

THEIR OWN WORST ENEMY LIVELY

How Successive Governments Plundered Somalia's
Public Resources and Why the World Looked On

Abdirazak Fartaag

DRAFT
CONFIDENTIAL



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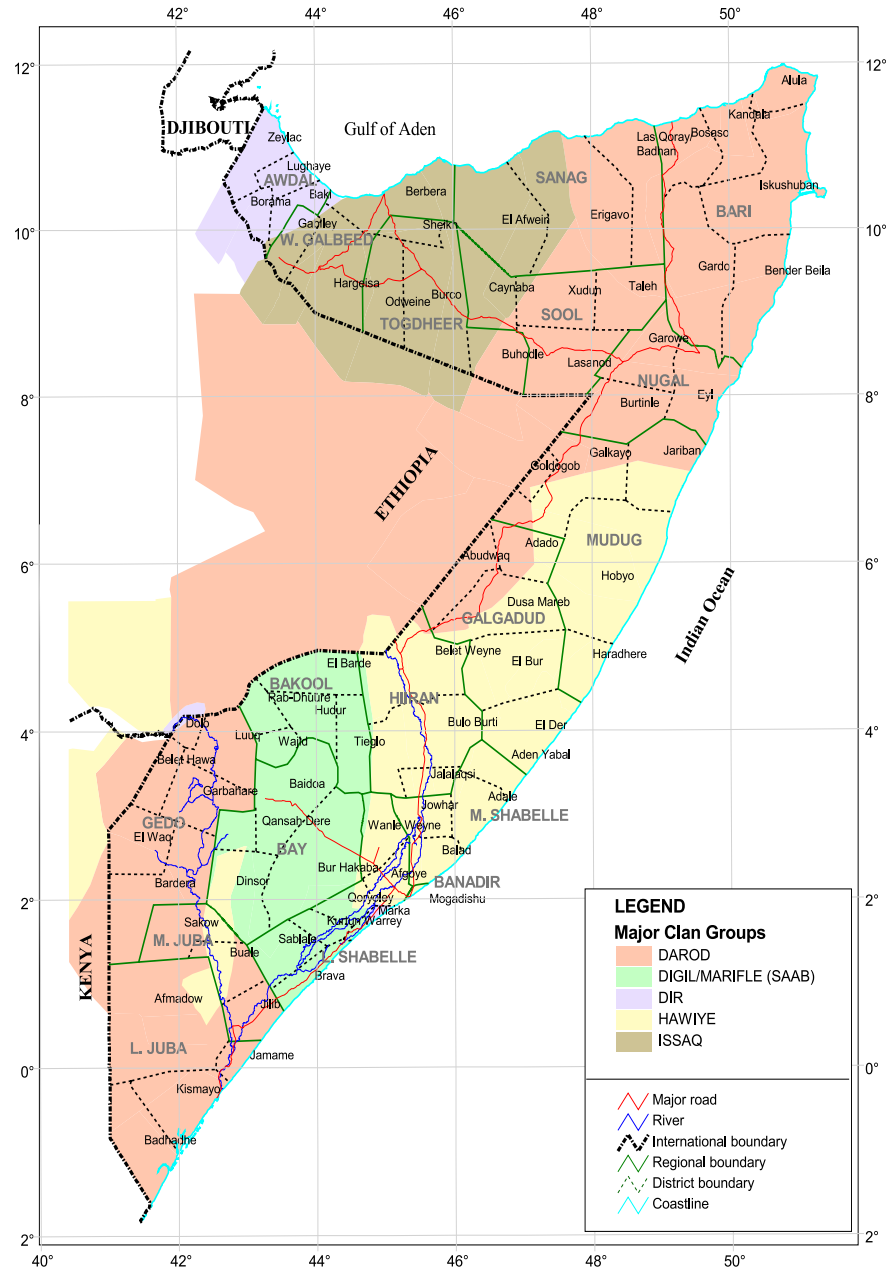
CONTENTS

ACRONYMS & ABBREVIATIONS	7	5	SUMMARY OF GOVERNMENT BUDGET REVENUE/EXPENDITURE MANAGEMENT PERFORMANCE (2009-2013).....	40	7	BOTTOMLESS BUDGET FUNDING	65
ACKNOWLEDGEMENTS	9		General Budget Features.....	40		Lack of UN and Donor Oversight Monitoring	65
1 OVERVIEW	11		Administration and General Services Cluster	40		Lack of Protocol Engagement Contract between the Government and the UN SRSG	65
Research Methodology	12		Ministry of Constitution and Reconciliation.....	42		Budget Cash Management	69
Highlights and Key Findings.....	13		Embassies (2009-2013)	42		Domestic Revenue Streams	69
2 GENERAL BUDGET MANAGEMENT CHARACTERISTICS	22		Ministry of Finance (2009-2013).....	44		Airport/Civil Aviation	73
Allocation.....	23		Source: MoF and CBS	44		Assumption Justifications	74
Budget Disbursement and Transfer Procedures.....	23		Security Services Cluster.....	44		Airport Revenue Taxes.....	81
Budget Execution.....	24		Box-10: National Security Forces.....	47		Conclusive airport revenue summary.....	82
3 PERFORMANCE OF SUCCESSIVE GOVERNMENTS (2000-2013).....	26		Justice Services Cluster	47		Civil Aviation	83
Flawed From the Start.....	26		Economic Services Cluster	47		Airport Revenue Taxes.....	83
Executive's Failure to Develop Policies.....	27		Social Services Cluster.....	48		Civil Aviation	83
Post Transitional Government	34		Other Expenditure Cluster.....	49		Accruable net taxes	91
4 SUMMARY OF GOVERNMENT BUDGET REVENUE/EXPENDITURE MANAGEMENT PERFORMANCE (2000-2013).....	36	6.	SUMMARY OF CURRENT GOVERNMENT BUDGET REVENUE MANAGEMENT PERFORMANCE (2013).....	50		Discounted revenue registration performance	91
Summary of Irrational Government Registered Revenue Expenditure Budget Allocations (2000-2013).....	36		General Budget Characteristics	50		Tax Revenue Conclusion	92
Summary of Reconciliation Revenue and Expenditure Budget Allocation (2000-2013)	37		Revenue Not Streamlined	50		Mogadishu.....	92
Reconciliation vs. Government Budget Performance.....	38		President's Discretionary Fund	51		vi. Other Revenue.....	95
			Opaque Contracting.....	51		vii. Appropriation in aid	97
			Poor Budget Forecasting.....	52		viii. Pay as Your Earn (PAYE).....	98
			Key Highlights in 2013	54		Sector Revenue Conclusion	99
			Conclusion	64		Domestic Revenue Summary	99
						Bilateral Aid.....	101
						Diversion of Funds.....	105
						Conclusive remarks on domestic/bilateral revenue.....	107
						8. THE WAY FORWARD	108
						Transformation Budget.....	109
						Advisory Board/Steering Committee Functions..	110
						Long-term Transformation.....	110

ACRONYMS & ABBREVIATIONS

AIA	Appropriation in Aid
AGO	Accountant in General Office
AMISOM	African Union Mission In Somali
CBS	Central Bank of Somalia
CMI	Crisis Management Initiatives
CRD	Centre for Research and Dialogue
FGC	Financial Governance Committee
FSCP	Financial Standing Committee of the Parliament
HESPI	Horn Economic and Social Policy Institute
IFCC	Independent Federal Constitutional Commission
IMF	International Monetary Fund
MoD	Ministry of Defence
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoINT & NS	Ministry of Interior and National Security
MoPIC	Ministry of Planning and International Cooperation
NCSC	National Civil Service Commission
NGO	Non Governmental Organisation
NPF	National Police Force
NRC	National Reconciliation Commission
OAG	Office of Auditor General
OP	Office of the President
OPM	Office of the Prime Minister
OS	Office of the Speaker
PAYE	Pay as You Earn
SIDP	Somali Institutional Development Programme
SSF	Somali Stabilization Fund
SSF	Special Finance and Facility

SOMALIA MAJOR CLAN GROUPS



ACKNOWLEDGEMENTS

This report would not have been possible without the cooperation of various people working in Somalia who took great risks to provide information on public financial mismanagement within successive Somali administrations. Their commitment to making Somalia's public finances more accountable is exemplary. For obvious reasons, they cannot be named, but they know who they are, and I am extremely grateful to all of them. I would also like to thank individuals in Somalia and outside the country who agreed to be interviewed for this report and who provided valuable insights and constructive criticism. I would especially like to thank Katherine Houreld for writing about the findings of my earlier reports, the UN Monitoring Group on Somalia and Eritrea for incorporating financial management as part of their monitoring work, Asha Omer Gesdiir, who inspired me to look at the reality of the Somali government, Deni Abdullahi for her valuable critiques and suggestions, MP

Ashareh and MP Mohamud Ahmed M. Kulalihi for providing advice and moral support when many didn't. I owe everything to my patient and hardworking wife Deqa Aden and my two sons, Jama, and Baschir, who tolerated my long absences from Canada during the writing of this book. I hope they will understand that this report was necessary for the future of Somalia, a country they yearn to return to someday.

To all our stakeholders, I am very grateful for your continued support!

Abdirazak Fartaag
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1 OVERVIEW

For more than two decades Somalia has lacked any accountable system of governance. From the start of the civil war in 1991 till 2000, when the Transitional National Government was formed, right through the administrations of the Transitional Federal Government (2004-2012) and even during the current tenure of the first post-transitional government, the country has been managed through cliques of warlords, faith-based militia (including Al Shabaab) and clan-based groups and politicians, who have failed to unite the country or to provide even a modicum of services to the Somali people. Despite donor assistance, and various peace and reconciliation efforts by the international community, the country is still fragmented along clan lines, and has been unable to reconstitute viable governance structures both at the national and state levels.

The war economy that has prevailed in most parts of Somalia for the last two decades has worsened the living conditions of the population, and made life for ordinary Somalis infinitely harder. Despite myriad development assistance programmes, a socio-economic survey by UNDP and the World Bank found that adult literacy had dropped from a pre-war level of 24 per cent to 19 per cent by 2002 and that primary school enrolment was just 17 per cent. Per capita household income was \$226 in 2002 and only 20 per cent of the population had access to safe, treated water. More than 40 per cent of Somalia's 7 million people live on less than a dollar a day, while unemployment stands at around 50 per cent.¹

A major impediment to Somalia's development is the lack of an effective, transparent and accountable public financial management system. The civil war since 1991 and the subsequent United Nations-brokered transitional and post-transitional government from 2000 to present did not put in place adequate public financial management mechanisms to monitor how donor funds and domestic revenue were utilized and managed. During the period 2000-present, various governments were supported through donor funding (mainly from Arab countries) and multilateral institutions, such as the United Nations. From 2008, when the port and airport of Mogadishu became more secure, the transitional governments collected taxes at these facilities. However, neither the donor funding nor the domestic revenue were managed through a transparent public financial management system.

¹ UNDP/World Bank (2002), Somalia Socio-Economic Survey 2002.

There is no doubt that each of the successive transitional governments and the current government has incurred expenditures during the 13-year period analyzed in this report. Yet the administrations for the years 2000 to 2008 (except 2001 and 2007) did not officially register any expenditure even though there were unavoidable operational running costs, including civil service monthly payrolls. The tendency to utilize public funds in an ad hoc, opaque and informal manner obviously negates financial norms and regulations that require that governments account for money spent.

It is indeed surprising that neither the donors nor the Somali Auditor-General's office have raised an alarm about this anomaly². While Western donors continue to support successive governments through the UN and local partners (NGOs), they have to date not set up or demanded greater monitoring and oversight over how their contributions are being utilized by the Somali government, UN and local NGOs partners. Though there have been recent efforts by donors to improve public financial management,³ these efforts have not been realized so far. On the contrary, key financial integrity institutions, such as the Central Bank of Somalia, are not only mired in corruption allegations but operate more like an ATM rather than a public financial institution. The Central Bank of Somalia became operational in 2006, but still remains ineffective with regard to registering both external and internal budgetary receipts. Up to now, funds are not properly entering the coffers of the Central Bank; about 74 percent of both domestic and donor funds are not disclosed or deposited in the Central Bank.⁴

² However, it should be acknowledged that the only international body to monitor and review financial irregularities in the Somali government since 2012 has been the UN Monitoring Group on Somalia and Eritrea.

³ The donor programme (special financing facilities) spearheaded by Norway concentrated on paying the civil servants monthly salaries but without subjecting it to audit evaluation. The donors failed to establish a comprehensive public financial management strategy that would be accountable and transparent. As a result, the government continued to misuse the public funds, even against the purported civil servants salaries, in view of the fact that there were no functional internal structures.

⁴ Minister of Finance, Hussein Abdi Halane said that not all cash was necessarily deposited in the government's account because some was spent on "legitimate and documented" expenses by officials before being deposited. Associated Press was not able to get details of these expenses. Officials did not respond to repeated requests for further documentation. See Associated Press, 25 May 2011.

In spite of these budgetary discrepancies, this investigative report was able to assemble some financial statistics from scanty and available government records. It shows that lack of accountability and corruption have fostered an environment of “*personalization of public funds*”, whereby individual politicians are not accountable to anybody – not even to donors or to the government’s own integrity institutions (which exist in name only). This has severely impacted successive governments’ ability to provide social and economic services to the Somali people. In addition, the absence of functioning institutions, such as a proper judicial system, has allowed corruption to flourish.

This investigative report on successive Somali governments’ financial mismanagement is a first comprehensive attempt at rationalizing Somalia’s revenue and disbursements in the wider context of the country’s budget. The report shows that there were huge discrepancies between funds received and funds recorded by successive governments, which raises issues of accountability.

One of the most important reasons why corruption and money laundering has been consistent throughout the tenures of the various Somali administrations is due to a lack of objective oversight. Pressure groups, such as the media and civil society, whose role is to be watchdogs, are still divided according to clan or faith-based loyalties. Furthermore, intolerance of objective journalism, as exemplified by the arrest and jailing of journalists by the government, has shown that various administrations, including the current one, are not serious about making their administrations more accountable to the Somali public and to donors. Furthermore, vested interests, including money transfer (hawala), telecommunication companies and non-governmental organizations (NGOs,) have ensured that Somalia remains a failed state, as it assured them of income and power. The international community, on its part, chose to ignore the corruption within local NGOs partners as well as successive governments for political reasons. The looting of public coffers by various administrations had led to severe under-development in Somalia and made the reconciliation and reconstruction process more protracted, despite several social reconciliation and peace building dialogue over the years.

1.1. Research Methodology

The methodology applied in this report is based on a computation and analysis of the budgets of various governments over a 13-year period, from 2000 to 2013. The computation and analysis were conducted using the following methods:

- i. Analysis of government records and other documents;
- ii. Interviews with government officials;
- iii. Interviews with service providers; and
- iv. Scrutiny of off balance sheets

Each of the methods is summarized below.

i) Analysis of government records and other documents

In spite of the dire lack of official records, this investigative report was able to assemble some financial statistics from some available government records. Among other documents analyzed were reports by the UN Monitoring Group on Somalia and Eritrea, World Bank reports on Somalia and articles published in the media.

ii) Interviews with government officials

The analysis of government documents was supplemented by interviews with government officials and public servants. The interviews were conducted in all offices (office of the president, office of the speaker and office of the prime minister), line ministries, constitutional commission bodies and integrity institutions (i.e. Central Bank, Office of the Auditor-General and Office of the Accountant-General).

The interviews revealed that successive governments maintained two separate records of accounts – one official, and one unofficial. This report contrasts and compares official records with the reports on expenditure and use of funds that were ascertained through the interviews.

iii) Interviews with service providers

The information gathered through interviews with government officials were further corroborated through private and individual opinions of service providers, such as money transfer, catering and telecommunications company employees.

iv) Scrutiny of off balance sheets

Off-balance (unofficial) sheets of successive governments were scrutinized. These balance sheets were highly informal and ad hoc, but provided vital clues on how public finances were being managed.

1.2. Objectives

The intention of this report is not to malign any particular individual or government, but to present a situation analysis of Somalia’s current and potential revenues in order to provide a baseline of the country’s financial health. This will enable stakeholders – donors, civil society and future governments - to identify the loopholes that exist and help them to create viable integrity institutions that can ensure that public funds are used for the benefit of Somali citizens. This report thus serves as a first comprehensive financial

analysis of the Somali transitional and the current government since the collapse of the Somali state in 1991. It is hoped that the report will assist donors and future governments and the soon-to-be established federal member states to improve transparency in the disbursement of public funds. Chapters in this report provide an understanding of the following realities:

- Policies that affect domestic revenues generations;
- Policies that affect Arabian bilateral support; and
- Policies that affect expenditures.

The conclusion is that there is considerable room to make the federal governments' budget revenue more accountable, as the current system is mostly regressive and benefits the Islamists more than it benefits the citizens at large.

1.3. Highlights and Key Findings

i. Personalization of public funds

The personalization of public funds by individual politicians, particularly the executive and powerful ministers in the transitional and post-transitional government (2000-2013) ensured that Somalia's funds did not go towards reconstruction and rehabilitation, but to lining individual pockets. This was made starkly evident in 2001 when the Parliament asked Prime Minister Dr. Ali Khalif Galeyr to account for funds that the Saudi Arabia and Qatar government had given to the government. Before the Parliament, the Prime Minister took out a one-million-dollar cheque from his pocket and replied: "Here's the cheque that you thought I stole".⁵ The minister of finance at the time, Mr. Sayid Ahmed Sheikh Dahir, was asked a similar question, regarding the whereabouts of US \$15 million. His response was that "he only took US \$300,000".

The incident also reflected a tendency by certain (mainly Arab) donors to give cash or cheque donations to individual politicians, rather than channeling the funds directly

⁵ This research found that during the period 2000-2004, the Transitional National Government received US\$59 million from Arab countries, out of which only \$15 million was reported and documented in *Xog Warran* and *Xisaab Xir* published in February-September 2001 by Prime Minister Dr. Ali Khalif Galeyr. The sum of US \$15 million from Saudi Arabia and Qatar (US \$12,000,000 and US \$3,000,000) was not captured in the formal budget but nonetheless was recorded as expenditure by the Prime Minister, Ali Khalif Galeyr. The purported actual expenditures recorded by the ministry of finance were US\$14,888,978. The deficit arising is US \$111,022 and is not known how it was refinanced. Notwithstanding a foregoing the overall revenue of US \$59 million and the corresponding purported expenditure of US \$14,888,978 were not spent with supporting documentary evidence. Subsequent Prime Ministers within the same government did not publish any financial statements.

to the government, in the absence of a functioning Central Bank during that time.⁶ Such donations, and the lack of proper auditing, made it easy for individuals to use the donations as they saw fit. Furthermore, many donors (both Arab and Western donors) do not seem to be too concerned about how the funds are used, and do not demand to know how funds are disbursed. Many politicians are known to fly to the Gulf countries to collect cash donations in suitcases. President Abdiqasim Salad Hassan is on record of having received cash donation from the Gulf States of about US \$59 million. The only purported expenditure from the donor funds was only US \$15 million. The rest (US \$44 million) in part was used to give Islamic Insurgencies more power, in particular ICU, while the rest was used for his personal benefit. Although ICU was formed and portrayed as an organization whose purpose was to further religious interests, its leaders (the likes of Dahir Aweys and Sharif Sheikh Ahmed) were motivated by clan allegiance. Furthermore, the president Abdiqasim Salad Hassan privately sold government assets (Juba, Al-Uruba and Talex hotels) to Libyan leader Muammar Gaddafi. The investments sales of the hotels were about US \$7 million. This was without any due recourse to the government machinery structures of disposing assets. In order to maintain control over Arabian funds, Abdiqasim Salad Hassan, was previously quoted suggesting the following:

"It would be best to allow Western countries and local NGOs to collaborate, while Western countries would have no control over funds from Arabian donors, which the government could manipulate at free will".

This adage citation means that the Westerners local NGOs partners donations is always to their financial benefits and in the same vein the government Arabian donor source should remain the same (why quarrel on reciprocal benefits). This adage has made the local people to begin vouching the interest of the donors in view of the fact that there has been no audit circularization on the funds the country receives over the 13 year period. The Western and local NGOs partners as well as the government Gulf support is substantially large and the statistics are not within the public domain save from the sources of funding. The International Community in Nairobi is quick to dismiss the amounts received by Gulf countries for fear of eventually getting challenged in return. This could lead to questions about the International Community's funding of local partners, which would call attention to the fact that the International Community is continuously funding ineffective NGOs. Perhaps, full disclosure of the amounts would have extreme exposure effects to both the Western donors and the Gulf States. The funds are not utilized for the benefits of the country but for ulterior activities and which are intended for sustaining the status quo. This is a belief the Somalis have built up in view of the long period, which is characterized by non-progressive development in either of the country's economic spheres.

⁶ However, there have been no attempts since then by the government to re-establish the Central Bank of Somalia to enable it to receive funds.

The Transitional Federal Government (TFG), which replaced the Transitional National Government (TNG) in 2004,⁷ failed to offer solutions to the shortcomings the TNG previously faced; rather the trend of personalization of public funds continued. Between 2005 and 2008, successive TFG administrations received \$78 million in donor assistance, out of which only \$32 million was reported and documented (Ref: ODPM/WHTS/046B/07 published 11/09/07 certified by the Prime Minister Ali Ghedi). The sum of US \$32 million from Saudi Arabia was not captured in the formal budget but nonetheless was recorded as expenditure by the Prime Minister, Ali Ghedi. The purported actual expenditures recorded by the Office of the Prime Minister were US\$26,986,525. The deficit arising is US \$5,013,475 and is not known how it was refinanced. The overall revenue of US \$78 million and the corresponding

Box-1: Sources of donor assistance to Somalia

Key Arab donors to Somalia include Algeria, the Arab League, Iraq, Kuwait, Libya, Sultanate of Oman, Qatar, Saudi Arabia, Sudan and the United Arab Emirates. Some countries, such as Turkey, are giving direct targeted support, mainly in kind. China has been secretly funding \$1 million through the Nairobi embassy. Rwanda, have also contributed to Somalia, but not on a regular basis.

African countries that are supporting Somalia's security needs through the UN-backed African Union (AMISOM) forces include Uganda, Burundi, Kenya and Sierra Leone. Other African countries like Ethiopia, Nigeria and Djibouti are also contributing their troops to the peace process.

The United States, European Union and other Western donors have also been contributing to Somalia, mainly through the United Nations and local NGOs partners. However, this report does not analyse donor funds for Somalia channelled through the UN, local NGOs partners or international humanitarian organizations. For instance, it does not look at how European Union funds donated to various UN agencies and local and international NGOs were used or managed. It looks mainly at Arab assistance provided to various transitional governments and the current government between 2000 and 2013.

Source: OP, OPM, OS, MoF and CBS,

⁷ The total funds received from Arabian donors were \$137 million during the time of those two administrations. From 2000-2008 the TNG & TFG operated in neighboring countries, in which they spent 66% of the country's revenue. Only 34% of revenue was spent locally, mainly through individual payments (the funds never went through an institution or any system for that matter). The individual cash payments are also subject to audit investigations. The two presidents (Abdiqasim Salad Hassan and Abdullahi Yusuf) at the time failed to empower the country's financial institutions, instead allowing for individual cash transactions to continue being the norm.

purported expenditure of US \$26,986,525 were not spent with supporting documentary evidence. In spite of this, Abdullahi Yusuf administration and with the help of Bashir Isse and Abdi Mohamed Tarah was able to regain control and rebuild certain government institutions Central Bank, Ministry of Post & Telecommunication office, rehabilitating Mogadishu port and the State House known as Villa Somalia). The expenditure rehabilitation cost was \$1,452,208. There is no doubt surrounding the allocation US \$298,000 the central bank of Somalia (CBS) because of today's replica image of the ancient Italian structure. Another achievement is the rehabilitation of the newly opened Mogadishu port warehouse where US \$681,208, and reconstruction of villa Somalia and repairs of a water well where US \$473,000 was invested.

The figures reflected in table-1 show that the Somali government registered revenue for the period 2000-2013 to the tune of about US \$302,857,260 while the reconciled records reflect an amount of US \$1,106,705,513⁸ (see appendix-A). This shows that more than half a billion dollars (US\$803,848,253) was unaccounted for. With regard to expenditure, the government registered an amount of US \$294,550,762 against reconciled receipts of US \$521,696,412. The difference between the official and off balance sheets proves that funds have gone to sponsor other activities, such as Islamic insurgencies⁹, local Islamic Charities/NGOs, Investment in foreign countries or check encashment to reward cronies.

⁸ This report has been spread into 3 categories of budget revenue/expenditure provisions. The periods covered are from 2000-2013, 2009-2013 and 2013 alone. The main feature for the report is budget performance, successive government administrations' performance and the way forward. However, the budget has been revised from the previous provisions (US \$641,987,632) in years 2009, 2010 and 2011, and into US \$468,144,113. The hitherto revenue provision were factored on the successive government public revenue policy of enhancement, which was later found to be wanting in respect of effective implementation and actualization. Consequently, this report has been revised with a provision of US \$172,843,519. The revisions were occasioned by the successive governments' ineffectiveness in policy revenue generation.

- Lack of instituting revenue control systems;
- Gross misappropriation of the revenues;
- Least trained revenue generating stations personnel;
- None expansion of the revenue generating streams

⁹ After the ouster of the Islamic Courts Union (ICU) in 2006/7, there was a division amidst Islamists that led to the creation of numerous Islamist clusters (Al-Sunna Waljama'a, Hisbul-Islam, Al-Itihad, Al-Sheikh, Al-Islah, Duma Jadid, Al-Shabaab, etc.). Among these Islamist groups rose leaders that would eventually become Presidents, such as Sharif Sheikh Ahmed who became President while representing ICU (whose splinter group became Al-Shabaab) and the current leader Hassan Sheikh, who is known to represent Duma Jadid though he personally denies such allegations. These Islamist leaders were far from being an ideal representation of Islam. Although Al-Shabaab is the most infamous of Islamist groups, the others are also equally as notorious and violent. These groups are well funded, trained both politically and militarily. Given each group's push for its leader to become President, for the purpose of this report, we have categorized the above-mentioned groups as insurgents.

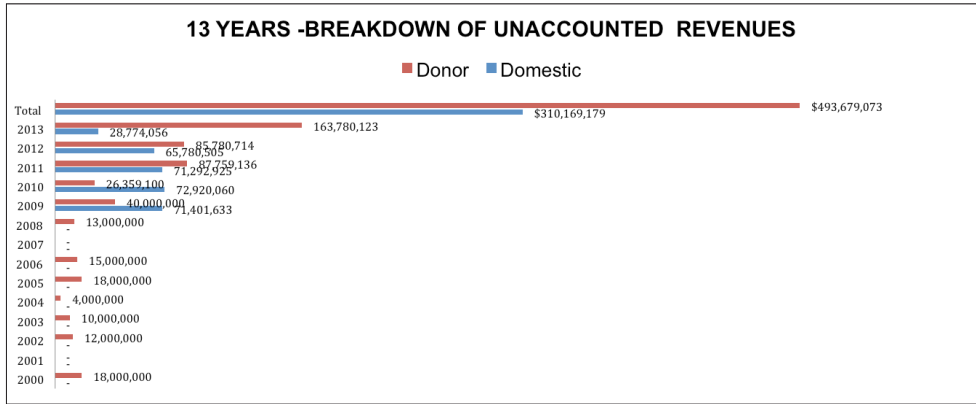


Table 1: Actual and Registered Domestic and Donor Funds (2000-2013)

Sources	Actual Revenue (Reconciliation)	Government Registered Revenue	Unaccounted
	Amt. in US\$	Amt. in US\$	Amt. in US\$
Domestic Revenue	471,891,898	161,722,719	310,169,179
Donor Support	634,813,615	141,134,542	493,679,073
Total	\$1,106,705,513	\$302,857,260	\$803,848,253

Sources: Ministry of Finance, Ministry of Interior and National Security, Office of the President, Office of the Prime Minister, Central Bank of Somalia, interviews with civil servants.

ii. Donor funds diverted to militant groups

This report shows that substantial amounts of donor funds were diverted towards activities that perpetuated instability and conflict. For instance, in the year 2009, the Minister of Interior and National Security, Abdulkadir Ali Omer, one of the most powerful cabinet ministers, requested for revenue budgetary support of about US \$800,000, which was approved. When the Cabinet later asked him to account for the funds, he said that they had been disbursed to his political base, a militia linked to the ousted Islamic Courts Union (ICU), an admission that did not result in his dismissal. Ironically, these were the same militias that were ostensibly removed by the US-backed Ethiopian forces in 2007. In other words, while the ICU was officially not in power, it was being unofficially funded by the UN-backed Transitional Federal Government, which claimed to be a neutral, unifying force in Somalia.

In subsequent meetings, Abdulkadir Ali Omer requested further funding but without any documentary support of previous expenditure. Fortunately, the request was

not approved by the Cabinet although the Prime Minister Sharmake, had approved of the funding. This would be one of many decisions that would lead to his downfall. Sharmarke did not maintain the support of the Cabinet because the latter considered him incapable of holding this ground. Between May and August 2010, President Sharif Sheikh Ahmed and the Speaker Sharif Hassan ordered the Minister of Finance, Hussein Abdi Halane,¹⁰ to distribute US \$2,760,000 to the 276 parliamentarians (each MP receiving US \$10,000). This funding was not only undocumented, but was used to bribe parliamentarians to vote out Sharmarke.

Contributions, mainly from Arab countries, have also been used to support militant Islamic groups, often with the tacit approval of the donor country. For instance, Qatar supported the former ICU leader Sharif Sheikh Ahmed and encouraged him, when he was president, to include Islamic organizations, such as Hisbul Islam headed by Hassan Dahir Aweys¹¹, plus radical elements of Al Shabaab, within his government.¹²

Things did not improve with the election of the first post-transitional government elected in September 2012. In a leaked confidential report, UN monitors alleged that after the partial lifting of an arms embargo¹³ in March 2013, the new Somali government has been allowing some of the imported arms to be diverted to the Al Shabaab leader Sheikh Yusuf Isse. The monitors claim that parts of the shipments of weapons, including assault rifles, rocket launchers, grenades and ammunition from Uganda, Djibouti and Ethiopia “could not be accounted for”. (Refer weaponry purchase in table 115 Islamic Insurgency Allocation). So it appears that on the one hand, the government has been requesting the international community, through the African Union forces (AMISOM), to help it quash Al Shabaab, and on the other hand, has been supplying the same militant group with arms.¹⁴

10 Hussein Abdi Halane was in cahoots with the Sharif Sheikh Ahmed and Sharif Hassan by maintaining double standards in that he convinced the international community that he would remove corruption while he himself was engaging in it to remove Prime Minister Sharmarke.

11 Aweys later joined Al Shabaab. He was captured and jailed by the government in 2013. In January 2014, the government removed him from prison and placed him under house arrest.

12 See Hansen, S.J (ed) (2013), “Religion, Prestige and Windows of Opportunity? Qatari peace-making and foreign policy engagement”, Noragric Working Paper No. 48, Norwegian University of Life Sciences.

13 The UN Security Council imposed an arms embargo on Somalia in 1992 to cut the flow of weapons to feuding warlords that took control of the country after the ouster of President Siad Barre. However, as anyone who has visited Mogadishu and other parts of Somalia will attest, guns and other arms were easily available within the country throughout the civil war, and civilians could even purchase them in open markets.

14 CHARBONNEAU, L. “EXCLUSIVE: UN MONITORS WARN OF ‘SYSTEMATIC SOMALI ARMS DIVERSION’”, REUTERS, 13 FEBRUARY 2014.

iii. UN agencies have allowed a culture of impunity to flourish

By not demanding more accountability from the TFG, the United Nations Political Office for Somalia (UNPOS) – a body of the UN that was set up to stabilize the country – inadvertently ended up endorsing individual politicians who had previous links to the ICU, and who were known to be corrupt. For instance, UNPOS endorsed the presidency of Sharif Sheikh Ahmed, even though the latter was known to be the leader of the ICU. By claiming to co-opt radical elements into the government, ostensibly to bring about political stability and reconciliation, UNPOS gave a nod to disruptive forces within and outside the government.¹⁵ While UNPOS can be credited with ushering in a new constitution that was adopted in 2012, its support of the former ICU leadership – which favoured an Islamic state – compromised the reconciliation process and led to further fragmentation of the country. Furthermore, by not demanding fiscal discipline and reporting, UNPOS played into the hands of those who believed that the UN was not interested in bringing about peace and development in the country.

Other UN agencies have also been accused of turning a blind eye to corruption and diversion of aid within Somalia. Some analysts also believe that aid itself led to underdevelopment of Somalia.¹⁶ Eye-witness accounts at the height of the famine in 2011, for instance, showed that food aid provided by the World Food Programme (WFP), the United States and Japan was being routinely diverted to Mogadishu's markets by unscrupulous businessmen or stolen by warlords.¹⁷ WFP denied these claims, but evidence on the ground indicates that in the absence of on-the-ground monitors, it is hard to assess just how much of humanitarian aid is actually disbursed. The involvement of local NGOs working with the UN cannot be over-ruled as well, as some are known to have links to warlords and corrupt cartels.¹⁸ The lack of a substantial UN presence in Somalia has also made it easier for these cartels to operate.¹⁹ While taking advantage of the UN and Western donors, Somali politicians also have coined various derogatory names for people for the top brass within the international community. For instance, top

diplomats and UN chiefs have been given nicknames such as “spineless” (Current SRSG Nicholas Kay), “baboon” (Former SRSG Augustine Mahiga), “the schemer” (Former SRSG Ahmedou Ould Abdallah), “the experimenter” (DRSG Christian Manahl), “the mumblor” (former UN Humanitarian Coordinator for Somalia Mark Bowden), “the despot” (former EU representative to Somalia George-Marc André), “the shrewd English man” (UK Ambassador to Somalia Matt Baugh), “incorruptible Indian” (Coordinator Somalia and Eritrea Monitoring Group Jarat Chopra), “Somalilander who fabricates” (former Coordinator Somalia and Eritrea Monitoring Group Matt Bryden), “simplistic” (former US Political Counselor for Somalia Affairs Bob Patterson), “loud American” (former US Political Counselor for Somalia Affairs Cheryl Sim), “fat boy” (former Italian Ambassador to Somalia Stefano Djak), “the cynic” (Swedish Ambassador to Somalia Mikael Lindvall), “air-head blonde” (Norwegian Embassy former Secretary Rina Kristmoen), “my gullible Bella” (the World Bank Country Director for South Sudan, Sudan and Somalia Bella Bird), “the stuttrer envoy” (EU Special Envoy and Ambassador to Somalia Michele Cervone d’Urso). This just goes to show that many Somali politicians and Parliamentarians, while benefiting from the international community, ridiculed them behind their back and showed no respect for Western presence in Somalia.

The UN's efforts in Somalia are further complicated by a 2003 Financial and Administrative Agreement between the European Union and the UN that does not allow the EU to audit UN agencies. This means that EU-funded UN projects in Somalia are not externally monitored or evaluated, which allows funds to be mismanaged or used for illegal activities.²⁰ A case in point is the finding of one report that revealed that UN project staffs have been paying “registration” and other fees (or protection money) to Al Shabaab to negotiate access in areas dominated by the terrorist group. In Bay and Bakool, these fees amounted to up to US\$20,000 every six months. Based on the size and nature of the humanitarian activity, additional taxes would be imposed. One UN agency apparently allocated as much as 10 per cent of its project budget to Al Shabaab in 2009.²¹ By paying taxes to Al Shabaab, the UN violated its own principle of promoting peace and development.

¹⁵ In Djibouti in 2008, the UNPOS Special Representative of the Secretary-General, Ould Abdallah, along with the international community, agreed to endorse the former head of the ICU by allocating 275 MPs to him, which gave him a majority vote.

¹⁶ Michael Maren, in his book *The Road to Hell* (1997) shows how food aid suppressed local food production, fuelled the civil war and created a permanent food crisis in Somalia.

¹⁷ Houreld, K., “Somalia famine aid stolen; UN investigating”, Associated Press, 15 August 2011.

¹⁸ For example, the UN Monitoring Group on Somalia has described various instances of conflict of interest involving NGOs operating in Somalia and business cartels. Despite questions being raised about the integrity of these NGOs, UN agencies continue contracting them, even when they have little to show for on the ground. As UN presence in Somalia was minimal during the civil war, and continues to be so, many NGOs took advantage of this fact by doing the work of the UN within Somalia, and sending fake or exaggerated reports to the UN offices in Nairobi.

¹⁹ Most UN agencies with projects in Somalia have been operating from Kenya's capital, Nairobi.

²⁰ The European Union is one of the major donors that since 1995 have been supporting the UN's efforts in Somalia. In an interview published in the *East African*, Georg-Marc André, the former EU representative to Somalia, admitted that UN efforts in Somalia may have actually “slowed down” the war-torn country's recovery as many agencies work at cross-purposes and without coordination. See Warah, R. “Manufacturing a famine: How Somalia crisis became a fund-raising opportunity”, *The East African*, 3-9 October 2011.

²¹ See Jackson A. & Aynte A. (2013), “Talking to the other side: Humanitarian negotiations with Al Shabaab in Somalia”, Overseas Development Institute, Mogadishu.

Box-2: NGOs operate illegally

Notwithstanding the bilateral and domestic revenue the government was receiving from 1991-2013, there also has been a substantial inflow from the international charity organizations, as well as from the UN agencies. The government has been not in a position to register the inflows due to lack of a financial framework policy. In view of this, the donor grants were not applied for the intended project proposal purposes but were used for personal investments.

The most deserving sectors, which were submitted for grant funding by both the local NGOs and their partners were health, education, conflict resolution, youth and women empowerment, peace-building and governance, etc. This was intended to supplement the government sectoral development programmes.

Most of NGOs are still owned or linked with by senior civil servants as well as parliamentary legislators. For instance, the former Prime Minister, Said Farah Shirdon's wife Asha Haji Elmi, a legislator in her own right, is a competitive fund raiser and whose proceeds go to her own NGO. The incumbent President Hassan Sheikh Mohamud's sister, Nurto Sheikh Mohamud is also a fund raiser for her own NGO, which raises question about conflict of interest because she could use his influence to raise money. Both ladies are also known to take funds for women's issues in Somalia, but the money sees very few results on the ground. For instance, most raped women in Mogadishu seek help at the AMISOM hospital, not at these NGOs' facilities, which means that the latter are not trusted by the women. The Centre for Research and Dialogue (CRD) is a recipient of EU, Finish Church Aid (FCA) and Somali Stabilization Fund (SSF) donation for local reconciliation and dialogue programmes but whose impact performance has materially wanted. CRD was given a theatre rehabilitation donor support about US \$900,000 and whose building restoration has not enabled patronage of the facility. This perhaps could account for the government reluctance in regulating a policy control for the monitoring and evaluation of NGOs. As of to date, there is no state regulating board in place. This would also perhaps explain why the successive governments did not undertake full scale institutional development programmes and thereby creating avenues for continuous NGOs funding support. Therefore, NGOs have become another channel through which funds are pilfered. But with the exception, few NGOs are celebrated as doing very good work in Somalia, for instance Dr. Hawa Abdi Foundation, Kalkacyo Education Centre for Peace and Development headed by Hawo Adan Mohamed (Camey) and Elman Peace & Human Rights Centre headed by Fartun Abdisalam Haji Adan. Their programmes helped, sheltered and treated thousands in Somali women get a safe new start on life. Abdi Jama Ghedi, consultant and local partner in Mogadishu for QUESTS-MIDA programme funded by IOM, who has been working hard on bringing back young, educated Somalis from the Diaspora to be part of the country's development.

iv. Central Bank of Somalia operates like an ATM

President Abdiqasim Salad Hassan and the interim Somali Prime Minister, Dr. Ali Khalif Galeyr, on March 9, 2001, appointed governor of the Central Bank of Somalia, Mr. Mahmud Muhammad Ulusow. Mr. Ulusow had held various posts in the last Somali government including adviser to the minister of finance, director of ministry of finance and several other senior posts. The governor was expected to have adapted the former financial regulations of the bank as well as enhancing operations. The governor did neither of the two. The financial and regulatory structural processes that were inherited from the Barre government were never implemented. Each successive government isolated the bank restructuring for their own benefits. The bank structures which were enforced were:

1. Automated electronic transfer;
2. International transaction;
3. Government banking;
4. Management of the economy; and
5. Management of commercial banks (registration)

The successive governments has not attempted to reintroduce the above structures and thereby mandating the bank to being the economic advisors of the country.

The Central Bank of Somalia became operational in 2006, but still remains ineffective with regard to registering both external and internal budgetary receipts. Until today, funds are not properly entering the coffers of the Central Bank; about to 74 percent of both domestic and donor assistance is not disclosed or deposited in the Central Bank. A case in point, in the year 2011, the transitional government confiscated and fined a foreign aircraft that was transporting money for pirates in the central part of the country. The pilots were arrested and fined US \$100,000. The amount confiscated from the aircraft was US \$3,600,000.²² This money was recorded in the Central Bank. However, the following day it had disappeared from the Bank. Since only President Sharif Sheikh Ahmed, Prime Minister Mohamed Abdullahi Farmaajo, the Minister of Finance, Hussein Abdi Halane, the Governor of Central Bank, Abdullahi Ali and the Police Commissioner Sharif Sheekunaa Maye could access Central Bank

²² The piracy money was supported by the banking slip evidence, however, contradicted by its omission in the Central Bank's monthly financial reconciliation (Hard copy receipts 24/5/2011 – Qaab1 X/S/7197).

funds; There is no doubt they had something to do with the disappearance of this colossal amount.

The Central Bank of Somalia is unable to regulate the banking system and has little autonomy. No efforts were made by its governors or its board members to re-assert its authority over the economy or over monetary policy. It works as a private bank of Somali government officials. It does not operate as the authority bank on the money supply, not as settlement agent between financial institutions operating in Somalia, does not issue license for financial institutions (*hawala*) to operate as mandated by laws and regulations of CBS (Chapter II, Art. 2, Section (2) of the Central Bank of Somalia Act). Does not determine exchange rate by monitoring the USD in circulation and holds no foreign reserve. CBS acts as a slush fund account for Government officials. Mechanisms undertaken such as Society for Worldwide Interbank Financial Telecommunication (SWIFT) to connect the CBS with the rest of the banking institutions internationally were said to be done by previous governors, but its functionality is yet to be determined. Somali government ignored the development of simple automated financial infrastructure, but rather opened an account in a Turkish Commercial bank with an SWIFT code and IBAN (international bank account number) to receive all aid and development money.

The CBS has over the period not fully exercised its monetary duties of regulating the country's economy. The possible reasons for this are:

- a. The successive presidents' primary interest of receiving bilateral that is not registered by the CBS. CBS has been a conduit for diverting both donor and domestic revenue receipts. Among one of the things CBS used for is a slush fund for the individualized expenditure, *fadlan* and overseas traveling scheme funds.
- b. *Hawala* are known to exert pressure on successive leaders to discourage formal banking, of which the Central Bank would be the lead regulator. The introduction of formal banking could reduce profits for *hawala*, which are already facing accusations by Barclays Bank of channeling to Al Shabaab.

