessment of the feasibility of, and preliminary plans for, selected urban investment, and institutional strengthening activities in southern Somalia, Puntland, and Somaliland, and (ii) enhanced project preparation and implementation capacity of participating agencies.
- **Road Infrastructure Program (RIP) (AfDB)** - +$ 3.0 million to improve management of the road sector at the national level and improve transport connectivity for road users in the targeted road corridors for rehabilitation while reinforcing the capacities of federal and regional institutions that manage road infrastructure.
- **Somalia Urban Resilience Project PH2 (PCU) (WB)** - +$ 1.0 million to strengthen public service delivery capacity of local governments and increase access to urban infrastructure and services in selected areas.

These targeted spends, some of which will be delivered through the FMS, together with baseline spending (see below) of the FGS and continuing special projects of the donor community, and the approval of the NDP-9 strategy, present an emerging picture where poverty reductions is at the forefront of policy response in Somalia.

5.4 Expenditure Measures

Improving PFM remains a key element of the FGS fiscal program, particularly as budget revenues increase. During 2021, the government will issue PFM regulations on budget preparation and execution, payment process, cash advances, and cash management and banking. It is also planned to further enhance fiscal transparency by providing clarity on the breakdown of FGS transfers to BRA, FMS, and Somaliland in monthly published fiscal reports.

In the course of 2021, the FGS plans to add functionality to the Somali Financial Management Information System (SFMIS) to support controls for allotments, linking warrants approval to allotments, which are informed by the rolling updated monthly cash forecasts. To support continued operability of the SFMIS, a review of the functionality and governance of SFMIS will be undertaken, and a plan developed to address any identified control gaps.

The FGS will enact the Audit Bill in 2021. Additionally, FGS will develop a reporting framework for MDAs to identify extrabudgetary transactions (e.g. off-budget donor grants), contingent liabilities, and financial assets and liabilities.

In 2021, most of the donor funded special projects, including those discussed above, will continue. This will imply resources of $240.8 million being directed largely to NDP-9 priorities through on-budget donor funded projects. Details of all donor funded activities proposed in Somalia in 2021 are shown in the Annex.

Funding from the discretionary FGS budget to support poverty reduction

In the FGS budget some funding is tied specifically to donor grants – hypothecated. This money is therefore not available to the FGS to allocate to activities aside from the projects it is related to. The remaining funding available to the government, comprising domestic revenue and donor funded budget support grants, are free to be allocated to priorities of the government, i.e. the government has discretion on how to allocate these non-tied funds.

Complementing the donor support to the NDP-9 priorities, as noted in the budget strategy chapter above, all the identified fiscal space available to the FGS in 2021 will be directed to new activities (policies) to support implementation of the NDP-9. These additional budget resources total $38.0 million. The following table summarizes the NDP-9 measures to be financed from domestic revenues and donor budget support in 2021 and how they have been allocated to the four NDP-9 pillars:

Table 27: Allocation Fiscal Space funds to NDP-9 priorities in 2021

Code	Description	2021 Discretionary Financing of NDP-9 (total) ($)	Share of total %
	Total NDP Costs	**37,995,580**	**100%**
1	**Inclusive Politics**	**6,635,001**	**17%**
2	**Security and the Rule of Law**	**4,880,800**	**13%**
3	**Economic Development**	**9,620,000**	**25%**
4	**Social Development**	**16,859,779**	**44%**

In allocating the fiscal space in 2021 the MoF consulted the Ministry of Planning and Economic Development and agreed on how to allocate the fiscal space to MDAs. The MDAs were advised of the priorities in the NDP-9 and asked to consider how they might best allocate the new policy resources to NDP-9 priorities within their area of operation. That information has been collected and reflected in the following tables for each of the four NDP-9 pillars.

The following tables lists the new activities applied through the discretionary portion of the FGS 2021 Budget to priorities of the NDP-9, and which will complement the expenditures on donor-funded special projects. It will also complement spending by the FMS based on transfers of common resources (see Chapter 5.1.4 above) under the agreed FGS-FMS expenditure guidelines, of which two thirds is to be conditional on it being used on expenditures such as healthcare, education, housing, food security, and safety equipment.

5.4.2. Inclusive Politics

Table 28: Activities to be funded in 2021 under NDP-9 Pillar 1 – Inclusive Politics

Code	Description	2021 Discretionary Financing of NDP-9 (total) ($)		Share of total %
	Total NDP Costs		**37,995,580**	**100%**
1	**Inclusive Politics**		**6,635,001**	**17%**
10501	**Ministry of Finance**		**$ 2,453,058**	**37%**
	Strengthen revenue management and Budget preparation and execution	*2,453,058*		
10601	**Ministry of Planning, Investment and Economic Development**		**$ 499,998**	**8%**
	Strengthen M&E capacity for NDP implementation, and develop a comprehensive management information system	*499,998*		
10602	**National Statistics Department**		**$ 1,000,000**	**15%**
	Strengthen statistical capacity and information management	*1,000,000*		
10701	**Ministry of Interior and Federal Affairs**		**$ 959,794**	**14%**
	Rehabilitation of the MOIFAR building and provision of ICT to enhance civic participation in state formation	*959,794*		
11501	**Ministry of Constitution**		**$ 1,722,151**	**26%**
	Facilitation of constitutional review process including provision of ICT equipment for constitutional outreach programmes	*1,722,151*		

Additional funding of $2.5 million is provided to the Ministry of Finance to support strengthening of the fiscal framework by implementing reforms to broaden the tax base and enhance compliance with tax provisions.

The Ministry of Planning, Investment and Economic Development are directing $0.5 million of funding to strengthen monitoring and evaluation capacity for NDP-9 implementation, and to develop a comprehensive management information system.

Improving key macroeconomic and financial data will be critical to guiding economic policies. Now that the amendments to the National Statistics Law have been passed, FGS has established the National Statistics Department. In 2021 FGS will develop the strategic and institutional framework of the SNSD and to update the Economic Statistics Action Plan to reflect the short-term operational objectives and progress on collecting and disseminating macroeconomic and financial data.

The National Statistics Department has been allocated additional funding of $ 1 million to implement plans to establish a national database center and strengthen statistical capacity and information management, with the overall goal to make DNS an authoritative source of accurate, reliable and timely official statistics on Somalia that satisfies the needs of different data users. A dearth of available data hampers the ability of government and partners to target appropriate interventions, establish evidence-based policies and to monitor progress. This work will be augmented with assistance from the World Bank and Statistics Sweden to conduct surveys to collect and analyze data such as household surveys, GDP, CPI and other critical socio-economic indicators.

The strengthening of statistical capacity and information management will enhance efficiency in Government's planning and delivery of poverty reduction. Improving statistics management will facilitate better planning in Government, which will spur better government performance by linking planning more closely with execution. In addition, better information and planning will move resources to areas with a higher marginal rate of return and more resources reaching frontline services where most poor people are located. Overall, better planning is expected to lead to identification of more productive investments thereby increasing effective use of the available resources which will not only contribute to economic growth but also poverty reduction.

The Ministry of Interior and Federal Affairs will receive funding in 2021 of $1.0 million to establish a center for federal resources, develop intergovernmental relations act, enhance civic and elders' participation in state formation to deepen federalization; build consensus with regard to development of National Decentralization Police; support the implementation of Community Recovery Projects; develop a Rural Development Strategy; facilitate integration of IDPs and host communities; identify causes of repeated conflicts and facilitate a national reconciliation conference; and rehabilitate MOIFAR building.

The Ministry of Constitution will be provided additional funding in 2021 of $1.7 million to fund facilitation of constitutional review process including provision of ICT equipment for constitutional outreach programs.

5.4.3. Security and the Rule of Law

Table 29: Activities to be funded in 2021 under NDP-9 Pillar 2 – Security and the Rule of Law

Code	Description	2021 Discretionary Financing of NDP-9 (total) ($)		Share of total %
2	**Security and the Rule of Law**	**4,880,800**	**4,880,800**	**12%**
20201	**Ministry of National Security**		**$ 795,950**	**16%**
	Strengthen internal security infrastructure	*795,950*		
20202	**Police Force**		**$ 124,900**	**3%**
	Completion of on-going biometric registrations for all SPF	*124,900*		
20102	**Armed Forces**		**$ 156,100**	**3%**
	Completion of on-going biometric registrations	*156,100*		
11101	**Attorney General**		**$ 55,400**	**1%**
	Institutional capacity building	*55,400*		
10901	**Ministry of Justice and Endowment**		**$ 1,014,550**	**21%**
	Contruction of three prisons in three states	*1,014,550*		
110	**Judicial Authorities**		**$ 2,733,900**	**56%**
	Construct court buildings (Supreme, Banaadir, and Appeal Courts) and strengthen the electronic case management system	*2,733,900*		

The Ministry of National Security will receive $0.8 million to strengthen their internal security infrastructure.

The **Police Force** have been provided with additional funding of $ 124,900 to permit them complete on-going biometric registrations for all security institutions to improve personnel management, and complete payroll reform. The **Armed Forces (SNA)** will also complete biometric registration of all soldiers in 2021, costing $156,100. Implementation of biometric registration entails sending all security personnel salaries to their bank accounts as opposed to channeling the payments through their commanders. This is expected to enhance financial inclusion in Somalia, in addition to increasing the incomes of security personnel that were previously unable to access their salaries in a timely and regular manner.

Funding in the amount of $1.0 million is being provided to the **Ministry of Justice** to construct prisons in Dhusomareb, Beledweye and Wanlaweyn (which are relatively densely populated areas).

Government will resource the **Judicial Authorities** with $2.7 million of additional funds in 2021 to implement a case management system at all courts, build an institute to train judges, as well as construct five district courts in Banaadir Region. This investment is particularly expected to enhance access to justice especially for communities where land grabbing is rampant and has tended to impede the use of the affected land in a more productive manner.

5.4.4. Economic Development

Table 30: Activities to be funded in 2021 under NDP-9 Pillar 3 – Economic Development

Code	Description	2021 Discretionary Financing of NDP-9 (total) ($)		Share of total %
3	**Economic Development**	**9,620,000**	**9,620,000**	**24%**
30101	**Ministry of Water and Energy**		**$ 4,000,000**	**42%**
	Rehabilitate the pre-war irrigation and flood control infrastructure in southern Somalia	*4,000,000*		
30401	**Ministry of Livestock and Forestry**		**$ 620,000**	**6%**
	Rehabilitation of livestock laboratory and capacity building for lab management	*620,000*		
30801	**Ministry of Public Work & Reconstruction**		**$ 5,000,000**	**52%**
	Rehabilitate main arterial roads and key feeder road networks across the country	*5,000,000*		

In 2021 the FGS plans, with support from our development partners, to take further steps to implement the findings of the Somalia Drought Impact and Needs Assessment and the Recovery and Resilience Framework. The floods in 2020 have reinforced the need to focus on improving water management and resilience. The government is developing the National Water Resource Strategic Plan, as well as the Somalia Water Development Fund. To enhance trade and reduce transportation costs, we will continue to improve our road system and interconnections to neighboring countries.

The **Ministry of Water and Energy** will receive $4.0 million in 2021 to rehabilitate the pre-civil war irrigation and flood control infrastructure in southern Somalia to improve the availability of surface water to agriculture. Interventions targeting livestock and agricultural productivity will be complemented by the introduction of modernized livestock and farming techniques aimed at improving productivity. Drilling of boreholes for rural communities is expected to improve the quality of water and sanitation, which will result in better health and reduced disease risk, thereby leading to more healthy and productive communities. Restoration of flood control infrastructure is also expected to increase the availability of arable land, which will result in increased agricultural production and increased farmer incomes.

Through the **Ministry of Livestock and Forestry** the government plans to spend $620,000 in 2021 to modernize traditional systems for livestock production, strengthen animal health, welfare, and nutrition, and promote value addition in livestock products. This is expected to result to increased livestock productivity and production, which will in turn bring about a decrease in domestic prices of livestock products (especially milk and beef), and eventually result in improved economic welfare of Somalis. Strengthened health of the livestock is also expected to result in higher value of livestock exports, which will lead to increased incomes for the rural farmers.