Hawala operate as banks in Somalia. They serve a crucial purpose in Somali economy greatly affects the lives of every Somali if their operations are interrupted, but as unregulated financial institutions *hawala* becomes the delivery agent of money to corruption, terrorism and the very institutions standing in the way of transparency. *Hawala* control the USD supply in the country, determine the exchange rate, and act as the informal settlement agents of the country.

Due to the structure omissions various presidents, prime ministers, speakers, finance ministers and central bank governors benefited from both donor support as well as domestic revenue. In the case of overseas travel scheme fund, the lack of full accountability enabled them to make broad visits with large entourage of people and with substantial *imprest* money, which is never accounted for. This *imprest* is not subjected to any criteria staff grade [even though they exist] as well as the host countries cost of living. In view of this, the money is determined on individual basis. The average *imprest* amount each of the dignitaries – presidents – were, taking for trip was in excess of US \$100,000, while the prime ministers were taking also in excess of US \$30,000. The entourage of the presidents also benefited from an average of US \$2,000, besides being carrier conduits for much larger amounts. The president's entourage encompasses of a minimum 15 attendants and who are given each US \$9,990 slightly less than the allowed amount of US \$10,000, according to United States customs laws (when traveling to the U.S). Such unaccounted cash being carried by dignitaries is alleged in Somali communities as a recruiting tool to sway the political opposition, to empower known Islamist to warp the view points of the youth who are most likely born and raised in these host (US, UK, Canada, Australia, Sweden, Norway, Finland, and Denmark) countries and have no knowledge of life in Somalia, and arms dealing which were detailed in many investigative reports which always fall in the wrong hands and eventually perpetuated the continued chaos in Somalia. The funds are neither accounted to the CBS nor does the bank have clear accounting records of the *imprest* issued over the period. The table below is illustrative of the funding.

Sharmarke, Dr. Abdiweli and Shirdon were not involved in the entourage overseas travel scheme of funding. The advisors to the President Sharif Sheikh Ahmed and Prime Minister Farmaajo on overseas travel scheme funding were former minister of finance Hussein Abdi Halane (current minister of finance), former Information Minister, Abdikarim Hassan Jama, former State Minister, Hassan Ma'allin, former Al Jazeera's journalist, Abdi Aynte (current director of HIPS) and former special envoy to the US, Abukar Arman. These individuals are the primary architect for the travel scheme (excess cash carrying in the US and UK that is unaccounted for by the CBS). The amount of US \$13,444,000 constitutes 1% of what the executives misappropriated through overseas travels. Otherwise, the total amount misappropriated for the period was US \$931,524,644, which was diverted through other avenues. See table 113 and 114.

Moreover, the Central Bank has not had a Board of Directors²³ or processes in place to be functional. In July 2013 the UN Monitoring Group on Somalia and Eritrea – a body tasked with monitoring arms embargo violations in the Horn of Africa – singled out

²³ The recently appointment of Board of Directors was not subjected to close scrutiny as to the public integrity of the occupants, background training and working experience.

Table-2: Overseas travel scheme funds

Period	Overseas Visit	Estimated Frequency	Overseas Entrance Ceilings	Imprest Taken	Total
Transitional Federal Government					
2009-2012	President				
	Sharif Sheikh Ahmed & Sharif Hassan	25		\$150,000	\$3,750,000
	Entourage(15)	25	\$10,000	9,990	3,746,250
	Sub-total				\$7,496,250
	Prime Ministers				
	Omer A. A. Sharmarke	8		30,000	240,000
	Mohamed A. Farmaajo	5		100,000	500,000
	Dr. Abdiweli Gaas	7		80,000	560,000
	Sub-total				\$1,300,000
	Grand-total				\$8,796,250
Post-Transitional Government					
2013/2012	President				
	Hassan Sheikh Mohamud	15		\$150,000	2,250,000
	Entourage(15)	15	10,000	9,990	2,247,750
	Sub-total				\$4,497,750
	Prime Minister				
	Abdi Farah Shirdon	3		150,000	450,000
	Sub-total				\$4,947,750
	Grand total (TFG + FGS)				\$13,744,000

Source: MoF, CBS and through various institutions

Abdusalam Omer, the then Governor of the Central Bank of Somalia, as “key” to the irregularities found in the Bank. However, he is just the latest in a series of governors who have mismanaged the Bank.²⁴

With the intention of discrediting the findings of the UN Monitoring Group Report on Somalia and Eritrea 2013, where Hassan Sheikh administration was accused of corruption, among other allegations,²⁵ President Hassan Sheikh Mohamud approached British and American lobbyists to clear his administration’s name. This was prior to an important donors’ meeting that was to be held in Brussels in September 2013 in which the EU was to pledge 1.8 billion euro to the Somali government. The hiring of FTI Consulting²⁶ and the US law firm Roger Shulman was never documented nor accounted for. Interestingly, in a case of clear conflict of interest, the lobbyists were also given a contract to “unfreeze” Somali assets in overseas accounts. Their fee was not part of the 2013 budget and none of the administration’s officials can explain where the funds came from. What’s more gulling is the fact that the U.S. Secretary of State, John Kerry allowed for re-transfer of the overseas assets to the name of the President, Hassan Sheikh Mohamud, from the hitherto custodian of the Republic of Somalia (Siad Barre). It is not understandable how the US government allowed this kind of public assets corruption transfer, while they are the strongest global advocates of transparent governance and accountability. The public overseas assets inventory transfer should have had an approval of a parliamentary Legislative Act prior to any change of registration.

²⁴ Following intense pressure, President Hassan Sheikh Mohamud replaced Omer with Yussur Abrar, Somalia’s first female Central Bank governor. However, she resigned after just seven weeks into the job on the grounds that she was continuously being asked to sanction deals and transactions that violated her responsibilities as governor. In her resignation letter, she stated that she had refused to sanction a contract with Shulman and Rogers regarding the recovery of Somali assets because she believed that the contract did not “serve the interest of the Somali nation” and “put the frozen assets at risk and opens the door to corruption”.

²⁵ The UN Monitoring Group on Somalia and Eritrea 2013 found that 80 per cent of withdrawals from the Central Bank of Somalia were made for private reasons and that about one-third of revenue from the port of Mogadishu could not be accounted for. It also noted that the revenue raised from visas and the issuing of passports is rarely deposited in the Central Bank. The Government of Somalia refuted these allegations, claiming that they were based on “gossip and hearsay”.

²⁶ Interestingly, the FTI’s chairman for Europe, Middle East and Africa is former British minister Mark Malloch Brown, who was also a former UN Deputy Secretary-General and head of UNDP.

The current president's administration (September 2012-present) inherited a mere US \$71,379 from the out-going Transitional Federal Government's administration led by President Sharif Sheikh Ahmed and Prime Minister Abdiweli Gaas.²⁷ Yet with a government so broke and with under-funded institutions, these politicians felt no shame in raising millions of dollars for their own re-election campaigns. An official at the Central Bank claimed that some US\$5 million was spent on the re-election campaigns (a big portion allocated to buy the votes of the MPs) of Ahmed and Gaas. This money came from the United Arab Emirates and was to be used for budget support.²⁸

The allocation of public finances towards elections and vote-buying is a trend that continues to this day. Many Arab donor countries are known to have funded the recent election campaigns of Somali politicians. For instance, Qatar is known to have engaged directly with the ICU in 2006 and supported the candidacy of its leadership in the December 2008 elections held in Djibouti. The ICU leader Sharif Sheikh Ahmed was elected President of the TFG and assumed office in February 2009. However, Qatar "changed horses"²⁹ when Hassan Sheikh Mohamud became president in September 2012 and even financially contributed US\$7 million to his election campaign.

In conclusion, the government is not taking a serious and urgent consideration of restructuring the CBS and thereby ensuring full accountability in respect of controlling their financial budget needs. Unless UN, Donors, World Bank and other relevant stakeholders (Financial Governance Committee) get involved subject reversal, the Islamists dominance in destabilizing the country and the region at large shall be a long journey. The urgent steps are in instituting the following:

²⁷ Notwithstanding the fact that Dr. Abdiweli was an economic scholar by all standards, his operational performance at the premier office was least in appreciation. This subsequent clan election into being the president of Puntland is a reflection of the clans' mindset of not having been objective and critical in approach. It goes to show that clan allegiance precedes efficiency and performance.

²⁸ The tendency to use donor money for private purposes was also evident during the tenure of President Sharif Sheikh Ahmed and Prime Minister Mohamed Farmaajo. On two different occasions in 2011, the author, who was then Head of the Public Finance Management Unit, along with the State Minister of Finance, Mohamed Hassan, and the Permanent Secretary in the Ministry of Finance, Amina Sheikh, deposited cash worth US\$1 million and later US\$5 million (without the Permanent Secretary) in cash into the Central Bank in Mogadishu. The cash, which had been collected in suitcases from the United Arab Emirates by Prime Minister, Mohamed Abdullahi Farmaajo and Minister of Finance, Hussein Abdi Halane. This money was put in the Central Bank and withdrawn right away by President Sharif Sheikh Ahmed, Prime Minister Farmaajo, the Minister of Finance, Hussein Abdi Halane, Governor of Central Bank, Abdullahi Ali. Halane was once again appointed the Minister of Finance in 2014 by President Hassan Sheikh Mohamud, despite his past record of having engaged in corrupt practices.

²⁹ See also Hansen, 2013

1. Financial regulation across all the economic sector;
2. Procurement process guidelines of goods and services in all the sectors;
3. Instituting functional human capital resource; and
4. Instituting control measures in all capital expenditure.

After the resignation of the governor of central bank, Yussur Abrar, the president Hassan Sheikh Mohamud favorably told his close associates that "the CBS will not be restructured until their interest plans are fulfilled".

v. Lack of proper public financial management has severe consequences for Somalia's future

Since 1992, all the successive government has not enforced the application of the financial and accounting regulation procedures. This was deliberate as it was an avenue for the budget misappropriation. They could have enforced the regulations formulated in 1961, improved in 1972. For the last 13 years, none of the successive governments attempted to either adapt or amend the financial regulations to the current status of computerization. Lack of financial control regulations and procedures made each of the successive government to utilize the budget provisions through cash management. This process of cash management impairs the realism and credibility of the entire government budget.

The country's budget preparation and implementation has been an exclusive portfolio for the Ministry of Finance and Office of the President. The Ministry of Finance prepares the budget in total isolation of the other government organs. Though the budget is submitted to the national assembly for legislation debate, it hardly receives any critical review analysis as most of the Members of Parliament (MPs) are bribed for its rubber stamping. The National Assembly is the only avenue where members could review the budget in relationship to their respective constituents and thereby making it public. The MPs and its various committees in the Parliament does not know the contents for the budget appropriation in view of the fact that they do not have research officers as well as offices at their place of work to relate with their constituents, and to do their legislative research. The singular interest they have with the budget contents is the amount of their personal emolument. The Financial Standing Committee of the Parliament (FSCP) does not scrutinize the budget and thereby providing opportunities for the National Assembly budget debate.

None of the successive governments have observed strict management of budget itemization costs. It was not possible to vouch for the actual expenditure on administration, security, justice, economic, social, and other expenditure clusters against the budget estimates. The budget management is not subjected to any internal and external financial control systems. None of these clusters—administration, security, justice, economic, social and other expenditures - have functional internal accounting department and as such the due process of payment and revenue collection (appropriation in aid) is not enforced. Neither do they have other inter-functional departments for initiating development programmes. They are all skeletal sized and under the monopoly control of the respective ministers and directors. Overall, the budget amounts were withdrawn without any voucher identifying the items of expenditure. The lump sum withdrawals made it difficult to reconcile the revenue and expenditure items. This was perhaps another deliberate conduit for misusing public funds.

The current government of Hassan Sheikh Mohamud seems to have inherited and adopted the same non-transparent ways of managing public finances. For example, the issuing of contracts to a Turkish company to manage the Mogadishu port and airport in 2013 was not conducted through an open and transparent bidding process. Furthermore, foreign and large domestic private companies (cartels) are known to bribe politicians so that they are exempted from paying tax and to seek favours.

The lack of transparency in public financial management has severe consequences for Somalia's future. Suggestions to introduce a Joint Financial Management Board,³⁰ muted by, among others, the British Government and some donors, have been rebuked by both the previous and current governments. A weak public financial management system has, in turn, weakened the ability of the Somali state to deliver much-needed services. Furthermore, a culture of dependency and lack of accountability has made both the Somali government and donors complacent about how funds are used.

³⁰ See "Somalia Special Financing Facility Financial Agent Terms of Reference (2013)", this proposal was somewhat similar in design to the arrangements used in Liberia in 2005 in which key executive decisions in revenue, spending and oversight institutions were under the dual control of government and donor representatives. Last year, Norway created a special financing facility to manage its aid to Somalia. However, by December 2013, it had technically and logistically suspended its projects in Somalia through this facility, citing the lack of a functioning Central Bank. However, if continued, this facility would still not have provided the necessary oversight.

Box-3: Lack of transparency in the managing of public resources

The Offices of the Accountant and Auditor General have not able to analyze and report financial irregularities. For instances, in 2009, the Minister of Planning and International Cooperation, Abdirahman Abdishakur used US \$36,000 for renovating his private house. When the Office of the Auditor General audited the accounts, it established that the money was intended for the planning ministry's operational expenditure for the month of April, May and June (US \$12,000 each month), which was siphoned off from the office. In spite of the evidence, the minister verbally abused the Auditor General with a warning never to come back again. This was reported to Prime Minister Sharmake, but no action was taken.

In 2010, the UAE gave the country (through the Ministry of Finance) a cash donation of about US \$2 million. US \$1.2 million was banked in the Central Bank for MPs' stipends and the remaining balance of US \$800,000 was shared between the president, Sharif Sheikh Ahmed, the Speaker, Sharif Hassan, the Minister of Finance, Hussein Abdi Halane, the Governor of Central Bank, Abdullahi Ali and the State Minister for Presidency, Hassan Ma'allin. The OAG reported this to Prime Minister Sharmake but no action was taken again. None of the successive Financial Standing Committees of Parliament were able to report or explain glaring budgetary discrepancies; simply the different heads of the committee were always in the pockets of the Presidents, Speakers, Prime Ministers and Finance Ministers.

Source: OAG and AGO.

2 GENERAL BUDGET MANAGEMENT CHARACTERISTICS

The country's 13 years of budget formulation, preparation and execution was not benchmarked on any financial statistical evidence. This is in view of the fact that the ministries and institutions were not structured into departmental functions. All the ministries formed from 2000 to date have no internal structures for transparent and accountable management. The current structure consists of minister, deputy minister, state minister and director general. However, there are no clear and specific job responsibilities between the state minister and the deputy minister. The minister wields a lot of power, which does not require the internal management hierarchy of checks and balances. This translates into the ministry's structures being non-functional. There are no internal departmental heads who can guide the director generals/permanent secretaries, and ministers in formulating policies for developmental growth. In a nutshell, the current structures are non-functional. Moreover, the director or permanent secretary office appears not to be supported by the technical department, administration department or finance department. This, therefore, denies the respective ministries the benefit of well-drawn research for developmental growth. Consequently, this lack of hierarchical chain of management as well as internal control system has had the direct effect of mismanaging the thirteen year budget. The budget preparation was at best based on imaginary financial statistics³¹. The budgeted errors are in spite of Mr. Ali Isse track record in financial management in international organizations. He was the author of the budget for the period under review.

In view of the lack of ministry structures, successive governments have not been able to put domestic taxation revenue structures as far back as 2000. Each ministry was not tasked to develop structures of raising both the appropriation in aid and accruable taxes. This scenario persisted up to the year 2008/2009, when the domestic and bilateral assistance started regularly being registered; even though both under-reported. However, the streams of the revenue targeted are the customs from port and the airport in Mogadishu only. Other streams of revenues - income tax, property tax, corporate tax, and taxes on goods and services - have been

³¹ Ali Isse, head of HESPI and former IMF country representative in various African countries was behind the national budget. Although he has superior qualifications and experience, he failed to establish a feasible budget for own personal gain. According to UNMG, an AFDB project of US \$1,967,950 was spent in part through the HESPI in Addis Ababa. In addition, there were direct expenditures on behalf of the TFG and smaller projects with other financial arrangement.

incorporated into the budget but are yet to be collected. As of 2010, the government should have enhanced the tax revenue structures by incorporating these streams of revenues. Indeed, the domestic revenue collection has been on ascending order as at 2013, it was US \$73,561,980. The collection has been in force for the last 5 years. However, each successive government's claims credit for its introduction.³² Domestic revenue collection is not in dispute but the amounts registered or omitted and their subsequent utilization is characterized by intensive irregularities. What could be of urgent consideration is the expansion of the tax streams revenue as well as improving the chargeable rates. This should also be subjected to internal checks and balances in respect of the revenue collected being banked into the Central Bank of Somalia intact.

In spite of the budget revenue collection sources, its formulation, preparation and execution have been wanting. The Ministry of Finance has all along centralized the budget formulation, preparation and execution to its exclusive management. Ministries are not given budget ceilings for preparing their respective budgets nor are they in control of the preparation and execution. The Ministry of Finance does not abide by the previous financial budget procedures (prior to the civil war), which entails:

- a. After the approval of the parliament and the presidential assent, the budget allocations are supposed to be disbursed to the respective ministries/institutions in the central bank;
- b. The ministries/institutions then become accountable to their budget; and
- c. The ministries/institutions become accountable to the Auditor General and Parliament.

Though the Ministry of Finance claims to have been making the budget disbursements to the respective ministries' account held at the Central Bank, the expenditure payments are individualized under the approval by the minister and the permanent secretary. Individuals who receive the expenditure payment approval are often close

³² This would perhaps clear the wrong budget information submitted to various donors and by the successive governments. See Daily Nation March 10, 2014 by Abdulkadir Khalif, "Mogadishu introduces first taxes in 23 years". Minister Hussein Abdi Halane who claims to have introduced the tax revenue bracket was the Minister of Finance in 2010-2011, during which the said streams of levies/taxes were already factored into the budget. The question is why did he then not enforce the tax revenue streams? The same minister is on record of having perfected the financial irregularities of cash chit (fadlan) money payments and to individuals.

associates of the minister. This remains a serious budget management flaw as there are no departmental structures for enforcing checks and balances. In addition, the budget managers are not experienced nor are they adequately trained. The clusters, which have featured in the budgets, are:

Box-4: Budget Clusters

- a. Administrations and General Services;
- b. Security Services;
- c. Justice Services;
- d. Economic Services;
- e. Social Services;
- f. Other Services; and
- g. Contingency.

Under the administration and general service cluster are the executive offices, and other line ministries, whose criterion of budget allocation is not based on factual evidence. The Office of the President, the Office of the Prime Minister, the Office of the Speaker and the Ministry of Finance have all along been given the highest budget allocations. However, none of them has internal departmental functional structures as to quantifying the allocation. Naturally, any functional institutions should at least have few functional departments; for example, human resource department, accounting department, planning department, internal audit department, procurement department, technical department, etc. The budget allocation should be sourced from each of the unit department and thereby constituting the ministry's overall budget. This means each department should prepare its own budget, which should be consolidated to constitute the ministry's overall budget. Human resource department should be able to give the annually salary budget for each ministry and as well as the other departments. This process of data collection has not been adhered to by any of the successive government but they submit budget provisions, which are not supported by any statistical evidence.

2.1. Allocation

As stated earlier, the budgets are not based on structural departments as to providing any equitable allocation. The successive governments neither engaged ministry of planning into credible development research and thereby formulating the balanced

(rational) budgets in view of current and forward budget planning strategies. No successive government, through the ministry of planning, has ever prepared a detailed forward development budget for the country. The budget flaws have affected development project prioritization as well as relatively adequate budget funding, which cuts across all the line ministries.

The Ministry of Finance has also not developed a clear cut financial policy on supplementary budget funding. This is intended to address budgetary allocation deficit as well as rationalization (sharing according to prioritization). However, the budget revision (supplementary) is sometimes provided and approved by powerful and influential ministers, but without due process. The government does not subscribe to majority of the budget practice norms. The government does not have a consolidated fund at the CBS for all revenue depositing and for the subsequent budget. Neither does the government have mandated nor independent officers for controlling the funds deposited into the CBS. This is in respect of regular financial reconciliations and expenditure withdraws approvals. The revenue deposits and their subsequent budget year expenditures are managed by the permanent secretary in charge of the finance ministry, auditor general, CBS governor and the parliament. The president appears to be the custodian as much of the funds are kept in the statehouse. This budgetary flaws affect budget allocations as well as a development programmes since the funds are at the discretion of the president but not the government.

2.2. Budget Disbursement and Transfer Procedures

None of the successive governments have adhered to the approved standards of budget management. The MoF continues to prepare budgets on behalf of the line ministries/institutions. The budgets are neither subjected to the various vetting committees, which are at the ministerial, inter-ministerial, and parliamentary level. Each ministry should consist of an inter-departmental budgetary committee under the chairmanship of the budget director. The committee should allocate departmental budgetary ceilings. Each department should work within the ceilings to create its own budget; then the budget should be consolidated under the name of the ministry and at the chairmanship of the budget director. The budget should then be submitted to the permanent secretary/director general and the minister for final approval. The ministerial budget should further be subjected to an inter-ministerial committee, which is always under the chairmanship of Ministry of Finance (Permanent Secretary/Director General). The direct of budget of MoF consolidates all the various ministries/institutions' budget into one. The Ministry of Finance still continues to centralize other government payment expenditures, thereby avoiding physical credit transfers to them through the Central Bank. There is no documentary

evidence signed by the permanent secretary of the MoF and Auditor General transferring the ministries budget allocation to each ministries account held at Central Bank. This transfer is in the form of authority to incur expenditure (AIE).

The expenditure payments are in total disregard to the normal government procedures. For instance, capital expenditure, which are intensive in monetary terms (development projects, contracts, tenders, etc.) are lumped up with cash salaries and operational payments. The cluster for such cash chit payments are (i) individuals authorized to collect their personal cash money, (ii) individuals authorized to collect cash on behalf of ministries, and (iii) individuals authorized to collect cash on behalf of third party contract providers. Individuals collect the cash from the Central Bank but with prior chit approval from the executives and the minister of finance. This is against government financial regulation of accountability. Such approvals are normally within the domain of accounting and finance departments. The chits are normally not reinforced by receipts or invoices to support evidence about the nature of the transaction. This indeed stands out into being an outstanding imprest for subsequent documentary evidence surrender. And neither is the imprest accounted for in the documentary evidence.

The budgetary disbursement and transfer procedures flaws are not inherent to transparent accountability. The successive governments should have embraced the standard budget management procedure, which is:

- a. The Ministry of Finance should have provided government budget ceilings to each ministries/institutions;
- b. The respective ministries are ,therefore, supposed to constitute their internal budgetary committee;
- c. After each ministries' budget completion, the budget is forwarded to the Ministry of Finance for further deliberation (MoF budgetary committee);
- d. After all budget submissions, the MoF consolidates them into one budget;
- e. The MoF then forwards the consolidated budget to the parliamentary finance committee;
- f. After close scrutiny the budget is then tabled to the House by the MoF;
- g. The budget is then forwarded for the presidential assent;
- h. After the assent is communicated to the Speaker of the Assembly, he forwards the same to the MoF for disbursement to the respective Central Bank account held by the ministries/institutions;

- i. The disbursement are normally approved by the MoF and the Auditor General (transferring funds from the consolidated accounts for the year budget);
- j. Line ministries/institutions become accountable for the budget funds allocated to them. This is through their internal accounting checks and balance but with the final mandate lying with the Auditor General.

2.3. Budget Execution

None of the successive governments has ever developed an affective and functional budget execution management policy. The budget has been managed on an ad hoc basis. Indeed, the government expenditures were all transacted on cash payment basis. In spite of this erroneous transaction, the cash payments are not subjected to the slightest internal checks and balance.

The ideal budget execution management should have been subjected to the following checks and balance:

- a. Departmental heads to control own budget;
- b. Departmental heads to initiate expenditure (in terms of tender approval, submission to the procurement department);
- c. Inter-departmental budget committee for continuous review;
- d. The budget execution is then subjected to the accounting department, who would conclude the payment process transaction;
- e. The accounting process payment transactions should be executed as follows:
 - i. Receiving and filing invoices;
 - ii. Voucher preparation;
 - iii. Voucher examination;
 - iv. Voucher approvals;
 - v. Internal audit approvals;
 - vi. Cash office cheque drawing; and
 - vii. Cheque approval signatories.

The successive governments have never adopted the budget execution as indicated above due to the following:

- a. Executives are beneficiaries of the flawed budget execution and as such would not want to be subjected to scrutiny;

- b. The ministers and director generals are also a benefactors of the system and thereby cannot revert back to the previous system;
- c. Ministerial inter-departmental structures are not functional and neither have they been structured to become more accountable;
- d. The number of monthly payroll civil servants is large but those in active office are too few to perform all the duties, while others are ghost workers;
- e. Monthly cash salary payment is often abused by the accounting officers of the ministries. This is in view of the personalized employment opportunities by the executives. No sooner do the executives leave office, so do the civil servants

they employed follow suit. Their salaries are often collected by the remaining accounting officers for personal use.

The budgetary flaws thus are executed through chit cash payments. This process does not subscribe to any manner of financial management practices. The executive offices and the MoF are the primary transactors of the system. Indeed, individuals go these offices to collect the chit cash authorization payment. This appears to be the major official occupation of the offices in view of the large number of people going for the handouts. This system of chit cash payment has no recorded evidence for audit verification and as such the amounts encashed remains outstanding imprest.

3 PERFORMANCE OF SUCCESSIVE GOVERNMENTS (2000-2013)

Flawed From the Start

Given the recent history of clan conflict in Somalia, there were multiple challenges that needed to be addressed in re-launching public sector reform. From the start, the transitional governments' leaders failed to develop appropriate policies, strategies and structures to guide the thrust and direction of socio-economic development which should have been central to the re-construction agenda. The initial failure of the transitional governments set the tone for the post-transitional government, which also did not adequately address and revitalize the civil service, including management and functional reviews to rationalize structures, functions, and procedures, staffing and strengthening capacity across ministries, departments and agencies.

The successive governments, including the incumbent administration, had three executive arms, namely, the President, the Speaker, and the Prime Minister. The Prime Minister was the executive of the government and worked closely with cabinet

of ministers. The governments were run through government line ministries, integrity institutions, and constitutional commissions and bodies. Executive offices were and still are a picture of absolute informality: informal structure, informal management, and informal service access. These offices were not exemplary in the way they operated, with low standards of professionalism, integrity and ethics.

In the last thirteen years, the four different administrations, as indicated in the Table 2 below, had thirteen prime ministers where the number of cabinet ministers varied from about 39 to 10 cabinet ministers. However, over time, line ministries' portfolios were streamlined to other ministries, and others were merged, often without necessary legislative or formal mandate adjustments to support this transfer. Essentially, the number of line ministries fluctuated over the years, without any consistency in mandate, policy or legal and institutional framework. In other words, in thirteen years there were no ministries that were built or a public service that provided continuity.

Table-2: The respective administrations for the periods of 2000-2013

Category	Administrations				
	TNG 2000-2004	TFG 2005-2008	TFG 2009-2012	FSG 2013-Present	
	Number of Offices	Number of Offices	Number of Offices	Number of Offices	
Executive Branch	Office of the President (OP)	1	1	1	1
	Office of the Speaker (OS)	1	1	1	1
	Office of the Prime Minister (OPM)	1	1	1	1
Institutions	Members of Parliament	275	275	550	275
	Line Ministries	25/37	30/18	39/18	10/25
	Integrity Institution & Finance	2	3	3	3
	Constitutional Commissions & Bodies	3	5	3	3
	Total	35/45	41/29	48/27	294/309

Sources: MoF and CBS

Executive's Failure to Develop Policies

The Office of the Prime Minister

The Prime Minister's Office is one of the most ineffectual of all the offices, mainly because its function was over-ruled by the President in all the administrations. On paper, the Prime Minister is supposed to perform the following functions: 1) to appoint the ministers and to determine their responsibilities; 2) to determine the policies of the TFG; 3) to communicate the policies of the TFG; and 4) to decide public spending. The different Prime Ministers failed to execute any of these functions which consequently led to an informal and dysfunctional office. Moreover, this dysfunctionality shifted most of the power to the president.

The prime ministers often lacked proper qualification for the position and were unable to manage the various tasks required within that position. The Office of the Prime Minister was headed by chief of staff, who was assisted by the state minister in running the office.

There was a hierarchic layout of the various functions designed by the National Democratic Institute (NDI)³³ for the various departments within the Office: 1) Administration & Finance Department; 2) Council of Ministers Department; 3) Parliament Department; 4) Security Department; and 5) ICT Department. Although there was a hierarchic layout of these departments, none of them were functional and were only superficial where designated individuals remained idle. There were titles and positions given to these individuals but there were no specific tasks and nobody to report to. The titles and positions were: Director of Administration and Finance Department, Director Council of Ministers Department, Director of Parliament Department, Director of Security Department, and the ICT Department Director. None of these departments were allocated a budget. All of these departments were cosmetic with no technical staff and with fewer clerical staff and many auxiliary staff. The total staff strength in the Office of the Prime Minister currently stands at more than 200. Most of these staffs are registered as civil servants at the National Civil Service Commission.

³³ Although NDI recommended the establishment of physical functional structures, they never visited the offices. Therefore they could not verify whether their recommendations were in fact implemented or not. In other words, there was a complete discrepancy between what was on paper and the reality on the ground. The trend continued for about 8 years and across the presidential office, office of the prime minister and the legislative assembly. This is a case study of continued donor funding which still has no impact on the country institutions.

It appears the Office of the Prime Minister does not have functional departments for coordinating all other line ministries, departments and agencies (MDA). Indeed, the office's constitutional mandate is to oversee all the other government functions and to see that they are being effectively managed.

The few existing departments are, however, overshadowed by the Chief of Staff, as well as the Prime Minister himself. The two can even decide to suspend salary payment to the lower and middle personnel. As relates the budget management, the two have the exclusive use of directing office expenditure application. They hardly follow the budget itemization control expenditure in the budget estimates. The government budget estimates also do not provide internal departmental budget. The system is each department being in charge of its own budget allocation. In the absence of this, the office uses the budget as a pool account and at the exclusive control of the Prime Minister and his Chief of Staff. This is a serious omission by the ministry of finance as it lacks statistical based budget allocation and the required internal control systems.

The current budget allocation to the office is micro-managed by the Prime Minister and the Chief of Staff, however, to the detriment of accountability and transparency. There have been no initiatives and efforts of restructuring the office by all the preceding prime ministers. This, as a result, compromised monitoring, evaluation and internal controls of the office and line ministries, constitutional commissions and integrity institutions. This is the biggest challenge the incumbent prime minister, Abdiweli Sheikh Ahmed should take upon himself to initiate the internal restructuring transformation. If the Prime Minister's Office is not restructured, there is little hope for any other government institution.

The challenge is to immediately commence the restructuring process, which otherwise had compromised monitoring and evaluation of all development programmes. This would entail the creation of a technical department for coordinating development performance of the line ministries, a constitutional commission and integrity institutions. This department would regulate the external relationship of the government organs with the office of the prime minister.

The technical department should consist of different professionals who would be able to functionally relate with the core duties of all the government institutions. That is to say, there should be financial experts for coordinating with the Ministry of Finance, the Central Bank, the Office of the Auditor General, the Office of the Accountant General, Financial Standing Committee of the Parliament and other commercial investments.

Box-5: Proposed departmental inter-working relationship process

An example of the lack of inter-departmental coordination is the administration and finance department (accounts department). The accounts department is the primary custodian manager of the office budget. However, it works within the approved budget. The department receives funds from the MoF. It facilitates expenditure for the office.

The process of receiving the funds should be as follows:

1. Requisitioning the budget funds from the Ministry of Finance to the Central Bank and its subsequent expenditure application. The accounts department in conjunction with the other departments initiates the cash imprest withdrawal (petty cash) for light payments. The cash is normally kept by the department. The other departments are advised on the total amount received from treasury for their expenditure management. This is the starting point of budget management. The petty cash, in spite of its availability within the department is subjected to internal control systems. The cashier cannot pay out any cash without approval of the departmental head.
2. The internal structural initiation of procuring goods and services should be:
 - i. The requisitioning department submits its budget order supply to procurement. The procurement department should advertise for the supply and receipt of the order. The order supply would also require an approval from the consuming department. The supplier would then raise an invoice for the payments. The invoice would be received by the administration and finance department who would resubmit for approvals (certification) from the procurement and the respective department.
 - ii. After the certification of the invoices, voucher payment preparation starts. The payment voucher is subjected to further verification by the accounts department. These are voucher examination, voucher approval (senior accountants), chief accountant approval and internal audit verification approval. Upon final approval, the chief accountant authorizes the cheque payment. The cheque payment is counter-signed by at least through three appointed signatories at the central bank. These are across the other department as well as the chief of staff (formality). The accountant summarizes the cheque payment through a CBS reconciliation schedule. The schedule is also counter-signed the three appointees. This is intended to control payment malpractices as the CBS would only honor the cheque and the amounts which are supported by the reconciliation schedule. Sadly, none of the above procedures are ever followed in the Office of the Prime Minister. If such basic routine procedures cannot be followed by the Office of the Prime Minister, then how can the ministries apply them?

Source: MoF, OAG, AGO and Line ministries

Similarly, there should be professionals relating with the ministries of planning, foreign affairs, interior, security, defense, justice, agriculture, livestock, etc. The other departments have on paper internal management systems, but they are not enforced. These are administration and finance, cabinet affairs, parliamentary affairs, security and IT department. A simple example of the office's lack of functional departments and coordination would be the administration and finance department, which are supposed to act as a main centre of the office by directing and controlling funds. However, they have very few trained accountants,³⁴ bookkeepers, and cashiers. These professionals are not hands-on when they should be involved in the day-to-day financial matters of the office. This means that they do not sign vouchers or checks or make procurement decisions.

Of course, there has not been a public procurement and concessions commission since the fall of Siad Barre regime in 1991. The personnel working in these departments are often not well placed to take part in budget dialogues due to their position within the organizational frameworks at the office level, which does not link to them to each other or to the Chief of Staff. These departments should attract the first basic restructuring and thereby reflect operational efficiencies as an accounting example in the government institutions. The internal inter-departmental working relations should be affected as well as their specific responsibilities. The organizational structure of coordination and responsibility should also be perfected. In effect, the internal restructuring should cut across the vertical and horizontal departmental inter-working relationship (see Box-5).

Sharif Sheikh Ahmed vs. Omer Abdirashid Ali Sharmarke

Technically, the President's function under the constitution is supposed to be mainly ceremonial and the Prime Minister is supposed to be the Executive. However, since 2000, it has been the reverse. Lack of separation of powers and a clear division of labour between the President and the Prime Minister often resulted in lack of coordination in functions, and made oversight functions almost impossible to carry out. For instance, Prime Minister Sharmarke (2009-2010) completely lacked control over the public finances despite being the founder of the Public Finance

³⁴ UNDP through its SIDP programme attempted to give an opportunity to work towards an internationally recognized qualifications system (ACCA) to the staff of integrity institutions (Central Bank 5, Auditor General 10, Accountant General 10) but the programme was discouraged by the Minister of Planning and International Cooperation Abdirahman Abdishakur Warsame. The minister was incapable of effectively designing and implementing any sort of development program in his sector and he did not have the capacity to cooperate with the International Community, Central Bank, Accountant General and Auditor General who all suffered.

Management Unit (PFMU) in his office.³⁵ In fact, he failed to allocate money to departments; most payments were made on an ad hoc basis, and usually in cash without following any procedures and approvals. He singularly controlled the cash budget allocation for the office, which he kept at his desk drawers for payment. This is in total contrast to the envisaged high standards of public finance management, which was under his armpit.

Despite being a corrupt³⁶ and poor manager, he can be credited with reaching out to the international community, even though he was not allowed to exercise his authority and responsibilities. However, his administration is also credited with decisions that negatively impacted the future of Somalia. For instance, the Office of the President instructed the Minister of Planning and International Cooperation (MoPIC) Abdirahman Abdishakur Warsame to sign a memorandum of understanding (MoU)³⁷ with the Government of Kenya to begin discussions on a set number (12)

³⁵ The PFMU was established in May 2009 and has been operational until May 2011. This unit was expected to oversee all the issues pertaining to public finance management. The Unit also served to support and monitor activities of Integrity Institutions (Office of the Auditor General, Accountant General Office, and Financial Standing Committee of the Parliament) as well as revenue generating institutions (Mogadishu Port and Aden Adde International Airport). The support the unit provided was essentially aimed at strengthening integrity institutions' capacity (OAG, AGO) and revenue generating institutions' (Mogadishu Port and the airport). The Unit's role was to work towards the goal of improved public awareness for greater transparency and accountability in revenue management, as well as to introduce measures that strengthen government and civil society collaborations at local level. It was also supposed to raise the bar for internal reporting and budgeting which was entirely non-existent. The PMFU generated two financial reports on the state of the use of domestic and bilateral assistance by the Somalia's leaders. These were measures aimed at enhancing reporting regularly in order to boast support from the international community. The presence of the Unit at the Prime Minister's Office, has strengthened public institutions, improved planning and coordination processes for short period. PFMU was also founded on the premise to engage constructively on important issues of public financial management and budget process, promoting awareness about ethical budgeting. The PFMU's vital role led to the decision that the Unit would expand from a personnel of one to fifteen. The idleness of OAG and AGO led to the parliament consideration of the Unit as an independent body but was interrupted by the entry of new political figures. However, the above were all short-lived achievements and many objectives were unfulfilled because PMFU's inclusion was greatly reduced with the arrival of Prime Minister Mohamed Abdullahi Mohamed (Farmaajo) in November 2010 and until its doors closed in May 2011.

³⁶ See "Audit Investigative Financial Report 2010-2009" (May 2011).

³⁷ After a trip to London where both the PM, Omer Abdirashid Ali Sharmarke and MoPIC, Abdirahman Abdishakur Warsame met with the Somali community, they were asked about the reason behind the signing of the MoU. The Minister of Planning replied it was the PM's (Sharmarke) decision to sign the memorandum.

of nautical miles in Somali territorial waters that could be ceded to Kenya as an exclusive economic zone (EEZ). The administration did not involve the Parliament and the cabinet in deliberating the memorandum.

Similar singular decisions that had a negative impact included the outsourcing of security services to Saracen and airport management to SKA Services. Contracting terms for the services were not known by the Parliament and neither was the process subjected to due diligence. The contravention of the public procurement policy was perhaps intended for personal gains. The amount of kickbacks from these two contracts (that has alleged to have benefitted President Sharif Sheikh Ahmed, the Prime Minister Sharmarke and the Minister of Finance Sharif Hassan) is about US \$3 million.

During Sharmarke's time as Prime Minister, there were virtually no resources expended on the provision of key economic and social services, such as education and health, even though he came from a humanitarian and development background. In spite of the Arab budgetary support, under-funding became an issue, which forced the administration to solicit Western financial assistance through multilateral institutions. This in effect meant that the government had to accept the United Nations Development Programme (UNDP)'s strategic planning policy known as the Somali Institutional Development Project (SIDP) whose budgetary span period was 2009 – 2011. According to the SIDP, the government and the donors' contributions were in two scenarios over a period of three years (2009-2011), both of which required that the Somali government contribute a set percentage of the total budget over the three years, while the development partners contributes the remainder. Scenario 1 and 2 in Appendix-B, illustrates the budgetary support which was expected to meet the donor community's support towards strengthening governance capacity to manage core government functions more effectively. However, the government did not contribute to this programme according to either scenario, perhaps because they would be forced to disclose the amount of funds it was receiving from Arab countries. Any attempt to bring about more accountability has thus been thwarted. Hence, even when development partners tried to offer a solution, it was not accepted. They preferred to handle the revenue in an informal way. This might have forced them to deal with UNDP in a more systematic and accountable way.

The UNDP proposal entailed strengthening governance capacity to manage core government functions more effectively, such as financial contributions to supplement the TFG budget in the areas of staff salaries, in-country travel, and rehabilitation and rent subsidy for the Somali embassy in Kenya. This proposal was initially developed and agreed upon by the previous government (Abdullahi Yusuf/Ali Ghedi) and UNDP.

However, President Sharif Sheikh Ahmed and his Ala-Sheikh group's ambivalence towards dependence on UNDP and other UN organs led to a disregard of this established budgetary allocation. Notwithstanding President Ahmed and his base Ala-Sheikh group's mistrust of the project, UNDP also contributed to its non-implementation with regard to inadequate technical capacity of selling the project to the country and failure to recruit competent local managers to oversee project implementation. The external sourcing by UNDP of managers with no background experience of the country and with no regard to consultation with the stakeholders was another contributing further factor for the project's non-commencement. The failure of UNDP to engage the MPs at the inception process of the project and its subsequent implementation was also a factor. Prime Minister Sharmarke, however, re-negotiated with UNDP and the project finally took off. The overall terms and conditions of the international community, in particular the United States and the European Union, were enforcement of security, governance structures and peace-building initiatives. The structures of the enforcement are detailed below.

Table-3: Terms and conditions of the international community

1. Security	<p>a) Harmonization of Alliance for Re-liberation of Somalia (ARS) and TFG forces and determining their numbers to adequately train them and provide them resources;</p> <p>b) Devise a plan to free the capital from Al-Shabaab*</p>
2. Governance structures	<p>a) Establish a sitting allowance for the MPs who are active within state lines;</p> <p>b) Determine core ministries out of the 39 line ministries;</p> <p>c) Develop a system and processes of making and implementing public financial management and human resource capacity;</p> <p>d) Approve an ongoing constitution written by the Independent Federal Constitutional Commission (IFCC) with involvement of UNDP - the making of a constitution and paving the way for a peaceful elections and transition of power;</p> <p>e) Financial Report - disclosure of revenue streams and disbursements of TFG; and</p>
3. Peace-building Initiatives	<p>a) Inclusion of Ahlu Sunna Waljama'a (ASWJ) in the government.</p>

Source: OPM

The Prime Minister at the time, Sharmarke, successfully met those demands, except for the execution of the plan to free the capital from Al-Shabaab, at which point the international donors approved to release funds. The UNDP immediately established a breakdown of the allocated funds from the development partners and the contribution of the TFG, which had already begun during Abdullahi Yusuf/Ghedi's tenure. Despite the successful negotiations, Sharmarke was portrayed as an idle figure by the Ala-Sheikh group. The Islamist group saw the project as a step towards a secular state. Therefore, the role of Prime Minister Sharmarke as the executioner of this plan was sabotaged

* It worth acknowledging the contributions made to the Stabilization programme by the former Italian Envoy to Somalia, Stefano Djak. The programme was comprehensively adequate in securing the capital from the Al-Shabab controls. However, the government and in view of the President Sharif Sheikh Ahmed and Sharif Hassan's personalized interest in engaging insurgence, the implementation was withheld. It is unfortunate that the international community did not pressurize the government to implement this socio-economic blue print.

when he was dismissed from his position so that he would not gain both national and international support. This pressure prompted President Sharif Ahmed and his base, Ala-Sheikh, to blame all the failings up until then, on Sharmarke. And thus, the Ala-Sheikh group brought forth their Marehan crony, Mohamed Abdullahi Mohamed (Farmaajo).

The newly appointed prime minister who was the beneficiary of the plan executed by Sharmarke was elevated to higher official status while his background did not qualify for the elevation. Farmaajo who is US educated working at the time in the department of transportation of the state of New York was based in buffalo before his elevation. He did not have the political background, was not a community organizer at large, or even an active member of Somali diaspora in the US. In his ascent to the office of the prime minister many have falsely prophesized his background and his family's contribution to the struggle of Somali independence. The attribution of his father having been part of Somali Youth League (SYL) was misplaced as indeed he was a watchman in the ministry of transportation vehicle parking (known as ottobarka).

Sharif Sheikh Ahmed vs. Mohamed Abdullahi Mohamed (Farmaajo)

The first change the new Prime Minister Farmaajo made was decrease the number of ministries, which dropped from 39 to 18. Key positions within the cabinet were awarded to the individuals who had assisted with fundraising for the Islamic Courts Union (ICU) during the ICU's struggle with President Abdullahi Yusuf.³⁸ Farmaajo administration halted the previously initiated efforts by his predecessor Sharmarke, which included the development of a new constitution. The new constitution was viewed by the Islamists as too secular, and therefore detrimental to their own cause. In reality, however, the argument against the new constitution might have been based on the fact that it bestowed too many rights to Somalis, which were being denied by the so-called Islamists. For instance, the new constitution promotes women's right and federalism, both of which were construed to challenge the Islamist agenda. Farmaajo also halted the process of development and government institutions led by UNDP.

Table-4 below illustrates the agreement between Sharmarke's administration and

³⁸ The Islamic Courts Union (ICU) dates back to 2000 during the administration of Abdiqasim Salad, who collaborated with this Islamic movement to fight the administration of Abdullahi Yusuf, a secularist who came to power in 2004 as head of the newly formed Transitional Federal Government. The ICU took control of the capital Mogadishu in 2006, but was ousted by US-backed Ethiopian forces later that year. However, its influence did not wane. They split to form various groups and militia, such as Al-Ictisam, Al-Islah, Ala-Sheikh, Dum Jadid and Al Shabaab. President Sharif Sheikh Ahmed, a former ICU leader, and 275 MPs were endorsed by the UN to take over the reign of power in 2009 on the assumption that they would quash the hard-core elements within the ICU. However, in effect, the ICU was still in power during his administration, but in a different guise.

UNDP (Steering Committee)³⁹ based on the categorization of government institutions (core and non-core) and the number of civil servants for each category. This was important in order to determine details, such as salary, capacity building and structural hierarchy within the given ministries. However, Farmaajo came with the plan of reducing the number of ministries to 18, which would have been advantageous but Farmaajo failed to complete his plan. There was no structuring of the 18 ministries; the number of civil servants and their salaries were not determined, there was no assessment for capacity building and the length of the required budget was not revisited.

Table-4: UNDP's Categorization of Government Institutions, 2008-2011

Category	Desired Number of Civil Servants
1. Office of the President	15
2. Office of the Prime Minister	15
3. Office of the Speaker	15
4. Tier – 1A Core Ministries	45
5. Tier – 1B Core Ministries	45
6. Tier – 1C Core Ministries	50
7. Integrity Institutions	45
8. Commissioners of CSC and IFCC	44
9. Civil Servants of CSC and IFCC	10
GRAND TOTAL	284

Source: OP, MoL, NCSC and UNDP

³⁹ UNSRSG Ahmedou Ould Abdalla established the well-acclaimed steering committee on Somalia, composed of the United Nations, African Union and Intergovernmental Authority on Development.

Instead, Farmaajo brought forth a 100-day plan written by Ala-Sheikh members⁴⁰ from the Diaspora who were interested in instilling their own political ideologies on government programmes. These government programmes, which were managed by the international community based in Nairobi, were being challenged by Farmaajo with the influence of the Ala-Sheikh group whose ideologies did not correspond with those of the international community. This opposition to the Nairobi-based international community was further exemplified through the Farmaajo administration demanding the return of all the UN's Somalia offices from Nairobi to Mogadishu within 90 days.

The administration, however, felt a need to salvage the deteriorating relationship with the international community in Nairobi and to garner more donor funds. The administration hired an American lobbyist (Park Strategies)⁴¹ for US \$25,000 per month to sway US Congress into releasing funds. However, there is no documentation or progress report supporting the lobbyist's efforts. In fact, their length of his employment is unknown. All this was planned in order to show the public that the TFG was capable of being independent of the Nairobi-based international community (often referred to Nairobi Mafia) and that the government was defending the national interest.

The Sharif Sheikh Ahmed/Farmaajo administration later began an initiative to revive the Somali spirit. They focused on three important Somali nationalist groups - veterans of the Ogaden war, the women of Somalia and Somali artists. The administration carefully selected these three groups for one purpose – to gain support of the Somali people. The plan was that by placing an emphasis on such groups, the administration's reputation would improve in the eyes of the people. And it did! All of the above explains the widespread support for Farmaajo.

⁴⁰ The group is basically and fundamentally Islamist committed. However, they disguise their commitment to the Westerners through presenting credible donor work plan programmes for the country. For instance, Abdi Aynte who represents such Islamists (Ala Sheikh), received US\$500,000 from Qatar for the startup of his organization (The Heritage Institute for Policy Studies). Although Heritage Institute is a think-tank, it epitomizes Islamist ideology in Somalia.

⁴¹ See *The World Post*, a partnership of the Huffington Post and Berggruen Institute on Governance (2014). TFG's lobbying contract with Park Strategies came about through another twist of fate. Joel Giambra, a former city official Mohamed Abdullahi Farmaajo knew in Buffalo, had recently gone to work for Park Strategies. Mohamed called him for advice on reaching American officials in Washington. The lobbying shop, which had never before taken on a country as a client, found itself acting as the de facto diplomatic mission for Prime Minister Mohamed Abdullahi Farmaajo.

Farmaajo was fortunate to have come into power at a time when Sharmarke's efforts for a release of funds from the donors⁴² had just been approved. Table 5 explains the funds released by various donors for the military and police force. With the exception of the European Union, which managed the funds through UNDP, the rest of the donors US and Italy monitored the stipends through PricewaterhouseCoopers and AMISOM.

Table-5: Stipends for security personnel

Donor Countries	No. of Armed Forces	Monthly Stipends	Monthly Supplementary	No. of Police Force	No. of MPs
USA	12,000	\$100	-	-	-
Italy	3,000	\$100	\$100	-	-
EU	-	-	-	5,500	519

Source: MoD, OPM, MoF, CBS

⁴² However, the TFG was hesitant as it was in favor of direct funding to the government. The donors were not comfortable with the mode of disbursement and the eventual conclusion was that the support would be channeled to a third party. The third party choice was a singular selection by the TFG, which the donors were not reluctant of and whose identification was PricewaterhouseCoopers (PwC). The PwC was assigned by the government in September 2009 as a fiduciary agent; to audit the military personnel number, salary structure, and their geographical location. The audit results were a contingent force of 15,000 armed forces. The TFG and the two donors (US and Italy), upon receipts of the results agreed a funding to be as of 2013 and beyond. The US funding was through PwC, while the Italian government was through AMISOM. However, the US refused to pay for the supplementary military support, which entailed transferring the funds to the TFG. To them the process was bound not to have been transparent but direct misappropriation of the funds. The Italian government accepted the process but through a third party, which is AMISOM. The funding process from the US and of the US \$100 is through chase bank and who wires the amounts into hawala (Amal). The bank charges commission fees of 2%, while the hawala gets \$7 per head. The chase bank and the Amal were not subjected to competitive bidding as there were the preferred fronted singular choices by the former senior economic advisor to the minister of finance (later promoted to being the Governor of the Central Bank/Dr. Abdusalam Omer). It is alleged that he was also getting commission from the bank and the hawala. In view of this, it would be necessary to enquire whether the commission payments were net of the stipends payments or were the costs from the donor country. This would assist to ascertain the actual monthly stipends for each of the military personnel.

⁴³ This is epitomized by Sharif dismantling the previously established TFG soldiers. The estimated TFG 3,000 soldiers in Mogadishu were dismantled during the pressure from the Sharif Sheikh Ahmed who saw these soldiers as prodigy of Ethiopia and were replaced with a number of 1,350 soldiers of Alliance for the Re-liberation of Somalia (ARS) and 574 Ugandan trained. They disapproved the TFG soldiers' uniform claiming it was Western attire and therefore dismissed troops of their duties. Some of the soldiers went on to join Al-Shabaab (80%), some moved to Puntland (13%) and the rest remained idle in Mogadishu (7%). Although the government claimed to have paid out the security sector (military, police and custodian corps), it was also left without stipends according to security personnel, despite the significant allocation for the security sector in 2009-2012.

Farmaajo was not responsible for the earmarked funds from UNDP, which were closely monitored. However, and by the virtue of his office, he had an access in monitoring the funds through PwC. This is a responsibility he abdicated like his predecessor Sharmarke and which occasioned diversion of the Italian supplementary support. Military personnel who benefited from the supplementary were the few selected and favored by the government (mainly Islamists)⁴². He was, also responsible for the funds received from Arab donors and domestic resources (i.e. the Port of Mogadishu and the Aden Adde International Airport) which were not subjected to the same scrutiny.

Box-6: Supplementary support

The only donor country on record for supporting non-stipend to the military is Italy and whose assistance is on supplementary. The Arabs as well as the domestic front are not on any record of assisting non-stipends as their nature of funding is characterized by substantive irregularities. In spite of Italy being the only donor supporter of non-stipends (supplementary), the funds are diverted and the money, which is about US \$100 per head, (\$70 for food and \$30 for health coverage) is transferred into AMISOM account. AMISOM transfers the amount to the MoD hawala (Amal) account for cash withdraw. The director general and the minister of defense do not remit the money as it's embezzled at that particular office.

Source: MoD, MoINTR, NPF

Unlike the Western funds, which were allocated to three specific and designated sectors (military, police and MPs), the Farmaajo administration felt a need to finance informal bodies such as Somali nationalist groups, instead of spending the funds on much-needed public institutions. Essentially, the funds received from the US, Italy and the EU was continuously being allocated to the police and the military, although the public was never made aware of the fact that Western donors were funding the security services. There

was a general misconception that Farmaajo was responsible for the steady allocation of stipends to the military and police force. Because of the credit given to him, Farmaajo felt the need to dismiss four commanders⁴⁴ who were involved long before his appointment in the negotiations for donor funding. The four commanders were replaced by untested Islamists, most notably a notorious Islamist, Ahmed Mohamed Fiqi (Habergedir Sa'ad) for National Security. Prime Minister Mohamed Abdullahi Farmaajo actions might have, in fact, emboldened Al-Shabaab indirectly.

All of the above were important factors for Farmaajo rise to fame in the Somali community. This fame hid the fact that Farmaajo failed to introduce any changes and developments to the country. The budget proposed during Farmaajo time as PM was not prioritized according to the administration's needs. The administration failures are further illustrated by the mismanaging of the budget for the year. Although their budget had significantly improved from the previous years' its mismanagement discredits their purported administration success. For example:

- a. Why was the US \$25,000/per month for lobbying US Congress not reflected in the budget?
- b. Was the revenue source from the domestic or bilateral receipt and what was the accounting expenditure?
- c. How much did the administration pay for the nationalist groups and from what account? The budget reconciliation does not capture both the revenue and expenditure account for the nationalist groups.
- d. The administration factored a capital budget provision of US \$16,000,000 and whose sources of revenue were from bilateral support. However, same provision was not factored as a revenue source to the country. The amount was relatively adequate for development programs but with a priority for rehabilitating the Parliament building. This was however, not done and it's not known how the funds were utilized by the administration.
- e. The administration did not give full and correct budgetary disclosure of the bilateral assistance from Arabian donors. The Farmaajo administration recorded only US \$19,133,760, which was underestimated of the actual receipt.

After discarding the government operational structures instituted by the Sharmarke administration and SIDP, the Farmaajo administration failed to submit improved

⁴⁴ Prime Minister Farmaajo who rose to power through Ala-Sheikh Group dismissed the four commanders on the suspicion that they were CIA spies. The commanders were Gen. Ahmed Juma'ale Ghedi, Gen. Ali Hassan Loyal, Gen. Mohammed Sheikh Hassan and Gen. Abdullahi Ma'allin.

organizational charts. This effectively meant that the government was unable to factor a correct operational budget, for example, number of civil servants' salaries, adequate budget allocations to line ministries, constitutional commission bodies and integrity institutions. The budget allocations were skewed in favor of the executive offices (Office of the President and Office of the Prime Minister) as opposed to the operational programs of the country. So, even for minor expenses, such as stationary, staff had to wait for the Prime Minister to authorize any purchase.

Notwithstanding, the financial irregularities and management deficiencies cited for Farmaajo administration, the Speaker of the Somali Parliament Sharif Hassan became locked in a power struggle with the transitional government's President – and to protect their own turf, each man began orchestrating a back-room deal that left the Prime Minister Farmaajo out in the cold. They announced an agreement to form Somalia's first non-“transitional” Parliament in nearly a decade. But the speaker had a condition; Mohamed Farmaajo had to go. Park Strategies rushed to Congressional leaders and the Obama administration, seeking help. But none came. Sadly, Farmaajo was essentially sacrificed on the altar of political expediency, according to the lobbyist.

Sharif Sheikh Ahmed vs. Dr. Abdiweli Mohamed Ali Gaas

Farmaajo appointed Dr. Abdiweli Mohamed Ali as his successor, who was expected to continue with his predecessor's efforts. However, as seen with previous leaders, there was no continuity in a given predecessor's plan for development. As an economic specialist, Dr. Abdiweli would have been the ideal candidate to revamp government institutions, notably structuring the 18 line ministries previously established by his predecessor Farmaajo. However, the Prime Minister failed to determine the number of civil servants and their salaries and there was no needs assessment for capacity building. In fact, public institutions and their civil servants were not prioritized; instead they remained briefcase institutions. In other words, there is no official administrative structure where the task at hand went through a validation process by the institution. For instance, official documents and validation stamps were kept in the briefcases of leaders who neglected the institutions' role for such verification processes. In addition to the shortcomings mentioned above, all the public institutions under Dr. Abdiweli's supervision were underfunded (see audit investigative financial report 2011). Furthermore, he proposed a new budget when he had already established one

within the same fiscal year (2011).⁴⁵ As an experienced economist, he failed to follow his own budget, instead replacing it with one that would allow for misappropriation of funds. The public had high expectations from the Prime Minister's academic credentials in transforming the economy of the country by developing budgetary and public financial management structures. However, he underperformed in both areas, following the same trend as his predecessors.

Post Transitional Government

Hassan Sheikh Mohamud vs. Said Farah Graad (Shirdon)

Somalis also had high expectations when President Hassan Sheikh Mohamud was elected in September 2012 under a new constitution. President Mohamud was the first leader of a post-transitional Somali government, which was expected to perform better than the TFG. He appointed Prime Minister Said Farah Shirdon but overstepped the Prime Minister's duties by creating a Policy Unit, which was to serve as a roadmap for future government policies. He created 10 ministries, but none of them are functional to date.

The Policy Unit was meant as a parallel executive branch operating besides the cabinet. The European Union supported the president in establishing a Policy Unit under his control. This strategy was not extensively researched as to how the Unit would relate with the Office of the Prime Minister as well as the line ministries. The Policy Unit did not consult the Prime Minister, Abdi Farah Shirdon and his Cabinet, which isolated the latter from the President. In effect, the Policy Unit operated above the Prime Minister and reported to the President. Three ministers – the Minister of State, Farah Abdulkadir, Minister of Interior and National Security, Abdikarim Hussein Guled and Minister of Foreign Affairs, Fawzia Yusuf H. Adam – reported to the President, not the Prime Minister. In effect, the Prime Minister lost his authority. The Policy Unit continued being maintained on the monthly payroll, paid by the European Union, and for the entire year.

It is not clear why the European Union collaborated with the President's choice of this policy strategy of not including the Prime Minister and his cabinet. Perhaps, this would have saved the country the expenditure incurred on the idle ministries and their Premier. Above all, the inclusive policy formulation would have spearheaded

⁴⁵ It appears that the government operated with three different budgets during the year (2011). The first budget for the year was US \$98,568,900, a subsequent provision of US \$62,609,000 (approved revenue budget), and a further provision of US \$72,643,000 (actual revenue). The trend for preparing different budget amount was also prevalent in the previous and current administration.

faster developmental growth. At the end of 2013 the Premier, Abdi Farah Shirdon and majority of his cabinet were fired by the president, so the Policy Unit disbanded. Why was the Policy Unit created in the first place only to be disbanded within the same year? Was the European Union Special Envoy to Somalia, Michele Cervone d'Urso intention to create a policy difference between the two leaders? Was d'Urso in cahoots with the president? Questions remain about the intentions of EU envoy. The creation of another layer of governance created more confusion and undermined existing ministries that needed to be strengthened. Was this project created because the EU had surplus funding which it needed to use quickly?

Essentially, Shirdon played no effective role during his time as Prime Minister as he had no control over the budget and government policies. He was overshadowed by State Minister Farah Abdulkadir, and Minister of Interior and National Security, Abdikarim Hussein Guled through presidential directives. Though he attempted to account for the budget allocation to his office, he was equally corrupt. It is on record from the Minister for Telecommunication that Shirdon and his wife Asha Haji Elmi were compromised with US \$1.8 million. This money was meant for the outsourcing of the Aden Adde International Airport. The Minister of Information, Post, Telecommunication and Transportation's later wrote a letter confirming these allegations to the UNMG on August 25th. The Minister Abdullahi Elmoqe Hersi was interrogated by Mr. Kulalihi in parliament on whether he sent the letter but he did not accept or deny.

During his tenure there have also been controversies surrounding the governorship of the Central Bank, with governor Abdusalam Omer forced to resign after a damning report by the UN Monitoring Group, and his replacement, Yusur Abrar (the first female Central Bank governor), resigning after just a few weeks in office, allegedly after she refused to cooperate in a deal that would see Somali asset reserves in foreign banks being deposited in personal accounts outside the country. H.E. Shirdon was brought to a confidence vote after he refused President Hassan Sheikh's call for his resignation. The prime minister lost with 184 out of 249 members of parliament voting in favor of his removal, according to Speaker Mohamed Osman Jawari. The early replacement of Prime Ministers (prior to the end of their tenure) was a common and recurring trend.

4 SUMMARY OF GOVERNMENT BUDGET REVENUE /EXPENDITURE MANAGEMENT PERFORMANCE (2000-2013)

The records maintained by successive transitional governments were characterized by budgetary discrepancies, which span over 13 years. The irrational revenue budget allocation has been subjected to further investigative reconciliation. The reconciliation captures some streams of domestic and donor revenues and which were omitted from the government budget. The comparison between the two is tabulated below Tables 6 and 7.

Summary of Irrational Government Registered Revenue Expenditure Budget Allocations (2000-2013)

Table-6 below details the summary irrational government expenditure budget allocations. As you will note from the table, the budget has been factored into six clusters. The cluster budget allocation and from the total amount of US \$302,857,261, reflects big rifts of factoring. The highest actual budget allocation expenditure was 41%, which was in respect of administration and general services. Though the cluster accommodates the majority of the government ministries/departments/agencies, the actual allocation was not rationally factored into its relationship with the other clusters. Notwithstanding these anomalies, the actual ground work performance was not commensurate with the budget amount factored. For example, the ministries remain briefcases and the civil service was either skeleton or non-existent.

Under the administration and general services cluster the case of worth attention was the allocation of US \$8 million (in 2007) earmarked for the national reconciliation commission to one individual (Ali Mahdi)⁴⁶ and whose impact was not felt. Consequently, the money was misappropriated but it was the only substantial budget provision for the entire 13 year period. The necessity of national reconciliation appears to have escaped their attention of the successive administrators. It should be noted that such

⁴⁶ According to Wikipedia, Ali Mahdi was a Somali entrepreneur and politician. He claimed the presidency of Somalia from January 1991 to January 1997. Mahdi rose to power after a coalition of armed opposition groups, including his own United Somali Congress, deposed President Mohamed Siad Barre. His administration was subsequently recognized by the international community as the new president of Somalia. Djibouti, Egypt, Saudi Arabia, and Italy were among the countries that officially extended recognition to his administration. Since taking power he has faced almost constant opposition from another powerful Somali military leader, Mohamed Farah Aidid. New York Times reporter Jane Perlez called Aidid and Ali Mahdi “the strongmen of Somalia’s chaotic, clan-based society, each with the ability to call on more fighters, money and ammunition than anyone else in the land.”

so-called reconciliation commissions and conferences have not shown any results on the ground, but used up a large chunk of donor funds. There are a few international charitable organization and their local NGOs partners that have made reconciliation in Somalia their core business and have made millions from it. Ironically, the majority of these conferences occurred outside Somalia (e.g. Nairobi, Djibouti, Istanbul, London, Addis Ababa etc.) which did not allow the majority of Somali people to participate or come up with home-grown solutions. The irrational budget allocation is shown in table 7.

Table-6: Irrational government allocation summary, 2000-2013

TOTAL BUDGET	\$302,857,261	
1. Administration and general services	125,585,809	41%
2. Security services	98,368,683	32%
3. Justice services	5,297,576	2%
4. Economic services	11,654,943	4%
5. Social services	4,692,582	2%
6. Other expenditure	41,433,961	14%
7. Contingency	6,065,000	2%
NET RECURRENT EXPENDITURE	\$293,098,554	97%
NET CAPITAL EXPENDITURE	\$1,452,208	0.5%
NET EXPENDITURE	\$294,550,762	97%
SURPLUS BUDGET	\$8,306,498	3%

Sources: MoF, CBS

Table-7: Reconciliation vs. Government Budget

	Revenue	Expenditure	Surpluses
Reconciliation Budget	\$1,106,705,513	\$521,696,412	\$585,009,101
Government Budget	302,857,261	294,550,762	\$8,306,498
Net Budget Underfunding	\$803,848,253	\$227,145,650	\$576,702,603

Source: MoF and CBS

Box-8: Reconciliation

Somalia has been in conflict since 1991, there have been 13 peace Conferences, which have all failed to resolve the crisis. In the last five years, the Somali National Reconciliation Commission only received \$640,122 compared to \$57,837,183 allocated to the Ministry of Finance for the so-called fadlan (chit) system.

In order to avoid the repetition of this pattern, it would be wise to invite someone with experience and who can be effective in the reconciliation sector, such as H.E. Martti Ahtisaari, former President of Finland and head of CMI.

Source: MoF and CBS

The second ranking actual expenditure was factored for security services and was 32% of the total budget. In spite of the allocation being high, the provisions for “other expenditures and contingency” were diverted in disguise of supplementing the security budget. The diversions were only known to the top executives as the money was never spent on security but for other ulterior motives. This applied across all the budget clusters. The EU and the US funded the stipends of the police and the military forces for the entire period. The government was expected to complement the other security operational expenditures. However, there exists no tangible expenditure evidence on the forces. Consequently, the 32% actual expenditure allocation is more than what the security forces could have spent over the entire period. The successive governments are known to have maintained a dual relationship with the donors and the local insurgency. The status quo was intended towards attracting donor support and at the same time creating local insurgent instability. As a result of this lapse the top leadership was able to divert some of the double funded accounts into their own personal benefits. Indeed, the 32% actual allocation was largely utilized on funding the insurgency.

The item of other expenditure was allocated US \$41,433,961, which was 14% of the total budget. This item is a summary of various government actual expenditures and this was intended to create financial outlets for personalized interest. For example, private companies, which were outsourced by the government for goods and service deliveries, which were included in the item, were not subjected to market competitiveness bidding. Single tender outsourcing was the order of the day and, worst of all, all payments were in cash.

The economic, justice and social clusters were provided with only 4%, 2% and 2% of the total budget, respectively. These are vital sectors whose expenditure budget provision should have been rationalized with relatively adequate allocations. The economic cluster is among the primary drivers of development while the social cluster empowers the community towards intensive engagements and thereby propelling the country to higher growth.

The net actual expenditure for the period was US \$294,550,762, which translates into 97% of the total budget. The 3% difference amounts US \$8,306,498, which should have been the government credit surplus budget in the Central Bank account. Was this credit balance available at the Bank? The entire period of actual budget expenditure was characterized by irrational allocations and there is no tangible progress report evidence on the ground.

Summary of Reconciliation Revenue and Expenditure Budget Allocation (2000-2013)

The reconciliation report captures most of the domestic/donor revenues as well as expenditures for the entire period. The domestic revenue collection intensification was under the administration of Prime Minister Omer Abdirashid Ali Sharmarke, which was from 2009, while donor funding was for the entire period (2000-2012). However, the actual year for formalizing domestic revenue generation was 2008/2007. This is in total contrast with the government budget extracts as some several years of revenue were not only omitted but also under-factored. Though the reconciliation budget reflects higher amounts than the one registered by the government, there still exists some minimum irrational allocation. See Table-8. The reconciliation report was extracted from various government sources. The reconciliation table below reflects the total budget of US \$1,106,705,513, while the government provision, and for the entire period, has US \$302,857,261. The budget variation difference is about US \$803,848,253, which would have been relatively adequate to fund each of the governments' fiscal year with an average sum of US \$61,834,481 (US \$803,848,253/13). Otherwise the reconciliation budget would have funded each of the 13-year programmes with an average provision of US \$85,131,193 (US \$1,106,705,513/13). The government budget under-funding and omissions cannot be justified in view of their disparity inconsistencies.

The reconciliation budget posts a net expenditure of US \$532,346,412, while the government has US \$294,550,762. The reconciliation budget expenditure underfunding is about US \$237,795,650. However, the reconciliation budget

revenue and expenditure and for the entire period registers a credit surplus of US \$574,359,101. This translates into 52% of the total budget revenue expenditure. The government registered budget credit surplus for the period is about US \$8,306,498, which is about 3% of the total revenue expenditure. The total budget credit surplus for both the reconciliation and the government is about US \$574,359,101 and US \$8,306,498. These are the amounts which should have been reflected at the Central Bank account as at the close of 31st December 2013. However, according to the government budget for year 2013, neither of the credit balances was reflected. The summary conclusion between the government and the reconciliation budget is as shown in the table below.

The details of the minimum budget reconciliation irrational allocations are summarized in Table 8 below:

Table-8: Irrational reconciliation allocation summary for 12 years

Total Budget	\$1,106,705,513	
1. Administration and general services	175,579,240	16%
2. Security services	189,240,361	17%
3. Justice Services	10,650,000	1%
4. Economic services	18,069,037	2%
5. Social services	24,640,580	2%
6. Other expenditure	94,714,986	9%
7. Contingency	18,000,000	2%
NET RECURRENT EXPENDITURE	\$530,894,204	48%
NET CAPITAL EXPENDITURE	1,452,208	0.1%
NET EXPENDITURE	\$532,346,412	48%
SURPLUS BUDGET	\$574,359,101	52%

Sources: MoF and CBS

The administration and general services took 16% of the total budget, which is about US \$175,579,240; there has been no significant administration and general services expenditure evidence on the ground. The ministries were and still remain briefcases, just as the civil service. Their basic salaries and operational expenditures were also low as to not occasioning the accumulative huge expenditure. This, therefore, entails further auditing services as these are colossal amounts for the period.

The total security service expenditure for the period was US \$189,240,361. This translates into 17% of the total budget revenue. The expenditure was neither itemized as to being salaries, capital expenditure, operational expenditure, etc. This, therefore,

faults the authenticity of the expenditure. There is very minimum evidence success of the security forces on the ground. Insecurity remains a persistent problem [though AMISOM troops have successfully brought security to some areas since 2007].

The expenditure allocated for the economic and social clusters was about 2% of the total budget revenue. These allocations are relatively lower when compared with administration and other expenditures. This is in view of the fact that the economic cluster is the primary driving force for development programmes while the social cluster is material towards facilitating the country's social welfare. However, in spite of their underfunding there is no tangible evidence of their expenditure.

The provision under other expenditure was a lump sum of all the operational programmes. The lump sum provision was US \$94,714,986, which translates to about 9% of the total revenue budget. This relatively higher expenditure had no evidence of its utilization on the ground. Perhaps part of the amount would have been allocated to the economic and social clusters. The lump sum provision was a conduit of misappropriation in view of the fact that all the expenditure was incurred through cash payments. Third party company payments were not subjected to competitive bidding for the provision of goods and services.

Reconciliation vs. Government Budget Performance

The government's yearly budget performance and for the entire period is characterized by omissions and revenue under-funding. Whenever government collects some revenue, the same is wholesomely spent without any consideration for the subsequent year's budget. This, as a result, has made the years where revenue is available to have been matched up with an equivalent expenditure and thereby making the performance about 100%. This, of course, is not prudent budget management for the amounts available should have been spread over the years, thereby making each of them being development participative. As is noted in the table 10 below, the government did not provide any revenue for the some of the years and as such the corresponding expenditure was zero. In such years the overall performance translates into 0%. However, budget years 2009 – 2013 improved in matching the revenues and the expenditures.

The reconciliation budget year performance has, however, an improved consistency in matching up the revenues and expenditures. There is no budget year which is not matched up with revenue and the corresponding expenditure. The least performance was in year 2009 (26%). The reconciliation budget appears to be more credible than the government one. The entire reconciled revenue budget is about US \$1,106,705,513. The breakdown of the revenue yearly average performance's

Table 9: Government Budget vs. Reconciliation Budget Year Performance

Period	Government Revenue Expenditure			Reconciliation Revenue Expenditure		
	Revenue	Expenditure	Yearly Average Performance	Revenue	Expenditure	Yearly Average Performance
2000	-	-	0%	\$18,000,000	\$17,500,000	97%
2001	15,000,000	14,888,978	99%	15,000,000	14,888,979	99%
2002	-	-	0%	12,000,000	11,900,000	99%
2003	-	-	0%	10,000,000	9,760,000	98%
2004	-	-	0%	4,000,000	3,550,000	89%
2005	-	-	0%	18,000,000	17,840,000	99%
2006	-	-	0%	15,000,000	14,789,000	99%
2007	32,000,000	26,986,525	84%	32,000,000	26,986,525	84%
2008	-	-	0%	13,000,000	12,535,500	96%
2009	17,770,832	11,070,309	62%	129,172,465	33,026,618	26%
2010	23,166,854	20,089,882	87%	122,446,014	49,162,211	40%
2011	58,473,574	54,628,376	93%	217,525,634	58,697,503	27%
2012	39,710,528	39,756,391	100%	191,271,747	60,504,464	32%
2013	116,735,473	127,130,301	109%	309,289,653	201,205,613	65%
Total	\$ 302,857,261	\$ 294,550,762	97%	\$ 1,106,705,513	\$532,346,412	48%

Source: MoF and CBS

spread is shown in table 9 above. This is against the government registered provision and of US \$302,857,261⁴⁷. The deficit would at face value appear material but is realistically factual. The government registered revenue is also not supported by the corresponding expenditure development programmes. Worst still was the cash

⁴⁷ The reconciled total revenue for the 13 years period consists of domestic and donor support. The government under-declared the amount received from donor support, from all the supporting countries. The amount declared was also contributed by several Arab countries and as such the ratio contributions were relatively within their comfortable support. The amounts is however, relatively high in relationship to the Western donor support. This is in view of the fact that the Westerners would have expected a corresponding development programme against the total receipts. However, the primary interest from the Gulf States' support is not in respect of development programmes but more of an ideological spread influence, which the country has adapted. The domestic revenue consists of the amounts omitted from collections as well as direct contract compromises.

budget management in all the clusters and for the entire 13 year period. The lesson can we learn from this failed state is that all the stakeholders and under the UN mandate (government, Gulf States, and Western countries) should participate in the budget formulation, preparation and monitoring. Indeed, the UN should constitute an oversight commission for a restructuring the entire public financial systems and thereby putting the country on a path development growth. This shall strengthen the capacities of the recently constituted financial governance committee (FGC).

5 SUMMARY OF GOVERNMENT BUDGET REVENUE/ EXPENDITURE MANAGEMENT PERFORMANCE (2009-2013)

General Budget Features

The rationale for the period selected for the review is based on the last five years when the budget was formalized through registration domestic revenue receipts and increased donor funding. For the last five years (2009-2013) the various government administrations incurred a total expenditure of US \$252,675,259. As each administration faced the different budget expenditure hiccups, the MoF continued to exercise the exclusive rights of receiving revenues as well as effecting payments. The exclusive right of effecting the payments was, however, extraneous as each ministry was the legal accounting expenditure authority. Even worse the cash management of the budget at the MoF was under the custodian authority of the minister, president, prime minister and at times the speaker. The ministry's exclusive management of the budget formulation was characterized over the entire period by skewed item expenditure allocations.

Administration and General Services Cluster

As the table 10 reflects, the expenditure allocation under the administration and general services were skewed in favor of the minister of finance. It had the highest expenditure allocation, which was not justifiable in relationship to the token provisions in the other items within the cluster. The highest expenditure allocations were: Minister of Finance (US \$44,187,183), Parliament (US \$24,573,515), and Office of the President (US \$12,805,325), Office of the Prime Minister (US \$7,734,632), Office of the Speaker (US \$6,631,455), contingency (US \$6,065,000), embassies (US \$4,364,420), and Ministry of Foreign Affairs (US \$2,840,722). The other government operational organs were allocated less than US \$1.5 million.

Table-10: Administration and General Services Expenditure Allocations

Institutions	Clusters	2009	2010	2011	2012	2013	Total
Administration and General Services							
Executives & Parliament	1. Office of the President	\$285,000	\$1,381,327	\$5,716,876	\$1,577,735	\$3,844,387	\$12,805,325
	2. Office of the Speaker	300,000	380,000	617,319	2,462,333	2,871,803	6,631,455
	3. Members of Parliament	2,640,000	2,399,042	6,075,660	959,903	12,498,910	24,573,515
	4. Office of the Prime Minister	216,000	825,551	2,005,808	1,438,792	3,248,481	7,734,632
Line Ministries	5. Ministry of Foreign Affairs	36,000	-	258,088	189,811	2,356,823	2,840,722
	6. Embassies	-	-	-	-	4,364,420	4,364,420
	7. Ministry of Finance	-	-	22,602,493	13,508,055	8,076,635	44,187,183
	8. Ministry of Planning and International Cooperation	36,000	14,135	220,081	116,451	-	386,667
	9. Ministry of Constitution and Reconciliation	36,000	14,135	227,423	248,057	-	525,615
Independent Commissions	10. National Civil Service Commissions*	36,000	14,135	116,286	101,736	358,991	627,148
	11. National Constitution and Federal Affairs	28,000	54,500	76,753	69,220	397,637	626,110
	12. National Reconciliation Commission	14,000	54,500	115,968	84,121	371,533	640,122
	13. Electoral commissions	-	-	-	-	-	-
	14. State Boundary Demarcation	-	-	-	-	-	-
Integrity Institutions	15. Accountant General	14,000	7,000	127,462	179,191	693,941	1,021,594
	16. Auditor General	14,000	7,000	121,666	135,212	637,529	915,407
	17. Central Bank	12,000	6,000	103,922	18,615	3,213	143,750
	18. Anti-Corruption Committee	-	-	-	23,304	-	23,304
Total Administrative and General Service Cluster		\$3,667,000	\$5,157,325	\$38,385,805	\$21,112,536	\$39,724,303	\$108,046,969

Source: MoF, CBS, and Auditor General

* The transitional leaders were not poised to embark upon a national renewal of the various public institutions as well as revitalizing the governance structures that were significantly weakened by the conflict. Despite this, there were individuals such as Mohamed Farah Isse Gaashaan (Chair of National Civil Service Commission (NCSC) under Yusuf administration) who attempted to establish a road map that would lay the basis for sustained Civil Service Strategy: "Smaller Government, Better Services," that would address critical components such as the

restructuring and right sizing, mandates and functional reviews, capacity building, wage/salary administration, biometrics and pay and pension. However, these efforts were impeded by the Sharif Sheikh Ahmed administration, due to its perception of this strategy being an attempt to westernize the Civil Service. Until today, the Civil Service, the main machinery of government responsible for managing human resources and delivering effective and efficient public service, is yet to be re-established.

From the above table 11 review analyses it appears the budget expenditure allocation were not rationalized among the priority ministries. This was deliberate, and by all the various administrations as the budget management was primarily factored for personal gains. For instance, the allocations to the executive offices (Office of the President, Office of the Speaker and Office of the Prime Minister) were based on clan representation. These three offices got the bulk of the revenue budget, perhaps because the President, the Prime Minister, and the Speaker represented the three largest clans, namely, Hawiye, Darod, and Digil/Miriffle, respectively. Each clan was competing to receive the largest allocation amount; anything less would mean the clan's representative was weak and incompetent. It seemed to represent a patronage system.

Ministry of Constitution and Reconciliation

Each successive minister had similar slogans “the constitution making process should be a Somali-led and Somali owned process, something that is very important to the legitimacy and the ultimate success of the process.” However, none of the governments attempted to acquire a cabinet approval of the constitution making and the subsequent parliamentary legislative act. The governments and which were Islamists led were occupied with strengthening the socio-economic empowerment of the insurgencies and across all the states. Their hidden policy doctrine was that the constitutions would empower women and thereby interfering with the Sharia law. They also wanted to dominate the country from the other would be public leaders through increased economic investments and thereby overshadowing secularists competitors. The government did not develop structures for the constitution making nor did they create an effective coordinating ministry for guiding the process. For example, drawing up an estimated budget for the process, constitution drafting structures, geographical coverage scope of the constitution (all states inclusive), parliamentary approval act, public engagement (public debate approval), presidential assent, etc. On the contrary, to the process making, the governments engaged various donors for the drafting of the constitution. At face value the various appointed committee were not composed of highly local majority experts and as a result the process became donor driven. The first commission which was constituted with the UNDP support was contracted to Independent Federal Constitutional commission (IFCC). This took place from 2009-2012. The commission drafted the constitutions while in Nairobi, Djibouti and Addis Ababa. There was very minimum interaction with the public and who were supposed to express their constitutional interest rights. The final draft of the commission was launched in Nairobi, (Norfolk Hotel) and was endorsed by the UNPD representative Mark Bowden and his country director Alvaro Rodriguez. The government was represented by the Prime Minister

Sharmarke and who was in agreement with the endorsement (2010). However, the respective president Sharif Sheikh Ahmed never fully endorsed the constitution. On the contrary, and through the Islamist insurgence, misinformed the public that the constitution was not locally driven and as such their aspiration were not captured. This was the first phase win by the Islamist government as the constitutions were never fully implemented. In 2012, the minister of constitution Mr. Abdirahman Jibril Hosh contracted the process making to IDLO and without recourse to the structured parameters of ensuring the constitution is within the country's public interest scopes. The minister did not also collaborate with all the other arms of the government and the commission towards evaluating the constitution authenticity. The minister was fully aware that the president and his inner circle were not in favor of the constitution making and as such had a leeway of deciding the official fate of the commission. The minister Abdirahman Jibril Hosh personal financial benefits for contracting IDLO were US \$50,000.

The budget expenditure for the constitutional making process from the local/Arabian revenue was about US \$525,615. The levels of funding were also inconsistent throughout the five years, and interesting enough was the non provision for year 2013. The parent ministry for guiding the process still not restructured as to registering operational efficiencies. The local funding is however, not reflective of the substantial Arab donor support. The domestic funded revenue was also not extended to the process making but was personal financial gains to the respective ministers. The donor support for the process was estimated at being US \$8 million and which was externally controlled. The constitutional making process shall remain in perpetual realization so long as the donors do not reverse the Islamist government strategy of sustaining them in the office and at the expense of the country's stabilization programme; through subjecting to the due process of constitutional making structures. As a result, the five existing independent commission⁴⁸ are yet to be structured into their respective operational sectors. The constitution dispensation is of vital urgent attention as it would create separation of powers (executive, legislative and judiciary) and thereby protecting over dominance by any of the three organs.

Embassies (2009-2013)

The embassies were not allocated any budgetary revenue funds from 2009-2012. The only funding they got was in year 2013 and whose provision was a sum of US \$4,364,420. The non-allocation for the previous years' defeats the purpose of

⁴⁸ Civil service, federal constitution, electoral, reconciliation and state boundary demarcation.

diplomatic engagement in view of the country's political turmoil. The country has had diplomatic representation in many parts of the world, which ousted president Siad Barre's government had acquired through ownership of the buildings. In view of this and within a period of the political turmoil, it was imperative that the administration should have allocated expenditures for diplomatic engagement. The few representations in overseas countries were under the budget funding mercy of the host countries. (For example, EU, Italy, Kuwait, Saudi Arabia, Sultanate of Oman, Iraq, Iran, Egypt, UAE, etc.) This is despite the fact that diplomacy was critical to the sustenance of the government. As of 2013, the Minister of Foreign Affairs, Fawzia Yusuf H. Adam incurred a colossal expenditure amounting to US \$2,356,823 but with least diplomatic engagement success. In respect of her predecessors four year expenditures incurred was US \$699,899. This amount include and omission of about US \$216,000, which the government did not factor in 2010. The ministry spent US \$2,356,823 on foreign trips and operational expenditures. The minister has not developed any tangible foreign policy regarding funding of embassies and thereby minimizing her many foreign country visits. The amount the minister spent was not initially factored into the budget but was through ad hoc provision. At least the engagement she executed would have been better performed by the embassies and thereby paving way for her final approval. Through this the government would have saved some funds besides reaching a wider international diplomatic arena. Notwithstanding the foregoing, each of the ministers was allocated a foreign trip allowance of about US \$25,000 and which was not at all registered as expenditure by each of the successive governments. The average trips allocated to each of the minister was about 15 trips for the respective budget years. Consequently, the total expenditure amount omitted for the five year period is about US \$1,875,000. The total expenditure for the 5 year period is therefore, US \$4,931,722.

It appears the successive presidents appointed ambassadors who were loyal to them, and who could solicit foreign aid, thereby remitting it in cash to the appointing authority. This in effect denied the Central Bank the opportunity to register the amount as well as the Auditor General, thereby creating a conduit for the misappropriation of the funds. The failure to factor the budget could be attributable to the Presidents and the Foreign Affairs Ministers. Most of the Foreign Ministers were from the northern part of the country but were actually disguised advocates for the autonomy of their homeland (Somaliland) instead of a unified country. They tend to be appointed to hoodwink the world that the secessionist state of Somaliland is united with the central government. The ministers, on their part, use their position to also advocate for secession. Both the leaders and the ministers thus play a game of hide-and-seek and musical chairs.