Recognizing that main roads connecting the regions and feeder roads have long fallen into disrepair with major segments becoming increasingly unusable, especially during the rainy seasons, the **Ministry of Public Works & Reconstruction** will receive an additional $5.0 million to develop a road transport strategy with a sustainable funding mechanism to repair and maintain the road infrastructure and, importantly, guide international interventions in this area. The planned rehabilitation of the main arterial roads and key feeder road networks across the country is expected to create over 2000 jobs. This will increase consumption levels of the construction workers, which will mean purchasing food and other items from the construction areas, thereby putting money in the hands of the communities in those areas. Rehabilitation of roads is also expected to result in reduced journey time, reduction in vehicle operating costs (because of the improved road conditions) and a faster evacuation of agricultural produce from farms to markets, which in the end will lead to increased incomes for the affected rural communities. In addition, the capital costs associated with the construction works will essentially entail civil works and purchase of materials from the local communities, which will increase the incomes of such communities.

5.4.5. Social Development

Table 31: Activities to be funded in 2021 under NDP-9 Pillar 4 – Social Development

Code	Description	2021 Discretionary Financing of NDP-9 (total) ($)		Share of total %
4	**Social Development**		16,859,779	44%
40101	**Ministry of Health**		$ 6,855,620	41%
	Establish a National Institute of Health; Relocate national cold chain center from Nairobi to Mogadishu; Upgrade infrastructure for Banadir, Forlanin and Martini hospitals; Refurbish malaria vector control room; strengthen the Health Information Management System	*6,855,620*		
40201	**Ministry of Education and Higher Education**		$ 8,357,010	50%
	Rehabilitate 100 primary and secondary schools; reconstruct Hawa Tako Secondary School; operationalize the national museum; capacitate the female teachers' training college; construction of National Examination & Certification Extension Office and National Curriculum Office	*8,357,010*		
40202	**National University**		$ 1,647,149	10%
	Building new class rooms; and strengthening the research capability	*1,647,149*		

Funding totaling $7.3 million is being provided to the **Ministry of Health** for the construction of new health centers to reduce distances to health facility for service users, which is expected to increase access to health as well as freeing-up time for productive activities. Better healthcare also allows higher human capital accumulation, leading to higher wages. In addition, rehabilitation and construction of health centers will create many jobs and other opportunities for people in the communities where construction will take place, which will help increase their incomes.

Access to education is fundamental to alleviate poverty. Government is providing additional resources to the **Ministry of Education and Higher Education** to implement the following projects in 2021 costing $8.4 million; (i) Rehabilitation and furnishing of 100 primary and secondary schools, (ii) reconstruction of Hawa Tako Secondary School, (iii) restock and operationalize the National Museum, (iv) Implement effective teacher training and management systems, (v) rehabilitate the Culture & Higher Education Center, (vi) construct MOECHE HQ, the National Curriculum Center, and the National Examination Center. These projects are expected to create over 2000 jobs both skilled and unskilled jobs, assisting these workers and their dependents from poverty. The FGS is also expected to collect additional revenue from the construction workers, which will be expected to finance more poverty reduction programs. The rehabilitation and construction of schools will lead to more learning and higher enrolment which is expected to lead to better wages for the beneficiaries, and delayed pregnancy for girls among other benefits. Construction of the ministry of education headquarters is expected to result in better management of the education sector which may improve efficiency in education spending in Somalia. The restocking and operationalization of the national Museum is expected to attract both domestic and foreign tourists, thereby generating income for the FGS and providing employment to about 500 currently jobless people.

In support of the NDP-9 the **Somali National University** is to be provided with an additional $1.6 million to fund the building of new lecture rooms at the Gahyer campus and at KM4, and to implement a research center to strengthen research capability. The planned construction of new lecture rooms at the SNU Gaheyr campus and four faculties at Km4, strengthening research capabilities of university staff and students, and the refurbishing/restocking of the university library are at least expected to improve learning outcomes and research outputs at the university, as well as create new jobs for construction and library workers at the university. The capital costs associated with the construction works will also increase incomes for suppliers of the construction materials, which are all expected to contribute to the overall country's poverty reduction.

6. Special Presentations

6.1. Budgets of the Federal Member States

The Ministry of Finances of the FGS, FMS and the BRA signed a fiscal transfer policy in November 2019. The objective was to achieve the harmonization of the planning and budgeting cycles of all entities to ensure that FMSs' fiscal transfer aspects are appropriately catered for in the FGS budget, and to provide citizens across Somalia with an aggregate picture in the one document of the level of essential goods and services to be provided by all levels of government. Another follow-up meeting was held in Mogadishu in August 2020 between all the finance ministers which emphasized the importance of harmonizing the entire budget in FY2021 of the FMSs and the FGS. Preparing an aggregated budget for the FGS and FMS is a significant reform to federal fiscal arrangement and for budget transparency, and it is an essential next step in the country's budget reforms.

This presentation of budget is an *ex ante* (before the event) presented on an ***aggregation*** basis, i.e. transfers from the FGS to FMS are shown both as expenditures in the FGS budget and revenues received in the FMS budgets. In *ex post* (after the event) presentations, the data will be presented on a ***consolidation*** basis.

The following table indicates the planned 2021 budgets for FMS, Somaliland and Banaadir.

Table 32: 2021 Budgets of the FGS, FMS, Somaliland, and Banaadir Local Government

Code	Description ($ million)	FGS	Puntland	Jubaland	Hirshabelle	South West State	Galmudug	Benadir-Mogadishu City	Total Budgets
1	**Revenue**	**680.5**	**123.7**	**24.3**	**13.3**	**20.4**	**31.2**	**34.8**	**928.2**
11	**Tax Revenue**	**182.9**	**59.0**	**19.0**	**7.5**	**5.0**	**17.7**	**12.9**	**303.9**
111	Taxes on income, profits, and capital gains	1.5	0.3	0.3		0.0	0.2	-	2.3
112	Taxes on payroll and workforce	11.7	5.5	0.5		0.8	0.7	-	19.2
113	Taxes on property	0.6	0.0		0.4			3.0	4.0
114	Taxes on goods and services	30.0	7.1	6.9	6.3	3.4	8.7	6.8	69.3
1141	Sales and turnover taxes	30.0	7.1	6.9	6.3		8.7		59.1
1142	Excise Tax	-							-
115	Taxes on international trade and transactions	128.0	41.7	10.9	0.7	0.8	8.1	3.1	193.4
1151	Customs and other Import duties	91.0	41.7	10.9	0.7	0.8	8.1	3.1	156.4
1156	Taxes on Khat	37.0							37.0
116	Other taxes	11.0	4.2	0.4					15.6
12	**Social contributions**	**-**	**0.8**	**-**	**-**	**-**	**13.0**	**-**	**13.9**
121	Social security contributions		0.8						0.8
122	Other social contributions						13.0		13.0
13	**Grants**	**410.8**	**13.3**	**4.3**	**5.4**	**15.3**	**-**	**17.6**	**466.6**
131	From foreign governments	30.0	2.0						32.0
132	From international organizations	380.8	11.3	4.3	5.4	15.3		17.6	434.6
1321	Current - Grants - Multilateral	380.8		0.1			0.2	0.8	381.9
	From the FGS (Grants)		11.3	4.2	5.4		12.8	16.8	50.5
14	**Other revenue**	**86.8**	**50.7**	**1.0**	**0.4**	**0.1**	**0.5**	**4.3**	**143.8**
141	Property income		-	0.1		0.0		0.1	0.2
142	Sales of goods and services	86.8	21.2	0.9	0.4	0.1	0.2	4.1	113.7
143	Fines, penalties, and forefits		0.2	0.0	0.0	0.0	0.3	0.1	0.6
144	Other revenue nec		29.3			-		-	29.3
2	**Expense**	**666.5**	**123.7**	**24.3**	**13.3**	**20.4**	**31.2**	**34.8**	**914.3**
	Operating expenditure	**425.6**	**94.1**	**24.3**	**13.3**	**20.4**	**31.2**	**34.8**	**643.7**
21	Compensation of employees	246.9	45.0	13.0	8.3	7.7	14.3	23.7	359.0
22	Use of goods and services	98.3	27.4	6.1	3.2	3.2	12.1	7.4	157.5
23	Consumption of fixed capital	32.2	15.7	0.1	0.6	9.2	4.0	1.6	63.5
24	Interest	2.5	-			-		-	2.5
25	Subsidies	-	-			0.0		-	0.0
26	Grants	43.2	1.4	0.2	1.2	-	0.4	-	46.5
27	Social benefits	-	1.4	0.2		-	0.3	0.9	2.9
28	Other expenses	2.5	3.2	4.6		0.3	0.0	1.2	11.8
	Donor Project expenditure (on-budget)	**240.9**	**29.7**	**-**	**-**	**-**	**-**	**-**	**270.6**
21	Compensation of employees	5.8							5.8
22	Use of goods and services	84.9							84.9
23	Consumption of fixed capital	50.8							50.8
24	Interest	-							-
25	Subsidies	11.9							11.9
26	Grants	27.3							27.3
27	Social benefits	60.2							60.2
28	Other expenses	-	29.7						29.7
3	**Balance**	**14.0**	**-**	**0.0**	**-**	**- 0.0**	**- 0.0**	**- 0.0**	**14.0**

6.2. Donor-funded on-budget Projects

The 2021 Budget includes funding for several special projects, being funded by the international community, with payments and receipts passing through the FGS budget, utilizing government payment systems. The full list of such projects and the Ministers they are accountable to is shown in the following table:

Table 33: Donor funded on-budget projects, 2019 - 2021

DESCRIPTION	2019 Actual	2020 Revised	2021 Budget
Special Projects	**17,315,105**	**206,877,110**	**240,901,505**
Office of the Prime Minister	**1,822,430**	**3,000,000**	**4,127,080**
Capacity Injection and Institutional Strengthening Project	1,822,430	3,000,000	4,127,080
Ministry of Finance	**9,378,187**	**41,628,462**	**98,874,075**
Special Financing Facility (WB-MPTF and UN)	1,521,972	3,941,051	3,189,655
Domestic Revenue Mobilization and PFM Capacity Strengthening Project	2,579,679	5,000,000	10,365,062
Economic and Financial Governance Institutional Support Project	1,899,833	5,702,486	2,806,912
Recurrent Cost & Reform Financing Facility	1,346,764	2,570,646	2,550,000
Core Economic Institutions (SCORE) Project	2,029,939	6,000,000	-
Capacity Advancement (SCALED - UP) Project	-	5,500,000	24,787,200
Strengthening Institutions Project (SIEPMID)	-	2,212,356	3,321,165
Regulatory Authority For Energy Sector Project	-	693,582	981,205
Somali Crises Recovery (SCR)	-	10,008,341	50,872,877
Ministry of Planning, Investment and Economic Development	**-**	**7,910,529**	**11,780,079**
Biyoole Project (Water for Agro-pastoral Productivity and Resilience)	-	7,910,529	11,780,079
National Statistics Department	**-**	**4,000,032**	**10,517,720**
Somali Integrated Statistics and Economic Capacity Building Project	-	4,000,032	10,517,720
Ministry of Interior and Federal Affairs	**4,135,250**	**15,867,637**	**28,759,464**
Support Stabilization Project (S2S)	1,086,506	1,930,507	1,930,500
Somalia Urban Resilience Project (SURP)	3,048,744	5,372,521	1,830,000
Somali Urban Investment Planning Project - Additional Financing (SUIPP-AF)	-	564,609	-
Somalia Urban Resilience Project PH2 (PCU)	-	8,000,000	24,998,964
Ministry of Mineral	**263,577**	**279,583**	**132,000**
Petroleum Technical Assistance Project (SOPTAP)	263,577	279,583	132,000
Ministry of Agriculture	**-**	**2,500,000**	**-**
Somali Crises Recovery (SCR)	-	2,500,000	-
Ministry of Post and Telecommunication	**1,537,539**	**601,700**	**-**
ICT Sector Support Project	1,537,539	601,700	-
Ministry of Water and Energy	**178,122**	**2,179,800**	**2,809,285**
Electricity Access (SEAP) Project	178,122	2,179,800	2,809,285
Ministry of Public Work & Reconstruction	**-**	**4,030,939**	**8,617,766**
Road Infrastructure Programme (RIP)	-	3,030,939	4,123,247
Somalia Urban Resilience Project PH2 (PCU)	-	1,000,000	4,494,519
Ministry of Labour and Social Affairs	**-**	**91,745,509**	**42,869,057**
Baxnaano Project (Shock-Responsive Social Safety Net)	-	51,745,509	11,380,000
Shock Responsive Safety Net for Locust Response Project	-	40,000,000	31,489,057
Ministry of Education and Higher Education	**-**	**8,800,723**	**7,699,767**
Education Sector Program Implementation Grant (ESPIG)	-	4,428,608	2,555,504
Recurrent Cost & Reform Financing Facility	-	1,760,876	1,852,543
Maximum County Allocation (MCA) Project	-	2,611,240	3,291,720
Ministry of Health	**-**	**24,332,195**	**24,715,211**
Recurrent Cost & Reform Financing Facility	-	3,796,370	4,179,386
Somali Crises Recovery (SCR)	-	20,535,825	20,535,825

A summary of the objectives of the donor funded on-budget projects are outlined below:

Capacity Injection Project (CIP)

The project's development objective is to strengthen the staffing and institutional capacity of selected line Ministries and central agencies to perform core government functions.

Special Financing Facility for Local Development (SFF)

The project's development objective is to support the construction and reconstruction of infrastructure and development of public service delivery in targeted areas of Somalia and support Federal Government capacity to respond to an eligible (naturally triggered) emergency.

Domestic Revenue Mobilization and PFM Capacity Strengthening Project

The project development objective (PDO) is to establish and strengthen institutional capacity for the management of public funds in Central Finance Agencies and targeted sectors; to strengthen systems of domestic revenue mobilization, expenditure control and accountability.

Economic and Financial Governance Project (EFGP)

The PDO is to strengthen macroeconomic management and enhance transparency and accountability in the use of public resources.

Recurrent Cost and Reform Financing Facility (RCRF)

The PDO is to support the development of credible and sustainable payroll, and to establish the foundation for efficient budget execution and payment systems for the non-security sectors in the FGS and eligible FMS and interim and emerging administrations. Additionally, the project provides support to the FGS and eligible FMS to strengthen resource management systems, the inter-governmental fiscal framework, and service delivery systems in health and education.

Core Economic Institutions and Opportunities Program Series of Projects (SCORE)

The PDO is to improve the enabling environment for private and financial sector development; and catalyze private investment and job creation.

Capacity Advancement, Livelihoods and Entrepreneurship, Through Digital Uplift Project (SCALED-UP)

The PDO is to support progress towards increased access to basic digital financial and government services targeting entrepreneurship and employment, particularly for women.

Strengthening Institutions for Economic Policy Management and Infrastructure Development (SIEPMID)

The PDO is to enhance institutional capabilities in the economic planning to anchor government's formulation, implementation and coordination of macro-economic and fiscal policies; enhancing data quality and reporting; and technical skills development critical for the reconstruction and development phases of the Somali economy.

Deepening Dialogue, Technical Assistance and Capacity Building (Energy Sector) Project (AfDB)

The project seeks to build the capacity of Somalia Federal Ministry of Energy and Water, entities responsible for Energy in FMS and Members of the PPD Platform to effectively lead, manage and drive the formalization of the Somali Electricity Sector Regulation.

Somalia Crisis Recovery Project (SCR)

The PDO is to support the recovery of livelihoods and infrastructure in flood and drought affected areas and strengthen capacity for disaster preparedness nationwide.

Biyoole Project (Water for Agro-pastoral Productivity and Resilience)

The PDO is to develop water and agricultural services among Agro-pastoralist communities in dryland areas of Somalia.

Somali Integrated Statistics and Economic Capacity Building Project

The PDO is to strengthen the national statistical system in the collection, processing and dissemination of poverty and selected macro-economic data to inform development policy and poverty reduction activities.

Support Stabilization Project (S2S)

The PDO is to stabilize national strategy and for enabling the role of the Ministry of Interior and Federal Affairs as the lead government Ministry and provide support to interim district authorities in 14 districts of Jubbland, South West, Hirshabelle and Galmudug States; promote reconciliation; and facilitate the extension of state authority and accountability to the district level.

Somalia Urban Resilience Project (SURP)

The PDO is to strengthen public service delivery capacity at the sub-national level and support the reconstruction of key urban infrastructure in targeted areas.

Somali Urban Investment Planning Project - Additional Financing (SUIPP-AF)

The PDO is to provide; an assessment of the feasibility of, and preliminary plans for, selected urban investment and institutional strengthening activities in targeted cities, and enhanced project preparation and implementation capacity of participating agencies.

Somalia Urban Resilience Project II (PCU)

The PDO is to strengthen public service delivery capacity of local governments and increase access to urban infrastructure and services in selected areas.

Electricity Access (Project (SEAP)

The PDO is to expand access to electricity in targeted urban, peri-urban, and rural communities in Somalia.

Petroleum Technical Assistance Project (SOPTAP)

The PDO is to strengthen the institutional framework and the capacity of the Somali petroleum sector to manage the sector and wealth for sustainable development impacts.

ICT Sector Support Project (ICT)

The PDO is to support the ICT Sector in Somalia by contributing to establishing an enabling environment and by encouraging efficiency and equity in access to connectivity.

Road Infrastructure Program (RIP)

The PDO is to improve management of the road sector at the national level and improve transport connectivity for road users in the targeted road corridors for rehabilitation while reinforcing the capacities of federal and regional institutions that manage road infrastructure.

Education Sector Program Implementation Grant (ESPIG)

The PDO is to improve equitable access to and quality of education outcomes for all Somali primary school children through strengthened system capacity to design evidence driven ESSP reforms and collaborate effectively with partners in their implementation.

Maximum County Allocation Project (MCA)

The PDO is to improve the quality of education services; and to build capacity at multiple levels within the system, working towards increased efficiency.

Baxnaano Project (Somalia Shock-Responsive Social Safety Net)

The PDO is in providing cash transfers to targeted poor and vulnerable households and thereby establish the key building blocks of a national shock-responsive safety net system.

Shock Responsive Safety Net for Locust Response Project (SELRP)

The PDO is to respond to the threat to livelihoods and food security posed by the locust outbreak through the provision of emergency cash transfers.

6.3. Program budgets

For the 2021 Budget the FGS will continue a pilot basis to present resource information for MDAs by Programs, as part of its PFM reforms agenda. Program Based Budgeting (PBB) is a system of managing performance and accountability where expenditure is classified by program and common policy objectives. A program is defined as a single group of activities and projects, which consumes resources to achieve a stated policy objective. PBB classifies expenditure by types of service and objectives, rather than by types of inputs—salaries, supplies, equipment, etc[1]. PBB changes the focus of the budgetary process from an input-based annual activity to a performance-based exercise that links expenditures to policy results, which improves the efficiency[2] and effectiveness[3] of expenditures. In other words, PBB shifts the focus of budget presentation from inputs to outputs. As an example, PBB is concerned with "Did Ministry of Health deliver vaccination services effectively?" instead of

[1] IMF, 2009

[2] means a measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results.

[3] means the changes that result from delivery/intervention

"Did Ministry of Health spend the money appropriated for stationery or not?" As such, PBB is an effort to turn Somalia's scarce public funds into tangible results i.e. linking resources and results, by outlining a general chain of cause-and-effect within the programs. It is important to note that PBB does not eliminate the use of line items. For every program there will be needed to show line item budgets for personnel expenses, purchase of goods and services, grants, acquisition of assets (capital), etc.

The objectives for introducing PBB include:

i) To reform the budget framework to make it more results-oriented and geared to achieving development outcomes;
ii) To improve effectiveness of MDAs through developing and implementing programmed activities;
iii) To provide more substantial information to Cabinet on government performance for decision-making purposes and for setting future targets and priorities;
iv) To maximize value for money in service delivery;
v) To enhance external resource mobilization.

In 2020, it was agreed that PBB is piloted by four MDAs, namely (i) Ministry of Planning and Economic Development; (ii) Ministry of Education; (iii) Ministry of Health; and (iv) Somalia Civil Aviation Authority. The choice of the pilot MDAs was largely based on the sizable amount of resources controlled by these MDAs, and their level of organization (e.g. Health and Education already have approved strategic plans).

For 2021, the pilot has been expanded to 15 MDAs, largely focusing on MDAs that are implementing NDP capital projects. Each of the participating MDAs was asked to prepare their PBB statements following a template provided to them as an attachment to the 2021 BCC. The pilot MDAs were also given a costing template to use to develop their PBB estimates for 2021. The MDAs worked with teams from the Budget Directorate to develop their PBB estimates and statements. Abridged PBB statements for the pilot MDAs are presented below, with each abridged statement structured as follows:

- A brief statement on MDA mandate
- Main recent achievements/developments
- Key challenges and proposed actions for 2021
- Planned capital expenditure for 2021
- Key performance indicators

The table below presents a summary of the 2021 Budget for the pilot MDAs, by major object of expenditure grouping (participating MDAs only are included):

Table 34: FGS Operating Budgets disaggregated by Program (for relevant MDAs) (1 of 2)

Code	MDA/Program	Compensation of Employees	Goods and Services	Consumption of Fixed Asset	Grants	Other Expenses	2021 Program Budget
Operating expenditure		**40,684,619**	**22,873,891**	**25,938,445**	**5,600,000**	**-**	**95,096,955**
100	**Inclusive Politics**	**17,389,854**	**11,103,927**	**3,438,317**	**5,400,000**	**-**	**37,332,098**
10501	**Ministry of Finance**	**7,739,532**	**4,013,179**	**780,563**	**-**	**-**	**12,533,274**
70139	Budget preparation, execution and monitoring		467,935	55,500			**523,435**
70140	Tax policy and administration			937,724			**937,724**
70141	Economic policy and planning		17,600				**17,600**
70142	Debt management						**-**
70143	Procurement policy and management		5,300				**5,300**
70144	Direction and administration (MOF)	7,588,476	2,509,927	485,212			**10,583,615**
10601	**Ministry of Planning, Investment and Econon**	**1,839,576**	**659,998**	**83,500**	**-**	**-**	**2,583,074**
70149	Economic planning and development		219,590	23,500			**243,090**
70150	Development performance monitoring & evaluation		196,908	60,000			**256,908**
70151	Public investment planning						**-**
70152	Direction and administration (MPIED)	1,808,196	243,500				**2,051,696**
10602	**National Statistics Department**	**264,120**	**1,164,850**	**18,750**	**-**	**-**	**1,447,720**
70173	Coordination and management of statistical system						**-**
70174	Statistical production and dissemination		981,250	18,750			**1,000,000**
70175	Direction and administration (NBS)	264,120	183,600				**447,720**
10701	**Ministry of Interior and Federal Affairs**	**1,548,438**	**1,138,355**	**85,904**	**5,400,000**	**-**	**8,172,697**
70118	Stabilization and establishment of local governments		539,200		5,400,000		**5,939,200**
70119	Deepening Federalization		187,800	4,000			**191,800**
70120	Reconciliation	6,870	123,070	4,500			**134,440**
70121	Direction and Administration (MOIFAR)	1,542,438	281,415	77,404			**1,901,257**
10901	**Ministry of Justice and Endowment**	**550,764**	**439,050**	**765,000**	**-**	**-**	**1,754,814**
70122	Justice affairs						**-**
70123	Legal affairs/drafting		114,550				**114,550**
70124	Correctional services		135,000	765,000			**900,000**
70125	Direction and administration (justice)	550,764	189,500				**740,264**
110	**Judicial Authorities**						
11001	**Supreme Court**	**1,652,472**	**1,370,700**	**1,383,600**	**-**	**-**	**4,406,772**
70179	Supreme court governance	791,212	430,000				**1,221,212**
70187	Judiciary infrastructure and capacity development		709,700	1,758,600			**2,468,300**
11002	**Banaadir Court**	**1,430,124**	**347,000**	**92,000**	**-**	**-**	**1,869,124**
70184	Banaadir court governance	1,205,724	203,000	92,000			**1,500,724**
11003	**Appeal Court**	**488,268**	**263,500**	**173,600**	**-**	**-**	**925,368**
70185	Appeals court governance	460,068	83,500	173,600			**717,168**
11101	**Attorney General**	**1,006,728**	**402,900**	**55,400**	**-**	**-**	**1,465,028**
70186	Direction and Administration (Attorney Gene	1,006,728	402,900	55,400			**1,465,028**
11501	**Ministry of Constitution**	**869,832**	**1,304,395**	**-**	**-**	**-**	**2,174,227**
70130	Constitutional development	-	978,605				**978,605**
70131	Constitution implementation, sensitization, and monitoring and		181,790				**181,790**
70132	Direction and administration (constitution)	869,832	144,000				**1,013,832**
70133	Undefined						**-**

Table 35: FGS Operating Budgets disaggregated by Program (for relevant MDAs) (2 of 2)