The total administration and general service cluster expenditure was US \$108,046,969. However, the correlative development impact of the expenditure was at best the bare minimum. The civil service continues to be skeletal and so are the other departments within the cluster expenditure operational programmes. Perhaps this mismatch of budget management could be attributed to the following:

1. The MoF did not allocate the fiscal budget expenditure to the respective ministries but continue to centralize its management to its control and thereby providing a conduit for executives misappropriation of the funds;
2. The MoF micro-management of the expenditure budget was all through cash payment and which was a safe conduit for the funds embezzlement;
3. The high allocation to the executive offices was also factored with clan financial benefits inclusiveness;
4. It further appears that no successive governments had actual interest in the country as none provided a development budget that was separate from the recurrent expenditure. The budget separation would have initiated development programmes as well as executing the recurrent expenditures. Social and economic clusters and which are the primary development movers received the least budget allocation.

In spite of the country's budget formalization and within the period under the review, the primary contributor to the public financial mismanagement could be attributable to the various four Ministers of Finance. None of the ministers had the courage to develop the budget policy for managing the public financial affairs of the country. This is a responsibility they could not be excused from as they are the custodians of public finance and they are the primary advisory service providers to the cabinet, president and the parliament. They never made any simple cabinet presentation paper to all the offices. Indeed, it appears they maintained the status quo for their benefits as they were both custodians of the expenditure budget as well as the revenue receivers. The budget expenditure was exclusively managed by the executive offices and MoF. The MoF outsourced consultants for budget formulation and preparation but with instructions of safeguarding the personalization of public funds.

Ministry of Finance (2009-2013)

The various ministers of finance during the five-year period authorized cash payment (chit money/fadlan)⁴⁹ to individuals whose nature of transacting was not narrated. The culpable ministers for the public financial anomalies are shown in the table 11 below. As indicated, Minister Garjeex issued chit money worth about US\$24,385,209, while Minister Suleiman issued the least amount (US\$8,076,635).

The Ministers of Finance expenditures (fadlan system) continued to attract colossal amounts of money that was not fully accounted for. The payments were both ad hoc and unorthodox. The investigation report indicates an increased expenditure, which was understated by the various Ministers of Finance. The payment in question and for the five year (2009-2013) period is about US \$57,837,183. This amount is extracted from the respective Ministers of Finance registered records. The expenditure is factored under the administration and general services cluster (government registered). The budget expenditure continues to being through cash payments, which is inclusive of chit money, cash imprest, salaries/petty cash and third parties. The bulk of the cash payment goes to chit money as evidenced by individual payments.

⁴⁹ Fadlan means “please” in Arabic. In the Somali context, the way it works is thus: The President, the Prime Minister or the Minister of Finance will write an amount on a piece of paper authorising a payment to an individual, who will take that piece of paper (chit) to the Permanent Secretary in the Minister of Finance. The Permanent Secretary will sign the chit and the administrator in the Ministry of Finance will take that chit to the Central Bank and collect the money in cash and give it to the individual. The names of these individuals often appear in the records of the Central Bank, but the records do not indicate what the money was for. However, a review of the fadlan system revealed that the US \$57,837,183 lacked the required approval by the parliament. The administrator Shire Jumaale explained that because of urgency, some of the cash less than US \$10,000 were approved by the permanent secretaries (Ahmed Mohamud Ahmed Yaqshid and the current permanent secretary Amina Sheikh Osman), in accordance with the authority given to them by the ministers of finance.

However, the Treasury Authority for the chit limit was not specific as to whether the withdrawal limit was on daily, weekly or monthly basis. With this ambiguity, the cash payments were abused on a large scale and through various avenues. The Ministers of Finance and the Office Auditor General have all along not enforced controls on the cash payment transaction.

Table-11: Government registered expenditure using the chit system (fadlan)

Budget Year	Expenditure Amount	Ministers of Finance	Clan
Feb 2009-May 2010	\$13,650,000 ²	Sharif Hassan Sheikh Aden	Digil/Miriffle
June 2010-June 2011	\$11,725,339	Hussein Abdi Halane	Ogaden
July 2011-Dec 2011	10,877,154	Abdinasir Mohamed Garjeex	Marehan
Jan 2012-Sept 2012	\$13,508,055	Abdinasir Mohamed Garjeex	Marehan
Nov 2012 – Dec 2013	\$8,076,635	Mohamud H. Suleiman(Awil)	Majertein
Total Fadlan	\$57,837,183		

Source: MoF and CBS

Security Services Cluster

The country security programme was agreed during the Djibouti agreement in November 2008. The Djibouti agreement policy was positively received by the international community at a conference held in Brussels on 22-23 April 2009. They pledged a funding grant of US \$213 million. However, the amount was not only for the security purposes but was also to cover other government development operations. As a result, a joint security committee was established on July 2009 to operationalize the policies. The grant fund amount allocated to the transformation of security institutions was US \$58 million. As of 19th November, the TFG received US \$5.6 million, while US \$22 million was paid through a contractor for security related procurements. The disbursement for the US \$5.6 million was as follows:

1. Direct disbursement to TFG US \$3 million;
2. Direct disbursement through African Union for payment of stipends for Somali security forces was US \$2.6 million; and
3. Other security related disbursements incurred included consultations with former senior Somali military and police officers in July 2009 meetings in Washington D.C.

The agreement spelled out a number of security personnel to be employed as well as training within the UNDP norms. The work plan policy involved the following:

1. National Security Force mobilization and security plans in the regions
2. National security plan/strategy
3. National security management plan
4. National strategy and plan for recruitment and training of NSF
5. National strategy for protection of senior government officials
6. National Security Council capacity building programme.

The Defense Minister during the year 2009 was Prof. Mohamed Abdi Mohamed (Gandhi). He is credited with having initiated the country's security policy, in spite of his training and working experience, which were an Applied Geology and History and Anthropology professor. Because of his nationalistic commitments, he approached all senior former Somali security personnel (military and police) from the Diaspora for a meeting of the Joint Security Committee in July 2009 in Washington D.C. The meeting discussions formulated additional policies for stabilization of the country. The minister, prof. Gandhi did not even use the money allocated to his ministry for official foreign travel; as he drew financial support from the Somalis in the Diaspora. The budgeted amount for the Ministry of Defense was only US \$36,000 (US \$12,000 per month) and was used for the ministry local operations. The allocation was only for three months as opposed to for the entire year budget amounting to US \$144,000. It should be noted that the budget allocation was a token provision in relationship to the subsequent years' allocations.

However, he was transferred to another portfolio and the progress he had initiated was held at bay.⁵⁰ This reshuffle was as a result of the executives' vested interests that did not want to see an end to the various militia insurgencies. The Prime Minister, Sharmarke, at the time, was not in agreement with the same transformation policies with the defense minister, Prof. Gandhi and as such he did not defend his removal from the office. However, the Prime Minister, Sharmarke (in pretense), made attempts to reach the US government to attack militia bases in Somalia. (This was

⁵⁰ Prof. Gandhi brought on board old military hands to reform the security sector. President Sharif Sheikh Ahmed and his Minister of Finance, Sharif Hassan, used this as an excuse to transfer Gandhi, insinuating that these military people were part of Siad Barre's government, which invaded Ethiopia in 1977. To appear sympathetic to the Ethiopians, the government tried to link Gandhi to generals who had invaded Ethiopia, thereby discrediting his efforts. Later, when the Kenya government showed support for Gandhi to assume leadership in the "buffer zone" of Jubaland, the Ethiopians rejected Gandhi's bid and opted for Ahmed Madobe, who, ironically, is a former member of Al Shabaab. So, both Ethiopians and Kenyans were hoodwinked into believing that the government was for stability, when in fact, the people who they ended up supporting were the very forces that were destabilising the region.

revealed through Wiki Leak.) However, according to the Wiki Leak revelation, the US government response was that they would not undertake such an attack for the sake of the civilians; this is in spite of the Prime Minister accepting to own responsibility for the attack. The diverse policy opinions held by the President, the Prime Minister and both ministers portrayed lack of shared responsibility and vision.

Box-9: Politicians' links to militia

It is evident that the government approaches the international community with two hidden agendas. The most overt agenda is for donor support to stabilize the country. However, the hidden agenda is to find sustainable sources of funding for their respective militias. This is explained by the various sources of budget support for security solicited from Arab countries. For example, after the 2009 Brussels conference, the government continued to get additional support from the Arab countries, including Sudan, for security expenditures funded by the international community (e.g. through AMISOM and PricewaterhouseCoopers). The failure of the Brussels conference was based on not instituting harmonized budget funding monitoring, and evaluation controls. In effect, the US and the Italian government continued to fund the military while the Arab countries, in particular Qatar were doing the same but in different modes of transaction. The funds from the latter and the domestic revenue generated were used for militia funding but under the disguise of funding the security personnel.

Source: OP and OPM

Furthermore, the five-year budget expenditure for the security sector was US\$94,593,479. The amount was shared among eight items and each of them had a different provision. There were several inconsistencies in the budget provisions as some years were entirely omitted while others were over/under-allocated. Details of this are captured in the table 12. The total security budget allocation and as a percentage of the entire five-year budget is about 37 percent. This provision was relatively adequate in improving the country's security enforcement. This is besides the direct funding (USA and Italy), which was not factored in the budget by the government, as was the under/omission budget factoring of the Arab support.

Table-12: Security Services Expenditure Allocation

Security Services Clusters	2009	2010	2011	2012	2013	Total
Ministry of Defense	\$36,000	\$627,596	\$2,828,941	\$5,885,300	\$2,934,333	\$12,312,170
Armed Forces	1,400,000	2,350,000	488,150	-	28,048,220	32,286,370
Military Court	-	-	-	-	361,050	361,050
Ministry of Interior	3,000,000	4,500,000	616,902	373,623	9,992,506	18,483,031
Police Force	100,000	170,000	2,238,150	2,199,420	8,236,783	12,944,353
Custodian Corps	50,000	50,000	503,179	1,074,247	2,446,936	4,124,362
National Security Force	1,343,309	5,210,000	-	210,000	5,095,000	11,858,309
Immigration Department	214,000	975,192	153,114	86,280	795,247	2,223,833
Total Security Sector	\$6,143,309	\$13,882,788	\$6,828,436	\$9,828,870	\$57,910,076	\$94,593,479

Source: MoF, CBS

As regards the custodian corps, the total budget provision for the entire period is US \$4,124,362. This amount was, however, huge as the prisoners' living conditions remain in a deplorable state. The immigration department continues to compromise the security of the country by selling passports/visas in opaque transactions. For example, it is not known how many embassies are selling the passport, and at what rate. There is no board for vetting a competitive printing firm and thereby guaranteeing proof of security or safeguards.

In spite of the colossal security budget expenditure, the successive and the incumbent government are yet to actualize some of the Djibouti strategic plans of action. For example, it was agreed that the security forces would be spread to the states whose budgets were factored on that consideration; however, security is only concentrated in Mogadishu. The Djibouti agreement spelled out of plans for establishing a National Transitional Security Force of eight battalions (6000 troops), which was to be drawn from both TFG and ARS (Alliance for the Re-liberation of Somalia) elements. Additionally, the TFG further agreed to the establishment of a 10,000 strong Somali Police Force (SPF) trained to acceptable norms of rule using an agreed UNDP police programme. This force would be community-oriented in service delivery for the Somali people to ensure the safety and protection of their lives and property. Though the government has incurred 37% of the total five-year security budget, there is no tangible evidence to support the expenditures in view of the following:

1. There is no physical weaponry asset inventory to support the expenditures;
2. The security forces personnel payroll establishment has been not in tally agreement with the expenditures;
3. The people continue being exposed to extreme human cruelty as well as loss of property due to lack of improved security safeguards; and
4. The insurgency attacks continue to grow every day and there are no clear strategies from the government to find lasting solutions.

A case in point, the security services budget cash management, in particular, was characterized by personnel of questionable integrity.

This mode of payment begs full accounting disclosure as it could have been a conduit for funding insurgencies. Notwithstanding the massive financial irregularities, none of the successive governments, even the current government, provided terms and conditions of working for the security personnel as well as for the entire government. For example, ministerial/institutional restructuring, disciplinary action, competitive recruitment, promotional structure, code of conduct, pension benefits, etc.

Box-10: National Security Forces

A reference case study is where the MoF spent US \$4,438,580 on behalf of the security sector in a single day (15/27/2010). The payment vouchers were not subjected to the process of accounting. The process would have entailed that the payment voucher was examined by an accountant and who would have attached all the supporting documents. The same would be forwarded to his seniors for further scrutiny. Final approval for the voucher payment would have been after the endorsement by the internal audit and the chief accountant. All the different signatures would be appendix to the payment voucher after which the cashier would prepare the cheque payment. The cheque would then be signed by three different approved officers of the ministry. As regards this case, the cash payment was only approved by the permanent secretary, ministry of finance Ahmed Mohamud Ahmed (Yaqshid), and with no supporting documents to authenticate the expenditures. Notwithstanding the anomaly the MoF should have disbursed the money to the beneficiaries (ministry of defense, ministry of interior, police, custodian corps, etc.). The respective ministries would then initiate the process for the payment of US \$1,428,600, and US \$1,260,000. They would subsequently draw a cheque payment to the respective treatment hospitals in the neighboring country. Separate payment would be effected for the quarterly subsistence allowance. However, cash payments were preferred for personal gains and it characterized the entire period's transactions. This included capital expenditure and other asset inventories, which conventionally should have been subjected to competitive bidding.

Sources: MoF, CBS and AGO

The sector incurred and expenditure of US \$5,297,576 for the entire period. The amounts were relatively high in view of their minimum legal court dispensation. The departments are yet to be structured and thereby coordinating their respective responsibilities effectively. The office of the attorney general is supposed to be independent from the judiciary department. Its responsibility is to safeguard the interest of the government. The judiciary is supposed to be independent from both the executive and the legislator. It accommodates the interest of both the government the private sector and as such its autonomy is paramount. The office of constitutional office is a legislative arm of the government. These structures and responsibilities are not in force as the government has lumped them up as being subsectors of the constitutional office. In view of the current status of ineffective coordination the chief justice has so far embezzled a sum of US \$4,700,000.

Economic Services Cluster

The budget provision for the economic services cluster was US \$11,654,943 as shown in table 14. This constituted 5% of the total expenditure. The cluster consists of 10 items of allocation, which were either under/over-estimated or omitted in the budget provisions. Most of the item expenditure allocations were either dormant/infant or non-operational and their respective budget provisions cannot be justified within this context. However, the ministry of telecommunications was operational but the revenue generated and expenditure incurred is not in close correlation. This is in view of the fact that the ministry did not generate any revenue in 2009 despite the tax incomes accruable from the investments. In 2009 the minister in charge, Abdirazak Jurrille, colluded with the telecommunication industry to be paid due taxes to him as opposed to the coffers of the government. The trend has had little improvements over the period under review as each of the successive ministers were engaged in this corrupt practice.

Justice Services Cluster

Table-13: Justice Services Expenditure Allocation

Clusters	2009	2010	2011	2012	2013	Total
Ministry of Justice and Constitution	\$36,000	\$14,135	\$259,194	\$177,714	\$1,451,064	\$1,938,107
Judiciary Service Committee	-	-	112,218	77,280	162,358	\$351,856
Attorney General	-	-	96,498	61,380	202,370	360,248
Solicitor General	-	-	55,136	45,420	348,751	449,307
Districts Court	-	-	-	-	-	-
Benadir Court	-	-	20,099	19,320	1,088,855	1,128,274
Appeal Court	-	-	-	-	152,207	152,207
High Court	-	-	283,741	229,466	404,370	917,577
Total Justice Sector	\$36,000	\$14,135	\$826,886	\$610,580	\$3,809,975	\$5,297,576

Source: MoF, CBS and Justice Committee

Table-14: Economic Services Expenditure Allocation

Economic Sector Clusters	2009	2010	2011	2012	2013	Total
1. Ministry of Water, Mineral, Energy & Petroleum	\$36,000	\$14,135	\$213,226	\$148,017	\$1,827,554	\$2,238,932
2. Ministry of Posts & Information	36,000	14,135	926,946	1,227,025	3,051,562	5,255,668
3. Ministry of Agriculture & Livestock	36,000	14,135	209,866	180,860	-	440,861
4. Ministry of Air, Land, Ports & Marine Transport	36,000	14,135	310,508	211,902	46,026	618,571
5. Civil Aviation Authority	-	-	-	-	-	-
6. Port Agency	-	-	217,000	-	-	217,000
7. Shipping Agency	-	-	-	-	-	-
8. Ministry of Public Work & Reconstruction	36,000	14,135	222,300	154,300	995,524	1,422,259
9. Ministry of Fishery & Environment	36,000	14,135	218,980	177,198	-	446,313
10. Ministry of Industry & Commerce	36,000	14,135	172,073	168,887	624,244	1,015,339
Total Economic Sector	\$252,000	\$98,945	\$2,490,899	\$2,268,189	\$6,544,910	\$11,654,943

Source: MoF, CBS

Notwithstanding above disparities the telecommunication sector accommodates IT (top level domain) revenue but which were not registered by all the subsequent governments. The hosting of the countries domain to global network was contracted to GMO. The contract engagement entails GMO retaining 25% of the revenues while the government share was 75%. The government revenue share was not banked into the CBS and the accountable ministers are Abdirisak Jurrille, Abdikarim Jama, Abdulkadir Mohamed Hassan (Jahaweyn), Abdullahi Elmoge Hersi and Mohamed Abdi Ibrahim (Ibbi). The GMO is also subject to investigations. This recent revenue reconciliation was not factored in the previous projections in view of scanty information.

The Ministry Of Air, Land, Ports and Marine Transport also continued to generate revenues but which was not commensurate with the expenditures. The transactions were characterized by opaque management whereby the amounts collected were known by the port manager and the president. The ministers responsible for the portfolio were, however, ineffective in instructing the port manager in view of his clan base and direct relationship with the president. In general terms, the money allocated to the items clusters were largely used for personnel gain, since majority of them were either at infant stages or non-operational.

Social Services Cluster

The budget allocation for the social cluster was about US \$4,692,582, which was 2% of the total expenditure as shown in table 15. The item clusters consist of 4 ministries, which were either over/under-estimated or omitted from budget allocation expenditures as shown in the table.

The expenditures are neither justifiable in view of the following isolated cases:

1. The government continued to provide budget expenditure for the ministries of education and health; partly through direct funding from Arab countries although the exact figures for this type of funding is still unknown. This Arab support allowed for the engineering and ideological indoctrination of Somalis. In other words, this funding facilitated the spread of Wahabbist discourse in the country.
2. The Ministry of Women and Family Affairs received an amount of US \$864,000 in 2009. The minister in charge, Fawzia Mohamed Sheikh, was able to get a substantial allocation from the Finance Minister, Sharif Hassan. The amount was, however, not used for developing the ministry but was diverted to a personal account.

Table-15: Social Services Expenditure Allocation

Social Sector Clusters	2009	2010	2011	2012	2013	Total
1. Ministry of Education & Higher Education	\$36,000	\$14,135	237,011	\$108,855	\$2,105,299	\$2,501,300
2. Ministry of Health & Public Care	36,000	14,135	202,235	102,178	-	354,548
3. Ministry of Social Affairs, Labor & Sport	36,000	14,135	287,185	205,501	-	542,821
4. Ministry of Women & Family Affairs	864,000	14,135	228,178	187,595	-	1,293,913
Total Social Sector	\$972,000	\$56,545	\$954,609	\$604,129	\$2,105,299	\$4,692,582

Source: MoF and CBS

Other Expenditure Cluster

The expenditure under the above cluster and for the five-year period was about US \$22,324,710 as shown in table 16. This was 9% of the total budget. The cluster consists of 8 items of budget allocation. The items were either over/under-estimated or omitted from the budget expenditure allocations. A classical case for the omissions was the Central Bank and which was sustained as from 2009 until 2010. This defeats any prudent budget

management in view of the Bank being the single custodian of government funds. Strange enough for the item top management is monopolized by one clan (Hawiye) except the Central Bank. Consequently, the budget expenditure was grossly misappropriated. The cluster expenditure is also not commensurate with the physical development on the ground.

Table-16: Other Services Expenditure Allocation

Other Expenditure Sector Clusters	2009	2010	2011	2012	2013	Total
1. Local Government (Benadir Administration)	-	\$682,504	\$2,487,307	\$3,978,213	\$7,487,367	\$14,635,391
2. Private Companies (Cartel)	-	132,640	1,231,986	459,347	-	1,823,973
3. Central Bank	-	-	1,257,448	712,668	2,078,167	4,048,283
4. Development Bank	-	-	-	150,469	1,224,694	1,375,163
5. Chamber of Commerce	-	-	-	-	215,399	215,399
6. Disaster Preparedness Committee	-	-	165,000	31,390	-	196,390
7. Al-Jazeera Hotel	-	-	-	-	15,112	15,112
8. Ali Buubaal Company	-	-	-	-	15,000	15,000
Total Other Expenditure Sector	-	\$815,144	\$5,141,741	\$5,332,087	\$11,035,738	\$22,324,710

Source: MoF, CBS

6. SUMMARY OF CURRENT GOVERNMENT BUDGET REVENUE/ EXPENDITURE MANAGEMENT PERFORMANCE (2013)

As shown in the previous chapter, public finance management did not improve significantly with the election of Somalia's first post-transitional government in 2012. Trends indicate that financial management may actually have worsened under the current government of Hassan Sheikh Mohamud.

The administration is not addressing itself to the tax discrepancies but continues to target the only two existing sources (Mogadishu port and airport). Indeed, instead of expanding the tax base, the government is outsourcing the only two revenue sources to third parties (Turkey) and without recourse to competitive bidding⁵¹. This inconsistency revenue is a clear indication of a retrogressive tax regime.

The current government is also not adjusting the previous errors of budget formulation management and monitoring. The conventional standard of budget preparation requires a separate head account for development programmes and other recurrent programmes. Neither is the current government adjusting itself towards each ministry preparing its own budget. Each ministry is supposed to prepare its development and recurrent budget based on its priorities. This is upon the ceiling guidelines provided by the Ministry of Finance. In the same vein, budget revenues should be disbursed to each ministry's respective account held by the Central Bank. This would transform the country's institutions into the accepted global standard of being held accountable for their budget as well as being able to assess development performance. It was also assumed that the current federal government would initiate the formulation, preparation and implementation of budgets for all the upcoming member states. This, however, is not in process neither is it scheduled for a specific period of implementation. This lack of foresight planning is retrogressive as the past mistakes will most likely continue being replicated in future years.

⁵¹ E.g., there was no parliamentary legislation approval act, no cabinet approval, no financial feasibility study by the Ministry of Finance, and the Ministry of Air, Land, Ports, & Marine transport, no international tender advertisement, no tender evaluation committee, etc. In spite of this omission, the Turkish company says it has increased the airport revenue to 40% and is on firm target of reaching 50% when the terminal is completed, the question remains the percentage growth rates were based on what? The percentage revenue is not officially and statistically quantified to the public; public doubts are also on the reconciliation and the revenue tallying between Ministry of Transportation, Auditor General, Central Bank and the Financial Standing Committee of The Parliament.

General Budget Characteristics

The current budget status does not appear to have improved from the previous years of management. On the contrary, public finance mismanagement continues unabated and new forms of graft are being introduced.

Revenue Not Streamlined

The revenue streams are broadly classified (Ports, Airport, Civil Aviation, Companies, Districts, Courts, Immigration, Appropriation in Aid and PAYE) but without itemization as to specific sources of generation. For instance, the port revenue should have been itemized as to what is customs fee, cargo fee, docking fee, etc. The necessity of revenue itemization is to provide financial statistics for critical evaluation and subsequent policy decision.

The Ministry of Finance has not developed strategic revenue collection guidelines, which would improve tax collection. The offices of the Auditor and Accountant General are also not effectively involved in monitoring and evaluating the tax realizable and thereby occasioning effective checks and balances.

The MoF has not explored new avenues for additional tax collection. It has relied on the hitherto clusters of the revenue collection (2009-2012). There has been no research on old or newly formed private sector (known as cartels) and thereby bringing them into the tax brackets. The tax payments by the companies are not based on any financial statistical evidence. There are no audited books of accounts to support the tax payment. The tax payment is neither broken down to the streams of sources. For example, the amount of end year corporate tax percentage, the monthly value added taxation, pay as you earn tax (company staff monthly payroll) are not itemized. Though the tax revenue enhancement is on firm course in each of the fiscal years, much of it was, and in regards to the previous administration, was used for personal gain. The lucrative property ownership and real estate management has also been not factored for taxation.

There is no evidence as to whether the government (MoF) has revised the revenue tax rates since 1991. The revisions are intended to evaluate the budget development capacities for the country.

President's Discretionary Fund

A majority of large private companies were bribing the administration to pay less tax. There was also a secret account (discretionary fund) collected from the private sector in lieu of paying tax for supporting the president's policy for non-federalization of the country (resistance to the formation of a federal state). For instance, the government irregularly withdrew a sum of US \$4,055,782 from the Central Bank of Somalia. The money was part of a private sector tax payment (US \$16,647,688)⁵², and the company owners colluded with the government to divert money and bribe public individuals (such as Ahmed Madobe, leader of the Ras Kamboni group and self-styled president of the interim Juba administration) who were aspiring to create their regional states. The president Hassan Sheikh's policy is against the creation of additional autonomous states. Further to this, the money was also to influence IGAD, through General Gabre Adhana,⁵³ an Ethiopian, to pressure Madobe to agree to the terms of the central government. While Madobe agreed to the terms then, such as giving up control of the port of Kismayo, the port is still under the control of Kenyan forces and Ras Kamboni. This means that Gabre played games with both sides. While the federal government continues to give handouts to Ahmed Madobe, the state has a port generating revenue but whose budget has not been disclosed to the public. The contributions and recipients are shown in table-17 and 18.

Table-17: Private Companies' Contributions

Period	Amount	Contributor	Recipient	Organization
2013	\$1,000,554	Salaama Bank	Ahmed Madobe	Interim Juba Administration
2013	260,000	Hormud	Ahmed Madobe	Interim Juba Administration
Total				\$1,260,554

Source: OP, OPM, Office of State Minister of Presidency, Ministry of Interior, and Policy Unit Office of the President

⁵² The local business communities have all along escaped from paying government taxes. The few, who pay, undervalue the correct payable tax. The inconsistent and the tax underpayment cannot be attributed to the local entrepreneurs alone as the government has never had a structural tax policy for the payment. This perhaps could have been a deliberate move between the two – government officials and entrepreneurs – and for personal gains. The registered tax for the year and of US \$16,647,688 is in deficit of actual reconciliation amounts and which is about US \$47 million.

⁵³ General Gabre Adhana was a Commander in Chief of Ethiopian forces that invaded and occupied Somalia in 2006 and considered a card carrying member of the Tigray Peoples Liberation Front (TPLF) also serves on IGAD's Somalia Peace and Reconciliation Committee. The public integrity of the general is questionable as he commanded massive massacres in 2007 in Mogadishu, and as such he cannot conduct any credible reconciliation. He is not trusted among Somalis, and many locals wonder why the international community in particular, IGAD never indicted him as a war crime.

Table-18: Private Companies' Contributions

Period	Amount	Contributor	Recipient	Organization
2013	\$600,000	ADCO	General Gabre	IGAD
2013	\$1,282,953	Dahabshiil	General Gabre	IGAD
2013	610,000	Somali Business Community in Dubai	General Gabre	IGAD
2013	302,275	Hormud	General Gabre	IGAD
Total				\$2,795,228

Source: OP, OPM, Office of State Minister of Presidency, Ministry of Interior and Policy Unit Office of the President

The owners of Dahabshiil, who are from the northern Somalia Issak clan, fear the domination of Jubaland by the Darod clan, who would control the bulk of the states, should federalism be successful. The rest of the contributors (who are all from the president Hawiye clan) are enforcing the president's policy of not seeing the birth of federalism in Somalia, because of this same fear, which stems from refusal to share power. This secret account (president's discretionary funds) had no prior approval by the Cabinet and the Parliament. Consequently, the amount registered to have been paid could have been possibly a quarter of the actual tax. The Office of the Auditor and Accountant General and Financial Standing Committee of the Parliament never made an attempt to question the transaction due to the presidents' authoritative power over them.

Notwithstanding the above irregularities in the same year 2013, the president outsourced a private law firm (Shulman and Rogers) to track the country's foreign assets inventory. This also included foreign cash investments. When the OAG requested for contracts engagement terms as to estimating the monetary value of the assets inventory and the legal firm contract payment, the President, Hassan Sheikh told the Auditor General to keep off from the transaction.

Opaque Contracting

The government outsourced the management of the airport to the Favori Co. of Turkey. The company paid in January 2013, a sum of US\$1,500,000 to the government. However, it is estimated that the president was compromised with an amount of US \$8 million for the single airport outsourcing. The same company then took over the airport operations on 15th of September 2013. Through this single outsourcing the government policy appears to be no different from the previous transitional governments.

The contract was not subjected to competitive bidding and the terms of engagement were not made public. Though the previous transitional government outsourced the management of the airport to SKA under similar unclear circumstances, the current government should have known better when awarding this contract. The only amount Favori remitted as tax was US\$102,000 in December 2013, and which was lower than what SKA paid for in 2012 (US\$158,569).

The government has also singularly outsourced the port of Mogadishu to a Turkish company (Al-Bayrak) and this contract engagement is not in the public domain. It is believed that the company, through the Turkish government, paid an estimated US\$12 million commission to secure the contract.⁵⁴ The monthly percentage premium the company is supposed to pay the government is not known. In total, the Turkish government paid the country US \$53 million in 2013; this does not include other development assistance, such as building of schools and hospitals. The incumbent government's engagement with Turkey raises a red flag and also raises questions about Turkey's development assistance programme in Somalia. While there is no doubt that Turkey's direct support to Somalia, for example the building of roads, has had a significant impact on the ground, there is a risk that this support may be used to exploit the country's resources. The Turkish government appears to be the only Islamic country that suggested that the likes of Dahir Aweys should be arrested and be subjected to tribunal trials. This is in contrast with the policy advocated by the Gulf countries and whose funding is either through security network or established infrastructure, e.g., through faith based organization as well as schools and universities.

President Hassan Sheikh Mohamud's Chief of Staff, Kamal Hassan Gutale,⁵⁵ is an official record of having received a consolidated payment sum of US \$1,600,000. The cash encashment were transacted on different period but within the year 2013. The table 19 below captures the period and amount transaction.

⁵⁴ Five high-ranking individuals in the Office of the President confirmed this figure.

⁵⁵ Kamal has direct contact with Rania Dagash UNSOM and Khalif H. Ahmed, EU Mission to Somalia. He boasts that he gets insider information through his contacts, which he takes to the president, for pre-emptive decisions making. The tradeoff information has endeared to the Head of State Hassan Sheikh Mohamud and State Minister, Farah Abdulkadir and thereby enjoying extra-ordinary ex-gratia benefits.

Table-19: Chief of Staff's Payment

Period 2013	Sources	Cash Amount	Beneficiary	Title
January	CBS	\$100,000	Kamal Hassan Gutale	Chief of Staff
August	CBS	\$500,000	Kamal Hassan Gutale	Chief of Staff
September	CBS	\$500,000	Kamal Hassan Gutale	Chief of Staff
November	CBS	\$500,000	Kamal Hassan Gutale	Chief of Staff
Total				\$1,600,000

Source: CBS and Policy Unit

Kamal received the first transaction in cash and using his name. The second, third and fourth cash payment were through close and known proxies. He adapted the latter after the UN Monitoring Group published the names of civil servants who were paid in cash. This was in the month of July, 2013 when the accused individuals received public criticism because of the published report. This is in view of the large amounts involved, which could not be justified as salaries, or benefits. However, it appears the Chief of Staff uses the funds for his personal benefits but under the protection of the president Hassan Sheikh Mohamud.

Poor Budget Forecasting

Domestic revenue since 2009 has never been consistent and has fluctuated over the four year periods. However, the government did not put in place a mechanism where revenue could be anticipated and budgeted. Revenue fluctuations should have been a red flag for the MoF that should have developed a fiscal revenue budget policy. The domestic revenue fluctuation between 2009 and 2013 are shown in the table 20 below.

Table-20: Revenue Fluctuation Growth

Sources	2010/2009 % Variation	2011/2010 % Variation	2012/2011 % Variation	2013/2012 % Variation
Port of Mogadishu	14%	28%	60%	86%
Aden Adde International Airport	22%	1136%	-82%	141%
Civil Aviation	0%	-52%	381%	22%
Companies	-22%	-81%	542%	492%
Districts	0%	0%	127%	902%
Other Revenues	0%	84%	98%	116%
Total Domestic Revenue	12%	42%	40%	123%

Source: MoF, CBS and OAG

The revenue fluctuation for the period reflects both positive and negative growth. This indicates that the transitional and post transitional governments did not develop the fiscal revenue policy for both comprehensive and effective collection as shown in the table 20 above. From the table it is the port that appears to be registering subsequent revenue growth however; it is too is under-estimated. The MoF is yet to develop domestic revenue structures for receiving the taxes at the point of collections (point of sales-POS) and the subsequent delivery to the Central Bank.⁵⁶ There should have been an accountant stationed at each of the tax revenue collection centres. The officer would be accountable for all the collections up to the point of banking. The accountant would be also subjected regular audit vouching and thereby controlling any foreseeable malpractices. It has also not developed the budget year of managing the revenues. That is to say all domestic revenues collected should be banked in wholesome and instantly, as this would be the bases of formulating a subsequent year budget. The current trend is to use money as it arrives, and not using it for subsequent budgeting. This defeats the prudent management of the budget and allows for the pilfering of domestic revenue.

Domestic/Donor Revenue Budget Performance 2013

The domestic and donor streams of revenue and for the year 2013 are analyzed as shown below. The budget reflects the above general budget characteristic of omissions or inconsistencies as well as the under-factoring. The revenue analysis is categorizes into three scenarios.

Table-21: Domestic Revenues – 2013 (in Dollars)

Revenue Sources	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
1. Mogadishu Port	3,095,660	2,396,809	3,374,540	4,982,476	5,165,993	3,625,454	4,436,747	4,622,984	4,562,714	5,182,794	3,404,607	5,425,308	50,276,086
2. Aden Adde Airport	108,241	89,453	134,655	180,386	210,401	172,744	177,809	199,623	336,955	277,232	153,921	229,561	2,270,981
3. Civil Aviation	61,942	42,918	51,852	63,433	79,244	93,556	77,745	83,400	85,582	70,805	15,203	-	725,680
4. Companies	881,470	2,489,976	3,114,120	888,000	1,600,554	1,623,000	1,023,540	902,275	744,800	858,457	854,496	1,667,000	16,647,688
5. Mogadishu Districts	50	3,538	4,411	9,922	2,815	-	2,626	3,060	852	2,956	415	2,059	32,704
6. Mogadishu Districts Courts	97	130	532	931	870	771	532	255	914	700	430	2,520	8,682
7. Benadir Court	8,160	-	15,980	6,120	4,080	4,335	6,970	4,760	3,825	4,200	9,500	4,900	72,830
8. High Court	820	-	1,300	460	-	620	-	960	1,460	270	500	1,880	8,270
9. Immigration	100,000	-	200,000	47,000	453,000	397,000	327,112	334,351	84,400	123,800	60,850	215,500	2,343,013
10. Appropriation in Aid	70,897	50,726	116,954	66,113	114,533	68,203	151,068	81,630	72,131	71,685	220,755	87,156	1,171,851
11. Pay as you Earn (PAYE)	-	382	440	351	384	384	377	379	-	1,500	-	-	4,197
Total Domestic Revenue	4,327,337	5,073,932	7,014,784	6,245,192	7,631,874	5,986,067	6,204,526	6,233,677	5,893,633	6,594,399	4,720,677	7,635,884	73,561,982

Source: MoF and CBS

⁵⁶ The only revenue collected and banked directly into the CBS is from the port where a branch was established in 2009, under the premiership of Omer A.A. Sharmarke. The banking deposits are however, under-estimated (see actual government receipts and reconciliation).

- Government Registered Revenue on Monthly Tabulation;
- Government Estimated Budget vs. Actual Receipts; and
- Government Receipts/Potential and the Projected Realizable Revenues.

Government Registered Revenue on Monthly Tabulation

The domestic revenues budgets have been broken into monthly analysis as to evaluating their respective item inconsistencies. The inconsistencies as to the receipts recession and growth are characterized by big rifts and which cannot be justified. This is the first test of the budget formulation and management. The revenue inconsistencies are shown in the below table 21 and cuts across all the revenue streams.

Government Estimated Budget vs. Actual Receipts

The estimated budgeted domestic revenue factored by the government and the actual realization reflects an under-estimate of (US \$19,653,982) (US \$53,908,000 - US \$73,561,982). This is a substantial amount of revenue, and which could have not escaped the attention of not factoring. This is in view of the several streams of revenues and from which the difference could have been shared among the items.

Table-22: 2013 Budget Estimates vs. Government Registered Revenue

Revenue streams	Budget Estimates	Revenue Receipts
Tax revenue		
Customs duty	\$33,364,000	\$53,272,747
Inland revenue	18,000,000	19,027,602
Non-tax revenue	2,544,000	1,261,633
Total	\$53,908,000	\$73,561,982

Source: MoF and CBS

Box-11: Justifications assumptions

- The initial estimated government domestic revenue was US \$53,908,000;
- The revenues realized from only one source - the port and of about US \$50,276,086 were very close to the total estimates (US \$53,908,000). Was this deliberate or not?
- It is not clear why the government did not factor the realistic domestic revenue.
- The actual domestic revenue that the government registered was US \$73,561,982.

Sources: MoF and CBS

Government Receipts/Potential and the Projected Realizable Revenue

The government budget formulation and management is further subjected to three realizable revenue receipts. Through investigation the government should have registered either potential or projected revenue receipts. The below table reflects all the revenue streams and their respective provisions.

- Projected Potential Revenue Receipts:** These are the ideal realizable receipts but which require advanced strategic control management policies towards their realization.
- Potential Realizable Revenue Receipts:** These would have been the actual government registered receipts for realization.
- Government Actual Revenue Registered Receipts:** These are unrealistic revenue collection as they are below the possible realizable capacities. The receipts were registered by the transitional and post transitional government.

Table-23: Revenue Streams and Projections

Revenue sources	Actual Registered	Potential Realizable	Projected Realizable
Mogadishu Port	\$50,276,086	\$41,660,000*	\$71,155,260
Aden Adde International Airport	2,270,981	8,048,542	9,459,433
Civil aviation	725,680	5,715,242	6,738,767
Companies	16,647,688	36,398,860	42,977,653
Mogadishu Districts	32,704	120,000	156,000
Mogadishu Districts Courts	8,682	600,000	780,000
Benadir Court	72,830	600,000	780,000
High Court	8,270	2,100,000	2,700,000
Immigrations	2,343,013	2,662,783	3,139,653
Appropriation in Aid	1,171,851	2,571,859	3,032,445
Pay as You Earn (PAYE)	4,197	1,858,753	2,191,631
Total Domestic Revenue	\$73,561,982	\$102,336,038	\$131,029,185

Source: MoF and CBS

Key Highlights in 2013

The revenue provisions for both potential and projected are factored within the concept of gross income and tax accruable. The gross revenues are the receipts the government directly collects from the ports, civil aviation, districts, courts, etc. Accruable receipts are incomes generated by the private sector and which are subjected to annual audit taxation. The provisions are conservatively factored in view of the scanty information available. For instance, *the civil aviation* has been under the management of UN and not yet handed over to the government. Perhaps, the UN can provide the financial statistical evidence and under their tenure of management.

The provision of US \$47,000,000 which should have been paid to the government (CBS) was instead paid to key individuals (Hassan Sheikh Mohamud, Farah Abdulkadir and Abdikarim Jama). The companies involved were 5 (Favori, Dahabshiil, Hormud, Somali Business Community in Dubai, and Al-Bayrak) who paid different amount in respect of their envisaged favors. The total payment amount was never captured by the CBS hence its omission from the government records, otherwise that is the total amount, which should have been registered for the year.

Table-24: Companies (2013)

Companies	Amounts
1. Favori (Turkish company)	\$8,000,000
2. Dahabshii	5,000,000
3. Hormud	10,000,000
4. Somali Business Community In Dubai	12,000,000
5. Al-Bayrak (Turkish company)	12,000,000
Total	\$47,000,000

Source: MoF, CBS and Various Business Group

The PAYE tax deducted from the salaries of the parliamentarians for the year was US \$99,000 (275 MPs x \$30 x 12) is not factored in the table-24, despite the accounting offsets. The MPs were deducted the tax amount but which is not registered by the CBS. Who took the money?

PAYE Process Procedure

The government allegation of submitting monthly salary payroll to the Office of the Auditor General, Accountant General and MoF is not elaborately adequate as to authenticating payments. In fact, the process could occasion double monthly payroll schedules.

The genuine payroll could be maintained by the respective ministries while the fictitious one is circulating to the cited respective offices. This is in view of the fact that the cited offices could only ascertain the salary authenticity payment by going to the ministries for physical personnel count as well as their specification payment details (getting the files). The correct procedure would entail preparing one monthly payroll for each of the organs and without any circularization save for the CBS payment confirmation (salary payment schedules).

The due process of monthly salary payments would entail the administration department preparing the number of employees and each ministry and their respective

* The potential realizable revenue is consistent with the growth rate and the amounts registered over the entire period are on a relatively increasing scale. The government registered receipts are however, on an up/under swing and thereby defeating the objective of determining a relatively closer year turnovers. For example, the receipts it registered for 2013 are about US \$50,276,086 while the potential is about US \$41,660,000. However, the preceding year collections were consistently overshadowed by the potential realization and with a net total effect difference of US \$59,428,141 (US \$178,320,000 – US \$118,891,859).

salary grades. The head of the departments would authenticate the correctness of the schedule through appendix signature from the schedule. The schedule is then submitted to the accounts departments for initiating the salary monthly payroll payment. This is further subjected to the accounting examination, verification, and approval. The process would involve accounts clerk, accountants, chief accountant and where possible internal audit prior to the payment. After all these independent approvals the chief accountant authorizes the cashier to draw the cheque payment. The payment should however, be specified as to being third party or cash. In respect of salaries and where majority of the employees are not banking account holders, the preferred mode is cash payment. In the context, the salary payment would be withdrawn in the name of the cashier from the CBS and who would in turn pay each of the respective employees. The employees would be paid against a permanent register and which indicates their names, salary amounts, date of payments and signature. This record would be kept permanently for cross audit reference with the file documents maintained by the administration department. The CBS would be supplied with a copy of the payment voucher as well as a schedule of payment spelling out the actual amount and the nature transaction support. It is only through this process that the CBS would honour the cash withdraws. The Office of the Accountant General would be subjected to enforcing this due process of payments. In effect, their role is to pre-empt any public funds misappropriation through wrong payments. The final authority as to the payments authenticity would be determined by the Auditor General who would vouch through physical visits to all the government organs and thereby ascertaining all the file documentary details of the transactions. For example, he will examine from the officers personal file, the letters of appointment either by the institution or the national civil service commission, the qualifications of the officers, salary grade appointed, due promotions of the officer, disciplinary action, whether the appointment was through a committee evaluation or personalized, etc. The OAG has mandate powers and which cuts across all the ministries administrative issues, financial matters and procurement enforcement. Indeed, through the payroll circularization the office is being reduced into a tiger paper. The big question is why is the offices (MoF, OAG, and AGO) supplied with payrolls which do not have the foregoing file details?