Code	MDA/Program	Compensation of Employees	Goods and Services	Consumption of Fixed Asset	Grants	Other Expenses	2021 Program Budget
200		**912,252**	**919,250**	**63,700**	**-**	**-**	**1,895,202**
20201	**Ministry of National Security**	**912,252**	**919,250**	**63,700**	**-**	**-**	**1,895,202**
70134	Internal security		568,500	63,700			**632,200**
70135	External security						**-**
70136	Border control						**-**
70137	Direction and administration (internal securi	912,252	350,750				**1,263,002**
300		**9,649,333**	**5,414,606**	**12,958,648**	**-**	**-**	**28,022,587**
30101	**Ministry of Water and Energy**	**1,140,192**	**100,000**	**4,000,000**	**-**	**-**	**5,240,192**
70180	Direction and Administration (Water & Ener	1,140,192	100,000				**1,240,192**
70181	Development of Water Resources			3,508,896			**3,508,896**
70182	Energy Development			491,104			**491,104**
70183	Undefined - Min. Water & Energy						**-**
30401	**Ministry of Livestock and Forestry**	**808,188**	**220,000**	**620,000**	**-**	**-**	**1,648,188**
70126	Livestock resources and services			620,000			**620,000**
70127	Forestry services						**-**
70128	Policy, planning and support services						**-**
70129	Direction and administration (livestock and f	808,188	220,000				**1,028,188**
30801	**Ministry of Public Work & Reconstruction**	**932,832**	**124,000**	**5,000,000**	**-**	**-**	**6,056,832**
70158	Roads			4,514,992			**4,514,992**
70159	Housing			485,008			**485,008**
70160	Direction and administration (public works)	932,832	124,000				**1,056,832**
30902	**Civil Aviation and Metro-Authority**	**6,768,121**	**4,970,606**	**3,338,648**	**-**	**-**	**15,077,375**
70161	Direction and Administration (SCAA)	8,338,040	2,470,928	1,538,108			**12,347,076**
70162	Air navigation Services		820,795	1,784,540			**2,605,335**
70163	Handling Services and Aviation Safety		108,964	16,000			**124,964**
70164	Airport infrastructure development						**-**
400		**12,733,180**	**5,436,108**	**9,477,780**	**200,000**	**-**	**27,847,068**
40101	**Ministry of Health**	**2,306,656**	**1,415,400**	**5,000,000**	**200,000**	**-**	**8,922,056**
70112	Direction and Administration (Health)	2,711,616	927,000				**3,638,616**
70113	Health services delivery		356,000	100,000			**456,000**
70114	Health infrastructure, medical products and technologies		118,400	4,880,000			**4,998,400**
70115	Public Health		14,000	20,000	200,000		**234,000**
40201	**Ministry of Education and Higher Education**	**5,285,316**	**2,126,655**	**3,155,631**	**-**	**-**	**10,567,602**
70105	Education Services (Direction and Administ	1,952,880	196,680	528,000			**2,677,560**
70106	Basic Education			1,180,000			**1,180,000**
70107	Higher Education and Culture	304,260	138,600				**442,860**
70108	Teacher Training and Management	3,905,220	151,200	86,840			**4,143,260**
70109	Quality Assurance & Curriculum Development			694,000			**694,000**
70110	Examination and Certifications		1,778,775	638,591			**2,417,366**
40202	**National University**	**5,141,208**	**1,894,053**	**1,322,149**	**-**	**-**	**8,357,410**
70170	University development programme			1,322,149			**1,322,149**
70171	University support services						**-**
70172	Direction and administration (SNU)	5,141,208	1,894,053				**7,035,261**

6.3.1 ADMINISTRATION SECTOR

6.3.1.1. Ministry of Finance

MDA Mandate

- Mobilize resources for Somalia's economic revival and subsequently for economic development.
- Ensure efficient allocation and accountability of public resources.
- Formulate growth-enhancing fiscal policies.

Main recent achievements/developments

- Tax revenue to GDP has increased from 4.5% in 2018 to 6.5% in 2019 and projected at 6.9% in 2020.
- Successfully implemented SMP4 benchmarks and graduated to the ECF. Somalia's exceptional performance in implementing the SMPs culminated in it reaching decision point under the heavily indebted poor countries (HIPC) initiative in March 2020, which will allow Somalia to be able to access concessional credit in addition to catalyzing increased international aid.
- Prepared and submitted in time the 2019 FGS financial statements for audit.
- Completed drafting the PFM regulations.
- Revenue act, new procurement act and anti-corruption law were enacted.
- Continued coordinating the national budgeting and budget execution processes.
- Continued critical monitoring of budget implementation to ensure effective and efficient resource utilization.
- Mobilized at least $70 million donor grants to finance various programs including fighting COVID-19.
- Prepared and posted on the MOF website in-year financial reports for 2019 and 2020.
- Completed construction of seven revenue centers in seven districts aimed at boosting the collection of inland revenue.
- Trained 23 staff in various aspects of public financial management.
- Policy on assignment of expenditure responsibilities between FGS and FMSs was finalized and endorsed.
- Financial sector activities have continued to expand. Growth of deposits in the banking sector and credit to the private sector increased 154% and 194% between 2016 and 2019, respectively.
- CBS developed its first strategic plan and started implementing its reorganization and capacity building plan.
- Regulations covering the mobile money sector were issued.

Key challenges and proposed actions for 2021

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues (2020-2024)
Budget management	• Growing need for resources to finance NDP9 priorities. • Need to enhance capacity in public investment management for NDP9 implementation • Need to fully operationalize relevant (budget related) sections of the PFM Act. • Need to build capacity of all MDAs in program-based budgeting (PBB).	• Build capacity of MDAs and Budget Directorate staff in public investment management. • Develop and implement a plan for implementing new sections of the PFM law. • Develop and implement a PBB rollout plan. • Mobilize resources to implement FGS/FMSs joint budget training plan.

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues (2020-2024)
	▸ Need to strengthen intergovernmental budget relations transfers between FGS and FMSs. ▸ Insufficient macroeconomic and financial data for development of the MTFF.	▸ Work with the National Statistics Bureau to build a robust macro fiscal analysis and forecasting database.
Revenue policy and administration	▸ Need to raise tax/GDP ratio over the medium term from the current 6.9% to the required 12% for complete debt relief eligibility. ▸ Weak taxpayer compliance. ▸ Tax base remains narrow. ▸ Lack of capacity in both tax policy formulation and tax administration ▸ Harmonization of the tax regime between FGS and FMSs. ▸ Insecurity and institutional constraints make it difficult to collect taxes.	▸ Mobilize sufficient resources to implement the domestic revenue mobilization strategy. ▸ Implement the Revenue Act. ▸ Continue building capacity of staff in tax policy analysis, revenue forecasting, and tax and customs administration. ▸ Strengthen security infrastructure for revenue administration.
Debt management	▸ DMU currently managed by consultants. ▸ CS-DRMS will be phased out in the next three years and will no longer receive support from commonwealth secretariat.	▸ Implement new debt recording system (meridian) ▸ Develop a staff retention plan for DMU
Procurement policy and management	▸ Partial implementation of the procurement law. ▸ Need to operationalize the procurement commission.	▸ Operationalization of the procurement commission ▸ Approval and implementation of procurement regulations.
Direction and administration	▸ Continued low absorption of projects funds. ▸ Need to strengthen internal audit function. ▸	▸ Build capacity in project management and monitoring. ▸ Develop and implement a staff training plan including for audit.

Planned expenditure for 2021

Program/Activity	Budget 2021
Direction and Administration	10,583,615
Compensation of employees	7,588,476
HR management information system development	25,000
ICT development and maintenance	56,012
Ministry administration and support services	2,689,227
Rehabilitation of MOF building	180,000
Staff training	44,900
Budget management	523,435
Budget consultative meetings with FMSs	93,980
Budget development and consultations	107,050
Budget directorate training	157,180
Budget system and website development	55,500
Budget trainings for FMSs & BRA	45,825
Translation services	12,000
Budget preparation and execution training for all MDAs	51,900
Economic policy and planning	17,600
Economic policy and planning training	17,600
Procurement policy and management	5,300
Procurement training	5,300
Total	11,129,950

Indicator	Baseline (2020)	Target 2021	Target 2022	Target 2023
Tax revenue/GDP ratio	6.9%*	10%	11%	12%
% of funds utilized against budget	86%*	tbd	tbd	tbd

6.3.1.2. Ministry of Planning, Investment and Economic Development

MDA Mandate

- Provide macroeconomic advice, economic direction, and guidance on social and economic development of the country.
- Monitor the progress of the implementation of the national development plans, economic performance, social development indicators, recovery, growth conditions and climate change.
- Coordinate the national development programs and projects.
- Provide technical advice to MDAs in formulation of their development strategic plans.

Main recent achievements/developments

- Produced NDP9 for 2020-2025.
- Now producing regular economic, financial, demographic, social and survey statistics.
- Updated the AIMS.

Key challenges and proposed actions for 2021

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
Direction and administration	• Low absorption capacity of projects funds • Insufficient funds to build capacity of MoPIED staff	• Mobilize resources to train MoPIED technical staff in relevant areas and for building capacity of MDAs in project management
Development performance monitoring and evaluation	• Lack of technical M&E capacity in the Ministry • Lack of capacity and funds to conduct development research • Lack of system to collate and process development information	• Develop M&E capacity in the Ministry • Setup online portal of management information system • Initiate production of quarterly NDP monitoring reports
Planning and economic Development	• Weak coordination of NDP activities • Need to develop strategic planning capacity of MDAs	• Organize NDC meetings for NDP9 coordination • Mobilize resources to support development of strategic and investment plans for MDAs

Planned expenditure for 2021

Program/Activity	Budget 2021
Direction and administration	2,051,696
• Compensation of employees	1,808,196
• Ministry administration and operations	243,500

Monitoring and evaluation	**256,908**
▸ Build M&E capacity in MDAs	75,808
▸ Development performance M&E reports	121,100
▸ MIS system development	60,000
Planning and economic development	**243,090**
▸ Capacity building for planning staff	73,430
▸ Coordinate implementation of NDP9	146,160
▸ Strengthen program administration and operations	23,500
Total	2,551,694

Key Performance Indicators

Indicator	Baseline (2020)	Target 2021	Target 2022	Target 2023
No. of M&E reports produced	0	4	4	4
No. of quarterly NDP performance reports produced	0	4	4	4

6.3.1.3. National Statistics Bureau

MDA Mandate

- Rebuild the development and production of reliable and comparable official statistics
- Enhance coordination, cooperation and partnerships in statistical production and management
- Increase the use of national statistics for development results

Main recent achievements/developments

- UpToDate statistics on macroeconomic indicators now available
- Developed General Household Survey design and plan; sample household and scope finalized
- Produced NDP9 indicators
- PMI status can now be monitored
- Initiated production of Somalia statistical yearbook
- Produced quarterly statistical bulletins

Key challenges and proposed actions for 2021

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
Statistical production and dissemination	▸ The existing statistical database covers only a few statistics indicators, mainly inflation, GDP and demographic related indicators. It needs to be expanded to cover more statistics indicators.	▸ Develop a comprehensive national statistics database ▸ Undertake NDP9 indicators baseline survey

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
	▸ Need to establish NDP9 indicators baseline information. ▸ Somalia is currently largely relying on statistics produced by IFIs.	▸ Build capacity of local staff in statistics management ▸ Increase number of statistical reports
Statistical coordination and management	▸ Lack of coordination in production of statistics amongst MDAs ▸ Shortage of staff in the statistics bureau	▸ Develop and disseminate a policy on production of official statistics ▸ Recruit more staff at NSB

Planned expenditure for 2021

Program/Activity	Budget 2021
Statistical production and dissemination	**1,000,000**
▸ NDP9 indicators baseline survey	346,565
▸ Strengthen statistics capacity and information management	653,435
Direction and Administration (NBS)	**447,720**
▸ Compensation of employees	264,120
▸ NBS administration and operations	183,600
Total	1,447,720

Key Performance Indicators

Indicator	Baseline (2020)	Target 2021	Target 2022	Target 2023
No. of statistics reports produced	4	12	12	12
No. of key statistics indicators covered	8	16	20	30

6.3.1.4. Ministry of Interior and Federal Affairs

MDA Mandate

Steer Somalia's Federal agenda in accordance with the Constitution, strengthening and capacitating Federal Government and Federal Member States, protecting human rights and promoting good governance.