Analysis of Potential/Projected Realizable Revenues

The differences between the government registered receipts and the potential realizable is summarized in the below tables 25-26. The summary provisions reflect the revenues that the government did not register but which were potentially realizable. The latter is growth rate revenue and which is based on the projections of budget year 2009. Consequently, the arising deficit differences are treated as revenue misappropriations from source.

Table-25: Government Registered Revenue vs. Potential Realizable Revenue

	Amount	%
Potential Realizable Revenue Receipts	\$102,336,038	100%
Less:		
Government Actual Revenue Registered Receipts	\$73,561,982	72%
Sub-Total Misappropriation (Omissions)	\$28,774,056	28%

Source: MoF and CBS

Table-26: Government Registered Revenue vs. Projected Realizable Revenue

	Amount	%
Projected Potential Realizable Revenue Receipts	\$131,029,185	100%
Less:		
Government Actual Revenue Registered Receipts	\$73,561,982	56%
Sub-Total Misappropriation (Omissions)	\$57,467,203	44%

Source: MoF and CBS

The table 25 and 26 above summarizes the government registered domestic revenue with the potential and projected realizable. The net effect between the two is that the government had a deficit of US \$28,774,056. The net effect of misappropriated sum is about US \$28,774,056. The difference between the projected realizable revenue and the government registered is about US \$57,467,203. The government should have realized the revenue receipts of either of the two but the potential was more realistic. The revenue omission deficits were misappropriated in respect of the below table review analysis. The total domestic revenue misappropriated was US \$28,774,056 (28%) and whose categories of misappropriation is shown in the below table 27.

Table-27: Domestic Revenues Omissions

Sources	Amounts	%
Potential Domestic Realizable Revenue	\$102,336,038	100%
1. Unofficial Tax Waiver Subsidy (bribe)	\$47,000,000	46%
2. Revenue Misappropriated at Sources	\$32,722,680	32%
3. Revenue Misappropriated by the Executives	\$6,871,848	7%
Total Misappropriated Domestic Revenue	\$86,594,528	85%
Surplus	\$15,741,510	15%

Source: MoF, CBS and through various sources

The sum of US \$47,000,000 was tax waiver subsidies and which were given to the executives for payments of lower company taxes. The provisions of US \$32,722,680 were revenues omitted from the respective generation stations. These were largely from the airport. The amount misappropriated by the executives and in various forms is about US \$6,871,848. The revenue sources omissions were basically the districts, courts, immigration, appropriation in aid and pay as you earn. These are funds which the government should have registered but were omitted from their respective sources and given to the executives. Both revenue receipts (US \$47,000,000 and US \$6,871,848) were misappropriated by the executives in view of their attempt to swindle public funds in any way possible.

Non-disclosure of donor support

The incumbent government's estimated donor support in 2013 was US \$30,478,600.⁵⁷ The amount registered at the Central Bank that year was US \$43,173,492. This occasioned a budget support surplus of about US \$12,694,892. The surplus should have been captured in the same year's revised budget and indicating the sources of receipts and respective amounts. The same should have been submitted to the Parliament for approval. In the absence of this process of verification and the quantification the surplus amount must have been misappropriated.

Further contradictions on the donor budgetary support are in the omission of United Arab Emirates (UAE) contribution. They contributed about US \$4 million for each calendar month. This translates to an annual support of about US \$48 million. This colossal amount was not registered by the Central Bank. According to the Policy Unit in the Office of the President, the funds were exclusively used by the President Hassan Sheikh Mohamud, the State Minister, Farah Abdulkadir, and the Minister of Interior, Abdikarim Hussein Guled. The latter two and under the instructions of the president secretly flew to UAE to collect the cash. The UAE budgetary contribution support started as far back as 2009 but was previously recorded, even if not the full amount. However, in 2013 it was not recorded at all by the Central Bank.

The total amount Qatar gave to the government was US \$60 million, however, the government accounted for only US \$6,740,573. The Republic of China gave a budgetary support of about US \$1 million but the amount the government registered was only for US \$479,304. China government channeled the total grant through the Somali Embassy account in Nairobi. However, the embassy did not remit the total sum but off setted with an expenditure of US \$520,696. The balance arising of about

⁵⁷ See budget 2013

US \$479,304 is what was remitted to the treasury in Mogadishu. This transaction was against the advice from the Minister of Finance, Mohamud H. Suleiman,⁵⁸ who had instructed that the total grant amount be channeled through the PwC for subsequent transfer to the government treasury in Mogadishu. The Minister of Foreign Affairs, Ms. Fawzia Yusuf H. Adam, the State Minister for Foreign Affairs, Mr. Mohamed Nur Gacal and the Somali ambassador to Kenya, Mohamed Ali Nur (Americo) ignored the advice and colluded in transacting the transfers as stated above. China's grant support and of about US \$1 million was enforced from 2008 to present. The amount was however, not captured in each of the budget revenue support years. This translates into a total grant of about US \$6 million. Some of the grant was intended for sustaining the operational expenditure of the Embassy in Nairobi. Nairobi was the natural choice in view of her hosting majority of the Western donor as well as the UN. The Chinese interest for the grant support was intended for ensuring that the Somali embassy in Nairobi would keep it updated with the competing interest of the Western donor countries. The president and the ambassador often controlled the account transaction although this funding should have gone through the MoF and CBS. The only amount registered through PwC and for the entire period is about US \$1,500,000. The net accounting omission was therefore US \$4.5 million.

The Iraq government pledged a grant of about US \$15 million for rehabilitating the civil service training college, hospitals and strengthening the ministry of public works. For the first time in history of Somalia, the disbursement of the grant was subjected to some conditionality, including vetting of procurement and a representative monitoring manager. The government of Somalia was to competitively bid for the companies for the construction works which were to receive their payment from Iraq. However the government submitted three local companies⁵⁹ and which were not acceptable to Iraq due to lack of crucial information. The crucial information was perhaps the details of the companies, director share ownership. The government perhaps could not submit the details required for the release of the funds, in view of the fact that the president had ownership interest. Though the grant is yet to be released it has been factored in view of the fact that the commitment was made in 2013 and there has been no changes of status but for the submission of more details. The same country in September the same year released a grant sum of US \$7 million to the country but through the Arab League. The same grant was further released

⁵⁸ H.E. Mohamud H. Suleiman has been replaced by H.E. Hussein Abdi Halane, who was the Minister of Finance during the tenure of TFG President Sharif Sheikh Ahmed, whose administration has faced similar corruption allegations in the past. According to some analysts, this recycling of individuals from former governments implicated in corruption scandals shows that President Hassan Sheikh Mohamud is not serious about eradicating corrupt cartels.

by the Arab League to a Turkish bank (Mudurlugu Hazine) on February 4, 2014. This change of the grant fund disbursement is becoming cloudy as the recipient of money should have been the Central Bank. Why did Iraq withhold a larger sum of US \$15 million for want of transparency and release a less amount with no conditionality, and above all to a foreign bank when the country has a Central Bank?

According to the Policy Unit in the Office of the President, when the deputy speaker of Iran visited Mogadishu in July 2013, he donated an amount of US \$20 million (cash) but which was also not registered by the Central Bank. The amount was collected by State Minister Farah Abdulkadir. Unlike the transitional governments, the current one is expected to have improved full accountability of all donor support revenues but which is not the case.

Box-12: Justifications assumptions

- a) The initial estimated government donor support budget was US \$30,478,600;
- b) It is not clear why the government did not factor the UAE, Iraq and Iran.
- c) The single UAE support is even higher than the government initial budget (US \$30,478,600). Was this deliberate or not?
- d) The actual donor amount registered by the government was US \$43,173,492;
- e) The total donor amount given to the government was about US \$206,953,615 (though the US \$22 million grant from Iraq is yet to be released it has been factored in view of the fact that the commitment was made in 2013); and
- f) The donor amount unaccounted by the government is about US \$163,780,123.

Sources: MoF and CBS

The government donor registration and the actual amount disbursed are as shown in the table 28 below.

Table-28: Donors Support 2013

Country	Disbursed amount by the donors	Government registered amount	Unaccounted amount
Qatar	\$60,000,000	\$6,740,573	\$53,259,427
Turkey	\$53,000,000	\$33,000,000	\$20,000,000
UAE	\$48,000,000	-	\$48,000,000
Iraq	\$22,000,000	-	\$22,000,000
Iran	\$20,000,000	-	\$20,000,000
SFF-Norway	\$2,953,615	\$2,953,615	-
China	\$1,000,000	\$479,304	\$520,696
GRAND-TOTAL	\$206,953,615	\$43,173,492	\$163,780,123

Source: MoF and CBS

From the above it could be safely justified that the budget under factoring and omissions were deliberate and whose motive was not different from the previous transitional administration (public misappropriation of funds).

The table 28 above confirms that the government did not register the total net amount of US \$206,953,615. The difference between the registered amount and the realizable revenue is about US \$163,780,123. However, at some period instances the government registered bilateral support tallied with the realizable revenue. The deficit omission of the bilateral support cannot be justified in view of the fact that the contract engagement is always documented as to the amount disbursable and the period. Otherwise donors do not give budget support on an ad hoc basis as the government records would suggest. Consequently, it's justifiably safe to argue that the omissions were misappropriated for personal gains. The president should take accountability of the omissions as he was the instructing authority for their non-registration by the CBS. The respective ministers and high commissioners who are taking the donor cash money were under the direct instruction by the president. The total donor amount misappropriated during the year is as shown in table 29 below.

Table-29: Misappropriated Donor Fund

	Amount	%
Total Donor Disbursement Amount	\$206,953,615	100%
Less		
Government Donor Registered Amount	\$43,173,492	21%
Total Bilateral Revenue Misappropriated	\$163,780,123	79%

Source: MoF, CBS and Through Government Officials

In effect, the government did not account for a sum of US (79%) from the gross donor support of US \$206,953,615. This is a substantial amount, which should have not escaped the attention of the Parliament, Auditor General and the International Community and thereby not accounting for it.

The combined domestic and donor support is analyzed below (table 30).

Table-30: Combined Revenue

Sources	Government Registered Revenue	Potential Realizable Revenue	Difference
Domestic Revenue	\$73,561,982	\$102,336,038	(\$28,774,056)
Donor Support	\$43,173,492	\$206,953,615	(\$163,780,123)
Total Revenue	\$116,735,474	\$309,289,653	(\$192,554,179)

Source: MoF, CBS and Through Government Officials

The above table 30, reflects a total domestic and donor support revenue omission and of about US \$192,554,179. The president and his cabinet should be held accountable for the revenue omission misappropriation. This is in view of the fact that the donor support can be confirmed from the respective countries while the domestic revenue can be vouched from the government records. As regards the latter the diaspora returnees is a classic case for consideration as well as the potentials from the port, airport, etc.

Notwithstanding, the revenue collection omissions from sources by the government, the amount registered was further misused in various forms. This is analyzed below and is based on the registered revenues and the corresponding expenditures.

Expenditure Budget Performance 2013

The table 31 below compares the potential realizable revenue with the actual government registered expenditures. The comparison is to gauge the potential revenue omitted and actual government registered expenditure. The difference between the potential revenue and the registered expenditure is about US \$182,159,352.

Table-31: Potential Domestic/Donor Realizable Revenue vs. Government Registered Expenditures

	Amount	%
Potential Realizable Revenue Receipts	\$309,289,653	100%
Less:		
Government Actual Expenditures Registered	\$127,130,301*	41%
Sub-Total Misappropriation (Omissions)	\$182,159,352	59%

Table-32: Government Revenue Registered vs. Government Registered Expenditure

	Amount	%
Government Registered Revenue Receipts	\$116,735,474	100%
Less:		
Government Actual Expenditures Registered	\$127,130,301	100%
Sub-Total Misappropriation (omissions)	(\$10,394,827)	

Source: MoF and CBS

This is the amount the government should have registered with the CBS as being the surplus revenue for the year but which was not the case. The government registered revenue and the corresponding expenditure for a year is a deficit of US \$10,394,827. (table 32). In spite of arising deficit, the registered expenditure was misused in various forms. The analysis review for the government registered expenditure is spread as follows:

- a. Monthly expenditure allocations;
- b. Expenditure accountability reconciliation; and
- c. Domestic/donor revenue diversion

* The actual expenditure the government registered was only US \$116,789,621 and which omitted the Embassies and the contingency provisions. The omissions and which was of US \$10,340,680 has been factored. The omission cannot be justified in view of the fact that the government had several individualized false payments and which this particular case cannot be excused from being one of the beneficiaries. The only recorded expenditure on embassies is US \$23,740 and whose details are scanty.

Monthly Expenditure Allocation

The expenditure allocation into all the clusters and on monthly provisions is analyzed in the below table 33. As would be noted from the table the government registered monthly recession and growth of the expenditures. It would have been ideal if the expenditure grew from one month to another instead of the inconsistencies. The expenditure provisions were also characterized by irrational allocations. The security services took about 50% of the total budget but which could have been higher in view of the country's political status. Perhaps, this could have been reallocation from the administration which had a share of 30%. The economic and social cluster took a share of 6 and 2% respectively. The two clusters would have been considered for some higher provisions in view of their development programme agenda. The justice cluster took about 3% and which is inadequate for legal dispensation. The higher provision could have been reallocations from other expenditure and whose provision was 9%. The security and justice sectors have been isolated from the rest for the irregularities expenditures. In spite of the foregoing favorable expenditure allocations the two sectors did not spend the entire amount provided as they registered surpluses. Surpluses would not have occurred in view of the sectors demand of service. Their expenditure analysis is shown in the below tables 33 and 34.

**Table-33: Monthly Government Budget Registered Expenditure
BUDGET EXPENDITURE 2013**

Clusters	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
RECURRENT EXPENDITURE													
Administrative & General Services	\$2,036,997	\$1,720,265	\$3,332,318	\$1,963,018	\$2,947,353	\$2,470,868	\$2,494,581	\$3,407,711	\$3,047,514	\$2,975,521	\$2,408,629	\$6,219,859	\$35,024,632
Security Services	2,021,151	2,364,772	2,083,270	1,696,510	2,573,769	2,539,526	7,567,424	7,923,961	5,469,425	6,790,821	2,328,157	14,551,289	57,910,076
Justice Services	95,218	22,941	297,504	169,329	540,878	236,151	176,200	360,139	281,393	313,718	39,621	1,276,885	3,809,975
Economic Services	293,251	182,538	636,487	510,174	922,544	470,475	312,182	487,501	413,725	571,618	77,879	1,666,536	6,544,910
Social Services	84,647	25,275	105,285	188,052	385,927	218,040	13,358	235,818	222,380	180,220	114,877	690,411	2,464,290
Other Services	648,713	528,839	692,923	923,787	1,112,093	697,120	1,068,789	1,025,770	1,032,385	1,136,466	666,461	1,502,392	11,035,738
Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Recurrent Expenditure	\$ 5,179,976	\$4,844,629	\$7,147,787	\$5,450,871	\$8,482,563	\$6,632,180	\$11,632,534	\$13,440,900	\$10,466,822	\$11,968,364	\$5,635,624	\$25,907,371	\$116,789,621**

Source: MoF and CBS

* The only time capital expenditure provided in the budget was in year 2011 and with a provision of US \$32,000,000. The provision was amongst other users for government building rehabilitation. The expenditure was not subjected to the procurement of government goods and services. The latter has been not in place since then. In spite of this, the expenditure evidence is not in tentative with the physical development programmes. Indeed, what is physically done is far short of the budget provision. Much of the capital expenditure development programmes has been executed by the donors (Turkey) and through direct funding.

** The actual expenditure the government registered was only US \$116,789,621 and which omitted the Embassies and the contingency provisions. The omissions and which was of US \$10,340,680 has been factored. The omission cannot be justified in view of the fact that the government had several individualized false payments and which this particular case cannot be excused from being one of the beneficiaries. The only recorded expenditure on embassies is US \$23,740 and whose details are scanty.

Table-34: Security/Justice Sector Budget

Budget Expenditure 2013			
Security Sectors*	Budget Estimates	Actual Expenditure	Variation
Ministry of Defense	\$1,304,276	\$2,934,333	(\$1,630,057)
Armed Forces	33,326,756	28,048,220	5,278,536
Military Court	385,200	\$361,050	24,150
Ministry of Interior	8,825,504	9,992,506	(1,167,002)
Police Force	9,765,600	8,236,783	1,528,817
National Security	1,980,000	5,095,000	(3,115,000)
Immigration	228,000	795,247	(567,247)
Custodian Corps	2,130,000	2,446,936	(316,936)
Total Security Sector	\$57,945,336	\$57,910,076	\$35,261
Justice Sector			
Ministry of Justice and Constitution	\$2,393,448	\$1,451,064	\$942,384
Judiciary Services Committee	198,012	162,358	35,654
Attorney General	408,888	202,370	206,518
Solicitor General	284,520	348,751	(64,231)
Districts Courts	-	-	-
Benadir Court	1,176,900	1,088,855	88,045
Appeal Court	248,604	152,207	96,397
High Court	442,440	404,370	38,070
Total Justice Sector	\$5,152,812	\$3,809,975	\$1,342,837

Source: MoF and CBS

From the table 34, the security sector posted surplus expenditure revenue of US \$35,261, while the justice sector had US \$1,342,837. These should have been not the case in view of their public demanding essential services. In spite of all the foregoing expenditure inconsistencies, the government diverted substantial revenue amounts promotion and funding of insurgencies in the country.

Expenditure Accountability Reconciliation

The expenditure accountability reconciliation is based on the actual amount the government incurred during the year, however against potential realizable revenue receipts. The table 35 below summarizes the expenditure breakdowns of the various

items expensed over the period, while table 36 analyses the difference between potential revenue and actual government payments. The expenditures classified as being individualized are payments which were not supported with any evidence save for name of the individual and the amount. There were no any other further narrations to qualify the payment hence the name individualized false payment. The purported payments are where some slight evidence support was attached, for example the MPs and police stipend, however, without their recovered PAYE being remitted to the CBS. The table 35 below indicates that 84% of the total expenditure was incurred on the individualized false payment, while 16% was on the purported government payment. This translates into the highest expenditure being not accounted for and with only minimum provision for the recurrent government operations. The overall expenditure of US \$127,130,301 is inclusive of the provision for the embassy and contingency.

* The two sectors – security and justice - are not effectively structured as to registering inter-functional responsibilities. The commanding structures are not harmonized and each of them works in isolation from the other.

Table-35: Expenditure Accountability Reconciliation

Cluster	Total Amount	Individualized	Purported Officials
Administrative & General Services	\$39,365,312	\$26,866,402	\$12,498,910*
Security Services	57,910,076	49,673,293	8,236,783**
Justice Services	3,809,975	3,809,975	-
Economic Services	6,544,910	6,544,910	-
Social Services	2,464,290	2,464,290	-
Other expenditure	11,035,738	11,035,738	-
Contingency	6,000,000	6,000,000	-
TOTAL CLUSTER	\$127,130,301	\$106,394,608	\$20,735,693

Source: MoF, CBS and through government officials

Table-36: Expenditure Accountability Reconciliations

Reconciliation (Government/Donor Receipts)	Amount	Percentage
Reconciliation (Government/Donor Receipts)	\$309,289,653	100%
Less:		
1. Purported Government Payment Expenditures	\$20,735,693	7%
2. Individualized Payments	98,317,973	32%
3. Chit (Fadlan) Money	8,076,635	2%
Sub-Total Actual Amount Misappropriated	\$106,394,608	34%
Surplus	\$182,159,352	59%

Source: MOF, CBS and Government Officials

The table 36 factors the potential realizable revenue but which has been subjected to the government registered expenditures. The amount reflected is total misappropriation and the resultant surplus totals to about US \$288,553,960 (US \$106,394,608 plus US \$182,159,352). This amount consists of falsified individual cash payments as well as outstanding imprest money chits. The only amount reconciled as being acceptable payment expenditure is only US \$20,735,693.

*The administration and general services clusters' purported expenditure was incurred in respect of MPs.

** Under the security expenditure provisions the purported amount was paid to the police. Page 62 (footnote)

Domestic/Donor Revenue Diversion

It's strongly believed by many concerned local officials that former presidents⁶⁰ and the current one are funding the insurgents from the misappropriated funds. The insurgent funding was not only within the capital of Mogadishu but all over the country, in particular the Southern part. The funding source was the diversion of the domestic and bilateral support. The source of the bilateral funding was from the Arabian countries while the domestic was mainly from the capital and where the presidents' clan was in massive inhabitation. The major revenue streams earners were Mogadishu port, Aden Adde International Airport, civil aviation, companies, Mogadishu districts and its courts, immigration, appropriation in aid, and PAYE. The breakdown of the misappropriated sum of US \$288,553,960 is shown in the table 37 below. The total domestic and donor revenue diverted during the year and for insurgency funding is as shown in below table 37.

Table-37: Various Insurgency Programmes

Categories	2013	
	Amounts	%
1. Islamic Insurgency	\$173,132,376	60%
2. Local Islamic Charities & NGOs	14,427,698	5%
3. Investment in Foreign Countries	95,222,807	33%
4. Cheque encashment	5,771,079	2%
Total	\$288,553,960	100%

Source: Government Officials

The Islamic insurgency and local charity groups were funded for sustaining the turmoil and thereby hoodwinking the international community for increased funding. This was a disguised strategy by the president and his predecessors for protecting their continued occupation of their offices. The quantification of the sum of US \$173,132,376 is based on the following public evidence:

⁶⁰ The respective presidents who are on record to have diverted misappropriated public funds for insurgency funding are 1) Abdiqasim Salad Hassan/2000, Sharif Sheikh Ahmed/2009 and Hassan Sheikh Mohamud/2012. These were from the same Hawiye clan and were committed to serving the interests of the Gulf donors. They only paid lip service to the international community while they were strong allies of Gulf States and Egypt. Egypt still is using Islamist such Al-Islah as proxy against Ethiopia. That is why the country remains in its current status and without any foreseeable transformation. President Abdullahi Yusuf is the only leader who did not subscribe to the Gulf State ideology and remained secular throughout his office tenure.

Table-38: Summary of Islamic Insurgency

1. Somali National Army defection to Al-Shabab for better benefits	\$51,939,713	30%
2. Weaponry purchases	86,566,188	50%
3. Training costs	34,626,475	20%
Total	\$173,132,376	100%

Source: Government Officials

The local Islamic charitable organizations were funded with a sum of US \$14,427,698 over the entire period under review. The primary intention of the funding was for recruitment and indoctrination of the locals for radicalization and as a validation support for the continued political sectarian turmoil.

Table-39: Summary of local Islamic charitable organizations

1. Recruitment	\$721,385	5%
2. Seminar indoctrination costs	7,213,849	50%
3. Scholar indoctrination fees	4,328,309	30%
4. Moral trainees support	2,164,155	15%
Total Local Islamic Charitable organization	\$14,427,698	100%

Source: Government Officials

The security funding by the government and the Arab countries is summarized in the below table 40. However, it should be noted that the government was funding two parallel security forces and which are the national army as well the insurgencies; most notably "Roohaan terror brigade" under Dum Jadid. The incumbent government through Roohaan terror brigade, headed by Minister of Constitution Farah Sheikh Abdulkadir has been linked with the assassination of 8 prominent MPs and is believed to be targeting two other MPs. The government is against the constitutional transformation making and scaring the change advocates. See appendix - C.

Indeed, the insurgencies took the lion share of the government funding. The source of funding was through the public funds misappropriated from development programmes. The total expenditure for the entire period was US \$288,553,960 and whose contribution ratios were from the Gulf States 95% and the domestic revenue being of 5% and which is used for funding local Islamic charitable organization. The security funds diversion is about 65% of the entire year period revenues.

Table-40: Summary of Insurgency Funding:

1. Islamic Insurgency	\$173,132,376	92%
2. Islamic Charitable Organization	14,427,698	8%
Total	\$187,560,074	100%

Source: Government Officials

The foreign investment and cheque encashment were funded as a continuous source of generating revenues and for sustaining the groups. A sum of US \$95,222,807 was invested in various foreign countries. The investments were essentially engineered by the President Hassan Sheikh Mohamud and his close working associates (Farah Sheikh Abdulkadir and Abdikarim Hussein Guled). The management of the investment was through contracted proxy companies. Though, the investments were funded from the public funds, which were misappropriated from the government coffers. The investments funding never benefited the citizens in anyway but individuals. The rationale behind the investment funding was also to create a source of income for funding the insurgencies. The favorable countries for the foreign investments are Dubai, Kenya, and Turkey. Their respective share of investment is as shown below table 41.

Table-41: Favorable Countries

1. Dubai	\$47,611,403	50%
2. Kenya	28,566,842	30%
3. Turkey	9,522,281	10%
4. South Africa	4,761,140	5%
5. South Sudan	2,856,684	3%
6. Uganda	1,428,342	1.5%
7. Tanzania	476,114	0.05%
Total	\$95,222,807	100%

Source: Various Business Communities

A sum of US \$5,771,079 was a commission payment to Mr. Ahmed Nur Jum'ale and who is a close confidant of the president of Djibouti, Omer Guelleh, for cheque cash encashment drawn in favor of Somalia. He is a proprietor of the biggest telecommunication (Hormud and Salaama Bank) investment in Somalia. Mr. Jum'ale was for many different occasions the middleman contact for the transaction for the cheque transactions. Mr. Jum'ale was banned from the international travelling by UN but found comfortable refuge from the government of Djibouti (as of to date the ban has been withdrawn). That was the beginning of his engagement with the president as he had acquired a local passport for travels within

the Gulf States. The process entailed that whenever the country was given a grant cheque he would give cash against the spelled amount. The commission payment and over the last year were part of the misappropriated funds from Somalia. Mr. Jum'ale was a proxy of the president of Djibouti in sharing the accruable cheque encashment commission prior to the net amount banking into the CBS. The cumulative amount for the period is estimated at being US \$5,771,079. Perhaps that is why the president of Djibouti continues to escalate Somalia's instability through the respective Somali presidency and by fanning clan confrontations and thereby sustaining status quo for personalized financial gains. The citizens are begging the participative and watchful monitoring of the budget management from the international community. The big question is how long would the country sustain the revenue expenditure bottomless funding?

Conclusion

However, the international community, in particular Gulf States funding continues but at the expense of the local community who are kept in darkness in regard to the expenditures incurred. Majority of the funds were diverted through Dum Jadid and whose objectives are similar to Al-Ictisam, Ala Sheikh, Ahlu Sunna Wajama, Al-Islah and Al-Shabab (see appendix-D). The total amount diverted for the groups was about US \$187,560,074 (65%) of the entire budget funding. The groups represent

the interest of the President Hassan Sheikh Mohamud, Minister of Constitution, Farah Sheikh Abdulkadir and Minister of Interior & National Security, Abdikarim Hussein Guled. However, they have a uniform interest for diverting substantial budget revenue for their internal and external business investment interest. The investments spread all over the country are in the form of education sector, health sector, commercial investment, private security (Roohaan terror brigades), etc. In view of this, the country shall not be able to acquire political stability and at the same time the diversion of funds would continue to harm the clan based citizens.

The incumbent government is now on further strategy of outsourcing the country's natural resources to foreign investors and at favorable concessionary rates. The subsidized concessional rates are intended to attract immediate disbursements investments but for the commercial interest of the insurgent groups in power. Sooner they lose election the same demands would be raised by the incoming insurgent groups into the power. This is a vicious cycle of ensuring the country does not stabilize for genuine development programmes but cartels sustenance of power. The following foreign investors should be conscious of the ongoing political trend. Amongst several of them the most significant ones are: ConocoPhillips, Chevron Corporation, BP, Royal Dutch Shell, ExxonMobil, etc. These giant corporations should lobby through the UN in order to safeguard their investment interests; otherwise, they would be all futile.

7 BOTTOMLESS BUDGET FUNDING

The country started receiving donor funding as far back as year 2000. The funding levels have fluctuated over the years. Some of these funds are channeled through the UN, but the government received direct assistance, mainly from Arab countries. However, some of the funds were never factored in any budget year. The donor amounts captured by the transitional governments were always lower than the actual disbursed receipts. The budget under-factoring is still in force till today. The total government registered donor budget support is about US \$141,134,542. This provision is against the total donor reconciled disbursement of about US \$634,813,615. The disparity of the unaccounted donor funds is about US \$493,679,073.

The transitional government started registering domestic revenue in 2009/2008 and its accumulative total was about US \$161,722,719 [as at 2013]. This is against an accumulative reconciliation provision of US \$471,891,898. The difference arising from the government registered domestic revenue receipts and the reconciliation is about US \$310,169,179. The total government registered domestic/donor revenue is about US \$302,857,261. This is against accumulative domestic/donor reconciliation support of US \$1,106,705,513. The deficit arising between the reconciliation and government registered on domestic/donor supports is US \$803,848,252. The reconciliation domestic/donor amount of US \$1,106,705,513 would have contributed to significant economic transformation of the country, which was however, not the case as the government registered a lower provision of US \$302,857,261. There is no corresponding development programmes against the registered government revenues of US \$302,857,261 was expensed. The minimal projects realization performance is attributable to both the government diversion of funds and lack of UN and donor oversight monitoring.

Lack of UN and Donor Oversight Monitoring

Lack of Protocol Engagement Contract between the Government and the UN SRSG

The UN representatives on the ground did not enforce any stringent financial management control regulations as well as functional institutional structures. It is rather ironical how the UN related with the transitional/post transitional governments as they did not have any functional collaborative internal structures. Indeed, it was the UN's mandate to provide the transitional government with advisory services into developing effective and functioning internal structures. This was however, not the case and for the period 2000 – 2013. For instance, the UN Special Representative of the Secretary-General (UN SRSG) for the period of 2007-2010, was Ahmed Ould Abdalla and who did not even attempt to initiate internal structures yet the government incurred a

total expenditure of about US \$58,146,716. The subsequent years of 2011 to 2013 were under the UN SRSG of Augustine Mahiga (June 2010 – June 2013), and Nicholas Kay (June 2013 – present). In this period, both the transitional/post transitional government incurred budget expenditure of US \$221,515,068. None of the expenditure was utilized on improving the government internal structures for effective communication. The current UN SRSG, Nicholas Kay is also not providing advisory services on the internal government restructuring programmes, which is essential for external working inter-relationships. In the context, the overdue stabilization of the country is attributable to both UN and the respective government. Stabilization of the country would have been possible if the UN and the government were collaborating, and focusing on pragmatic solutions. For example, the UN SRSG's for the country and who was most of the time based in Nairobi but now stationed at "Halane" (near the airport), has no direct contact with the institutions as he only visits the state house. As a result of this, the UN SRSG has least experience on the country's physical development structures. There are no physical sites monitoring and evaluation programmes, which should form a practical basis for the required solutions. The UN SRSG's relies on the so-called Somali advisors who not only lack the technical advisory capacities but also work for their personal vested interest. Their personal interest is financial as well as safeguarding their clans' favors.

Box-13: UN SRSG's Somali advisors

The UN and donors over-reliance on the Somali advisors who are not official government representatives have had effect of aggravating the country's development as opposed to solutions. The advisors are on a large scale guided by their respective clan interest more so than the harmonization of the country. This also accounts for the biased projects the UN has been funding, which had minimum government input participation. The projects planning and implementation is done without any consultation from the relevant government ministries. Indeed, this donor approach is a difficult puzzle as to its deliberate omission of engaging the government of the day. The advisors should be third party opinion shapers but who appears to be the primary policy decision conduct. For example, in 2009, the UN SRSG Ahmedou Ould Abdallah together with Rina Kristmoen (Norwegian Embassy in Kenya) propelled Mohamed Abdirisak to become the prime minister but who failed miserably. The end of 2013, the current UN SRSG Nicholas Kay is believed subtly propelled Mr. Nuradin A. Dirie to acquire premiership but which was to no avail. This shows that the road map to the country's stabilization is far long from actualization if the UN, donors and government do not sincerely cooperate with one another.

Perhaps, lack of developing the government internal structures through the UN advisory services, has been favored by the latter for executing intimidation policies to the country's authorities. This is in view of the fact that the UN SRSB communicates directly with the president and without any recourse to the respective line ministries. Indeed, the communication network is not comprehensive enough as to relating with the country's accounting officers – permanent secretaries - and thereby articulating policies that would be favorable to the country. In protocol terms the UN SRSB is expected to formalize his interest through the respective line ministry accounting officers. The officers and who are the ministries technocrats would subsequently discuss the subject matter with their ministers. Upon the conclusion of the subject matter the minister forwards the request to the prime minister and who in turn tables it to the president. At this point the president calls for all an inclusive meeting, which is supposed to give a final touch on the subject matter. The president would determine whether the subject matter is for Parliamentary legislation or cabinet approval. This protocol engagement has been deliberately avoided by the UN SRSB but in favor of direct communication with the president. This engagement relationship has been detrimental to the country's institutional development programme structures.

Lack of Protocol Engagement between the Government and the African Union

In 2009, the African Union Special envoy to Somalia, Mr. Nicholas Bwakira also summoned four cabinet ministers (Minister of Interior, Abdulkadir Ali Omer, Minister of Defense, Abdallah “Boss” Ahmed, Minister of National Security, Abdullahi Mohamed Ali “Shambaloshe” and Minister of Planning and International Cooperation, Abdirahman Abdishakur Warsame) for a project briefing. In the project agenda were: (i) security personnel data reconciliation, (ii) stipends, (iii) seed project capital implementation. The agenda project funding had been negotiated by the preceding minister of defense, Prof. Gandhi. As regards, military personnel reconciliation, the disparity was the AMISOM provision of 3,274 with the government estimates of 10,000. The reconciliation was however, not matched up due to logistical problems. The government was unable to justify the 10,000 military personnel provision, while AMISOM was firm on its provision and was ready to table the statistics. The meeting was adjourned without completing this agenda.

The second agenda was the military monthly stipend. The ministers wanted the amount paid to each security personnel to be scaled down by US \$50. This was intended to cover the deceased soldiers' dependents. In effect, the stipends were to

Box -14: Lack of protocol between the government and UN SRSB

The protocol omission was evident in 2009 when the UNSRSB Ould Abdalla and the President Sharif Sheikh Ahmed sidelined the minister of energy and petroleum, Abdiwahid Elmi Goonjeex in deliberating a MoU between Somalia and Kenya. The Norwegian government and which had commercial oil interest in the region pushed the UN SRSB to enforce their interest. This was through signing off a nautical Somali coastal miles to Kenya. The MoU was not subjected for discussion with respective ministry accounting officer or the minister (Deputy Prime Minister, Minister of Energy and Petroleum, Abdiwahid Elmi Goonjeex). The DPM, Goonjeex, did not raise any queries on the MoU in spite of the mineral water resource being under his ministry. The same was neither subjected for Parliamentary legislation. Through the UN pressure the president Sharif Sheikh Ahmed assented to the MoU and authorized the Deputy Prime Minister Prof. Abdirahman Haji Adan Ibrahim (Ibbi) to go ahead. The Deputy Prime Minister Prof. Ibbi authorized the Minister for National Planning and International Cooperation Abdirahman Abdishakur Warsame to sign it for final cabinet approval. In September 2009, Abdirahman Abdishakur was confronted by Somali diaspora in London on the MoU with the Prime Minister (Sharmarke) present, and to which he responded that he was pressured by Sharmarke to sign it. This deal was sealed when the PM Sharmarke agreed to receive his cut of the \$3 million from the Norwegian firm. And after that the deal was closed.

be reduced to US \$100. The justification for the dependents upkeep was however, not subscribed for by Bwakira. He said this was a donor project and with a clear terms and conditions of engagement which he could not unitarily change. However, the ministers interest was to control the kit budget US \$1,964,400 (3,274 personnel x US \$50 x 12). This perhaps was intended for their personal benefits.

The third agenda was the budget control management of US \$250,000 seed capital project. According to Bwakira the money was to be increased into about US \$3 million. Mr. Bwakira said, the seed project intended for was local community harmonization with the AMISOM personnel. This was to be through development of health and education projects in areas where AMISOM has presence. He further elaborated that the sharing of the budget and implementers would be through local/international NGOs, however, under the supervision of ministry of health and ministry of public

works. The sharing ratios between the implementers were 40 percent (health) and 60 percent (public works). No sooner were the project budget news pronounced by Bwakira, did the ministers switched off the conversation into their local Somali dialect. Their discussion was that the US \$250 thousand project funds be released to the minister of health, Qamar Aden Ali. After their discussion project consensus they communicated the decision to the Bwakira. However, Bwakira again did not subscribe to their project consensus as he reiterated this is a donor funded project with specific terms and conditions. The project was subsequently shelved off.

As stated above, some of the project were shelved off while others continue but with several success setbacks. This could not have been the case if the African Union and the government were engaged into constructive protocol engagements. In the first place, the African Union should have advised the government on some basic structural arrangements. For example strengthening of the Central Bank, as well as, increasing capacity building for the personnel. This practical act would have opened up safe avenues for the external financial inflows. The project fund would then be subjected to that transparent and full disclosure of accountability. The bureaucratic chain of channeling the funds through third party (PricewaterhouseCoopers) would have been shortened and put into a shorter disbursement period. At the same time, the donor inflows through Central Bank would have improved her international monetary ratings. The excuse of the country insecurity in transacting through the Central Bank is of no conviction as the AMISOM personnel would have manned for 24 hours. Prior donor and government input were critical to the project budget funding and so was the subsequent disbursement. The Central Bank would have been the primary target for rehabilitation. This would entail donors and government representatives be stationed at the Central Bank and for improved performance. The joint policy on budget management would have put stringent control systems to both parties. This would entail continuous project monitoring and evaluation and thereby avoiding misappropriation. The inclusiveness of the two would have also had a better local community project reception as envisaged by the African Union Special Envoy, Mr. Bwakira. This was the first protocol engagement failure by both parties but the African Union is to be blamed.

In a nutshell, Bwakira did not fully engage the government in the project funding. This is in view of the fact that the questions the ministers were raising to him should have had documentary reference at their respective offices. In addition, the government representatives seemed to be ignorant of the projects financial funding budget. For example, they were not in full knowledge of the African Union seed project capital

and of US \$250 thousand and it were to be enhanced up to US \$3 million. This kind of donor protocol engagement of managing the project funding and in total disregard of the government technical input could have affected the implementation adversary.

This is the second protocol donor funding engagement to the country. Ministers summoning by the envoy was also a third protocol irregularity. The minister of defense is normally in charge of all the country's military affairs. This makes him the chairperson to several security committee councils and overall chief commander is the president. In the absence of the commander in chief the minister of defense assumes the chairmanship. In this context, he should have been the inviting authority as well as chairing the meeting. This perhaps could have affected office insubordination and thereby resorting into poor working relationship. The above does not justify the government behavior. It also has its local limitation capacities, which have hindered project developments.

This justifies why the ministries/institutions remained briefcase offices and with personalized functions. The ministries were and still are not functional. The head of departments and technical cadre – if it exists at all – had no functional responsibilities. Neither of the successive governments had in place departmental functional structures. There was no guiding policy to drive institutions let alone functional accounting departments for the voucher process payment control, nor where there human resource administrative functions, procurement functions, etc.

Notwithstanding, the protocol disengagement the donor/domestic revenues received over the 13 years were largely misused. In spite of the donor/domestic revenue funding, the successive governments never developed adequate ministerial functions that could oversee the development programmes. The budget mismanagement was due to none participation of the three organs – Government, UN and Donors - and as a result the provisions were also grossly misappropriated. The amount registered by the governments over the period is as shown in below table 42. This however, does not include the reconciliation provisions and if factored the budget allocation would be relatively high for development.

Table-42: Operational budget for government offices/line ministries/institutions

GOVERNMENT ORGANISATIONS	2009		2010		2011		2012		2013	
OFFICES	No. Institutions	Monthly Budget Estimates	No. Institutions	Monthly Budget Estimates	No. Institutions	Monthly Budget Estimates	No. Institutions	Monthly Budget Estimates	No. Institutions	Monthly Budget Estimates
Office of the President (OP)	1	\$95,000	1	\$95,000	1	\$115,000	1	\$115,000	1	\$223,977
Office of the Speaker (OS)	1	\$75,000	1	\$75,000	1	\$95,000	1	\$95,000	1	\$226,115
Office of the Prime Minister (OPM)	1	\$72,000	1	\$72,000	1	\$92,000	1	\$92,000	1	\$175,000
INSTITUTIONS										
Line Ministries	39	12,000	39	24,000	18	42,000	18	42,000	10	Not clear
Constitutional Commissions	3	7,000	3	14,000	3	21,000	3	21,000	3	Not clear
Integrity Institutions	3	7,000	3	7,000	3	14,000	3	14,000	3	Not
Total	48		48		27		27		19	

Source: OP, OS, OPM, MoF

The budget provisions in the table 42 above were not based on the actual statistical capacities of the development programmes. The budget provisions were factored by contracted consultants and who however heavily relied on imaginary demands. Indeed, the budget provisions were factored without any input from the respective offices, line ministries, constitutional commissions and integrity institutions. The under-factoring budget provisions did not take into account the normal budget spread review analysis. For instance, the provisions in the office of the president and of about US \$95,000 per month (2009) were not based on:

1. Number of monthly payroll civil servants;
2. Transportation costs;
3. Administrative and operational costs; and
4. Capital expenditure.

In the same year (2009), the amount allocated to the office of the president (OP) and of about US \$1,140,000 was misused. The office spent the entire provision for only three months and which translates into being none operational for the remaining

nine months. This trend was also applied to the office of the prime minister and the speaker. See audit investigative financial report 2010-2009.

Through Donors and UN advisory services both the domestic and external budget allocation would have been enhanced in all the institutions and thereby creating functional government control structures. This is basically a constitutional matter but whose engagement input would have been from the Donors and UN in view of the country's current political status. If the UN SRSG could summon the president and enforce the UN interest approvals, why can't they do the same in creating constitutional functional structures in the government? Or are they attempting to sustain the current status quo?