Main recent achievements/developments

- Developed and approved Policies and Legislations
  - National Electoral Law
  - National Identification policy
  - National Registration Policy
  - National Reconciliation Framework

- Conducted a survey at the federalization level in the country to assess the executive capacity of the government.
- Developed a workplan for the National Reconciliation Process (NRP).
- Amendment of the Local Government Act.

Key challenges and proposed actions for 2021

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
Deepening Federalization	▸ Relations between FGS and FMSs require strengthening ▸ Enhancing people's understanding in the federal system ▸ Organizational and territorial status of Mogadishu needs to be resolved ▸ Somaliland yet to join the federation	▸ Review and develop policy and legal framework for the federalization process ▸ Raise public awareness of the federal system. ▸ Implement the Wadajir Framework ▸ Establish inter-governmental relations offices ▸ Determine status of Mogadishu within the federation. ▸ Strengthen the FGS-Somaliland dialogue
Stabilization and Establishment of the Local Government	▸ Need to enact a local government law ▸ Weak service delivery mechanisms at FMSs ▸ Many areas are operating without formal administrative structures	▸ Establish national and state stabilization coordination structures ▸ Implement the National Stabilization Strategy (NSS) ▸ Develop/enact the Local Government Act ▸ Form and capacitate service-delivery government institutions
Reconciliation	▸ There is currently no conflict management mechanism	▸ Undertake conflict mapping ▸ Conduct national reconciliation forums
Rural Development and Durable Solutions	▸ Rural development planning capacity is lacking ▸ Lack of rural development coordination effort	▸ Build capacity of rural areas in development planning and implementation ▸ Establish a rural development coordination mechanism
Direction and administration	▸ Weak institutional capacity at MoIFAR	▸ Improve institutional capacity of FGS and FMS Ministries for Interior ▸ Rehabilitate MoIFAR headquarters

Planned spending for 2021

Program/Activity	Budget 2021
Deepening Federalization	**191,800**
▸ Center for Federal resources established	7,900
▸ Enhanced civic participation in state formation	56,400
▸ Intergovernmental Relations Act completed	127,500
Stabilization and establishment of local governments	**5,939,200**
▸ Consensus on National Decentralization Police to be developed	85,520
▸ Transfers to FMS	5,400,000
▸ Development of a Rural Development Strategy	15,900
▸ Enhance staff capacity	79,280
▸ Improving intergovernmental relations	97,250
▸ Integration of IDPs and host communities	87,150
▸ Enhance relations between Government and NGOs	12,500
▸ Establishment of a Local Government Institute (LGI)	32,600
▸ Enhance local government coordination and stability	129,000
Reconciliation	**134,440**
▸ Identify causes of repeated conflicts	37,100
▸ National reconciliation conference	36,400
▸ Facilitate elders' participation in council formation	60,940
Direction and Administration (MOIFAR)	**1,901,257**
▸ Compensation of employees	1,542,438
▸ Ministry administration and operations	264,465
▸ Ministry building rehabilitated	94,354
Total	**8,166,697**

Key Performance Indicators

Indicator	Baseline (2020)	Target 2021	Target 2022	Target 2023
No. of intergovernmental meetings conducted	tbd	tbd	tbd	tbd
No. of rural community development projects implemented	tbd	tbd	tbd	tbd

6.3.1.5. Ministry of Justice and Endowment

MDA Mandate

- Build and strengthen the capacity of the justice system especially the independence of the Judiciary, based on justice, equality, trust and respecting the Constitution, laws and other by-laws of Somalia.
- Coordinate the executive, legislature, and judiciary branches in Government as per the constitution.

- Coordinate justice sector institutions and its related law enforcement agencies to ensure citizens have access to fair and affordable justice.
- Provide legal advice and legal drafting to government ministries and agencies in line with the Constitution and international standards.
- Issue official licenses to advocates, public notary and legal practitioners.
- Supervise Somalia's correctional system.

Main recent achievements/developments

- Developed National Anti-Corruption Strategy and established the Anti-corruption Commission.
- Established the Judiciary Service Commission.
- More than hundred different bills have been drafted and issued.
- Conducted a countrywide campaign to raise awareness about integrity and anti-corruption.
- Established several centers of Alternative Dispute Resolution (ADR).
- Built two standard prisons in Baidoa and Galkacayo.
- Established a special arrangement to administer justice for children/juveniles.
- Renovation of the Ministry's headquarter is underway.
- Ministry managed to protect the spread of Covid-19 in Mogadishu Prisons in close collaboration with custodial corps.

Key challenges and proposed actions for 2021

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
Legal affairs/ drafting	• Use of pre-war laws which are outdated. • Somalia yet to ratify/join several international conventions.	• Finalize formulation of a justice model. • Draft/review key legislation for rebuilding the justice system and institutions.
Correctional services	• Inadequate prison facilities. • Prisons are far from being correctional facilities. • There are no proper juvenile centers in Somalia.	• Construct foolproof high security prisons/correctional centers in different regions. • Reform rehabilitation centers including for juveniles.

Planned spending for 2021

Program/Activity	Budget 2021
Legal affairs/drafting	114,550
• Discussion of draft correction and justice model with FMSs	30,500

Program/Activity	Budget 2021
▸ Discussion of draft laws with FMSs	33,750
▸ Drafting of laws	25,000
▸ Validation of draft laws	25,300
Correctional services	900,000
▸ Construction of prison in Galmudug state	300,000
▸ Construction of prison in Hirshabele state	300,000
▸ Construction of prison in South west state	300,000
Direction and administration	740,264
▸ Compensation of employees	550,764
▸ Ministry administration and support services	189,500
Total	1,754,814

Key Performance Indicators

Indicator	Baseline (2020)	Target 2021	Target 2022	Target 2023
No. of laws drafted	tbd	tbd	tbd	tbd
% of prisoners enrolled and attending rehabilitation programs	0%	5%	10%	20%

6.3.1.6. Judiciary Services

The Judiciary in Somalia comprises four MDAs, that is, Supreme Court, Appeals Court, Banaadir Court, and Attorney General's Office. While Judiciary is not an MDA, for program budgeting presentation purposes it is treated as an umbrella cost-center for the above mentioned four MDAs. In the Table (at the beginning of this section) that summarizes/disaggregates the FGS Operating Budgets by Programs, the budgets for each of the four MDAs are presented discreetly, since each institution receives, and is accountable for, their own budget.

MDA Mandate

- Uphold the Constitution and promote the rule of law through administering justice in a fair, timely, accountable, and accessible manner.
- **Supreme Court**: hear appeals from the Appeals Court.
- **Appeals Court**: hear appeals from the lower courts except for matters under the exclusive jurisdiction of the Supreme Court.
- **Banaadir Court**: hear and determine civil suits and criminal cases; administer oaths and affirmations; make orders as may be required by law; hear appeals from local courts.

- **Attorney General**: investigate, institute, and conduct criminal proceedings; institute or intervene in civil proceedings when it is in the public interest to do so; file appeals in civil and criminal matters.

Main recent achievements/developments

- Conducted consultations on Justice Model.
- Developed 5 institutional policies.
- Established self-help and public information desks at Banaadir Courts and Supreme Court.
- Developed Court user guide for public information personnel.
- Conducted trainings on Institutional Policies, Public Relations and Case Managements for Banaadir Courts and Supreme Court Personnel.
- Carried out assessment and proposed options on unified fees collected from the courts.
- Supreme Court Building was renovated.
- Annual conference for the judges realized for the second time since 1990.
- Established a Courts Library at the Supreme Court.
- Developed litigants charter for the Somali Judiciary.

Key challenges and proposed actions for 2021

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
Judiciary Service Committee	• Poor enforcement of judgements made by the courts and the overall decisions made by the judiciary. • Public largely not aware of their rights within the court procedures. • Current district courts are accommodated in one or two rooms at District Administration centers, which compromises court independence. • Limited number of skilled personnel with knowledge and experience to provide equitable justice services.	• Establish unit in the police to specifically focus on judiciary decisions. • Promote awareness and information sharing of the court services/ procedures. • Construct independent buildings for five district courts. • Establish a Judiciary Training Institute to train judges and court clerks.
Banaadir Court/ Appeal Court/ Supreme Court	• Need to ensure safety and security of judges and other court personnel. • Lack of case management systems to ensure accountability.	• Enhance court security infrastructure • Establish electronic case management system for the courts.

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
	‣ Inadequate financial and operational support	‣ Strengthen institutional capacity for effective and efficient courts.

Planned expenditure for 2021

Program/Activity	Estimate 2021
Attorney General	**1,465,028**
‣ Compensation of employees	1,006,728
‣ Operations and support services	402,900
‣ Improving electronic case management system	10,500
‣ Institutional capacity building	44,900
Banaadir Court	**1,500,724**
‣ Compensation of employees	1,205,724
‣ Operations and support services	203,000
‣ Court institutional building	16,500
‣ Improving electronic case management system	10,500
‣ Strengthen court security	65,000
Appeals Court	**717,168**
‣ Compensation of employees	460,068
‣ Operations and support services	83,500
‣ Court institutional building	66,000
‣ Improve electronic case management system	28,000
‣ Strengthen court security	79,600
Supreme Court	**3,689,512**
‣ Compensation of employees	791,212
‣ Operations and support services	430,000
‣ Capacity building for judges at federal and state levels	446,900
‣ Capacity building for non-technical staff at federal level	196,800
‣ Construction of Judiciary Training Institute	400,000
‣ Construction of five district courts in Mogadishu	700,000
‣ Court institutional building	1,600
‣ Development of judiciary training institute policy, curriculum and guidelines	60,000
‣ Establish Judiciary Enforcement Police	116,000
‣ Improving electronic case management system	232,000
‣ Renovation of court buildings	250,000

‣ Strengthen court security	65,000
Total	**7,372,432**

Key Performance Indicators

Indicator	Baseline (2020)	Target 2021	Target 2022	Target 2023
No. of court cases filed: Banaadir Court	tbd	tbd	tbd	tbd
No. of court cases filed: Appeals Court	tbd	tbd	tbd	tbd
No. of court cases filed: Supreme Court	tbd	tbd	tbd	tbd
Disposal rate of cases filed at Banaadir Court (%)	tbd	tbd	tbd	tbd

6.3.1.7. Ministry of Constitution

MDA Mandate

- Promote constitutional development and nurture constitutional democracy in Somalia.
- Deliver a reviewed and agreed constitution that reflects and represents Somali people's views of governance systems, their rights, and duties.

Main recent achievements/developments

- Held a National Constitutional Convention in which the Constitutional Review Program (CRP) and the report of the 9th HoP on the CRP were unveiled.
- Conducted broad-based Public consultations and civic engagement for the CRP.
- Incorporated into the constitution the agreements that have been reached for the different strategic issues and other provisions of the constitution.
- Conducted broad-based technical consultations engaging all federal level relevant institutions to develop a coherent political approach on the contentious issues of the constitution.
- Technical work to complete the **outstanding the contentious issues** is being conducted by relevant institutions at both levels of government:
  - **Justice and correction** model agreement was technically completed and endorsed by the Cabinet.
  - **Fiscal Federalism**: Ministries of Finances at both levels of government reached understanding on issues relating to completion of the constitutional fiscal federalism principles with a draft model presented to the Cabinet for the constitutional review process.
  - **Resource sharing**: Agreements on fisheries, oil and mineral resources-sharing were reached in Baidoa by NSC and subsequently submitted to the Independent Committee for constitutional review and Parliamentary oversight committee.
  - **Allocation of powers:** The Ministry of Interior, Federal Affairs and Reconciliation has technically completed the option on allocation of powers with an extensive discussions and consultation of the relevant institutions at both levels of government.

- **System of Government:** Similarly, the Ministry of Interior, Federal Affairs and Reconciliation has technically completed the option on System of Government/ type of government with extensive discussions and consultation with the relevant institutions at both levels of government.
- **Determination of status of the Capital City, Mogadishu, within the federation:** Ministry of Interior, Federal Affairs and Reconciliation technically completed the option papers which had been finalized with BRA as well as some FMS.