This state of affairs is as a result of the UN SRSG ignoring initiating development programmes through the relevant government institutions. The UN SRSG works singularly with the top executives and with no adequate research backups. The none-inclusive meetings between the UN and the government accounts for the development anomalies the country is facing. Indeed, the meetings are held on an

ad hoc basis and at the pleasure of the UN SRSB and the President. Unwittingly, the President assumes the relationship would safeguard his office tenure. When would the two organs - Government and UN - develop functional institutional structures? The institutional structures are the basic infrastructures for effective development programmes. The lack of institutional structure is evident given the budget has been managed in cash for the last 13 years.

Budget Cash Management

The country's domestic/external receipts and expenditures were all managed through cash transactions. The streams revenues receipts were however, relatively adequate in funding the institutions but lack of budgetary control services by the three organs (Federal Government, UN and donors), occasioned misappropriations. The budget research, and for the enhanced institutional budget allocation is analyzed below.

Domestic Revenue Streams

History of the Port of Mogadishu

When civil war broke out in Somalia, the country's ports (in particular, Mogadishu, Merka, Brava and Kismayo,) became a major source of income for various warlords and militia. When the transitional government was appointed in 2000 and in subsequent years, the port of Mogadishu constituted the most important potential domestic revenue-generating sector for successive administrations. In February 2009, the Transitional Federal Government of President Sharif Sheikh Ahmed took control of the port, which was generating an estimated US\$2.5 million a month (US \$2 million customs and US \$500 thousand (port operations). It is estimated that the port currently generates approximately US\$5 million in customs taxes per month.

The administration of President Sharif Sheikh Ahmed was established in February 2009, with Omer Abdirashid Ali Sharmarke as Prime Minister. Right after their arrival from Djibouti (February 2009), the administration focused its attention on potential revenue-generating areas, notably the Mogadishu port, where they established a needs assessment committee for the port. The findings of the report from the committee have yet to be shared with the public. Meanwhile, President Ahmed refused assistance from multilaterals (UNDP) claiming a need for self-reliance. However, this claim led to a multi-lateral freezing of funds meant for stipends for the police, civil servants, MPs and office operational costs. Until June of the same year, Sharmarke lobbied within the cabinet to stress the importance of multilateral

assistance, expecting opposition from the then unthreatening Al-Sheikh Group. During Sharmarke's premiership in 2009-2010, 50 percent of the port's income was allocated to his administration for government operational expenditures; the rest (50%) was kept by the Office of the President and clan-affiliated individuals controlling Mogadishu port but with non-accounting expenditure disclosures. The port revenue was not wholesomely expended to government operations and also became a conduit for personal financial gain.

During Mohamed Abdullahi Farmaajo's reign as prime minister in 2011, 100 percent of the income generated by the port was distributed to his ministries. The President, the Prime Minister, the port manager Sayid Ali and the Finance Minister Hussein Abdi Halane not only had complete control of the port but also of the incoming Arab funds as well. Furthermore, Farmaajo had full control of funds received by the port, airport and Arab donors, which allowed him to regularly pay out preferred beneficiaries (veterans of the Ogaden war, the women of Somalia, and Somali artists). There is no documented breakdown of funds distributed to these beneficiaries. As a result, public perception grew that the Farmaajo's administration financed Somali civil society bodies.

The Prime Minister Dr. Abdiweli's level of control of the Mogadishu port is unknown until this day, even though he attempted to assert his power as prime minister by firing the Mogadishu port manager, Sayid Ali (who is perceived to be hardline Islamist and alleged to have attempted to terminate Jarat Chopra). However, this decision was not approved by the president (although he had no authority over this matter) who opposed the dismissal of Ali due to clan allegiance. (However, Ali was later dismissed by Abdiweli, who wanted a person he could trust in this position.) The prime minister's intention of controlling the port created mistrust between the executive branches. The port authorities accused the port manager Sayid Ali of financial misappropriation of Somali shillings 4,317,500,000. The port manager countered the allegation by claiming that the money was for food relief for internally displaced people. However, port officials have further accused him of financial misappropriation amounting to US\$3,000,000. Prime Minister Abdiweli's inability to streamline Somalia's ports as key revenue-generating sectors reflects his failure to devise a plan for reviving the country's economy. Even though some ports are still controlled by Al-Shabaab (Kismayo was liberated by Kenya Defense Forces in 2012, but Merka is still controlled by the militia group) and various clans, there was no long-term plan to strengthen domestic revenue generation. Instead focus was placed on a new constitution, without thinking of how Somalis could be freed from years of poverty and under-development. Essentially, the Prime Minister's decision to fire the port manager would not have been questioned by the president if it had

been accompanied by a long-term common vision for port management founded on unity and national interest.

The current administration of President Hassan Sheikh Mohamud has not even attempted to rationalize port revenue, which is deposited into the Central Bank and used in an ad hoc manner, leaving nothing for the subsequent year's budget. It is believed that in the first few months of his tenure the President controlled nearly 100 percent of port revenue. It is believed that this revenue funded his overseas travels and other expenditures. However, in September 2013, the management of the port was outsourced to a Turkish company called Al-Bayrak (which has family links to the Turkish Prime Minister Recep Tayyip Erdogan), but without any feasibility study. The revenue tax streams from the port are not itemized and quantified as to how much each could generate. It is possible that these omissions are disguised outlets for tax revenue misappropriation. The public is not aware of how much the Turkish company was contracted for and how much it pays the government against the total tax revenue realization. The only information the government has provided the public is that Al Bayrak Company will manage the port for the next 20 years and will give the government 55 percent of all the proceeds from the port.

Mogadishu Port Revenue Analysis

The streams for the domestic revenue have over the period not been expanded, neither were the chargeable rates revised. The structures for collecting the revenues are inadequate as for ensuring optimum realization. There are no clear accounting structures as to the revenue collection, its subsequent audit verification and immediate banking into Central Bank. Indeed, the due process of inter-departmental internal control systems is not in place. *The port revenues are not subjected to various organs of internal control. For instance, the port staff department inspection, customs department for tax ascertainment, police for ensuring cargo security, account department for receiving the payments, etc.* As regards all the transitional governments the port revenue collection has always been an exclusive monopoly

of the port manager and the president.⁶¹ For instance, the former president Sharif Sheikh Ahmed received daily from the port of Mogadishu of about US \$3,000, while the incumbent president Hassan Sheikh Mohamud receives of about US \$10,000 daily. This translates into lower revenue collection as the bulk of it goes to the president and the port staffs. The under-collection is not only from the port but cuts across all the other revenue streams. The port revenue analysis is subjected to three scenarios and which are shown in table 43. The scenarios and their respective interpretation are as follows:

1. **Projected Potential Revenue Receipts:** These are the ideal realizable receipts but which require advanced strategic control management policies towards their realization.
2. **Potential Realizable Revenue Receipts:** These would have been the actual government registered receipts for realization.
3. **Government Actual Revenue Registered Receipts:** These are unrealistic revenue collection as they are below the possible realizable capacities. The receipts were registered by the transitional and post transitional government.

The successive government should have been able to collect the revenue in the column reflecting potential realizable receipts if not the projections. This would have been realizable through restructuring the port streams of revenues. The streams would have assisted in adjusting items of low collection or revising of the taxable rates. The streams though not limited thereto should have been inclusive of the following port levies:

⁶¹ The successive presidents have been appointing the Mogadishu port manager from their own clans (Abgaal). The mind-set on the appointment is that the clan should have the exclusive authority over that specific port. It is the same elsewhere in the country, which has four major ports and six feeders scattered across the country, which are also under each respective clans' exclusive control. The former Prime Ministers, Sharmarke, Farmaajo and Abdiweli, all being Darood, failed to reach out to their constituents about the importance of port revenue sharing. This would have been a perfect opportunity to harmonize port revenue sharing across the country, among various clans, which could have ultimately changed the dynamics of port management in the capital. This is a subject the Government, UN and donors should have prioritized in respect of national federal restructuring and for the benefit of the country. The president should have prepared a cabinet blue print policy paper for discussing with clan leaders for the integration of the four ports (Berbera, Bossaso, Mogadishu and Kismayo). This would attract increased donor funding support and thereby registering increased revenue for each of the states.

Table-43: Port Revenue Streams

Streams	Monthly Rate
1. Docking fee; 2. Fee of transit; 3. Storage charges; Demurrage charges.	\$30,000
4. Navigation charges; and 5. Customs/cargo on ship	\$95,000

The government should have itemized the revenue collection into the above denominations. The customs revenue tax collection should also be separated from the port receipts.⁶² The process of collecting should also have been restructured into independent revenue collectors. For instance, in the absence of Revenue Authority, the Ministry of Finance should be in charge of customs collection while the port should collect theirs. The custodian of the cash collection should be an exclusive monopoly of the accounts department and for immediate remittance to the Central Bank. In other words, the port manager has no responsibility in interfering the actual revenue cash collection and its subsequent banking save for policy guidance. The successive governments' registration of lower revenues is perhaps due to the omission of the above streams. The justification assumptions for the tabulations are based on:

Table-44:

Streams/charge fees	Per ship/month	Yearly
1. Port charge fees	US \$30,000	
2. Custom cargo charges	US \$95,000	
3. Estimated number of ship docking/off docking (in respect of progressive security)	20 per month	
4. Dubai based Somali business community		US \$2 million

Source: MoF and CBS

Table 45: Potential port revenue realizable

Period	Revenue Source	# of Ships per Month/Year	Customs Cargo @ 95,000	Port Charges @ 30,000	Total
2009	Customs	20/12	\$22,800,000		\$22,800,000
	Port charges	20/12		\$7,200,000	\$7,200,000
	Miscellaneous				-
	Businessmen – Dubai				2,000,000
Total					\$32,000,000

Source: MoF and CBS

The provision of US \$32,000,000 is gross revenue accruable to the government as there were no contracted third party companies for managing the port. The Somalia business community in Dubai contributed US \$2,000,000 for tax subsidy waivers. The money however, was not captured in the CBS revenues as it was paid to individuals on cash basis (bribery). The same treatment has been subjected to the projected potential revenue accruable but on a flat growth rate of 5%. However, for the above table 45 on potential realization the business community was not factored with a 2% flat rate but was a total addition after the growth adjustment of customs (US \$24,000,000 and the general operation revenue of US \$6,000,000). The potential realizable revenue is consistent with the growth rate and the amounts registered over the entire period are on a relatively increasing scale. The government registered receipts are however, on an up/under swing and thereby defeating the objective of determining a relatively closer year turnovers. For example, the receipts it registered for 2013 are about US \$50,276,086 while the potential is about US \$41,660,000. However, the preceding year collections were consistently overshadowed by the potential realization and with a net total effect difference of US \$59,428,141 (US \$178,320,000 – US \$118,891,859). See Appendix - E

⁶² In 2010/2009 the investigation report indicated that the port was generating US \$2 million from customs. Further reconciliation confirmed that the port was also generating US \$500,000 from general operations. The two have been factored in this report.

Table 46: Projected port revenue realizable

Period	Revenue Source	# of Ships Per Month/ Year	Customs Cargo @ 95,000	Port Charges @ 30,000	Total
2009	Customs	30/12	\$34,200,000		\$34,200,000
	Port charges			\$10,800,000	\$10,800,000
	Miscellaneous				600,000
	Businessmen – Dubai				3,000,000
Total					\$48,600,000

Source: MoF and CBS

The above tables 45 and 46 are factored within the justification assumptions (from 2009 to 2013). However, a growth rate of about 5% has been factored on the projected realizable revenue.

In view of the above justification assumption calculations, the successive governments incurred substantial revenue source omissions. However, the omissions could have been avenues for individual financial gains and specifically by the executives as well as port managers. The amount misappropriated due to the ineffective functional structure is as shown in the table 47 below.

Table 47: Port Revenue Analysis

	Amount	%
Potential Realizable Revenue Receipts	\$178,320,000	
Less:		
Government Actual Revenue Registered Receipts	\$118,891,859	67%
Sub-Total Misappropriation (Omissions)	\$59,428,141	33%

Source: MoF and CBS

The governments were unable to register even the lower provision of US \$178,320,000. On the contrary, they misappropriated and through revenue omission collection an amount of US \$59,428,141. The revenue omission lost between the potential realizable and the registered receipts translates into being 33%.

Table 48: Port Revenue Analysis

	Amount	Loss
Projected Potential Realizable Revenue Receipts	\$268,545,679	
Less:		
Government Actual Revenue Registered Receipts	\$118,891,859	44%
Sub-Total Misappropriation (omissions)	\$149,653,820	56%

Source: MoF and CBS

The projected potential revenue realizable is in the same context analysis as the potential realizable revenue but the misappropriated amount translates into 56% as shown in table 48. The subsequent year’s development growth has been factored 5%. *As at 2013, the president, Hassan Sheikh was compromised with US \$12,000,000 for single outsourcing of the port. Consequently, it would be necessary if structures were put in place, thereby safeguarding this substantial loss of port revenue.*

This table 49 summarizes the foregoing strategic shifts (projected, potential and actual government registered) of revenue collection from the port for the five year period.

Table-49: summary port revenue streams 2009-2013

Period	Projected Realizable Revenue Receipts	Potential Realizable Revenue Receipts	Government Actual Revenue Registered Receipts
2009	\$48,600,000	\$32,000,000	\$11,529,563
2010	51,030,000	32,960,000	13,169,529
2011	53,581,500	34,900,000	16,866,018
2012	56,260,575	36,800,000	27,050,663
2013	59,073,604	41,660,000	50,276,086
Total	\$268,545,679	\$178,320,000	\$118,891,859

Source: MoF, OAG, AGO

Airport/Civil Aviation

Aden Adde International Airport

The successive governments were neither able to collect either the potential or the projected tax revenue accruable from the airport and the civil aviation. This was due to none-structuring of the specific revenue streams and with respective chargeable rates. Perhaps, these omissions were deliberate as to attracting personalized financial gains of the revenues. This occasioned under collection and which was further intensified by none-provision of accounting structures. The potential and the projected realizable revenue receipts are higher than the government provisions. Notwithstanding the foregoing, the transitional and incumbent government outsourced the airport management to SKA and FAVORI. These companies were expected to generate adequate revenues, which would ensure payment of the contracted fees and the taxes due to the government. In effect, the contracted companies were to levy their revenue receipts from all the companies operating in the airport. However, it appears the successive governments were directly collecting the customs duties from the airport. These companies were not subjected to competitive auditing and as such their relatively lower tax payment to the government could have been occasioned by concealment of funds. The companies were also not subjected to competitive contract awarding and as such personalized financial gains could have been compromised in the tender and as a result registering low receipt to the government. The reconciliation undertakes to analyze the potential and projected revenue receipts, which were accruable from the airport. In the context, this is broken down into three clusters of revenue sources as shown in the box below:

Box-15: clusters of revenue sources

- Direct government revenue receipts;
- Contracted companies tax/rent dues to the government; and
- Private companies operating at the airport government tax dues.

The successive governments direct customs tax revenue registration and for the entire period amounts to US \$9,313,210. The spread of the airport tax revenue is as shown below.

Table-50: direct government registered revenue

Source	2009	2010	2011	2012	2013	Total
Airport	\$351,921	\$430,164	\$5,317,726	\$942,418	\$2,270,981	\$9,313,210

Source: MoF, OAG, AGO

The revenues registered were relatively lower to the potential capacity realizable from the airport. The low rates could have been attributable to:

1. Personal gains and
2. Lack of accounting and institutional structures.

The comparable amounts to the government receipts as well as from the contracted and private commercial companies are as summarized below. The government registered revenues are not subjected to any annual growth rate.

Table-51: Government registered receipt from the airport

Sources	2009	2010	2011	2012	2013	Total
AIRPORT	\$351,921	\$430,164	\$5,317,726	\$942,418	\$2,270,981	\$9,313,210
CONTRACTED COMPANIES						
SKA	-	-	\$77,882	\$158,569	-	\$236,451
FAVORI	-	-	-	-	\$102,000	\$102,000
Sub-total	-	-	\$77,882	\$158,569	\$102,000	\$338,451
PRIVATE COMMERCIAL COMPANIES						
Turkish Airline	-	-	-	-	\$190,460	\$190,460
KM.50 Airstrip	\$114,348	\$149,428	-	-	-	\$263,776
ADCO	-	-	\$360,000	\$1,314,000	\$6,600,000	\$8,274,000
Sub-total	\$114,348	\$149,428	\$360,000	\$1,314,000	\$6,790,460	\$8,728,236
Total	\$466,269	\$579,592	\$5,755,608	\$2,414,987	\$9,163,441	\$18,379,897

Source: MoF, OAG, AGO

The above revenue performance in comparison with the potential and the projected realizable receipt is also analyzed below. The justification for the potential revenues is as follows.

Assumption Justifications

The government was in charge of the airport revenues in year 2009 but outsourced to SKA 2010 and then FAVORI in 2013 for only specific item contracts. The government in year 2009 was compromised with an inducement bribe of about US \$100,000 by SKA and which was not registered by the CBS. As a result of the inducement the company was awarded the contract of managing the airport however, it did not register any tax revenue receipt to the government. In year 2010, and after signing the contract, the company gave an additional inducement of about US \$3,000,000 and which was equally omitted from the government records. On the contrary, this was the money the government should have registered as tax revenue receipts from the company. There is no evidence that the government collected any due tax receipts from the private companies operating from the airport. The performance by the two contracted companies (SKA/FAVORI) was below commercial par as would be noted against the potential and projected revenue inflows. The reconciliation is based on two considerations and which are:

1. Annual turnovers; and
2. Accruable taxes payable

A. **Contracted companies tax/rent dues to the government (Potential receipts)**

The projected potential realizable revenue is higher than the potential and the government registered receipts. However, the enhanced revenue realization would entail the following:

1. Potential realization: this would require basic capacity training as well as operational accounting structures. It is within the government realization.
2. Projected revenue realization: this would require improved training, institutional structures and accounting control revenue checks.

The reconciliation of the potential revenue receipts and which the two contracted companies would have paid to the government as tax dues is as tabulated in the below assumption justifications.

Box-16: Assumption Justification

Number of passengers per month aircraft @ 600 @ \$20

1. Number of passenger flights per month (2*30) 60
2. Number of cargo flights per month 3 *30 (90) @ US \$1,800
3. Landing passenger navigation fees per month 60 @ US \$1,200 per aircraft
4. Landing cargo navigation fees per month 90 @US \$1,200 per aircraft
5. Parking charges (average) per month 150 (60+30) @ US \$500 per aircraft

Note: the navigation and landing fees are factored in relationship with the aircrafts space occupation of the airport premises.

Table-52: assumption justification calculations

Sources	Amounts
1. Number of passengers per month aircraft @ 600 @ \$20 Number of passenger flights per month (2*30) 60 @ \$20 @ 12	\$8,640,000
2. Number of cargo flights per month 3 *30 (90) @ \$1,800 @12	\$1,944,000
3. Landing passenger navigation fees per month 60 @ \$1,200 per aircraft	\$864,000
4. Landing cargo navigation fees per month 90 @\$1,200 per aircraft	\$1,296,000
5. Parking charges (average) per month 150 (60+90) @\$500 per aircraft	\$900,000
Total	\$13,644,000

Source: MoF, OAG, AGO

The conversion of the above weights and capacity volumes would translate into annual airport revenue of about US \$13,644,000. The airport potential realizable revenue growth rate for subsequent years has been factored at a rate of 2%. This is summarized in the below table.

Table-53: contracted companies potential sales turnover

Company Name	2009	2010	2011	2012	2013	Total
SKA/FAVORI	\$13,644,000	\$13,916,880	\$14,195,218	\$14,479,122	\$14,768,704	\$71,003,924

Source: MoF, OAG, AGO

The potential sales turnover revenue for the entire period is about US \$71,003,924. The potential turnover is against contracted companies' net tax payment of about US 338,451 (US \$236,451 plus US \$102,000). The government had also direct airport customs revenue amounting to US \$9,313,210. This translates into total revenue/tax payment of about US \$9,651,661. The potential realizable revenue is not far-fetched had the government instituted specific items for receipt generation and with respective chargeable rates. Further comfort for the realization would have been through installation accounting control structures. On the contrary, the government registered company tax payment of US \$338,451, through generalized revenue streams and without any structured control systems (company audit monitoring). Evidence of the under-collections and in respect of the entire period was through personalized inducements bribes of US\$11,100,000 (SKA US\$3,100,000 and FAVORI US\$8,000,000). Otherwise, according to available records to the reconciliation, the government would have registered a total revenue amount of US \$11,438,451 (US \$11,100,000 + US \$338,451). The disparity between potential and would have been government registered revenue receipt is US \$59,565,473 (US \$71,003,924 – US \$11,438,451). The potential revenue estimates are even conservatively factored as statistical evidence capacities were scanty in availability. The reconciliation did not factor other but material miscellaneous receipts income arising from the airport commercial activities.

The projected realizable receipts have been factored with a growth rate of 5%, however, within institutional and accounting structures. If the structures were in force, the projected realizable receipts would have been as shown in the below table. The total projected realizable revenues for the entire period is about US \$79,161,298. This sales growth rate projection has been factored with an additional increase of 5%. The breakdown of the growth sales turnover is as shown in below table.

Table-54: contracted companies projected sales turnover

Company name	2009	2010	2011	2012	2013	Total
SKA/FAVORI	\$14,326,200	\$15,042,510	\$15,794,636	\$16,584,367	\$17,413,586	\$79,161,298

Source: MoF, OAG, AGO

The above projections are the gross receipts the contracted companies would have generated over the entire period. However, the net tax accruable proceeds (both potential and projected) the companies would have paid to the government are shown in the table below.

Box-17: Net Tax Accruable

Tax assumption chargeable rates

1. Annual commissions (5%);
2. Administration levies (8%)
3. Corporate tax (10%)

Table-55: Contracted Companies' Potential Tax Accruable (SKA and FAVORI)

	2009	2010	2011	2012	2013	Total
Companies total potential sales turnover	\$13,644,000	\$13,916,880	\$14,195,218	\$14,479,122	\$14,768,704	\$71,003,924
Less						
Chargeable commissions	682,200	695,844	709,761	723,956	738,435	3,550,196
Chargeable administration levies	1,091,520	1,113,350	1,135,617	1,158,330	1,181,496	5,680,314
Corporate tax	1,364,400	1,391,688	1,419,522	1,447,912	1,476,870	7,100,392
Total tax accruable	3,138,120	3,200,882	3,264,900	3,330,198	3,396,802	16,330,903
Companies net taxation income	\$10,505,880	\$10,715,998	\$10,930,318	\$11,148,924	\$11,371,902	\$54,673,021

Source: MoF, OAG, AGO

Table-56: Contracted Companies' Projected Tax Accruable (SKA and FAVORI)

	2009	2010	2011	2012	2013	Total
Companies Total Potential Sales Turnover	\$14,326,200	\$15,042,510	\$15,794,636	\$16,584,367	\$17,413,586	\$79,161,298
LESS						
Chargeable Commissions	716,310	752,126	789,732	829,218	870,679	3,958,065
Chargeable Administration Levies	1,146,096	1,203,401	1,263,571	1,326,749	1,393,087	6,332,904
Corporate Tax	1,432,620	1,504,251	1,579,464	1,658,437	1,741,359	7,916,130
Total Tax Accruable	3,295,026	3,459,777	3,632,766	3,814,404	4,005,125	18,207,099
Companies Net Taxation Income	\$11,031,174	\$11,582,733	\$12,161,869	\$12,769,963	\$13,408,461	\$60,954,200

Source: MoF, OAG, AGO

The potential tax accruable to the government from the contracted companies (SKA and FAVORI) and for the entire period is about US \$16,330,903, while the projected amount is US \$18,207,099. However, the governments were able to receipt an actual tax amount of US \$338,451. Each of the calendar accruable year tax is as shown in above table. The amount of accruable tax the government did not register through either potential or projected realization is as shown below. The direct revenue the government registered (US \$9,313,210) from the airport is not factored in the projections as it was not a subject for taxation.

Table-57: tax accruable government potential comparison

Potential accruable tax	\$16,330,903
Less	
Tax paid by contracted companies	338,451
Net government tax accruable loss	\$15,992,452

Source: MoF, OAG, AGO

Table-58: tax accruable government projected comparison

Projected accruable tax	\$18,207,099
Less	
Tax paid by contracted companies	338,451
Net Government tax accruable loss	\$17,868,648

Source: MoF, OAG, AGO

Note: the transitional government performance on tax registration from the two companies was below expectation as the potentials realizable were relatively too high against the actual receipts payment. The deficit disparities in respect of potential and projected realizable taxes are US \$15,992,452 and US \$17,868,648. It is on record that the following airlines were landing/off taking from the airport but whose tax payment were totally omitted. These were Juba airways, African express, Daalo, etc.

B. Private companies operating at the airport government tax dues.

As stated in sub-head A, the private companies operating at the airport were also subject to paying the government accruable taxes from their commercial operations. This is in spite of the fact that they were paying some fees to the contracted managers (SKA and FAVORI) of the airport. Their envisaged sales turnover is subjected to the same three shifts of financial performance, which are:

1. Government registered receipts;
2. Potential realizable receipts; and
3. Projected realizable receipts.

The government registered revenue receipts for the private companies operating at the airport are as shown on table-59 The three private companies are *Turkish airline, KM.50 Airstrip and ADCO*. The Turkish Airline commercial operating activities were basically passenger and cargo airlifting. The KM.50 Airstrip and which was later converted into ADCO was basically for Khat transportation. The assumption justification calculations for the potential realizable receipt, and which were within government registration is as shown on below table.

Table-59: assumption justification calculations – Turkey Airline 2013

Sources	Amounts
1. Number of passengers per month aircraft @ 300 @ \$20 Number of passenger flights per month (2*4) 8 @ \$20 @ 12	\$576,000
2. Number of cargo flights per month 1 *8 (8) @ \$1,800 @12	\$172,800
3. Landing passenger navigation fees per month 8 @ \$1,200 per aircraft	\$115,200
4. Landing cargo navigation fees per month 8 @ \$1,200 per aircraft	\$115,200
5. Parking charges (average) per month 1 (8) @ \$500 per aircraft	\$48,000
Total	\$1,027,200

Source: MoF, OAG, AGO

The Turkish airline annual potential sales turnover and for year 2013 was US \$1,027,200. This translates into a growth rate of about 2%. The preceding four years the airport was under the government (SKA) control and which did not register any sales revenue.

Table-60: potential realizable revenue – Turkey Airlines

Company name	2009	2010	2011	2012	2013	Total
Turkish Airline	-	-	-	-	\$1,027,200	\$1,027,200

Source: MoF, OAG, AGO

However, the projected realizable tax revenues for the year 2013 were about US \$1,078,560. This translates into a growth rate of about 5%.

Table-61:

Company name	2009	2010	2011	2012	2013	Total
Turkish Airline	-	-	-	-	\$1,078,560	\$1,078,560

Source: MoF, OAG, AGO

The accruable tax dues from both the potential and projected sale revenues are US \$236,256 and US \$248,069 respectively. The amount of tax the government registered is about US \$190,460 and which in relationship with the potential realizable tax is a deficit of US \$45,796 (US \$190,460 – US \$236,256). The deficit could have been offset, had the government instituted oversight control auditing measures. The tax accruable from the projected sales turnover but which necessitated stringent control measures would have been US \$248,069. The government was in a position to realize the potential tax in view of light control measures. The details of the tax accruable computation are shown in the below tables.

Table-62: Potential accruable taxes

	2009	2010	2011	2012	2013	Total
Turkish Airline						
Private Commercial Companies Total Potential Sales Turnover	-	-	-	-	\$1,027,200	\$1,027,200
Less						
Chargeable commissions	-	-	-	-	51,360	51,360
Chargeable administration levies	-	-	-	-	82,176	82,176
Corporate tax	-	-	-	-	102,720	102,720
Total tax accruable	-	-	-	-	236,256	236,256
Companies net taxation income	-	-	-	-	\$790,944	\$790,944

Source: MoF, OAG, AGO

Table-63 Projected accruable taxes

	2009	2010	2011	2012	2013	Total
Turkish Airline						
Private Commercial Companies Total Potential Sales Turnover	-	-	-	-	\$1,078,560	\$1,078,560
Less						
Chargeable commissions	-	-	-	-	53,928	53,928
Chargeable administration levies	-	-	-	-	86,285	86,285
Corporate tax	-	-	-	-	107,856	107,856
Total tax accruable	-	-	-	-	248,069	248,069
Companies net taxation income	-	-	-	-	\$830,491	\$830,491

Source: MoF, OAG, AGO

The potential annual sales turnover for KM.50 Airstrip/ADCO is factored on the following assumptions justifications.

Table-64: assumption justification calculations – KM.50 Airstrip and ADCO

Sources	Amounts
1. Number of passengers per month aircraft Number of passenger flights per month	
2. Number of cargo flights per month 2*30 (60) @ \$14,633	\$10,535,760
3. Landing cargo navigation fees per month 60 @ \$5,000 per aircraft	\$3,600,000
4. Parking charges (average) per month 60 @\$3,000 per aircraft	\$2,160,000
5. Miscellaneous charges	\$1,440,000
Total	\$17,735,760

Source: MoF, OAG, AGO

The annual sales turnover, at year 2009 is about US \$17,735,760. The subsequent year’s sales turnovers have been factored with a uniform growth rate of about 2%. The total potential sales turnover and for the entire period are as shown in the below table.

Table-65: Private commercial companies’ potential sales turnover

Company Name	2009	2010	2011	2012	2013	Total
KM.50/ADCO	\$17,735,760	\$18,090,475	\$18,452,285	\$18,821,330	\$19,197,757	\$92,297,607

Source: MoF, OAG, AGO

However, the government was in a position to register enhanced projected sales turnover for the same period, but with instituted and improved operational structures. The projected sales turnovers are as shown in the below table.

Table-66: Private commercial companies’ projected sales turnover

Company Name	2009	2010	2011	2012	2013	Total
KM.50/ADCO	\$18,622,548	\$19,553,675	\$20,531,359	\$21,557,927	\$22,635,823	\$102,901,333

Source: MoF, OAG, AGO

The difference between the projected and potential sales turnover is about US \$10,603,726 (US \$102,901,333 – US \$92,297,607). The governments were within ease of registering the potential receipts if not the projected. The tax computations from both the potential and the projected sales turnover are as shown in the below table.

Table-67: Private Commercial Companies' Potential Tax Accruable

	2009	2010	2011	2012	2013	Total
KM.50/ADCO						
Private Commercial Companies Total Potential Sales Turnover	\$17,735,760	\$18,090,475	\$18,452,285	\$18,821,330	\$19,197,757	\$92,297,607
Less						
Chargeable commissions	886,788	904,524	922,614	941,067	959,888	4,614,880
Chargeable administration levies	1,418,861	1,447,238	1,476,183	1,505,706	1,535,821	7,383,809
Corporate tax	1,773,576	1,809,048	1,845,228	1,882,133	1,919,776	9,229,761
Total tax accruable	4,079,225	4,160,809	4,244,025	4,328,906	4,415,484	21,228,450
Companies net taxation income	\$13,656,535	\$13,929,666	\$14,208,259	\$14,492,424	\$14,782,273	\$71,069,158

Source: MoF, OAG, AGO

Table-68: Private Commercial Companies' Projected Tax Accruable

	2009	2010	2011	2012	2013	Total
Private Commercial Companies Total Potential Sales Turnover	\$18,622,548	\$19,553,675	\$20,531,359	\$21,557,927	\$22,635,823	\$102,901,333
Less						
Chargeable commissions	931,127	977,684	1,026,568	1,077,896	1,131,791	5,145,067
Chargeable administration levies	1,489,804	1,564,294	1,642,509	1,724,634	1,810,866	8,232,107
Corporate tax	1,862,255	1,955,368	2,053,136	2,155,793	2,263,582	10,290,133
Total tax accruable	4,283,186	4,497,345	4,722,213	4,958,323	5,206,239	23,667,307
Companies net taxation income	\$14,339,362	\$15,056,330	\$15,809,147	\$16,599,604	\$17,429,584	\$79,234,027

Source: MoF, OAG, AGO

The government registered direct airport revenues and tax receipts from both the private commercial/contracted companies for the entire period are about US \$18,379,897. The potential tax accruable from private commercial companies (KM.50 Airstrip/ADCO)⁶³ from the period sales turnover is about US \$21,228,450. The tax

amount accruable from the Turkish Airline is also about US \$236,256. Total tax accruable from the three private companies operating within the airport is therefore US \$21,464,706.

⁶³ The previous report "Audit Investigative Financial 2010/2009" contained a Khat revenue provision of about US \$250,000,000 but which was factored based on market monetary values. The market monetary value volumes were also backed up by a UNMG on the Khat importation. However, the report under submission is factored within net market monetary realizable value.

The projected accruable tax from the private commercial companies, and which has been factored with a 5% growth is US \$23,915,376 (US \$23,667,307 + US \$248,069). The transitional governments were below the management capacities of registering the correct tax amount during the preceding four years. However, the tax registered for year 2013 was way above, the total sum of the four proceeding year's provisions. This was abnormal provision, and if it were

not, the trend for 2013 should not be below US \$10,000,000. The reconciliation has however, sustained a relatively fair growth rates as well as the factoring provisions, which are not beyond realization. The spread of the provision is within all the five year period and without any omission. The summarized tax accruable from both potential and the projected receipts is as shown in below table.

Table-69: net potential tax accruable

Potential accruable tax	\$21,464,706
Less	
Tax paid by private commercial companies	8,728,236
Net government tax accruable surplus	\$12,736,470

Source: MoF, OAG, AGO

Table-70: net projected tax accruable

Projected accruable tax	\$23,915,376
Less	
Tax paid by private commercial companies	8,728,236
Net Government tax accruable surplus	\$15,187,140

Source: MoF, OAG, AGO

Airport Revenue Taxes

The amount of airport tax accruable from the airport has been subjected to two shifts of financial performance. These are potential and projected realizable tax receipts. The expositions of the two, offsets the surplus taxes, and which were registered from the private commercial companies. The details are as shown below.

Table-71: tax Shift performance (Shift one)

Potential Accruable Airport Revenue Tax		\$37,795,609
1. Airport contracted companies (SKA/FAVORI)	\$16,330,903	
2. Private commercial companies (KM.50/ADCO/Turkish Airline)	\$21,464,706	
Less		
Government Registered Tax		\$9,066,687
A. Airport contracted companies (SKA/FAVORI)	\$338,451	
B. Private companies (KM.50/ADCO/Turkish Airline)	\$8,728,236	
Net Government Tax Accruable Loss		\$28,728,922

Source: MoF, OAG, AGO

As indicated in the above two shifts, the government lost tax revenue of about US \$28,728,922 and US \$33,055,787, through potential and projected airport receipts. The potential tax revenue realization was within ease registration as it required basic restructuring and auditing evaluations. The projected tax revenue was however, subject to improved government operational and accounting structures. In the context, the incumbent government should have structured the operations but appears to be relying on the hitherto.

Table-72: Table tax Shift performance (Shift two)

Projected Accruable Airport Revenue Tax		\$42,122,474
A. Airport contracted companies (SKA/FAVORI)	\$18,207,098	
B. Private companies (KM.50/ADCO/Turkish Airline)	\$23,667,307	
Less		
Government Registered Tax		\$9,066,687
A. Airport contracted companies (SKA/FAVORI)	\$338,451	
B. Private companies (KM.50/ADCO/Turkish Airline)	\$8,728,236	
Net Government Tax Accruable Loss		\$33,055,787

Source:

Conclusive airport revenue summary

The potential sales revenues turnovers for the companies operating within the airport and for the entire period are about US \$164,328,731, while the projected is US \$182,310,700. The total tax accruable from the sales and for the period is about US

\$37,795,608, and US \$42,122,474 respectively. However, the amount the government registered for the period is only US \$18,379,897. Consequently, the amount of tax the government did not collect is US \$145,948,834 (US \$164,328,731 – US \$18,379,897) and US \$163,930,803 (US \$182,310,700 – US \$18,379,897) respectively. This is summarized in the below table.

Table-73: sector summary conclusion (potential)

	2009	2010	2011	2012	2013	Total
Contracted companies	\$13,644,000	\$13,916,880	\$14,195,218	\$14,479,122	\$14,768,704	\$71,003,924
Private commercial companies	17,735,760	18,090,475	18,452,285	18,821,330	20,224,957	93,324,807
Sub-total	31,379,760	32,007,355	32,647,502	33,300,452	34,993,661	164,328,731
Less						
Government receipts						18,379,897
TAX LOSS OMISSION						\$145,948,834

Source: MoF, CBS and various investigations

Table-74: sector summary conclusion (projected)

	2009	2010	2011	2012	2013	Total
Contracted companies	\$14,326,200	\$15,042,510	\$15,794,636	\$16,584,367	\$17,413,586	\$79,161,298
Private commercial companies	18,622,548	19,553,675	20,531,359	21,557,927	22,883,892	103,149,402
Sub-total	32,948,748	34,596,185	36,325,995	38,142,294	40,297,478	182,310,700
Less						
Government receipts						18,379,897
TAX LOSS OMISSION						\$163,930,803

Source: MoF, CBS and various investigations

Civil Aviation

Airport Revenue Taxes

The civil aviation⁶⁴ was under the control management of the UN since 1991 up to 2012. The government started registering some revenues in 2010. Despite the potential revenues capacity from the aviation, the amount registered are relatively low. It is not in the public domain on how the UN collects the amounts, chargeable rate factored, and the volume/size of the landing/off taking of the aircrafts. In view of this the reconciliation revenues have been factored within the parameters of the registered receipts. The factoring exposition is subjected to two shifts of revenue performance and which are:

1. Potential and
2. Projected.

The two expositions are subjected to the following revenue assumption justifications and which are the primary source of income. The assumptions are as follows:

Box-18: assumption justification

1. Aircraft navigation charges per month @ \$2,000
2. Number of landing/off taking aircrafts per month number 55
3. Aircrafts annual licensing fees @ \$10,000
4. Aircrafts pilots licensing certificate per year @ 2,500
5. Pilot applicants number per year 5
6. Pilots training fees per year @
7. Aircraft over space flights per month @ 1,500

Note: landing and navigation charges are factored for all the airplanes, which are airborne.

Some of the revenue items were not realizable over the period and their provisions are conservatively factored in the projections. The accruable sales turnover from the above is summarized in the table below.

⁶⁴ The previous projected revenues were under-factored by about US \$4,184,758 (US \$9,900,000-US \$5,715,242). Otherwise, recent reconciliations reflect an annual turnover of about US \$9,900,000. The under-factoring was occasioned by the opaque nature of the UN in managing the civil aviation authority. However, the disparity between the two is not substantively material. The recent reconciliation is based on 100 flights at US \$275 per day/per year. The two however, compares negatively with what the government registered in 2013, and which is about US \$725,680.

Table-75: assumption justification

Sources	Amounts
1. Aircraft navigation charges Passenger flights 2@30 (60) per month plus Cargo (60) per month At rate \$2,000	\$2,880,000
2. Number of landing/off taking aircrafts	
3. Aircrafts annual licensing fees @ \$10,000 Flights (120@3,000)	\$1,200,000
4. Aircrafts pilots licensing certificate @ 2,500 Flights (120@2,500)	\$300,000
5. Pilot applicants number 5	-
6. Pilots training fees @	-
7. Aircraft over space flights @ \$1,500 Flights 50 @ \$1,500@12	\$900,000
Total	\$5,280,000

Source: MoF, OAG, AGO and various sources

The total conversion of the assumption justification and for the year 2009 is US \$5,280,000. The amount has been used as a base for factoring the annual potential growth rate of about 2%. The overall potential budget revenue for the entire period is as spread in below table.

Table-76: civil aviation potential sales turnovers

Company Name	2009	2010	2011	2012	2013	Total
Civil Aviation	\$5,280,000	\$5,385,600	\$5,493,312	\$5,603,178	\$5,715,242	\$27,477,332

Source: MoF, OAG, AGO and various sources

The potential accruable revenue from the civil aviation and for the entire period is about US \$27,477,332, which was realizable within ease of comfort. However, the amount the governments received from the UN for the entire period is about US \$1,701,126. It is worth noting that, the civil aviation was under the control of UN since 1995 to present. However, the government attempted to take control of the civil aviation in 2013 (though not fully clear the terms). The amounts remitted by the UN to the government were relatively low and neither was it supported by the various streams of revenues. In year 2009 there was no revenue remittance yet the flights were in force. The government and the UN should have jointly formulated the revenue management structures of the civil aviation since the initiation of the transitional governments. The incumbent government should have as of to date taken the full control of the facility and thereby optimizing their accruable revenues. The facility should have also registered higher revenues had the UN and the government instituted comprehensive operational structures as well as control systems. The revenue envisaged from the arrangement is as shown in the projected table. The growth rate factored in the projected is about 5%.

Table-77: civil aviation projected sales turnovers

Company Name	2009	2010	2011	2012	2013	Total
Civil Aviation	\$5,544,000	\$5,821,200	\$6,112,260	\$6,417,873	\$6,738,767	\$30,634,100

Source: MoF, OAG, AGO and various sources

The revenue which would have accrued after instituting accounting control measures would have been US \$30,634,100. In the absence of the structures the UN should have registered the potential receipts, otherwise their remittance were below competitive control measures. The aviation commercial performance is further subjected to control shifts of performance and thereby ascertaining revenue lost amount.

Table-78: tax Shift performance (Shift one)

Potential Accruable Civil Aviation Revenue	\$27,477,332
Less	
Government Registered Revenue	\$1,701,125
Net Government Revenue Accruable Loss	\$25,776,207

Source: MoF, OAG, AGO and various sources

Table-78: tax Shift performance (Shift Two)

Projected Accruable Civil Aviation Revenue	\$30,634,100
Less	
Government Registered Revenue	\$1,701,125
Net Government Revenue Accruable Loss	\$28,932,975

Source: MoF, OAG, AGO and various sources

The two shifts of revenue performance exposition show that the government lost potential/projected revenue sums of US \$25,776,207 and US \$28,932,975.

The government engagements with the UN on the management of the civil aviation is commercially wanting as some local citizens but in the diaspora were keen in restructuring the civil aviation. The current civil aviation base is located in Nairobi and is managed from a distance, by non-Somalis. Yet, when qualified and experienced Somali natives showed interest in reclaiming the civil aviation sector through employment, they got nowhere. A case in point is Kamil Abdiasis Ololdiinle (a descendant from the oldest Royal family in the country) who is more than 30 years an aircraft engineer by profession. He and others made efforts for employment but were frustrated by the respective Prime Ministers (Sharmarke and Farmaajo)

administration. Dr, Abdiweli Ali Gas after assuming office made all efforts to recall the engineer, even through the UN but the results were not forthcoming. Was the frustration occasioned by personalized interest of the respective government?

Discounted revenue registration performance (Port, Airport and Civil Aviation)

In view of the country’s scanty statistical records, the reconciliation subscribes the government to potential revenue at a discount of 25%. Some of statistics applied could have been over/under-factoring casting. Consequently, the ideal revenue the government could have comfortably registered is as shown below.

Table-79: average net potential revenue performance

Revenue stream	Potential amount	75%	Net Revenue receipts	Government receipts
1. Port	\$178,320,000	\$133,740,000	\$133,740,000	\$118,891,859
2. Airport	\$164,328,731	\$123,246,548	\$123,246,548	\$18,379,897
3. Civil aviation	\$27,477,332	\$20,607,999	\$20,607,999	\$1,701,125
Revenue net receipts	\$370,126,063	\$277,594,547	\$277,594,547	\$138,972,881

Source: MoF, OAG, AGO and various sources

Table-80: average net projection revenue performance

Revenue stream	Projection amount	75%	Net Revenue receipts	Government receipts
1. Port	\$268,545,679	\$201,409,259	\$201,409,259	\$118,891,859
2. Airport	\$182,310,700	\$136,733,025	\$136,733,025	\$18,379,897
3. Civil aviation	\$30,634,100	\$22,975,575	\$22,975,575	\$1,701,125
Revenue net receipts	\$481,490,479	\$361,117,859	\$361,117,859	\$138,972,881

Source: MoF, OAG, AGO and various sources

With the 25% discount the successive government should have been able to register at least 75% of the potential, and which translates for the entire period into being US \$277,594,547.

Companies

The full disclosure expected from the private/public companies are classified into two, which are technical and financial expositions. The two are used for evaluating the economic, financial and social evaluation capacity performance. As regards technical capacities all existing companies lack the following:

1. Attorney General office registration certificate. This is intended to give the companies the legal operationalization certificate. This also provides details of the company director share subscription ownership, the nominal market capitalization value of the company, the company’s investment scope, etc. It also provides legal mitigation in court cases. Upon confirmation process of this, the companies are supposed to be making annual tax returns to the office of Attorney General. The companies are not supposed to make any alteration changes without prior approval from the registering office (Attorney General). If the Office of the Attorney General had complied with her statutory mandate of registering companies, then some appropriation in aid revenue would have been registered over the entire period. This however, has been not the case as there appears no revenue collection or registered by the office. In the absence of the above, it has been difficult to ascertain the full financial and technical disclosure of companies.

The Office of the Auditor General could not be able to ascertain the number of operating companies as there is no certificate company registration. This, in effect, could relate to low tax remittance as well as compromised commercial performance. For instance, the end-year tax payment, the president gets involved with the owners of the company and agrees on a fixed amount. This amount is neither supported by any audited account and nor does the Office of the Auditor General initiate external audit. The relatively low tax returns paid by the companies are neither spread into clusters of revenue origin. For example, the lump sum remittances are not shown as:

Box-19: revenue streams

1. End year corporate tax;
2. Monthly PAYE taxes (it’s only the CBS which is remitting a tax, however, it is computation justification is yet to be verified);
3. Monthly taxes (VAT); and
4. Miscellaneous levies collection.

In the absence of the above, it would be difficult to gauge the company’s current working capitalization monetary value, and thereby engaging into competitive tendering systems. Indeed, the non-company registration omission and the financial non-disclosure would translate into the government having engaged with ghost tender contract companies. Equally important for significant attention is how the government has been evaluating the outsourcing process of her investments to the companies without the technical and financial disclosure (e.g., port and airport). Companies tax revenue disparity, which are shown in the table below are characterized by the big financial rift of the registered tax and what would be have been actual realization. The amount of tax that the governments registered and the envisaged potential/projected realization are as shown in the table below.

Table-81: Direct government registered revenue

Period	Net tax receipts	Total
2009	\$2,900,000	
2010	\$2,199,318	
2011	-	
2012	\$1,338,961	
2013	\$9,755,228	
Total		\$16,193,507

Source: MoF, OAG, AGO and various sources

The total net tax the government registered for the entire period is about US \$16,193,507 (see Appendix F). The tax provision was not evenly spread in all the years as there were several omissions as well as over/under factoring. However, the reconciliation provisions are factored in all the years and with a sustainable growth rates. The reconciliation is based on two parameters of the realization and which are:

1. Potential and
2. Projected.

Potential tax realization

The potential realization from the companies is based on annual sales turnover and which is subjected into three categories of tax charges.

1. Chargeable commissions (5%)
2. Chargeable administration levies (8%), and
3. Corporate tax (10%)

The government should give specific rates of tax chargeable as well as their brackets. The reconciliation has factored the rates as well as brackets based on the general market trend, however, with conservative figures. For example, Kenya corporate annual tax is 30% of the net profits while the value added tax (VAT) is 16% of the net sales purchase. Chargeable commission and administrative taxes are day to day operational levy charges. The potential tax realization is a net off of the above rates. In the context, the sales turnovers for each of the companies is factored based on the following assumption justifications.

Box-20: Assumptions Justification

1. Salaama Bank US \$3,900,000 in retrospect of 2013 years' registration of US \$3,000,000.
2. Hawala – diaspora remittance – sector investment US \$1.5 billion
3. Telecom – sector investment US \$540 million
4. Fishing – sector investment US \$ 30 million
5. Hospitality – sector investment US \$400,000
6. Small &Medium Enterprises – sector investment US \$720,000
7. Chamber of Commerce – sector investment US \$64,000
8. Somali Business Community in Dubai – sector investment US \$ 12,000,000

The above assumption justifications translates into each company generating annual sales turnover, and which are shown in the below tables.

1. Salaama bank⁶⁵, and which paid tax revenue of US \$3,000,000 (2013), has been factored in retrospect under the potential with US \$3,900,000 and as at 2009. The factored tax amount is based on the past estimates performance of 2013, and which was an under-payment. The banks performance as at 2009 was US \$1,400,000 and the subsequent three years were not receipted with any tax revenues, otherwise, the accuracy would be confirmed through audit vouching. The subsequent growth rate is factored with 2%.

2. Hawala. The diaspora remittances are estimated at being US \$1.5 billion per year (WB report). However, the CBS doesn't register the estimated remittances. If the CBS captured only 3% of the remittances the commission accruable to the bank would be about US \$45,000,000.⁶⁶ The resultant annual sales turnover from the respective hawala and in relationship to their transaction capacities volume would be as follows:

- a. Dahabshill (2% of \$1.5 billion) annual sales turnover US \$30 million;
- b. Amal (1% of 1.5 billion) annual sales turnover of US \$15 million

The amount the two hawala should have captured from the diaspora transaction is about the cited above 3% whose total as of year 2009 would be US \$45,000,000. The provision has been factored in subsequent years with a growth rate of 2%. The total amount of diaspora remittances the country would have received from US \$1.5 billion and in one year (2009 only) is about US \$90 million. The deficit arising there from and of about US \$1,410,000,000 could have been realized in progressive institutional capacity development. The total amounts registered by the government from the hawala and for the entire period is US \$7,832,271. The deficit arising from the potential realization is about US \$225,949,536 (US \$234,181,807 - US \$8,232,271). The two hawala are the major players in the remittance transaction while minority

⁶⁵There is need to establish the commercial authenticity of the bank in view of confirming financial transactions, director share ownership, incorporation certificate and CBS banking license certificate, etc.

⁶⁶The CBS has over the years been not restructured to effectively control all the government transaction funds as well as bilateral support and international transactions. This is, besides, the huge transactions executed by the Somali Diaspora. As a result, the CBS has been not remitting annual dividends to the respective governments. However, in view of its current structures of not being fully transformed for effective controls, the dividends could be withheld for one year for the internal restructuring perfection. The total amount the bank receipted and from the domestic front is about US \$161,722,719. Assuming it attracted 3% of the diaspora transactions and which is about US \$1.5 billion, the total receipts accruable to it would be about US \$206,722,719. At a rate of 1% the accruable dividends to the government would have been US \$2,067,227. The government should institute the financial legislation act for the bank to be remitting the statutory annual dividends.

is yet to be brought into account by the CBS. Indeed, the successive Governors of the Central Bank⁶⁷ and the leadership have failed to restructure the transactions and thereby enhancing the economy development of the country.

3. The telecommunication sector investment and which consist of (Hormud, Nationlink, Somafone, and Somatel) is about US \$540,000,000. The sales turnovers factoring is based on 150,000 consumers, each spending \$10/per day, for 30 days and for one year. If the MoF captured only 10% of the sector investment, the accruable sales turnover would have been US \$54,000,000. The sales rationalization and in respect of the leading company players in the sector is Hormud (US \$37,800,000, 70%), Nationlink (US \$10,260,000, 19%), Somafone (US \$3,780,000, 7%), and Somatel (US \$2,160,000, 4%). The amount the government registered from the companies and for the entire period is about US \$2,568,336. The amount was neither consistent as some years were totally omitted and yet the companies were still on commercial trade. The deficit arising there from is about US \$278,449,833 (US \$2,568,336 – US \$281,018,169) but which was within comfortable realization.
4. The fishing industry⁶⁸ factoring is based on local and foreign companies licensed in fishing along coastal strip. The government registered sales turnover from the ‘Somalfish’ is too little as to the potential capacity of the industry. The registered amount for 2012 is a token of about US \$400. The minimum annual sales realizable from the Somalfish are about US \$120,000. This is realizable from a consumer of 5,000 people/month at a rate of US \$2 and for the entire year (5,000 x \$2 x 12).
5. The sales turnover expected from the fishing industry and in respect of foreign investment encouragement would be about US \$30,000,000. This would be realized through licensing foreign investors and with a fish boat vessel of about 50 units. The envisaged monthly sales turnover is about US \$50,000. The total

67 Perhaps, the concealment of the diaspora remittances has been a personalized financial benefit by the successive government's leadership. This is in view of the fact that none of the government embraced strategy of developing institutional financial control systems. In the absence of this, the hawala capitalized on the vacuum for their enhanced annual profits and possibly sharing the same with the leadership.

68 The ministry of fishery and environment could develop the infrastructures and logistics of licensing international fishery companies to explore the resources in one of the longest and busiest coastline in the continent. In addition to the fishery, the business climate reform must bring out the potential of Somalia's coast by creating a Commission, which will facilitate coastal trading with Ethiopia. This Commission must be comprised of Somalia, Ethiopia and international bodies concerned. The purpose of this Commission should be to find a mutually beneficial method for both neighboring countries to work alongside each other in a consistent way, without emotional interference. The earlier ‘Audit investigative financial report, 2010/2009’ had a provision of US \$10,000,000 as annual sales turnover. However, the provision has been revised to US \$30,000,000, in view of the prevailing market trends.

annual sales turnover and for the first year would be about US \$30,000,000 (50 boats x \$50,000 x 12). This is an investment sector which none of the successive government has ever attempted to explore.

6. The hospitality factoring is based on 80 hotels at a daily charge of US \$15, for 30 patrons and for 300 days. Other tertiary resorts have not been factored. The annual sales turnover is about US \$400,000 (80@25@200).
7. Small Medium Enterprises. Amongst the several commercial trading enterprises, only two of them registered an income to the government. The two are global internet and Tuuryare and whose payments were about US \$22,500 and US \$5,000 respectively. However, the potential revenue sales from all the active commercial enterprises would be relatively higher. The estimated number of SME in the country is about 20 and each with a potential monthly sales turnover of about US \$3,000. This translates into an annual sales turnover of about US \$720,000 (3,000 x 20 x 12). The government registered only 4% of the potential revenues realizable.
8. Chambers of Commerce. The factoring assumption on the chambers of commerce is based on 14 registered companies and which are paying some tax dues to the government. The estimated number of the unregistered companies, and which are commercially active are about 50. The total potential sales turnover factored from both of them is based on:
 - a. 64 companies each subscribing to an annual membership fee of about US \$1,000 per year. This translates into US \$64,000 (\$1,000 x 64).
 9. Business Community. The business community based in Dubai paid the country annual tax of about US \$880,000 (2012 and 2013). The companies based in Dubai are estimated at being about 10 in numbers. The tax compromises the companies have been given the authorities is about US \$29,000,000 over the entire period. In view of this the reconciliation of the annual sales turnover has been rationalized at being about US \$100,000. This translates into annual sales of US \$12,000,000 (10*100,000*12).

The potential and projected annual sales turnovers are factored with a growth rate of 2 and 5% respectively. The summary sales turnovers are as shown in the below table (annual sales turnover).

The total potential and projected sales turnover and for the period are about US \$760,851,488 and US \$849,453,413 respectively. The comparison of the two with a registered government performance is miserably below, as the amounts receipted was only US \$16,193,507. However, the potential realizable revenues were within management.

Table-82: Annual Sales Turnover Companies Potential Realizable Revenue

Company Name	2009	2010	2011	2012	2013	Total
Salaama Bank	3,900,000	3,978,000	4,057,560	4,138,711	4,221,485	20,295,757
Hawala	45,000,000	45,900,000	46,818,000	47,754,360	48,709,447	234,181,807
Telecom	54,000,000	55,080,000	56,181,600	57,305,232	58,451,337	281,018,169
Fishing Companies	30,120,000	30,722,400	31,336,848	31,963,585	32,602,857	156,745,690
Hospitality	400,000	408,000	416,160	424,483	432,973	2,081,616
SME	720,000	734,400	749,088	764,070	779,351	3,746,909
Chamber of Commerce	64,000	65,280	66,586	67,917	69,276	333,059
Somali Business Community in Dubai (SBCD)	12,000,000	12,240,000	12,484,800	12,734,496	12,989,186	62,448,482
Total Sales Turnover	146,204,000	149,128,080	152,110,642	155,152,854	158,255,912	760,851,488

Source: MoF, CBS and Various Sources

Table-83: Annual Sales Turnover : Companies Projected Realizable Revenue

Companies Names	2009	2010	2011	2012	2013	Total
Salaama Bank	4,095,000	4,299,750	4,514,738	4,740,474	4,977,498	22,627,460
Hawala	47,250,000	49,612,500	52,093,125	54,697,781	57,432,670	261,086,077
Telecom	56,915,460	59,761,233	62,749,295	65,886,759	69,181,097	314,493,844
Fishing Companies	31,626,000	33,207,300	34,867,665	36,611,048	38,441,601	174,753,614
Hospitality	420,000	441,000	463,050	486,203	510,513	2,320,765
SME	756,000	793,800	833,490	875,165	918,923	4,177,377
Chamber of Commerce	67,200	70,560	74,088	77,792	81,682	371,322
Somali Business Community in Dubai (SBCD)	12,600,000	13,230,000	13,891,500	14,586,075	15,315,379	69,622,954
Total Sales Turnover	153,729,660	161,416,143	169,486,950	177,961,298	186,859,363	849,453,413

Source: MoF, CBS and Various sources

Box-20: independent revenue reconciliation

The revenue disparity between the projected potential realization receipts, and recently independent financial reconciliations reflects a surplus of US \$11,868,663 (US \$70,320,000-US \$58,451,337). The independent revenue receipts from the telecommunication sector are based on docking/out-docking minutes charges. The summarized tabulation of the calculations is as follows:

HORMUD				
	Min	Rate	Monthly	Total
International incoming	1,200,000	0,35	30	\$12,600,000
International outgoing	2,000,000	0,40	30	24,000,000
National/local	2,500,000	0,050	30	3,750,000
Sub-total				\$40,350,000
NATIONLINK				
International incoming	500,000	0,38	30	\$5,700,000
International outgoing	1,000,000	0,40	30	12,000,000
National/local	1,500,000	0,050	30	2,250,000
Sub-total				\$19,950,000
TELECOM				
International incoming	300,000	0,28	30	\$2,520,000
International outgoing	500,000	0,40	30	6,000,000
National/local	1,000,000	0,05	30	1,500,000
Sub-total				\$10,020,000
GRAND TOTAL				\$70,320,000

Source: Telecom Sector

The disparity is within realization but against stringent financial control management. The two comparisons (projection and independent reconciliation) are reflective of what the government would have receipted. However, the comparison between them and what the government registered (US \$1,845,775) are too wide of a rift for one to accept.

Accruable net taxes

The accruable tax charges from the private sector as well as SME’s and other commercial investments have always been lump-up into one. However, the reconciliation is rationalizing the same into various chargeable steams as well as the chargeable rates. The accruable and for the period are as shown in the appendix G. The total accruable annual tax from the companies is about US \$174,995,842. The projection translates into an increased amount of US \$195,374,285, while the government was far below as it was only US \$16,193,507. According to the potential tax realizable, the highest annual sales performances were telecom, hawala, fishing industry and the SBCD. The sales provisions are not over stated as the companies have even a higher potential capacity of posting increased revenues. The same trend is also applicable to the projected realizable tax receipts turnovers. However, the government registered category classifications are telecom, hawala, fishing industry, and SBCD. The registered tax was not evenly spread of all the years as omissions were quite common.

The net accruable tax from both potential and projected and in relationship to what the government registered is shown in the below table of two shifts of performance.

Table-84: net potential tax accruable (shift one)

Potential accruable tax	\$174,995,842
Less	
Tax paid by companies	16,193,507
Net government tax accruable surplus	\$158,802,335

Source: MoF, OAG, AGO and various sources

Table-85: net projected tax accruable (shift two)

Projected accruable tax	\$195,374,285
Less	
Tax paid by companies	16,193,507
Net government tax accruable surplus	\$179,180,778

Source: MoF, OAG, AGO and various sources

Discounted revenue registration performance

Assuming the successive governments were not able to register either of the two ideal situations (potential and projection) of the accruable tax, the potential realization of 25% discount would be within ease of registration. The two tables below calculate the amount into being about US \$131,246,882 and US \$146,530,714 respectively.

Table-86: average net potential revenue performance

Period	Potential Amount	75%	Net Revenue Receipts	Government Receipts
2009	\$33,626,920	\$25,220,190	\$25,220,190	\$3,014,348
2010	\$34,299,458	\$25,724,594	\$25,724,594	\$2,348,745
2011	\$34,985,448	\$26,239,086	\$26,239,086	\$437,882
2012	\$35,685,157	\$26,763,867	\$26,763,867	\$2,811,530
2013	\$36,398,860	\$27,299,145	\$27,299,145	\$16,647,688
Revenue Net Receipts	\$174,995,842	\$131,246,882	\$131,246,882	\$25,260,194

Source: MoF, OAG, AGO and various sources

Table-87: average net projected revenue performance

Period	Potential amount	75%	Net Revenue receipts	Government receipts
2009	\$35,357,822	\$26,518,366	\$26,518,366	\$3,014,348
2010	\$37,125,713	\$27,844,285	\$27,844,285	\$2,348,745
2011	\$38,981,999	\$29,236,499	\$29,236,499	\$437,882
2012	\$40,931,098	\$30,698,324	\$30,698,324	\$2,811,530
2013	\$42,977,653	\$32,233,240	\$32,233,240	\$16,647,688
Revenue net receipts	\$195,374,285	\$146,530,714	\$146,530,714	\$25,260,194

Source: MoF, OAG, AGO and various sources

Tax Revenue Conclusion

The total tax accruable from the airport and companies is summarized below.

Table-88: Summary tax accruable from the airport and companies

Source	Potential amount	Projected amount	Government receipts
Aden Adde International Airport (contracted/private companies)	\$37,795,608	\$42,122,474	\$9,066,687
Companies	\$174,995,842	\$195,374,285	\$16,193,507
Total	\$212,791,450	\$237,496,759	\$25,260,194

Source: MoF, OAG, AGO and various sources

The total amount of potential tax the government did not register for the period is US \$187,531,256 (US \$212,791,450 – US \$25,260,194). The projected accruable tax reflects and deficit of US \$212,236,565 (US \$237,496,759 - \$25,260,194). The deficits do not include revenues registered by the government (US \$9,313,210) and which were not taxable; for example, the port and civil aviation revenues. The tax revenues registered by the government do not contain the money the respective Authorities were personally compromised with. The compromised amount was about US \$77,700,000 and which tops up the registered amount into being US \$102,960,194 (US \$77,700,000 + US \$25,260,194). This total falls short of the potential tax accruable by US \$84,571,062 (US \$187,531,256 - US \$102,960,194). The deficit was not beyond realization. Further exposition of the amount having been realized is based on the 75% of the potential realization and which is US \$140,648,442 (\$187,531,256 x 75%).

Mogadishu

The districts in Mogadishu are 16 in number and each of them has a court as well as administrative department. The diaspora returnees' preference settlement districts were only 6 districts. These were the most secured districts hence, the justification choice by the diaspora returnees. The District courts generate tax revenues from legal dispensation of cases, while the administration department is from services rendered to the public. However, the structures for the revenue tax realization are inadequate as to increased collection. They were avenues for tax corruption. For example, the returnees from the diaspora whenever seeking asset recovery in

Mogadishu was required to pay the district administration levies as well as district court fees. The district levy is about US \$200, while the districts court is US \$1,000. The same rate of US \$1,000 was also used for the Benadir court. The cases are hardly dispensed but end up at the high court,⁶⁹ where increased amount of about US \$10,000⁷⁰ is also paid. This means they paid fourfold tax. The districts which are witnessing increased returnees are relatively peaceful and negotiations for the asset recoveries were favorable. However, the government registered receipts are far below the foregoing projections and are summarized in the below table.

Table-89: Government registered

Sources	2009	2010	2011	2012	2013	Total
Mogadishu Districts	-	-	-	\$2,178	\$32,704	\$34,882
Mogadishu District Court	-	-	-	90	8,682	8,772
Benadir Court	-	-	4,777	9,962	72,830	87,569
High Court	-	-	620	-	8,270	8,890
Total Government Registered	-	-	-	-	-	\$140,113

Source: MoF, OAG, AGO and various sources

The performance was too much below the potential and the projected realizable revenues. The projections are based on the below tabulated assumptions justifications.

⁶⁹ There is a need to restructure the judiciary functional relationship as the way they are currently operating is not in the interest of the litigants. There is no distinction between the high and appeal courts.

⁷⁰ The Diasporas collect the US \$10,000 court fees through merry-go-round contributions. That is a group comes together and contributes to one of them who have a property in the country. The exercise goes through until all the members receive the equivalent contribution.

Box-21: Assumption Justifications

1. The estimated number of diaspora returnees and for the period is about 1,000;
2. The returnees were on progressive numbers (100, 150, 300, 350, and 100);
3. Number 2 above was in respect of progressive security stabilization;
4. The returnees districts settlement are about 6;
5. The returnees' settlement on districts was in various numbers.

The above factors have been considered at arriving, the number of returnees for the period under the review. This is due to scanty details from the government but confirmed by the returnees. The numbers have been spread over the years' cluster, which is further subjected to the relatively progressive securities in the districts. The table below reflects the various levies and taxes paid by the returnees.

The investigation team (reconciliation) executed a market research diaspora returnees and extracted the above tabled numbers and chargeable rates. The numbers differed in size in each of the years and few of them ended up dispensing their cases at the high court. The potential amount registered for the entire period was about US \$19,200,000. The amounts compares sadly with what the government registered provision of about US \$140,113. The deficit arising there from, and as would be confirmed later was omitted by individuals for personal gains. The amount translates into US 19,059,887 (US \$140,113 – US \$19,200,000). The potential revenues are further projected with returnees of about 1,200. Their cases were dispensed at various numbers over the period. The attendance and charges accruable are as shown in the below table.

Table-90: returnees tax payment

DIASPORA RETURNES	District Levy	District Court Fees	Benadir Court Fees	High Court Fees
1. Estimated diaspora returnees were 100 in 2009 a. (6*100*200) b. (6*100*1000) c. (6*100*1000) d. (6*5*10000)	\$120,000	\$600,000	\$600,000	\$300,000
2. Estimated diaspora returnees were 150 in 2010 a. (6*150*200) b. (6*150*1000) c. (6*150*1000) d. (6*15*10,000)	180,000	900,000	900,000	900,000
3. Estimated diaspora returnees were 300 in 2011 a. (6*300*200) b. (6*300*1000) c. (6*300*1000) d. (6*20*10,000)	360,000	1,800,000	1,800,000	1,200,000
4. Estimated diaspora returnees were 350 in 2012 a. (6*350*200) b. (6*350*1000) c. (6*350*1000) d. (6*25*10,000)	420,000	2,100,000	2,100,000	1,500,000
5. Estimated diaspora returnees were 100 in 2013 a. (6*100*200) b. (6*100*1000) c. (6*100*1000) d. (6*35*10,000)	120,000	600,000	600,000	2,100,000
Total	\$1,200,000	\$6,000,000	\$6,000,000	\$6,000,000

Source: MoF, OAG, AGO and various sources

Table-91: projected potential realizable revenues

DIASPORA RETURNEES	District Levy	District Court Fees	Benadir Court Fees	High Court Fees
1. Estimated diaspora returnees were 120 in 2009 a. (6*120*200) b. (6*120*1000) c. (6*120*1000) d. (6*10*10,000)	\$144,000	\$720,000	\$720,000	\$600,000
2. Estimated diaspora returnees were 170 in 2010 a. (6*170*200) b. (6*170*1000) c. (6*170*1000) d. (6*20*10,000)	204,000	1,020,000	1,020,000	1,200,000
3. Estimated diaspora returnees were 320 in 2011 a. (6*320*200) b. (6*320*1000) c. (6*320*1000) d. (6*25*10,000)	384,000	1,920,000	1,920,000	1,500,000
4. Estimated diaspora returnees were 460 in 2012 a. (6*460*200) b. (6*460*1000) c. (6*460*1000) d. (6*30*10,000)	552,000	2,760,000	2,760,000	1,800,000
5. Estimated diaspora returnees were 130 in 2013 a. (6*130*200) b. (6*130*1000) c. (6*130*1000) d. (6*45*10,000)	156,000	780,000	780,000	2,700,000
Total	\$1,440,000	\$7,200,000	\$7,200,000	\$7,800,000

Source: MoF, OAG, AGO and various sources

The disparity between the projected and potential revenue realizable is a surplus of US \$4,440,000 (US \$23,640,000 – US \$19,200,000). However, the disparity between the projected and the government registered revenue is a deficit of US \$23,499,887 (US \$140,113 – US \$23,640,000). The successive governments were in a position to register the potential revenues if not the projected. The potential revenues are further discounted for realization by the government at 25%. Consequently the government would have realized a sum of US \$14,400,000 (US \$19,200,000*75%). This amount was positively confirmed by the reconciliation team in their diaspora research returnees. The revenue funds were substantially omitted from their respective point of sales. The reconciliation provisions are shown in table 90/91.

Conclusion

The High Court (Supreme Court) is the singular most senior legal dispenser in the country. As a result of this the court chargeable rate is effectively higher than the junior courts. This, therefore, would attract a higher tax revenue realization than the rest of the courts. The volume could be lower but whose compensation is supported by the chargeable rates. The amount the High Court registered for the period is about US \$8,890. This is against potential revenue court fees of about US \$6,000,000. The deficit arising therefrom is about US \$5,991,110. The justification for the court revenue source collection cannot be justified in view of statistical evidence in the public domain. The justification for the tax revenue disparities registered by the government could at best be accounted by the personalized financial gains. The factored potential and projected receipts were also far short of realization due to the same interest of personalized gains. Perhaps, the high court tax disparities would be attributed to the current Chief Justice, Aidid Abdullahi Ilkahanaf. The evidence of this is the amount the chief justice embezzled since his appointment in year 2011 and which was about US \$4,700,000. This amount was directly paid to him. The rest of the tax US \$14,500,000 (US \$19,200,000 – US \$4,700,000) was shared between the president, the mayor and the High Court officials. Through the cash payment and the least official court cases registration amount is the application strategy the office uses in concealing their corrupt malpractices. It should be noted that diaspora returnees were not able to receive fair judgment for their asset recovery cases at the junior court level. They appealed their cases all the way to the High Court for envisaged better dispensation.

Other Revenue

The classification of immigration department by the government into other revenues is not justifiably deserved. This is in view of the fact that, the department is a potential revenue earner and as such should be clustered on its own. Indeed, it should be ranked among the top revenue generators. None of the successive governments noted the potentiality and thereby giving it a prominent distinct code. The incumbent government has not taken the initiative of placing the department in its rightful category status. In spite of this, the department is under a micro-management of the president and the responsible head of the immigration, Gaafow. Little is known about the department’s transactions. For example, it is not in public domain how many passports are printed in a year and by whom? The cost of printing as to determining the selling rate is also not known save by the two. The distribution of the same to foreign embassies is also at their exclusive management. The foregoing attributes are based on the singular outsourcing of the passport printing to foreign companies and without any competitive tender committee evaluation.

The government did not register any revenue from the department in 2009. This was not feasibly possible in view of the fact that people were still travelling to foreign countries and as such some revenue must have been registered. The government revenue registered from the immigration department is summarized below.

Table-92: Other government registered revenue

Source	2009	2010	2011	2012	2013	Total
Immigration	-	\$446,122	\$555,000	\$1,090,000	\$2,343,013	\$4,434,135
Appropriation in Aid	-	-	265,100	533,391	1,171,851	\$1,970,342
Pay As You Earn (PAYE)	-	-	1,895	5,650	4,197	\$11,742
Total other revenues	-	\$446,122	\$821,995	\$1,629,041	\$3,519,061	\$6,416,219

Source: MoF and CBS

Notwithstanding the revenue omission for 2009, the subsequent year’s provisions were characterized by inconsistency and whose effect translates into weak public financial accounting. For instance, the growth rate difference between 2011/2010 is over US \$100,000, while 2013/2012 is over US \$1,000,000. In the context, the reconciliation based their revenue turnovers on potential and projected realizable revenues. The assumption justification for the potentials is as follows.

Box-22: Assumption Justifications

1. Number of people travelling per month 1,500
2. Passport price cost US \$100
3. Number of visa 1,000
4. Visa charges US \$50
5. Number of birth certificate 1,000
6. Birth certificate rate US \$5

The above box translates into the annual revenue turnover of about US \$2,460,000, and which is captured below box 23.

Box-23: Revenue sources

Number of people	1500
Passport 1500 * \$100	1500*100*12
Number of visa 1000*\$50	1000*50*12
Number of birth certificate 1000 * \$5	1000*5*12

The subsequent years were factored with a growth rate of about 2%. The potential revenue of US \$2,460,000 was within comfort realization even when there were no accounting checks and balances instituted. The above spread of passport numbers and charges is conservatively factored but yet with a substantial revenue realization. The government failure to realize the same is therefore, not justifiable. However, the projected potential revenue and of about US \$2,583,000 is realizable upon installation of checks and balances control system. The annual growth rate of the projected amount has been factored with 5%. The department five year revenue performances are as shown in below table.

Table-93: Annual growth rate of projected and potential realization

Period	Projection Potential Revenue Receipts	Potential Realizable Revenue Receipts	Government Actual Revenue Registered Receipts
2009	\$2,583,000	\$2,460,000	-
2010	2,712,150	2,509,200	446,122
2011	2,847,758	2,559,384	555,000
2012	2,990,145	2,610,572	1,090,000
2013	3,139,653	2,662,783	2,343,013
Total	\$14,272,706	\$12,801,939	\$4,434,135

Source: MoF and CBS

The government registered revenue in comparison with the potential and the projected reflects a huge disparity of omissions. In respect of the potential revenue realizable the deficit is about US \$8,367,804, while with the projected is about US \$9,838,571. The disparity between the projected and the potential revenue is about US \$1,470,767. In view of this the successive governments were within the potential revenue realization receipts. In the event of extreme difficulties of registration a 75% provision would be within ease, and which translates into US \$9,601,454 (US \$12,801,939 @ 75%).

In view of the above, the amount of immigration revenue the governments were unable to register in either of the potential and projected categories is captured in the below tables.

Table-94: Potential Revenue Loss

	Amount
Potential Realizable Revenue Receipts	\$12,801,939
:Less	
Government Actual Revenue Registered Receipts	\$4,434,135
Sub-Total Misappropriation	\$8,367,804

Source: MoF and CBS

Table-95: Projected Revenue Loss

	Amount
Projection Potential Revenue Receipts	\$14,272,706
Less:	
Government Actual Revenue Registered Receipts	\$4,434,135
Sub-Total Misappropriation	\$9,838,571

Source: MoF and CBS

The government did not account for the potential and the projected source loss revenue omission of about US \$8,367,804 and US \$9,838,571 respectively.

Appropriation in Aid (AiA)

As regards to line ministries, there are isolated revenue sources, some of which are in the form of appropriation in aid. These ministries are shown in the table below. However, the registered revenue amounts are not in direct correlation with the government structures in force. The amounts are relatively low while the potential could be higher. This could be realized if the government instituted structural and effective collection strategies. However, none of the successive government has ever embraced the strategy for enhanced appropriation in aid collection. For example, restructuring ministries/institutions and assigning them appropriation in aid collection targets. Their only primary interest has been the tax collection but with no corresponding service provisions for the citizens and which is largely misappropriated at sources. The appropriation in aid the government registered for the entire period is US \$1,970,342. The breakdown of the registered revenue is shown below.

Table-96: registered revenue (appropriation in aid)

Source	2009	2010	2011	2012	2013	Total
Appropriation in aid	-	-	\$265,100	\$533,391	\$1,171,851	\$1,970,342

Source: MoF and CBS and various other sources

The government did not register any appropriation in aid for the years 2010/2009, while the subsequent provisions were in consistent in view of the fact that the revenues jumped from US \$265,100 in 2011 into US \$1,171,851 in year 2013. In view of this, the reconciliations based on the potential and projected aid revenue realization on the following justifications.

Justification assumption

Table-97: Minimum Accruable per Ministries

Period	Ministries	Minimum accruable per month (AIA)	Annual amount
2009	39	\$20,000	\$240,000
2010	39	\$28,000	\$336,000
2011	18	\$40,000	\$480,000
2012	18	\$50,000	\$600,000
2013	10	\$60,000	\$720,000
Total			\$2,376,000

Source: MoF and CBS and various other sources

Potential AiA realization

The potential aid realizable for the period is about US \$2,376,000 and whose provisions are being conservatively factored as to the bear minimum amount realizable by the each of the ministries. The subsequent years factoring is at a growth rate of 2%. Though the ministries were down scaled from being 39 but into 10 in 2013, their revenue capacities generation remained the same. The reconciliation conservative factoring is evenly spread over the period years and in relationship with the respective ministries potential capacities of the aid realization. In year 2013, the government registered an amount of US \$1,171,851, and which was above the factored potential revenue receipts. The potential realization has been factored with a projected receipt growth of about 5% and which is shown below.

Table-98: Annual growth rate of projected and potential realization

Period	Projection Potential Revenue Receipts	Potential Realizable Revenue Receipts	Government Actual Revenue Registered Receipts
2009	\$2,494,800	\$2,376,000	-
2010	2,619,540	2,423,520	-
2011	2,750,517	2,471,990	265,100
2012	2,888,043	2,521,430	533,391
2013	3,032,445	2,571,859	1,171,851
Total	\$13,785,345	\$12,364,799	\$1,970,342

Source: MoF and CBS and various other sources

The disparities in respect of projected/potential and government registered receipt are a deficit of US \$1,420,546, US \$11,815,003, US \$10,394,457 respectively. In the extreme difficulties of not registering the potential, the government should have at least registered 75% of it and which translates into US \$9,273,599. Consequently, the AiA omitted from realization are shown in the below tables.

Table-99: Potential Revenue Loss

Potential Realizable Revenue Receipts	\$12,364,799
Less:	
Government Actual Revenue Registered Receipts	\$1,970,342
Sub-Total Misappropriation	\$10,394,457

Source: MoF and CBS and various other sources

Table-100: Projected Revenue Loss

Projection Potential Revenue Receipts	\$13,785,345
:Less	
Government Actual Revenue Registered Receipts	\$1,970,342
Sub-Total Misappropriation	\$11,815,003

Source: MoF and CBS

The amount of AiA the governments lost over the period, in respect of potential/projected revenues and in comparison of what was registered is \$10,394,457 and \$11,815,003 respectively.

Pay as Your Earn (PAYE)

The government registered an amount of PAYE for the entire period of US \$11,742. The source of the amount was from the CBS employees. The amount was however, not supported by monthly pay slip tabulation. The line ministries and institutions as well as the private sector employees were not taxed any monthly PAYE. The exemption is not justified as there were no reasons advanced for the support. The PAYE that was registered buy the government is as shown below.

Table-101: PAYE registered for the entire period

Source	2009	2010	2011	2012	2013	Total
PAYE	-	-	\$1,895	\$5,650	\$4,199	\$11,742

Source: MoF and CBS

The PAYE revenue registered is not only relatively low in respect of the employees large size number but also omits years 2010 and 2009. The omission is no justifiable in view of the fact that the government ministries/institutions as well as the private sector were still operational. The reconciliation takes into account the number of civil servants, private sector employees at a chargeable rate of US \$3. The assumption justification for both potential and projected factoring is based on the following.

Box-24: Assumption Justification

- | | |
|--|--------|
| 1. The civil servants/MPs number | 2,500 |
| 2. Military/security personnel | 20,000 |
| 3. Private sector employees (84 companies/300 employees) | 25,200 |
| 4. Chargeable PAYE (Monthly estimated average) | \$3 |

he assumption justification have been factored with a uniform chargeable rate, but which is subject to the salary accruable hence, difference amounts of PAYE tax revenue payable to the government.

Potential PAYE Tax Revenue

The above box translates the PAYE revenue and for each month calendar year for the entire period as US \$1,717,200.

Table-102: PAYE revenue tax payable to the government

Source	Unit Number	Chargeable rates	Monthly	Annually
1 Civil servants	2,500	\$3	\$7,500	\$90,000
2 Security personnel	20,000	3	60,000	720,000
3 Private companies	25,200	3	75,600	907,200
Total	25,500		76,500	\$1,717,200

Source: MoF, CBS and other government information

The growth rate factored on the potential and for subsequent years is 2%, while the projected is 5% as shown in below table.

Table-103: Annual growth rate of projected and potential realization

Period	Projection Potential Revenue Receipts	Potential Realizable Revenue Receipts	Government Actual Revenue Registered Receipts
2009	\$1,803,060	\$1,717,200	-
2010	1,893,213	1,751,544	-
2011	1,987,874	1,786,575	1,895
2012	2,087,267	1,822,306	5,650
2013	2,191,631	1,858,753	4,197
Total	\$9,963,045	\$8,936,378	\$11,742

Source: MoF, CBS and various sources

The disparity deficit are relatively too high and in spite of the potential tax realizable from the employees. The mode of collecting PAYE is the easiest and it would be unimaginable that the government was unable to increase the tax receipts. It is on record that the parliamentarians were being deducted of the same but the remittances were not registered with the CBS. This in effect concludes that the tax was personalized by individuals and for their personal gains. The role of the auditor

general comes into questionable dispute as he has not documented any report findings on the financial anomalies. The amount of PAYE tax the government lost over the period is as shown in the below tables.

Table-104: Potential Revenue Loss

PAYE Tax	Amount
Potential Realizable Revenue Receipts	\$8,936,378
Less:	
Government Actual Revenue Registered Receipts	\$11,742
Sub-Total Misappropriation	\$8,924,636

Source: MoF, CBS and various sources

Table-105: Projected Revenue Loss

PAYE Tax	Amount
Projection Potential Revenue Receipts	\$9,963,045
Less:	
Government Actual Revenue Registered Receipts	\$11,742
Sub-Total Misappropriation	\$9,951,303

Source: MoF, CBS and various sources

The revenue shortfalls registered between the projected and potential receipts is \$9,951,303 and 8,924,636 respectively. If the successive government were unable to register the potential receipts, 75% of it was within realization and which translates into being US \$6,702,284.

Sector Revenue Conclusion

Table-106: Sector Revenue Conclusion 2009/2013

Source	Projected	Potential
Legal Court Diaspora Dispensation (Districts and Courts)	\$23,640,000	\$19,200,000
Immigration	14,272,706	12,801,939
Appropriation In-Aid (AiA)	13,785,345	12,364,799
Pay As You Earn (PAYE)	9,963,045	8,936,378
Sub-total	\$61,661,096	\$53,303,116
Less		
Government Registered Revenues	\$6,556,332	\$6,556,332
Surplus	\$55,104,764	\$46,746,784

The amount of tax revenue the respective governments did not collect over the periods and in relationship to potential/projected is US \$46,746,784 and US \$55,104,764 respectively.

Domestic Revenue Summary

The entire domestic revenue accruable over the period is as shown in the below summarized table 107/108. The table consists of direct government revenue accruable and tax receipts from the private sector and for the entire period. The net result reflects the amounts the governments did not collect as direct revenues and the accruable taxes. The total potential/projected tax revenues the government did not register for the entire period is US \$212,791,450 and US \$237,496,759 respectively. The direct potential/projected revenues and which the respective government were accountable for collection but did not is about US \$259,100,448 and US \$360,840,873 respectively. However, the amount the governments registered in respect of accruable taxes and revenues and for the entire period is US \$161,722,719. The net off of the potential/projected against the government registered receipts is a deficit of US \$310,169,180 and US \$436,614,914 respectively. The reconciliation justification for the governments to have registered the potential if not the projected revenues is through a discounting factor of 25%. This translates into US \$353,918,924 (US \$471,891,898 x 75%) See appendix H. The governments were closer to registering the discounted revenues, if the amount of money, which was used to compromise the leadership, was added back. This would translate into US \$239,422,719 (US \$77,700,000 + US \$161,722,719). The net deficit difference between the two is a narrow margin of US \$114,496,205 (US \$239,422,719 – US \$353,918,924). The difference is far below the revenues which were earlier reported as having been omitted from collection and from their respective point of sales.

Table-107 domestic revenue summary (potential)

Revenue sources	Tax accruable	Direct revenue	Total	75%
Airport	\$37,795,608			
Companies	174,995,842			
Port		178,320,000		
Civil Aviation		27,477,332		
Legal Dispensation		19,200,000		
Immigration		12,801,939		
Appropriation in aid		12,364,799		
Pay As You Earn		8,936,378		
Sub-total	\$212,791,450	\$259,100,448	\$471,891,898	\$353,918,924
Less				
Government registered			\$161,722,719	
Net Surplus/Loss			\$310,169,180	

Source: MoF, CBS and various sources

The discounted tax revenues of US \$353,918,924 would have been generated in each of the five budget years at a rate of US \$70,783,785 (US \$353,918,924/5). Indeed, the government and as at 2013 was slightly higher than the potential in view of her registered domestic receipts of US \$73,561,982. The shortfall is only US \$2,778,197 and which was revenue omitted from their respective point of sales (POS).