Key challenges and proposed actions for 2021

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
Constitutional development	▸ Need to finalize review of the 2012 constitution ▸ Lack of legislation that governs referendums	▸ Finalize the Constitution Review Process ▸ Develop and enact Constitution Referendum Act
Constitution implementation, sensitization, and monitoring and evaluation	▸ Constitutionalism was severely eroded by the civil war ▸ Need to sensitize the entire country on the 2012 constitution	▸ Implement a constitution outreach and consultative plan

Planned spending for 2021

Program/Activity	Budget 2021
Constitutional development	978,605
▸ Consultative meetings in FMSs	92,625
▸ CRP consultative meetings for CSOs	95,215
▸ Development of national constitution referendum act	15,000
▸ Hiring constitution experts for drafting and supporting FMSs consultations	171,010
▸ Political level consultations	236,915
▸ Printing and dissemination	28,500
▸ Technical consultations	339,340
Constitution implementation, sensitization, and monitoring and evaluation	181,790
▸ Civil society engagement/Meetings	83,590
▸ CRP consultative meetings for CSOs	43,200
▸ Media engagement	55,000
Direction and Administration (Constitution)	1,013,832
▸ Compensation of employees	869,832
▸ Ministry administration and support services	144,000

Program/Activity	Budget 2021
Total	2,174,227

Key Performance Indicators

Indicator	Baseline (2020)	Target 2021	Target 2022	Target 2023
No. of constitutional awareness events conducted	tbd	tbd	tbd	tbd
No. of constitution related proposals registered	tbd	tbd	tbd	tbd

6.3.2. DEFENCE AND SECURTY SECTOR

6.3.2.1. Ministry of National Security

MDA Mandate

- Creation of a safe, secure and peaceful Somalia where social and economic development can take root and flourish
- Provide policy oversight for the major agencies in the country that are responsible for ensuring law and order.

Main recent achievements/developments

- A government-backed committee facilitated a peace deal to conclude protracted conflict between two warring sub-clans in Ceel Afweyn, Sanaag region.
- Security situation is improving though it remains volatile; security incidents declined in 2019 and 2020 relative to previous years
- Continued training security personnel to increase their professional capacity in delivering security services.
- Drafted two security related laws—police bill, and immigration bill.

Key challenges and proposed actions for 2021

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
Internal security	• Security situation is improving though it remains volatile with random crime, terrorism and conflict-related incidents. • Inter-clan fighting over land disputes remains a concern.	• Enhance capacity of security forces including in intelligence. • Invest in reconciliation among clans. • Develop Weapons and Ammunition Management plans to improve capability for non-proliferation of small arms and ammunition.

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
	▸ Lack of a coherent government security policy.	▸ Enhance relationship and co-operation between FGS and FMS on matters related to Internal Security. ▸ Develop a comprehensive security policy for Somalia (including *federal terrorism law, small arms and civilian-owned weapons law, federal intelligence act, coastguard law, and finalization of federal police act and immigration act*).
Ministry Direction and administration	▸ Administrative capacity issues within security institutions ▸ Continued existence of regional armed groups and militias	▸ Define MOIS organization and minimum effective establishment to perform its ministerial functions of direction and coordination ▸ Formulate and implement policy on disarmament, demobilization and reintegration of regional armed groups and militias.

Planned expenditure for 2021

Program/Activity	Budget 2021
Internal security	568,500
▸ Development of security laws (small arms act, SEMA, private security act)	568,500
Direction and administration	1,326,702
▸ Compensation of employees	912,252
▸ Ministry administration and support services	187,000
▸ Security capacity building	227,450
Total	1,895,202

Key Performance Indicators

Indicator	Baseline (2020)	Target 2021	Target 2022	Target 2023
No. of intelligence reports generated	tbd	tbd	tbd	tbd
No. of criminal cases recorded	tbd	tbd	tbd	tbd

6.3.3. ECONOMIC SERVICES SECTOR

6.3.3.1. Ministry of Water & Energy

MDA Mandate

Explore, develop, and manage energy and water resources and provide Somali people sufficient, clean energy and water resources as well as build resilient society to all kinds of disasters by reducing climate change impact on the environment and livelihood.

Main recent achievements/developments

- Developed a WASH policy
- Developed Somalia's Energy Policy and Energy Master Plan
- Prepared a master plan for Baidoa and Kismayo drinking water supply
- Supplied clean water to flooded regions aimed at reducing water related diseases
- Supplemented electric power to the COVID-19 Center at Martini Hospital, Mogadishu
- Conducted a comprehensive assessment of the Beletweyn cyclic flood solution
- Progressed the process of enacting electricity and water legislations

Key challenges and proposed actions for 2021

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
Development of Water Resources (*with a focus on flood control, water harvesting, and drilling*)	• Most communities lack clean water sources • Flood control infrastructure was destroyed during the civil war • Much rainwater is wasted due to lack of rain harvesting infrastructure	• Drill deep water wells for clean water supply • Rehabilitate flood control infrastructure in most affected locations in Southern Somalia • Construct water harvesting valley dams in x communities • Implement sustainable rainwater harvesting program (groundwater tanks)
Energy Development	• Heavy reliance on charcoal leading to deforestation and climate change	• Distribute solar electric food cooking machines to targeted communities

Planned expenditure for 2021

Program/Activity	Budget 2021
Direction and Administration (Water & Energy)	1,240,192
Compensation of employees	1,140,192
Ministry operations and support services	100,000

Program/Activity	Budget 2021
Development of Water Resources	3,508,896
▸ Drilling 1 deep borehole for Galmudug	289,156
▸ Drilling 1 deep borehole for Hirshabele	143,078
▸ Drilling 1 deep borehole for Jubbaland	143,078
▸ Drilling 1 deep borehole for Puntland	286,156
▸ Drilling 1 deep borehole for Southwest	146,078
▸ Rainwater harvesting For Galmudug	200,000
▸ Rainwater harvesting For Hirshabele	200,000
▸ Rainwater harvesting For Jubaland	200,000
▸ Rainwater harvesting For Puntland	219,350
▸ Rainwater harvesting For Southwest	200,000
▸ River flood control measures Afgoye	382,580
▸ River flood control measures Baardheere	453,280
▸ River flood control measures Jowhar	646,140
Energy Development	491,104
▸ Solar grid panels Galmuudg	98,491
▸ Solar grid panels Hirshabeelle	99,041
▸ Solar grid panels Jubaland	95,491
▸ Solar grid panels Puntland	99,041
▸ Solar grid panels Southwest	99,041
Grand Total	5,240,192

Key Performance Indicators

Indicator	Baseline (2020)	Target 2021	Target 2022	Target 2023
No. of operational boreholes country wide	tbd	tbd	tbd	tbd
Kw of electricity supplied	tbd	tbd	tbd	tbd

6.3.3.2. Ministry of Livestock and Forestry (30401)

MDA Mandate

To increase livestock production in Somalia, increase access to livestock services, expand livestock markets, promote value addition in livestock, promote and regulate the sustainable and efficient production and marketing of rangelands and forest products, and contribute to the combating of climate change through afforestation.

Main recent achievements/developments

- Developed FGS livestock sector development strategy, and Animal Health Strategy
- Vaccinated 28 million sheep and goats for CCPP, sheep and goat pox, and PPR
- Exported more than 3 million live animals in 2019 compared to x million in 2018
- Maintained five tree nurseries in Mogadishu, Baidoa, Kismayo, Dhusamreb and Jowhar
- Drafted two bills—draft meat act, draft dairy act
- Drafted standard operating procedures for quarantines
- Distributed LPGs as alternative source of energy to reduce charcoal use
- Treated various animal diseases

Key challenges and proposed actions for 2021

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
Livestock resources and services	• Poor animal nutrition • Inadequate laboratory management and maintenance • Need to improve quality of exported livestock • Cross-boundary diseases • Eroded genetic resources • Weak natural resource management • Institutional weaknesses	• Modernize traditional systems for production to build resilience • Strengthen animal health, welfare and nutrition to meet international standards and requirements of importing countries • Build capacity of the livestock sector • Promote value addition in livestock products

Planned expenditure for 2021

Program/Activity	Budget 2021
Direction and Administration (livestock and forestry)	1,028,188
Compensation of employees	808,188
Ministry operations and support services	220,000
Livestock Resources and Services	620,000
• Capacity building for livestock lab management	210,300
• Central Lab Rehabilitated	89,904
• Livestock extension services (Banaadir)	41,666
• Livestock extension services (Galmudug)	41,666
• Livestock extension services (Hirshabele)	41,666

Program/Activity	Budget 2021
▸ Livestock extension services (Jubaland)	41,666
▸ Livestock extension services (K/Galbeed)	41,666
▸ Livestock extension services (Puntland)	41,666
▸ Livestock Information System Management established	69,800
Total	**1,648,188**

Key Performance Indicators

Indicator	Baseline (2020)	Target 2021	Target 2022	Target 2023
Value of livestock exports	tbd	tbd	tbd	tbd
No. of livestock treated/vaccinated	tbd	tbd	tbd	tbd

6.3.3.3. Public Works and Reconstruction

MDA Mandate

- Plan, develop and maintain an economic, efficient, and effective road transport infrastructure
- Manage public works including government structures
- Promote good standards in the construction industry

Main recent achievements/developments

- Developed a Somalia Infrastructure Strategy for 2020-2024 including formulation of an Inter-ministerial Infrastructure Coordination Mechanism involving MoPWRH, MoTCA, MPMT, MoPTT, MoEWR, MoF, MoPIC, and all FMSs
- Progressed the implementation of the following projects:
  - Somalia Strengthening institutions for Public Works project ($7,8M).
  - Road Infrastructure Program Somalia (€68M).
  - Durable Solution (Scaling-up solutions for displacement) ($18M).
  - Somali Urban Resilience Program (SURP II) ($112M).
  - Inclusive Local Economic Development (ILED) ($9M).
  - The Horn of African Initiative (HoI).
- Developed a road design manual
- Drafted a Building Permit Bill
- Developed the legal framework and organizational set up of the National Highway Authority

Key challenges and proposed actions for 2021

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
Building Infrastructure	- Unplanned and poor-quality housing in urban areas - Uncertain land tenure system, which affects housing - Government office buildings poorly maintained	- Support development of affordable, good quality housing for the poor - Improve security of land tenure
Highways	- Road network generally poor across both urban and rural roads - Lack of roads policy	- Develop road infrastructure policy, regulatory frameworks and technical capacity at FGS and FMS levels - Implement the National Highway Authority - Rehabilitate main arterial roads and key feeder road networks across the country - Develop a road transport corridors investment strategy - Develop a National Urban [Roads] Infrastructure Development strategy - Develop a strategy and mobilize investments for new road transport corridors and regional road networks

Planned expenditure for 2021

Program/Activity	Budget 2021
Direction and Administration (Public Works)	1,056,832
- Compensation of employees	932,832
- Ministry operations and support services	124,000
Roads	4,514,992
- Rehabilitation of Bridges (Ugas, Anzaloti)	355,000
- Rehabilitation of Roads (Banaadir Region)	2,659,992
- Rehabilitation of Roads (Galmudug)	300,000
- Rehabilitation of Roads (Hirshabelle)	300,000
- Rehabilitation of Roads (Jubaland)	300,000
- Rehabilitation of Roads (Kofur Galbeed)	300,000
- Rehabilitation of Roads (Puntland)	300,000
Housing	485,008
Rehabilitation of MoPWRH HQ	485,008
Total	6,056,832

Key Performance Indicators

Indicator	Baseline (2020)	Target 2021	Target 2022	Target 2023
Km of paved roads	tbd	tbd	tbd	tbd
Proportion of arterial and feeder road network in good condition	tbd	tbd	tbd	tbd

6.3.3.4. Somalia Civil Aviation Authority (SCAA)

MDA Mandate

Develop the air transport industry in accordance with the latest international standards, strengthen the position of the Federal Republic of Somalia as a globally influential player in civil aviation, achieve financial growth and sustainability, and enforce the relevant rules, regulations and procedures to ensure air transport safety and security.

Main recent achievements/developments

- FGS took over air control and collection of aeronautical fees from UN (Nairobi)
- Opened three air control stations at Bossaso, Kismayo and Hargeisa
- SCAA is now operating with state-of-the-art Air Navigation Equipment
- Number of international flights has increased from xx in 2018 to currently xx flights per day (recent airlines include Kenya Airways, Uganda Airlines, ...)
- Installation of the Automated ATS Systems completed for Flight Information Service
- New HF and VHF radio installed at the airport
- CPDLC and ADS-C system Implemented in Mogadishu FIR
- More than 30 Controllers trained in Area and Approach procedural course
- Aerodrome Flight Information Service in Garowe started
- Installation of Automated NOTAM systems completed
- Development of the Somalia AIP was completed
- Four technical staff trained in advanced ATM equipment maintenance, and five staff trained on PUMA SYNERGY systems
- ATS, AIS and MET SOPs and manuals were developed
- MET Automated Systems (SADIS, and AMHS) installed
- Civil Aviation Bill was drafted and submitted for enactment
- Development of aviation regulation is underway focusing on personnel licensing, flight operations, airworthiness of aircrafts, air navigation services, aerodrome and ground aids, and aviation security

Key challenges and proposed actions for 2021

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
Direction and Administration	• Uncollected revenue from the local and other Airline operators • Poor airport sanitation	• Develop aviation revenue management policy • Improve airport sanitation infrastructure
Air navigation Services	• Shortage of trained staff & tools • Capacity building of ATM Staff • Upgrading Mogadishu Airspace from Class G to A • Enhancement of ATM Operations	• Develop a staff training strategy • Develop a strategy to upgrade Mogadishu airport from class G to A • Develop and implement relevant ATM procedures
Aviation Safety	• Recruitment and capacity building of new aviation regulation Inspectors • Lack of policy on issuing SCAA aviation license	• Establish an SCAA an oversight regulatory department • Regulate and issue aviation license to pilots

Planned expenditure for 2021

Program/Activity	Budget 2021
Direction and Administration	12,347,076
• Capacity building	86,610
• Compensation of employees	8,722,808
• SCAA offices well equipped and maintained	2,235,758
• SCAA operations	768,000
• Strengthen SCAA administration and management	533,900
Air Navigation Services	2,605,335
• Air traffic management	1,504,119
• Communication navigation and surveillance	662,916
• Meteorology equipment	272,100
SCAA Communication Equipment modernized	142,200
• SCAA operations	24,000
• Aviation Safety	124,964
• Capacity building	18,250
• DEV air navigation	51,200
• Safety management services	33,172
• Specialised training	22,342
• Total	15,077,375

Key Performance Indicators

Indicator	Baseline (2020)	Target 2021	Target 2022	Target 2023
Collection achievement rate of over flight fees	tbd	tbd	tbd	tbd
No. of passengers handled	tbd	tbd	tbd	tbd

6.3.4. SOCIAL SERVICES SECTOR

6.3.4.1. Ministry of Health

MDA Mandate

Ensure equitable, affordable, and effective essential health services are provided to all people in Somalia

Main recent achievements/developments

- Free essential health care services provided in nine regions at 50% coverage, through a total of 799 public health facilities. Services have so far been provided to 5,031,471 Somalis in 2019, compared to 4,507,475 (2018), and 3,660,851 (2017).
- Presently, about 56 per cent of health facilities offer basic emergency obstetric care: reduced maternal mortality from 1044 in 2013 to currently 732 in every 100,000 pregnant.
- National Public Health Laboratory (NPHL): strengthened surveillance of outbreaks and communicable diseases and confirmation/investigation of suspected cases Cholera and measles in the country. 2,110 cases suspected of measles and cholera was investigated at the laboratory.
- Retook control of National Referral Hospitals (Banadir & De Martiini), currently providing free health services
- Improved health services: reduction in malaria prevalence from 22 to 2.8; zero polio cases since August 2014; continued free HIV treatment for all patients at Banadir Hospital.
- Established a health regulatory and institutional framework including:
  - National Health Professional Council (NHPC) Act
  - National Medicine Regulatory (NMRA) Act
  - Somali RMNCAH Strategy
  - Somali Every Newborn Action Plan (SENAP)
  - Somali Roadmap on Universal Health Coverage (UHC)
  - Standard Somali Treatment Guideline
  - Finalized the national health policy for Somalia.
- Conducted Somali Health and Demographic Survey (SDHS)
- Established the National Institute of Health (NIH)
- Endorsed Somali Essential Medical List
- Laid the foundation stone of National Blood Bank
- Initiated a female health workers program.
- Number of sentinel sites for the disease early warning system was increased to 233 sites.

- Established a disease outbreak monitoring and reporting system.
- Continued immunizing children in Mogadishu.
- Somali Midwifery Schools: Trained Somali midwives on internationally recognized midwifery curriculum in 11 schools nationwide. Produced 151 midwives in 2019 and 1,513 midwives since the opening of the schools in 2011.
- Deployed digital health information system in Somalia District Health Information System II (DHIS2); standardized HMIS indicators, registers, and reporting tools.
- Launched major health services projects including SHINE (in 9 regions), and RCRF (in 3 regions).

Key challenges and proposed actions for 2021

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
Direction and Administration	• Shortage of well-trained health workers • Inadequate operational and running cost •	• Increase training budget for health workers •
Health Services Delivery	• Need to improve Somalia's health system through independent innovative research, education, and training e.g. there is no independence research from MoH on issues like disease outbreaks, side of effects of drugs, etc. • Somali National EPI Cold Room based in Nairobi, which is very expensive. • There is need for a specialized public hospital for mental health. • Referral hospitals require massive strengthening. • Maternal mortality rate remains high due to lack of facilities especially in rural areas • Health Information Management System does not cover all sites • Limited government contribution to procurement of immunization items	• Fully reestablish and operationalize the National Institute of Health • Set up a National Cold Chain Room (EPI) in Somalia • Reconstruct Forlanin Hospital for mental health • Increase support to Benadir and DeMartini referral hospitals • Procure ambulances to enhance emergency response • Establish special vector control rooms for malaria testing research • Increase coverage of the health information management system • Provide budget for vaccines

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
Public Health	▸ Continued use of outdated and inadequate health diagnostic equipment ▸ Shortage of health workers that are trained in use of health equipment ▸ Hospital infrastructure in a sorry state	▸ Provide a budget for procurement of modern health equipment and for training of staff in use of the equipment ▸ Improve health infrastructure in line with NDP9 priorities

Planned expenditure for 2021

Program/Activity	Budget 2021
Direction and Administration (Health)	**3,638,616**
▸ Compensation of health workers and employees	2,711,616
▸ Ministry administration and support services	927,000
Health Services Delivery	**456,000**
▸ Disease surveillance and response services	200,000
▸ Fight malnutrition	156,000
▸ Procurement of ambulance(s)	100,000
▸ Health infrastructure, medical products and technologies	**4,998,400**
▸ Development and maintenance of Health Information Management System	148,400
▸ Establish a National Institute of Health	860,000
▸ Relocate national cold chain center from Nairobi to Mogadishu	590,000
▸ Upgrade infrastructure for Banadir Hospital	1,300,000
▸ Upgrade infrastructure for Forlanin Hospital	800,000
▸ Upgrade infrastructure for Martini Hospital	1,300,000
▸ Public Health	**234,000**
▸ Development and maintenance of Health Information Management System	14,000
▸ Immunization services	200,000
▸ Refurbish malaria vector control room	20,000
Total	9,327,016

Key Performance Indicators

Indicator	Baseline (2020)	Target 2021	Target 2022	Target 2023
Number of in-patients attended to in public health centres	tbd	tbd	tbd	tbd
No. of health workers trained	tbd	tbd	tbd	tbd

6.3.4.2. Ministry of Education and Higher Education

MDA Mandate

Provide equitable and inclusive education system that affords all learners access to free and compulsory basic education of real quality, followed by the opportunity to continue with life-long learning, so enhancing their personal development and contributing to Somalia's cultural development, socio-economic growth and global competitiveness.

Main recent achievements/developments

- Unified National curriculum for grades 9-12 developed and implemented.
- Textbooks and teacher's guides for grade 1-8 produced and distributed.
- More than 900 teachers supported including paying their salaries regularly and predictably.
- Teacher proficiency test conducted (almost 1000 primary and secondary teachers involved).
- Professional development programs conducted e.g. 800 teachers were trained.
- Female Teacher Training Center has been opened.
- Sixth Grade 12 national examination for 2020/21 conducted for 35,000 students.
- Grade 8 National Examination has been held at the first for last 30 years.
- An interim Commission for Higher education operationalized.
- National Education Policy developed.
- Education Act drafted (second reading before the House).
- Regulatory framework and subsector policies being developed.
- Private School Registration and Licensing system finalized and approved.
- Education administration decentralized at Banadir regional level.
- National Education Management Information System finalized.

Key challenges and proposed actions for 2021

Program	Crucial issues that require attention	Proposed actions for 2021
Direction and administration	▸ Insufficient human resource. ▸ Unpredictable funding (operational costs). ▸ Lack of operational space. ▸ Ministry infrastructure affected by the war remain in shreds. ▸ National Examination Office works at xJamaal Abdinasir Secondary School and uses General Kahia Police Academy for exam printing, storage and distribution which should not be the case under normal circumstances.	▸ Construct MOECHE HQ ▸ Rehabilitate Culture & Higher Education Center ▸ Construct a secure center for National Examination Office ▸ Construct a National Curriculum Center
Basic Education	▸ Access to basic education currently hampered by poor school infrastructure, with several existing primary and secondary schools lacking toilets, proper electricity, proper water facilities, classrooms. ▸ Reconstruction of Hawa tako Secondary School stalled due to COVID 19 restrictions (Hawa tako is a school full of history and stands for national identity).	▸ Rehabilitate and furnish 100 schools in 2021 to enhance quality and access to basic education. ▸ Resume construction of Hawa Tako Secondary School in 2021.
Higher Education and Culture	▸ Lack of a regulatory framework for higher education based on effective governance, quality research and enriched cultural background. ▸ History and cultural heritage of Somalia remains endangered if national museum is not re-established.	▸ Develop a robust and well researched regulatory framework for higher education in Somalia. ▸ Restock and operationalize the National Museum.
Teacher Training and Management	▸ Poor quality and management of the teaching work force. ▸ Recent TPT study shows fewer and less qualified female teachers (than male counterparts).	▸ Implement effective teacher training and management systems.

Program	Crucial issues that require attention	Proposed actions for 2021
Quality assurance & Curriculum	▸ Lack of a unified education curriculum with adequate learning materials and quality assurance mechanism.	▸ Produce and distribute curriculum-based textbooks enhanced by adequate supervision protocol.
Examination and certifications	▸ Education system needs effective and reliable assessment to improve learning outcomes. ▸ Students who graduate from schools need reliable proof of learning.	▸ Conduct national examinations to improve learning and create accountability measures. ▸ Implement a secure certification system in the country.

Planned expenditure for 2021

Program/Activities	Budget 2021
Education Services (Direction and Administration)	2,677,560
▸ Compensation of employees (ministry management and staff)	1,952,880
▸ Culture & Higher Education Center Rehabilitated	528,000
▸ Ministry administration and support services	196,680
Basic Education	1,180,000
▸ 100 primary and secondary schools rehabilitated	540,000
▸ 101 primary and secondary schools furnished	96,000
▸ Hawa Tako Secondary School rehabilitated	544,000
Higher Education and Culture	442,860
▸ National museum operationalized	121,800
▸ Salaries for higher education and culture commission	304,260
▸ Somali National Commission for UNESCO established	16,800
Teacher Training and Management	4,143,260
▸ Teacher salaries	3,905,220
▸ Female teachers' training college operations	151,200
▸ Female teachers' training college capacitated	86,840
▸ Examinations and Certification	2,417,366
▸ Administration of national examinations	1,328,775
▸ Construction of National Examination & Certification Extension Office	638,591
▸ Issuance of national education certificates	450,000
Quality Assurance and Curriculum Development	694,000
Construction of the National Curriculum Office	694,000
Total	11,555,046

Key Performance Indicators

Indicator	Baseline (2020)	Target 2021	Target 2022	Target 2023
No. of students attended Grade 12 national examination	tbd	tbd	tbd	tbd
No. of teachers on payroll (primary)	tbd	tbd	tbd	tbd
No. of teachers on payroll (secondary)	tbd	tbd	tbd	tbd

6.3.4.3. Somali National University

MDA Mandate

- Provide quality education program that generate graduates fully equipped with knowledge to achieve highest personal and professional standards.
- Foster a vibrant, successful, and interactive research community that generates ideas and discoveries, creates new fields of knowledge and makes a difference to the societal, cultural, environmental, health and wealth development of Somali and global communities.
- Encourage innovation and transfer technology to ensure our knowledge, ideas, skills and expertise are transformed into advice and opinion, innovation, intellectual property, enterprise and wealth, thereby realizing national and international objectives and enriching society.

Main recent achievements/developments

- Five university campuses have been restored and partially rehabilitated
  - Shabelle Campus
  - Technical Teacher's College Campus at KM4
  - Gahayr Campus in Mogadishu
  - Galmudug Campus in Abud-wak
  - Puntland Campus in Badhan
- Eleven university faculties are being re-established:
  - Faculty of medicine
  - Faculty of Veterinary and animal husbandry.
  - Faculty of agriculture and environmental science.
  - Faculty of economics and management science.
  - Faculty of Law
  - Faculty of engineering (Civil, Electrical and mechanical engineering)
  - Faculty of education and social science.
  - Faculty of Journalism and Communication
  - Faculty of Science (Marine and Geology)
  - Faculty of Islamic and Arabic Studies.
  - Faculty of Public health (Nursing and midwifery).
- University enrolled has increased from xxxx students in 2018 to 4,000 students in 2020

- University revived all the previous relationships and new ones with the international and regional educational institutions e.g. Arab league universities, European Union universities and African union universities and Islamic union universities.
- Administered xxx scholarships in different counties (Italia, China, Turkey, South Africa, Malaysia , Kenya, Sudan and UK).
- Installed the following labs:
  - Three engineering practical labs (civil, electrical and mechanical).
  - Livestock control lab.
  - Education faculty lab
  - Agriculture faculty lab
  - Medical labs
  - Three ICT labs
- Established solar system to reduce costs on electricity at the University
- Started an E-learning Centre.
- Updated and reviewed the university curriculum and education programs.
- Recruited additional teaching and administrative staff.

Key challenges and proposed actions for 2021

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
Academic and Development program	• Increasing number of students yet learning space remains constrained (inadequate lecture rooms). • Inaccessibility of university farms at Lower and Middle Shabelle • Faculty of Veterinary and animal husbandry labs are yet to be rehabilitated since their destruction during the war • Lack of library for reference books	• Rehabilitate existing faculty building where possible • Construct new lecture rooms • Repossess and rehabilitate all campuses countrywide • Establish three green houses and farming plots. • Establish animal clinic • Construct a new central library.
University development programme	• Need for continuous revising of curriculums • Inadequate capacity building for teaching and administrative staffs • University has campuses in different locations however they are not adequately interlinked; information sharing is limited	• Develop curriculum for newly established faculties • Strengthen knowledge and skills through relevant training. • Improve university ICT systems • Establish state of art E-learning and E-Conferencing facilities.

Program	Crucial issues that require attention	Proposed ways/strategy to resolve issues
	▸ Lack of E-learning and E-conferencing facilities for utilization of international expert's opportunities.	

Planned expenditure for 2021

Program/Activity	Budget 2021
Direction and Administration (SNU)	**7,035,261**
University staff salaries	5,141,208
University operations	1,894,053
University Development Programmes	**1,322,149**
▸ Build Lecture Rooms Caabudwaaq	350,000
▸ Build Lecture Rooms for Faculty of Islamic Studies KM4	348,575
▸ Construct Faculty of Social Sciences building at KM4	423,574
▸ Reconstruct Agricultural Experiment Center (plots and green house)	100,000
▸ Reconstruct Faculty of Veterinary Feeding and Clinical Center	100,000
Total	**8,357,410**

Key Performance Indicators

Indicator	Baseline (2020)	Target 2021	Target 2022	Target 2023
No. of academic programmes taught	tbd	tbd	tbd	tbd
No. of students graduating	tbd	tbd	tbd	tbd

6.4. Donor assistance

This section presents an estimate of the total level of resources being deployed by the FGS and the international community. Information from the Donor community is preliminary and are based on data collected to 15 October 2020. Since donors are still in the process of finalizing their assistance plans for 2021 the estimates are low currently, as final assessments are still underway. Additional reporting on international assistance is provided on a regular basis by the Ministry of Planning, Investment and Economic Development and accessible through the Aid Information Management System (https://mop.gov.so/index.php/home/aims/).

In the table below the total (on + off budget) resources planned for disbursement by the international community is shown, split between the Pillars of the NDP, for the three years to 2021.

Category	Expected Spending 2019	Expected Spending 2020	Expected Spending 2021
Pillar 1: Inclusive Politics	41.5	60.8	21.7
Pillar 2: Security and Rule of Law	74.8	73.4	9.3
Pillar 3: Economic Development	210.3	337.2	161.8
Pillar 4: Social Development	612.8	1,038.2	176.1
Other	134.0	378.3	27.0
Total	**1,073.4**	**1,887.8**	**396.0**

The table below distributes, for 2021, the total of on and off-budget assistance from the international community by the planned location for spending, where known.

Region for 2021 Estimate		Expected Spending 2021 $m
Somaliland	Somaliland	62.4
Puntland	Dawladd Goboleedka Puntland	54.0
Jubaland	Dawladd Goboleedka Jubba-land	42.8
Hiirshabelle	Dawladd Goboleedka Hir-shabeele	28.7
Galmudug	Dawladd Goboleedka Gal-Mudug	26.0
South-West	Dawladd Goboleedka Kofur-Galbeed	43.5
Benadir	Maamulka Gobolka Banaadie	14.5
FGS	FGS	76.1
Not Specified	Ma Cadda	70.7
Total	**Wadarta**	**418.7**

6.5. Staffing Table

Table 36: Staffing by MDA since 2017

CODE		Group/year	2017	2018	2019	2020_R	2021	change
		Total	**5,025**	**5,597**	**5,481**	**5,481**	**5,206**	**- 275**
100		**Administration**	**2,724**	**3,056**	**2,923**	**2,923**	**2,720**	**- 203**
101		**Office of the Presidency**	**334**	**340**	**258**	**258**	**259**	**1**
	10101	Office of the Presidency	334	340	258	258	259	1
102		**Parliament**	**280**	**308**	**317**	**317**	**320**	**3**
	10201	Office of Speaker (People's House)	280	308	317	317	320	3
103		**Prime Minister**	**271**	**281**	**196**	**196**	**151**	**-45**
	10301	Office of the Prime Minister	271	281	196	196	151	-45
104		**Ministry of Foreign Affairs**	**286**	**324**	**351**	**351**	**173**	**-178**
	10401	Ministry of Foreign Affairs	136	174	170	170	173	3
	10402	Embassies	150	150	181	181	-	-181
105		**Ministry of Finance**	**616**	**761**	**725**	**725**	**709**	**-16**
	10501	Ministry of Finance	536	634	614	614	604	-10
	10502	Accountant General	80	127	111	111	105	-6
106		**Ministry of Planning, Investment and Economic Development**	**89**	**105**	**113**	**113**	**113**	**0**
	10601	Ministry of Planning, Investment and Economic Development	89	105	113	113	113	0
107		**Ministry of Interior and Federal Affairs**	**191**	**229**	**222**	**222**	**221**	**-1**
	10701	Ministry of Interior and Federal Affairs	191	189	181	181	181	0
	10702	Somali Refugee and IDPs Commission	-	40	41	41	40	-1
108		**Ministry of Religious Affairs**	**69**	**85**	**96**	**96**	**105**	**9**
	10801	Ministry of Religious Affairs	69	85	96	96	105	9
109		**Ministry of Justice and Endowment**	**41**	**43**	**50**	**50**	**52**	**2**
	10901	Ministry of Justice and Endowment	41	43	50	50	52	2
110		**Judicial Authorities**	**231**	**246**	**247**	**247**	**248**	**1**
	11001	Supreme Court	39	43	49	49	48	-1
	11002	Banaadir Court	160	169	158	158	152	-6
	11003	Appeal Court	18	20	30	30	35	5
	11005	Judiciary Service Committee	14	14	10	10	13	3
111		**Attorney General**	**92**	**91**	**88**	**88**	**86**	**-2**
	11101	Attorney General	92	91	88	88	86	-2
112		**Solicitor General**	**34**	**35**	**31**	**31**	**32**	**1**
	11201	Solicitor General	34	35	31	31	32	1
113		**Auditor General**	**89**	**83**	**76**	**76**	**80**	**4**
	11301	Auditor General	89	83	76	76	80	4
114		**Ministry of Humanitarian Affairs and Disaster Management**	**-**	**30**	**53**	**53**	**64**	**11**
	11401	Ministry of Humanitarian Affairs and Disaster Management	-	30	53	53	64	11
115		**Ministry of Constitution**	**26**	**23**	**27**	**27**	**23**	**-4**
	11501	Ministry of Constitution	26	23	27	27	23	-4
116		**Special Commissions**	**75**	**72**	**73**	**73**	**84**	**11**
	11601	Boundaries and Federation Commission	-	21	21	21	21	0
	11602	National Reconciliation Commission	10	11	11	11	11	0
	11603	National Independent Electoral Commission	-	2	-	-	-	0
	11605	Independent Constitution Review and Implementation Commission	41	12	11	11	13	2
	11606	National Civil Service Commission	24	26	30	30	39	9
200		**Defence and Security**	**143**	**160**	**155**	**155**	**153**	**- 2**
201		**Ministry of Defence**	**45**	**60**	**52**	**52**	**51**	**-1**
	20101	Ministry of Defence	45	60	52	52	51	-1
202		**Ministry of National Security**	**98**	**100**	**103**	**103**	**102**	**-1**
	20201	Ministry of National Security	98	100	103	103	102	-1

CODE		Group/year	2017	2018	2019	2020_R	2021	change
300		**Economic Services**	**1,442**	**1655**	**1,733**	**1,733**	**1,652**	**- 81**
301		**Ministry of Water and Energy**	**79**	**101**	**113**	**113**	**114**	**1**
	30101	Ministry of Water and Energy	79	101	113	113	114	1
302		**Ministry of Mineral**	**60**	**84**	**94**	**94**	**94**	**-**
	30201	Ministry of Mineral	60	84	94	94	94	0
303		**Ministry of Agriculture**	**78**	**95**	**111**	**111**	**118**	**7**
	30301	Ministry of Agriculture	78	95	111	111	118	7
304		**Ministry of Livestock and Forestry**	**85**	**100**	**98**	**98**	**98**	**0**
	30401	Ministry of Livestock and Forestry	85	100	98	98	98	0
305		**Ministry of Fishery and Marine Resource**	**136**	**155**	**148**	**148**	**147**	**-1**
	30501	Ministry of Fishery and Marine Resource	102	112	115	115	114	-1
	30502	Somali Marine Research	27	36	33	33	33	0
	30503	Offshore Fisheries Development Project	7	7	-	-	-	0
306		**Ministry of Information**	**323**	**346**	**354**	**354**	**353**	**-1**
	30601	Ministry of Information	323	346	354	354	353	-1
307		**Ministry of Post and Telecommunication**	**158**	**162**	**159**	**159**	**156**	**-3**
	30701	Ministry of Post and Telecommunication	158	162	159	159	156	-3
308		**Ministry of Public Work & Reconstruction**	**66**	**98**	**103**	**103**	**102**	**-1**
	30801	Ministry of Public Work & Reconstruction	66	98	103	103	102	-1
309		**Ministry of Transport and Aviation**	**223**	**240**	**252**	**252**	**172**	**-80**
	30901	Ministry of Transport and Aviation	121	137	146	146	146	0
	30902	Civil Aviation and Metro-Authority	102	103	106	106	26	-80
310		**Ministry of Transport and Ports**	**122**	**136**	**144**	**144**	**138**	**-6**
	31001	Ministry of Transport and Ports	122	136	144	144	138	-6
311		**Ministry of Industry & Commerce**	**112**	**138**	**157**	**157**	**160**	**3**
	31101	Ministry of Industry & Commerce	112	138	157	157	160	3
400		**Social Services**	**716**	**726**	**670**	**670**	**681**	**11**
401		**Ministry of Health**	**114**	**130**	**131**	**131**	**132**	**1**
	40101	Ministry of Health	114	130	131	131	132	1
402		**Ministry of Education and Higher Education**	**342**	**280**	**208**	**208**	**202**	**- 6**
	40201	Ministry of Education and Higher Education	225	209	129	129	125	-4
	40202	National University	96	51	51	51	50	-1
	40203	Somali Academy Arts and Sciences	21	20	28	28	27	-1
403		**Ministry of Labour and Social Affairs**	**108**	**140**	**169**	**169**	**189**	**20**
	40301	Ministry of Labour and Social Affairs	108	140	169	169	189	20
404		**Ministry of Youth and Sport**	**62**	**67**	**63**	**63**	**62**	**-1**
	40401	Ministry of Youth and Sport	62	67	63	63	62	-1
405		**Ministry of Women and Human Rights Dev.**	**90**	**109**	**99**	**99**	**96**	**-3**
	40501	Ministry of Women and Human Rights Dev.	90	109	99	99	96	-3