Table-108: domestic revenue summary (projected)

Revenue sources	Tax accruable	Direct revenue	Total	75%
Airport	\$42,122,474			
Companies	195,374,285			
Port		268,545,679		
Civil Aviation		30,634,100		
Legal Dispensation		23,640,000		
Immigration		14,272,706		
Appropriation in aid		13,785,345		
Pay As You Earn		9,963,045		
Sub-total	\$237,496,759	\$360,840,873	\$598,337,633	\$448,753,224
Less				
Government registered			\$161,722,719	
Net Surplus/Loss			\$436,614,914	

Source: MoF, CBS and various sources

Bilateral Aid

The successive governments are on record of not having receipted all the bilateral aid support given to the country. The mode of disbursements from the various donors was also questionable as much of the funds were through cash transactions and a few of them were through cheque payments. This is confirmed by the CBS registration transactions and where majority of the external receipts support were not recorded. In the context, the reconciliation undertakes to harmonize the receipted amounts and those which were not. The government records reflects an amount of US \$94,134,542, and which is reflected in the below table. The donor sources are appendixes at the bottom of this report, and which were mainly from the Gulf States.

Table-109: Government/Potential Donor Support Summary

Period	Donors	Government registered receipts	Potential donor support
2009	See Appendix-I		
2010			
2011			
2012			
2013			
Total			\$94,134,542

Source: MoF and CBS and various other sources

According to the reconciliation report, the potential donor disbursements and from all the sources are relatively higher than what the government registered. The above table captures both government and donor support, and for the entire five year period. Potential domestic revenues translate into a sum of US \$497,813,615, which was supported with document evidence. The same can be confirmed through donor circularization confirmation receipts. The net off difference between the two translates into a deficit of US \$403,679,073.

The total domestic and donor support registered by the successive government's amounts into US \$255,857,260 and whose tabulation details are shown below.

Table-110: government, domestic/donor registered receipts 2009-2013

	Amount	%
Domestic registered receipts	\$161,722,719	63%
Donor registered receipts	\$94,134,542	37%
Total registered receipts	\$255,857,260	100%

Source: MoF and CBS

However, the above revenue provisions are not in tally agreement with the reconciliation. The reconciliation provisions are as show below and which are inclusive of all the receipts. The potential domestic revenue is posted net off all accruable taxes.

Table-111: potential domestic/donor registered receipts 2009-2013

	Amount	%
Domestic potential receipts	\$471,891,898	49%
Donor potential receipts	\$497,813,615	51%
Total potential receipts	\$969,705,513	100%

Source: MoF and CBS

The above total amount and of US \$969,705,513 is for the entire five year period but translates into each of the budget calendar being US \$193,941,103 (US \$969,705,513/5). The deficit translates closer to the current year budget (budget 2014), and neither is it far from the provisions of US \$110,400,000 (budget 2010). The close correlation between the two but divertive budget years is a testimony of budget funds mismanagement. The net off between the registered revenue receipts and the potential translates into a shortfall of US \$713,848,253 (US \$255,857,260 – US \$969,705,513) See Appendix - I. The deficit is almost a half of what the government omitted (\$403,679,073) from the external donor support. It should be noted that both the domestic and bilateral support were feasibly realizable. The justification for the domestic revenue is captured under its foregoing chapter topic review. However, further justification is to be found in the interpretation of the bilateral donor support, entitled “diversion of funds” in the next section.

As would be noted in the subsequent report the revenues were largely diverted, and either from revenue registration sources or through irregular payments. A detailed analysis in the comparison of the potential revenues and payments is through expenditure analysis. The table below contrasts the actual government expenditure position for the period. It also isolates the revenue expenditure for budget year 2013.

The government registered revenue receipts for the five year period were about US \$255,857,260. The expenditure for the period was US \$252,675,260. The net off was a credit balance of US \$3,182,000 but which was not captured by the CBS. The expenditure contains two items of erroneous payments and which were:

1. Individual cash payments (US \$156,657,207)
2. Chit money (US \$57,837,183)

The individual cash payments were voucher payment to individuals and which were not supported by any evidence of being genuine government expenditures. The chit money payments were also individually approved and without any supporting material. They were not specified as to whether they were imprest or otherwise and therefore the amount remains to being unaccounted for. The two erroneous payments amount to US \$214,494,390 and which nets off the purported government expenditure into being US \$38,180,870. The total amounts which were not accounted for the period is therefore US \$179,495,520 (US \$214,494,390 + US \$3,182,000 - \$38,180,870). Each of the successive government should be held accountable for their share of US \$217,676,390. See Appendix-J.

2013 Budget

The budget year for 2013 has been isolated from the entire period and for purposes of comparing the incumbent government operational performance with the hitherto transitional governments. The total revenue registered for the year was relatively good and whose receipts monetary values were US \$116,735,473. However, the expenditure was relatively high and in comparison with the revenue receipt registered. The revenue expenditure occasioned a substantial deficit of US \$10,394,828. The deficit was not supported by any records from the CBS. It was therefore difficult to ascertain how the deficit was funded. The expenditure analysis consists of two items of erroneous payment and which are individual cash payments as well as chit money. The two amounted to US \$106,394,608 (US \$98,317,973 + US \$8,076,635). The purported money that was assumed to have been expensed on the government programs is therefore US \$20,735,693. Consequently, the amount of money misappropriated for the year is US \$75,264,087 (US \$106,394,608 + -US \$10,394,828 - US \$20,735,693). The effect of the expenditure from the revenue nets off to a deficit of US \$41,471,386 (\$75,264,087-\$116,735,473). This confirms that the post transitional government is no better in performance than the previous transitional administrations. The details of the two comparisons are shown in below table.

Table -112: government registered and isolation 2013 performance

Government Registered Receipts Performance 2009-2013			2013 (Isolated)- Performance	
Domestic Revenue	\$161,722,719		\$73,561,982	
Bilateral Support	94,134,542		43,173,492	
Sub-total		\$255,857,260		\$116,735,473
Less				
Government Expenditure				
Purported expenditure		\$38,180,870		\$20,735,693
Individualized payment	156,657,207		98,317,973	
Chit (Fadlan) payment	57,837,183		8,076,635	
Sub-total		\$214,494,390		\$106,394,608
Total Expenditure		\$252,675,260		\$127,130,301
Net Surplus/Loss		\$3,182,000		(\$10,394,828)

Source: MoF, CBS and various sources

The government performance for the preceding five years has been further subjected to the potential revenue reconciliation. The two (government registered and reconciliation) performance reflects a big rift of financial disparities. The potential performance and in relationship with the above government registered revenue receipts reflects a deficit of US \$ 713,848,253 (US \$255,857,260 – US \$969,705,513). As would be noted in the below table of potential revenue analysis, the corresponding expenditures are spread into two main streams and which are:

1. Omissions from sources
2. Direct misappropriation

The revenue omissions from sources were ostensibly direct bribes to the Authorities and which were executed in the forms of:

1. Executive waiver subsidies (bribes) (77,700,000)
2. Revenue misappropriated at sources (214,443,662)
3. Revenue misappropriated by the executives (46,746,784)

The above misappropriations totals up to US \$338,890,447 and whose net off from the revenue and of US \$969,705,513 amounts to US \$630,815,067. The misappropriations were all under the undue influence of the successive governments' presidents. The resultant balance was however, not spared from further fraudulent management as it was applied as follows:

1. Cash individual payments US \$156,657,207;
2. Chit money US \$57,837,183.

The total of the two amounts into US \$214,494,390 and which leaves the purported government payments of US \$38,180,870. The overall effect, of the potential revenue expenditure is a surplus of US \$378,139,807 and which was as well not registered by the CBS. The net effect of the revenue and the misappropriations/diversion of funds is about US \$931,524,643 (US \$338,890,447 + US \$214,494,390 + US \$378,139,807).

The five year revenue expenditure performance has been subjected to an isolated analysis of 2013 and which is intended for gauging the incumbent government competencies. The potential revenue for the year was US \$309,289,653 and which was higher than the actual registered government receipts by US \$192,554,180 (\$309,289,653 – US \$116,735,473). The potential revenue was spread into the following:

1. Omissions from sources
2. Direct misappropriation

The revenue omissions from sources were ostensibly direct bribes to the Authorities and which were executed in the forms of:

1. Executive waiver subsidies (bribes) (47,00,000)
2. Revenue misappropriated at sources (24,106,594)
3. Revenue misappropriated by the executives (6,871,848)

The above misappropriations totals up to US \$77,978,442 and whose nets off from the revenue and of US \$309,289,653 amounts to US \$231,311,211. The misappropriations were all under the undue influence of the incumbent presidents. The resultant balance was however, not spared from further fraudulent management as it was applied as follows:

1. Cash individual payments US \$98,317,973;
2. Chit money US \$8,076,635.

The total of the two amounts into US \$106,394,608 and which leaves the purported government payments of US \$20,735,693. The overall effect, of the potential revenue expenditure is a surplus of US \$104,180,910 and which was as well not registered by the CBS. The net effect of the revenue and the misappropriations/diversion of funds is about US \$288,553,960 (US \$77,978,442 + US \$106,394,608 + US \$104,180,910).

Table -113: government registered and isolation 2013 performance

Reconciled Revenue/Expenditure Receipts Performance 2009-2013			Reconciled Revenue/Expenditure Receipts Performance 2013 (isolated)	
REVENUE				
1. Domestic Revenue	\$471,891,898		\$102,336,038	
2. Bilateral Support	\$497,813,615		206,953,615	
Total Revenue		\$969,705,513		\$309,289,653
LESS				
1. REVENUE OMISSIONS FROM SOURCES				
a. Mogadishu Port	59,428,141		(8,616,086)	
b. Aden Adde International Airport	155,015,521		32,722,680	
Sub-total Revenue Misappropriated at Sources		214,443,662		24,106,594
2. DIRECT REVENUE MISAPPROPRIATIONS				
a. Executive tax waiver (bribes)		77,700,000		47,000,000
b. Revenue misappropriated by executives				
i. Legal dispensation	19,059,888		3,297,515	
ii. Immigration	8,367,804		319,770	
iii. Appropriation-in-Aid	10,394,457		1,400,008	
iv. Pay as You Earn	8,924,636		1,854,556	
Sub-total Revenue Misappropriated by executives		46,746,784		6,871,848
Total Revenue Misappropriation		338,890,447		77,978,442
Net Total Revenue		\$630,815,067		\$231,311,211
GOVERNMENTEXPENDITURE				
1. Purported Official Expenditure Payment		38,180,870		20,735,693
2. Individualized Expenditure Payment	142,913,207		93,370,223	
3. Fadlan (Chit) Expenditure Payment	57,837,183		8,076,635	
4. Overseas Travel Scheme Expenditure	13,744,000		4,947,750	
Sub-total individualized Payment		214,494,390		106,394,608
Total Expenditure		252,675,260		127,130,301
Net Surplus/Loss		\$378,139,807		\$104,180,910
Total Diverted Funds (\$338,890,447+214,494,390+378,139,807)		\$931,524,643		\$288,553,960

Source: MoF, CBS and various sources

Diversion of Funds

The total expenditure amount misappropriated over the five year period was therefore, US \$931,524,644. This was shared through different administrations whose revenues and expenditure performance are shown in the below table.

Table-114: Expenditure performance in different administrations

Transitional Federal Government - President Sharif Sheikh Ahmed Administration (2009/2012)					
Period	Prime Ministers	Reconciled Revenue	Registered Revenue	Registered Expenditure	Misappropriation
Feb 2009-Sept-2010	Omer Abdirashid Ali Sharmarke	\$251,618,479	\$40,937,686	\$31,160,191	\$220,458,288
Nov-2010 June-2011	Mohamed Abdullahi Farmaajo	\$108,762,817	\$31,760,706	\$28,033,114	\$80,729,703
July-2011 August-2012	Dr. Abdiweli Mohamed Ali Gas	\$300,034,564	\$66,423,396	\$66,351,653	\$233,682,911
Post-Transitional Federal Government - President Hassan Sheikh Mohamud Administration 2012 - present					
October 2012 - Dcember 2013	Abdi Farah Shirdon	\$309,289,653	\$116,735,474	\$127,130,301	\$182,159,352
Total		\$969,705,513	\$255,857,262	\$252,675,259	\$717,030,254
Add					
Individualized Cash Payments					\$214,494,390
Grand Total					\$931,524,644

Source: MoF, CBS and various sources

The misappropriation of US \$931,524,644 took different avenues of unaccounted expenditures. The presidents for the period under review (Sharif Sheikh Ahmed and Hassan Sheikh Mohamud) undertook direct control of all the revenue realization as well as expenditures of their own choice. The respective prime ministers had little command on the management of the public finances, hence, their inability to control them. The presidents shared common Islamic thoughts (Ala-Sheikh, Dum Jadid, Al-Ictisam, Al-Islah, Al-Itihad, and Al-Shabab) and which was in contrast with the prime ministers as they were secularists. The diversity of the thoughts denied them from formulating a shared strategic policy plan for the country. Indeed, the presidents had a firm belief of sustaining the current status through insurgency funding. This thought was within the knowledge of the prime ministers and the few who dared to challenge the presidents were instantaneously sacked from their offices. The two prime ministers belonging to Marehan clan (Mohamed Abdullahi Farmaajo and Abdi Farah Shirdon) were subservient, weak and incompetent, while the other two

Majertein clan (Omer Abdirashid Ali Sharmarke and Dr. Abdiweli Ali Gas), were weak, incompetents but not subservient (see Table-114). The presidents were funding the insurgent from the misappropriated funds. The insurgent funding was not only within the capital of Mogadishu but all over the country, in particular the southern part. The funding source was the diversion of the domestic and bilateral support. Essentially, none of the Prime of Ministers was courageous enough to question the funds misappropriations. The source of the bilateral funding was from the Arabian countries while the domestic was mainly from the capital and where the presidents' clan was in massive inhabitation. The major revenue streams earners were Mogadishu port, Aden Adde International Airport, civil aviation, companies, Mogadishu districts and its courts, immigration, appropriation in aid, and PAYE). Again, this demonstrates the former Prime Ministers' incompetence given they were unable to draw revenue from their own constituency; all of the revenue was received from the capital.

The total reconciliation revenue and from both domestic and donor support is about US \$931,524,644. Through investigations this amount was diverted to the below table activities.

Table-115: Diversion of domestic and bilateral support

1. Islamic Insurgency (Al-Shabab, Al-Sheikh, Al-Islah, Duma Jadid, Ahlu-Sunna Wajama)	\$465,762,322	50%
2. Local Islamic Charitable Organization & NGOs	\$46,576,232	5%
3. Investment in Foreign Countries	\$279,457,393	30%
4. Cheque Encashment Commissions	\$139,728,697	15%
Total Misappropriated Funds	\$931,524,644	100%

Source: Investigation through various sources

The intensified funding of Al-Shabab was intended for sustaining the turmoil status and thereby protecting the long tenure office term of the presidents. The recruitment centres of the youth insurgence of Mogadishu are five districts. These are (1) Kahshiiqaaleed, Abdiasis, Medina, Boondheere and Wardhiigleey). This was a dupe to the international community to continued funding for reversing the instability trend but which was supported by the presidents' underground movement (Duma Jadid, Ala-Sheikh, Al-Islah, Al-Itihad, Al-Ictisam, Ahlu-Sunna Waljama'a and Al-Shabaab). For example, where the telecommunication and hawala offices are located, the insurgencies are in full control of their public security protection, in view of the fact that they are a primary source of their income (a major source of income misappropriation for their funding). This is against the western concept of thinking that once the Islamist is appointed as head of state, he will have the capacity to dismantle the entire opposing hierarchy, but on the contrary intensifies the insurgency turmoil. The quantification of the sum of US \$465,762,322 is based on the following public evidence:

Table-116: Islamic Insurgency Allocation

5. Somali National Army defection to Al-Shabab for better benefits	\$139,728,697	30%
6. Weaponry purchases	\$232,881,161	50%
7. Training costs	\$93,152,464	20%
Total	\$465,762,322	100%

Source: investigations through various sources

The local Islamic charitable organizations were funded with a sum of US \$46,576,232 over the entire period under review. The primary intention of the funding was for recruitment and indoctrination of the locals for radicalization and as a validation support for the continued political sectarian turmoil.

Table-117: Local Islamic NGOs allocations

1. Recruitment	\$2,328,812	5%
2. Seminar indoctrination costs	\$23,288,116	50%
3. Scholar indoctrination fees	\$13,972,870	30%
4. Moral support trainees support	\$6,986,435	15%
Total Local Islamic Charitable organization	\$46,576,232	100%

Source: Investigations through various sources

The security funding by the government and the Arab countries is summarized in the below table. However, it should be noted that the government was funding two parallel security forces, which are the national army as well the insurgencies. Indeed, the insurgencies took the lion share of the government funding. The source of funding was through the public funds misappropriated from development programmes. The total expenditure for the entire period was US \$512,338,554 and whose contribution ratios were from the Gulf States 91% and the domestic revenue being of 9%. The security funds diversion is about 55% of the entire five year period revenues.

Table-118: Total Islamic Insurgency Allocations

1. Islamic Insurgency	\$465,762,322	91%
2. Islamic Charitable Organization	\$46,576,232	9%
Total	\$512,338,554	100%

Source: Investigations through various sources

A sum of US \$279,457,393 was invested in various foreign countries. The investments were essentially engineered by the presidents and their close working associates (One of the main Islamist architect was former Deputy Finance Minister, Mohammed Hassan Aden for the period 2009 to 2013). The management of the investment was through contracted proxy companies. Though, the investments were funded from the public funds, which were misappropriated from the government coffers. The investments funding never benefited the citizens in anyway but individuals. The rationale behind the investment funding was also to create a source of income for funding the insurgencies. The countries for the foreign investments are Dubai, Southern Sudan and South Africa. Their respective share of investment is as shown below.

Table-119: Favorable investment destination

1. Dubai	\$139,728,697	50%
2. Kenya	\$83,837,218	30%
3. South Africa	\$27,945,739	10%
4. South Sudan	\$13,972,870	5%
5. Turkey	\$8,383,722	3%
6. Zambia	\$4,191,861	1.5%
7. Uganda	\$1,397,287	1%
Total	\$279,457,393	

Source: Investigations through various sources

A sum of US \$139,728,697 was a commission payment to Mr. Jumaale. This amount was deducted from a government cheque for the purpose of cashing out the cheque given there was no bank in Somalia that could disburse such an amount. Mr. Jumaale was a close confidant of the president of Djibouti, Omer Guelleh and he is a proprietor of the biggest telecommunication (Hormud) investment in Somalia and Salaama Bank. Mr. Jumaale was for many different occasions the middleman contact for cheque transactions. Mr. Jumaale was banned from international travelling by UN but found comfortable refuge from the government of Djibouti. That was the beginning of his engagement with the president as he had acquired a local passport for travels within the Gulf States. The process entailed that whenever the country was given a grant cheque he would give cash against the spelled amount. The commission payment over the last five years was part of the misappropriated funds from Somalia. Mr. Jumaale was a proxy of the president of Djibouti in sharing the accruable cheque encashment commission prior to the net amount banking into the CBS. The cumulative amount for the period is estimated at being US \$139,728,697. Perhaps that is why the president of Djibouti continues to escalate Somalia's instability through the respective Somali presidency and by fanning clan confrontations and thereby sustaining status quo for personalized financial gains.

In spite of the amount of money the respective government leadership misappropriated over the period, the former President Sharif Sheikh Ahmed and Prime Minister Abdi Farah Shirdon were provided with comfortable presidential household/assorted benefits by UAE. This trend is within the full knowledge of the international community and whose interventionary measures are yet to be taken. How long will this take? This is in view of the fact that such leaders misappropriated funds of their country and instead of being punished are materially comforted. Indeed, the African concept of good governance reward by Dr. Mo Ibrahim is put into total contrast. The citizens are begging the participative and watchful monitoring of the budget management from the international community. The big question is how long would the country sustain the revenue expenditure bottomless funding?

Conclusive remarks on domestic/bilateral revenue

The conclusive evidence analyzed from the foregoing budgetary management exposure is that:

1. That the government has a relatively adequate capacity of domestic revenue generations;
2. The revenue capacities are, however, hindered by dysfunctional office institutional structures;
3. The executive offices have not developed a budgetary framework for efficient revenue and expenditure control;
4. The complexity of top government officials getting involved with revenue officers' source collections is characterized by massive corruption and worst of all in the year of post transitional government (2013).

8. THE WAY FORWARD

Various internal and often external forces have led to the mismanagement of Somalia's public resources. Some of these forces include deliberate looting of state coffers and thriving corruption due to negligence or lack of interest by many. In most cases, lack of oversight and monitoring created conditions for various clans and religious groups, among others with their own interests, to appropriate public funds for their own use. Donors (Gulf countries) supposedly keen on supporting Somalia's peace and reconciliation efforts, inadvertently ended up perpetuating the status quo. Most importantly, there was no real political will on the part of successive governments to improve governance in particular, public financial management.

After decades, the international community has of course become effective in some areas of development, such as the establishment of a constitution and improvements in the security sector, but still fails to insist on transparency and accountability in the use of public funds (including its own contributions). Successive Somali governments have taken advantage of this, failing to enhance their public financial management systems. Both the Somali government and the international community must change their terms of engagement and put in place benchmarks that will need to be reached within a specified period.

Public financial management is a strategic tool, which is a key to establishing political and economic stability in Somalia. Much of the previous funding (domestic and donor) was diverted towards creation of insurgencies. This demonstrates that until now, the financial management strategy used in the last 13 years in the country has had no significant impact, which is why a different, holistic approach is necessary. There needs to be a consistent monitoring of the donor funding and how exactly it is being used. This means checking every area of governance, especially insurgencies (Al-Ictisam, Al-Islah, Dum Jadid, Ala-Sheikh and Al-Shabab), which have political, economic, social and military branches. Table-115 shows 55% of donor funding is allocated to Islamists causes therefore it is essential that this bulk of funding be closely monitored at all times. This means exposing and overseeing each branch's leadership and assigning the Financial Governance Committee (FGC) to lead the oversight. The Islamist leaders in each branch are outlined in the appendix K.

The interventionary measures for the entire period of the TFG were intended to keep the state slightly above water level. So misappropriation of the public funds as well as ineffective structural management was still endemic. The solution to the country's ailment lies within short and long-term strategic management, which must be safeguarded from national elections campaigns. *The "presidential and parliamentary" elections should be held on the calendar schedule of 2016. However, the national elections of "one-man-one vote" should be annulled into 2020.* As a result of this, the government, UN and the international community should immediately institute an advisory board for the transformation policy guidelines. The board composition would be constituted by former African and Western heads of state. After, the advisory board assents the transformation policy, steering committee would be appointed by them for formulating and implementing the transformation structures. The steering committee shall also consist of local and Western professional experts on transformation processes. The process shall therefore, be not singular driven but multi-sectorial interest enforcement. The suggested composition of both the advisory board and the steering committee is shown in table 120. The envisaged qualification of the steering committee though not limited thereto is as shown below:

- a. Scholars and practitioners of the respective subjects;
- b. Experienced members from the states and federal government;
- c. Local pressure groups, religious, elders and traditional leaders; and
- d. Youth inclusive of gender and community based organization.

For the project to be easily adapted in the country, it would be imperative that the director is selected through consensus nomination. The UN and the government shall ensure the following:

- a. That the steering committee is independent from either the government or the UN;
- b. That the committee membership composition to being above public integrity (professionally and training background); and
- c. That the committee calendar performance shall be within six years of contract (2014-2020).

Transformation Budget

The committee operational budget should be outsourced from the Brussels donor pledges of about US \$2.4 billion as well as the AU and IGAD. The outsourcing of the budget from a third party alternative would be to further ensure the committee's independence from being manipulated by the programme sponsors (Federal Government and UN).

The committees' scope mandate for the transformation shall among other things address the following primary issues for facilitating the transformations:

- a. Comprehensive constitutional policy structural transformation;
- b. Comprehensive legal transformation;
- c. Comprehensive economic policy structural transformation;
- d. Comprehensive social policy structural transformation;
- e. Comprehensive policy structure on reconciliations; and
- f. Comprehensive policy on repatriations.

The scope item analysis is as shown below.

Constitutional Governance Transformation Process

The process would require addressing some immediate challenges. The challenges, which are expected to be addressed before 2016 are as follows:

1. Development of the Members of Parliament operational structures;
 - i. Creating office structures for research and constituent representation, etc.;
 - ii. Sensitization of Members of Parliament relationship with executives;
 - iii. Strengthening the various Parliamentary Committees.
2. Government institutional structures for operational efficiencies;
 - i. Establishing intra/Inter-ministerial functions;
 - ii. Strengthening civil servants and capacity building;
 - iii. Initiating the structures for a federal government.

Legal transformation

- i. Commercial laws;
- ii. Financial laws;
- iii. Extractive laws;
- iv. Immigration laws;

- v. Labour laws;
- vi. Maritime wealth laws;
- vii. Sharia/civil/common laws; and
- viii. Environmental laws

Economic Governance Transformation

In regards to the economic transformation, development of transparent accounting control systems would be imperative for safeguarding public funds.

- a. Mapping out the country resources;
- b. Development project programmes prioritization;
- c. Trade/commercial inter-linkages;
- d. Developing the country's fiscal policy;
- e. Drawing the country's national budget;
- f. Gender responsive budgeting initiatives through clan conflict resolution training;
- g. Development of procurement systems for goods and services;
- h. Development of terms and conditions for the civil servants (payroll monetary values); and
- i. Government asset inventory structures.

Social Transformation

The immediate challenges to the social transformation would entail the following:

- a. Civic education for arresting clan balkanization;
- b. Civic education for creating a unitary federal states; and
- c. Civic education for states and federal cohesiveness.

Reconciliation Transformation

The country's reconciliation process poses a much greater challenge in Somalia than in other African countries. Rwandan and South African reconciliation was driven on a transparent and honest admission of atrocities among other things. The recognition of the atrocities and its culprits was in itself enough to promote cohesive harmonization. In the Somali case however, the major difference lies in Islamic indoctrination, which is used to fuel clanism in the country. The infusion of clan and religion is further complicated by the massive support from the Arab countries through funding. The above-mentioned obstacles can only be resolved through extensive training and experience and therefore require special attention.

Repatriation Transformation

Repatriation of Somalis in the neighboring countries would require:

- a. Interview sieving as to their identification particulars;
- b. Establishing joint security committee for interview sieving of insurgents (ASWJ, Al-Islah, Al-Itihad, Al-Shabab, etc.); and
- c. Government guaranteed public safety for the returnees (Somali government as well as UN).

The successful realization of the short gaps would necessitate the following:

- a. Physical site centralization of the government organs and thereby paving safe accessibility by all the implementers (Donors and the UN); and
- b. Development of effective governance structures, which would protect the office tenure of political and civil leadership. This would ensure uninterrupted office tenure performance.
- c. Regular joint meetings between the donors and the government. The meetings should be of inclusive representation as opposed to the current status of being at the presidential levels.

The entire above process would however, require the cabinet and parliamentary approval for its formulation, implementation as well as budget funding.

Advisory Board/Steering Committee Functions

The committee programme transformation development for the country's blue print would be discussed at four levels of management. The first level shall be at the steering committee director chairmanship. This shall involve internal technical evaluations from the desk/field research experts. The second level of management shall be at the chairmanship of the prime minister. The composition shall also involve the steering committees' director submission. The third level shall be between the president, the premier and the cabinet. The fourth level of approval shall be by the advisory board. However, the advisory board shall be kept informed of all the meetings deliberation status through the minute's circularization.

Long-term Transformation

After the advisory board approval of the transformation policy blue print, the steering committee would be further mandated to submit the draft for national referendum debate. The national debate would determine the fate of the structures, as the public would be expected to amend or adapt the entire draft. This final referendum would therefore require final presidential assent and thereby subjecting it for parliamentary legislation approval act.

The Selection of Key Players

Because many of the countries' religious leaders lack the credentials and experience to take part in government, it is imperative to select national leaders according to recognized qualifications. Religious leaders are often against foreign (especially Western) input, although the cooperation between foreign and local bodies is a must for the development required for this failed state. Essentially, foreign assistance would level out the leadership playing field between Islamist and secular leaders since the latter has been marginalized in political affairs.

Moreover, the international community who has been based in Nairobi, have inadvertently strengthened this pattern by funding ineffective local NGOs, who too often misemploy the funds intended for development. Take for instance, Center for Research and Dialogue (CRD) who is funded by Somali Stabilization Fund (SSF) and Finnish Church Aid (FCA). Its Director, Jibril belongs to Abgaal clan, the same clan who holds most power in Mogadishu, the capital city. In his claims to stand for clan reconciliation, and peace-building dialogue, the CRD Director failed to address the major displacement among citizens of various clans (including Hawiye) who many have lost property to the Hawiye clan. This would have been a great opportunity for clan reconciliation in the capital but given this issue was never even addressed, how can this same man be expected to run a mission in Bay, Bakool and Lower Shebelle as suggested by the international community.

For the past 13 years, Somalia's leaders deliberately neglected the country's political structure. Many of them used their power to further their own personal interests, which often involved money laundering under the pretense of development work. Until today, many of the major government sectors aren't under the control of the central administration, instead being funded and controlled by private donors. For instance the development of the Health sector, the Education sector and the Justice and Security sector, have consequently suffered given these institutions are funded by governments and individuals with vested interests in the country (Gulf nations). This has also affected the revenue-generating sectors (port and airport), which have become clan enclaves due to the leaders opportunistic mindset. These same leaders who are getting away with the above-mentioned corruption are using this leeway to manage natural resources (energy sector) in the same way the port and airport are currently being controlled. The citizens, who fail to check the administration on counts of dishonesty, make all of this possible. Moreover, the international

community and [oil companies]⁷¹ has also facilitated this trend given they are aware of these actions but fail do anything about it.

In order to defeat the above-mentioned recycling pattern, it is important to select

⁷¹ A cautionary statement to SOMA OIL is to advise them in securing their investment safeguards from both the federal government, respective state government and above all the local community. This is an insurance cover that shall protect it from government election changes. The local communities' participation benefits would also be a further safeguard. Perhaps, Soma Oil comprehensive investment safeguards would be covered through a prior structured market research services. In other words, all their prospective investments should be backed up by the research services.

leaders (both local and foreign) carefully, and based on credentials and experience. The individuals mentioned below have extensive experience in various fields, each useful for the development of this failed state. Together, these experts can become important vocal voices in the sectors of socio-economic development, justice and security, public policy, natural resources, immigration and human rights among others. Somalia, the only failed state in the world, has never received guidance from experts of this caliber, although it is in dire need of such an intervention. For this reason, the table 121 below suggests the following experienced, qualified and honorable individuals to take part in the country's development as well as the role they can play in the process.

Table-120: Suggestive Candidates

FEDERAL GOVERNMENT OF SOMALIA

H.E. Hassan Sheikh Mohamud	President of Somalia
H.E. Abdiweli Sheikh Mohamud	Prime Minister of Somalia
H.E. Hussein Abdi Halane	Minister of Finance of Somalia
H.E. Abdullahi Godah Barre	Minister of Interior & Federalism
H.E. Khalif Ahmed Erik	Minister of National Security
H.E. Saed Abdullahi Dani	Minister of Planning & International Cooperation
H.E. Farah Sheikh Abdulkadir	Minister of Justice & Constitutional Affairs
H.E. Bashir Issa Ali	Governor of Central Bank of Somalia

AFRICAN ADVISORY BOARD

H.E. Festus Gontebanye Mogae (Legion d'honneur and Mo Ibrahim Prize for achievement in African leadership)	Former President of Botswana
H.E. Pedro de Verona Rodriguez Pires (Mo Ibrahim Prize for achievement in African leadership)	Former President of Cape Verde
H.E. Joaquim Alberto Chissano (Mo Ibrahim Prize for achievement in African leadership)	Former President of Mozambique
Amina Mohamed Jibril	Foreign Secretary of Kenya
Dr. Tedros Adhanom Ghebreyesus	Minister of Foreign Affairs of Ethiopia
Amina J. Mohamed	Special Advisor of the Secretary-General
Dr. Mohamed "Mo" Ibrahim (A respected international philanthropist)	Businessman, Engineer
Omer Abdi Ali Bayr	Former CEO of Dar-al-Maal al-Islami Trust (DMI Trust)
General Rtd Mahmoud Mohamed	Former Kenya Military Chief of General Staff

WESTERN & EURO ASIAN ADVISORY BOARD

H.E. Martti Ahtisaari (Nobel Prize Winner)	Former President of Finland
Mary Robinson (Sits on the Board of the Mo Ibrahim Foundation)	Former President of Ireland
H.E. Abdullah Gül	Former President of Turkey
H.E. Romano Prodi	Former Italian Prime Minister
Gro Harlem Brundtland	Former Prime Minister of Norway
Julia Gillard	Former Prime Minister of Australia
H.E. Paul Martin	Former Prime Minister of Canada
H.E. Gerhard Schröder	Former Chancellor of Germany
H.E. Dominique de Villepin	Former Prime Minister of France
Isabella Lövin	Swedish Cooperation in the Ministry of Foreign Affairs
Catherine Ashton, Baroness Ashton of Upholland	High Representative of the Union for Foreign Affairs and Security Policy
H.E. Michael Rubens Bloomberg (A respected international philanthropist)	Former Mayor of New York
General Wesley K. Clark	Former NATO's Supreme Allied Commander, Europe

MIDDLE EASTERN & NORTH AFRICAN ADVISORY BOARD

Sheikh Khalifa bin Zayed al Nahyan	President of UAE and Ruler of Abu Dhabi
Sheikh Mohammed bin Rashid al Maktoum	Vice President of the UAE and Ruler of Dubai
Her Majesty Queen Noor of Jordan	King Hussein Foundation
His Highness Al Waleed Bin Talal Bin Abdulaziz Al Saud	Owner of Kingdom Holding Company
Prince Moulay Rachid Ben Al-Hassan	Prince Moulay Rachid of Morocco

UNITED NATIONS REPRESENTATIVE

H.E. Nikolas Kay	UNSRG
Ms. Fatiha Serour	DSRSG
Mr. Jarat Chopra	Coordinator of the UN Monitoring Group

WORLD BANK

Ms. Bella Bird	Country Director for Somalia, Sudan, and South Sudan
Mr. Hugh Riddell	Senior Operations Specialist, World Bank
Mr. Nigel Roberts	World Bank's Designated Representative (FGC)

STEERING COMMITTEE

H.E. Abdullahi Ahmed Addou (Chairman)	Former Finance Minister of Somalia
H.E. Prof. Mohamed Abdi Mohamed (Gandhi)	Former Defense Minister of Somalia
Rakia Omaar	Human Rights Activist & Journalist
Dr. Hawa Abdi Dhiblawe (Mama Hawa)	Dr. Hawa Abdi Foundation
Prof. Mohamed Haji Mukhtar	Prof. Savannah State University

RENOWN WESTERN/ASIAN/SOMALI EXPERTS

Jeffrey Sachs	Director of the Earth Institute at Columbia University
Amal Alamuddin	International Lawyer
Richard Dawden	Executive Director of the Royal African Society
Bronwyn Bruton	Atlantic Council Deputy Director, Africa Center
Prof. Christopher Alden	LSE IDEAS/ Co-Head of the Africa International Affairs Programme
Prof. Kenneth Menkhaus	Prof. Davidson College
Dr. Abdulqawi Ahmed Yusuf	Member of the International Court of Justice (incumbent)
Prof. Michael Weinstein	Prof. Purdue University
Idil Ladane Salah, PhD	International Development Project Advisor - CIDA
Prof. Douglas Yates	Prof. American University of Paris
Yussur A. F. Abrar	Former Governor of Central Bank
Abdirahman Mohamed Abdi Hashi, PhD, CPA	Former World Bank Official
Prof. Abdi Ismail Samatar	Prof. of Geography at the University of Minnesota
Hina Jilani (in 2000 Amnesty International awarded her its Ginetta (Sagan Award)	Human Rights Investigation
Prof. Saskia Sassen	Prof. Columbia University
Prof. Sara Johnsdotter, PhD	Prof. Health and Society/Medical Anthropology
MD. Birgitta Essén	Senior Lecturer Department of Women's and Children's Health, IMCH
General Christopher Leins	Atlantic Council Nonresident Senior Fellow, Africa Center

CONCLUSION

Political management in Somalia has been characterized by the recycling of its leaders, both national and religious. For instance, the former minister of finance Hussein Abdi Halane (Darod), who was first appointed during the Sharif government, was later given a seat as part of the current government (Hassan Sheikh Mohamud). In other countries, this would not have been an issue, but using the same minister who was once implicated in corruption allegations and the misuse of public funds, exemplifies this pattern of continuing to select leaders without any real consideration of their past actions. There is a complete lack of ethics that exists in the political landscape in Somalia, which needs to be restored and maintained in order to see success in the development sector.

In conclusion, the pillage of Somalia can be attributed to a variety of factors and vested interests, all of which have colluded to promote instability in the country and perpetuate the status quo. On its part, instability has helped these vested interests to continue with the pillage. Instability and lack of proper public finance management have allowed Somali politicians, Islamists and warlords to line their pockets with public resources, and use some of the funds to sponsor their own militia. Business cartels and entrepreneurs take advantage of the instability to evade taxes. Local NGOs (often referred as local partners) use the excuse of instability to gain contracts with international development partners, who are unwilling to send their staff to insecure areas within Somalia. Instability allows development partners and the international

community to turn Somalia into a never-ending project and fund-raising opportunity. Most international development partners deal directly with the various regions without going through the central government, thereby perpetuating divisions. Some countries and oil companies with interests in Somalia's natural resources are using instability to gain undue advantage in gaining contracts and concessions [Soma Oil]. Arab countries with an Islamic agenda have used the instability to radicalize Somalis and export a version of Islam that they are not willing to practice at home. Meanwhile, journalists, both local and foreign, have failed to understand the real reasons for instability in the country, and continue with their sensationalist and narrow reporting, which obscures the reality about Somalia; many foreign journalists have found a "niche" in this clan-oriented society. Last but not least, Islamic insurgencies – Dam Jadid, Al-Ictisam, Ala-Sheikh, Al Islah, Ahlu Sunna Wajama and the infamous Al Shabaab is using instability to perpetuate its terrorist agenda. The only losers in this game are the Somali people.

The ultimate responsibility of ensuring that Somalia is peaceful and prosperous rests solely with the Somali people. Unfortunately, as this report shows, Somalis have proved to be their own worst enemy, and have often colluded with their own nationals and foreigners to loot public coffers and deprive the Somali people of their right to education, health, security, justice and a decent life. Often clan-based interests supersede national interests, thereby creating unnecessary divisions.

APPENDIX

Appendix-A

5 Years of Reconciliation Budget Variation Cluster

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Revenue															
Domestic Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,297,465	\$ 89,571,014	\$ 94,865,634	\$ 98,821,747	\$ 102,336,038	\$ 471,891,898
Donors Support	-	-	-	-	-	-	-	-	-	42,875,000	32,875,000	122,660,000	92,450,000	206,953,615	\$ 497,813,615
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	129,172,465	122,446,014	217,525,634	191,271,747	309,289,653	\$ 969,705,513
Recurrent Expenditure															
Administration & General Services	-	-	-	-	-	-	-	-	-	\$ 13,620,000	\$ 16,620,000	\$ 19,760,000	\$ 21,570,000	\$ 48,900,000	\$ 120,470,000
Security Services	-	-	-	-	-	-	-	-	-	12,286,618	13,882,788	16,229,542	14,395,289	113,029,420	\$ 169,823,657
Justice Services	-	-	-	-	-	-	-	-	-	800,000	1,200,000	1,650,000	1,800,000	5,200,000	\$ 10,650,000
Economic Services	-	-	-	-	-	-	-	-	-	2,304,000	4,608,000	2,490,899	2,268,189	6,397,949	\$ 18,069,037
Social Services	-	-	-	-	-	-	-	-	-	2,016,000	4,032,000	4,283,580	5,809,000	8,500,000	\$ 24,640,580
Other Expenditures	-	-	-	-	-	-	-	-	-	-	6,819,423	10,283,482	10,661,986	13,178,244	\$ 40,943,135
Contingency	-	-	-	-	-	-	-	-	-	2,000,000	2,000,000	4,000,000	4,000,000	6,000,000	\$ 18,000,000
Total Recurrent Expenditure	-	-	-	-	-	-	-	-	-	33,026,618	49,162,211	58,697,503	60,504,464	201,205,613	\$ 402,596,409
Capital Expenditure															
Administration & General Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	-	-	-	-	-	-	-	-	-	33,026,618	49,162,211	58,697,503	60,504,464	201,205,613	402,596,409
Surplus/Deficit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,145,847	\$ 73,283,803	\$ 158,828,131	\$ 130,767,283	\$ 108,084,040	\$ 567,109,104

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3%

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42%

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0%

42%

58%

Government budget cluster variation

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Revenue															
Domestic Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,895,832	\$ 16,650,954	\$ 23,572,709	\$ 33,041,242	\$ 73,561,982	\$ 161,722,719
Donor Support	-	-	-	-	-	-	-	-	-	2,875,000	6,515,900	34,900,864	6,669,286	43,173,492	\$ 94,134,542
Total Revenues	-	-	-	-	-	-	-	-	-	17,770,832	23,166,854	58,473,573	39,710,528	116,735,473	\$ 255,857,260
Recurrent Expenditure															
Administration & General Services	\$ -	-	-	-	-	-	-	-	-	\$ 3,667,000	\$ 5,157,325	\$ 38,385,805	\$ 21,112,536	\$ 39,724,303	\$ 108,046,969
Security Services	-	-	-	-	-	-	-	-	-	6,143,309	13,882,788	6,828,436	9,828,870	57,910,076	\$ 94,593,479
Justice Services	-	-	-	-	-	-	-	-	-	36,000	14,135	826,886	610,580	3,809,975	\$ 5,297,576
Economic Services	-	-	-	-	-	-	-	-	-	252,000	98,945	2,490,899	2,268,189	6,544,910	\$ 11,654,943
Social Services	-	-	-	-	-	-	-	-	-	972,000	56,545	954,609	604,129	2,105,299	\$ 4,692,582
Other Expenditures	-	-	-	-	-	-	-	-	-	-	815,144	5,141,741	5,332,087	11,035,738	\$ 22,324,710
Contingency	-	-	-	-	-	-	-	-	-	-	65,000	-	-	6,000,000	\$ 6,065,000
Total Recurrent Expenditure	-	-	-	-	-	-	-	-	-	11,070,309	20,089,882	54,628,376	39,756,391	127,130,301	\$ 252,675,259
Capital Expenditure															
Administration & General Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	-	-	-	-	-	-	-	-	-	11,070,309	20,089,882	54,628,376	39,756,391	127,130,301	252,675,259
Surplus/Deficit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,700,523	\$ 3,076,972	\$ 3,845,197	\$ (45,863)	\$ (10,394,828)	\$ 3,182,001
TOTAL NET EFFECT															563,927,103

100%

42%

37%

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5%

2%

9%

2%

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Appendix - A

Government budget cluster variation

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Revenue															
Domestic Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,895,832	\$ 16,650,954	\$ 23,572,709	\$ 33,041,242	\$ 73,561,982	\$ 161,722,719
Donor Support		15,000,000						32,000,000		2,875,000	6,515,900	34,900,864	6,669,286	43,173,492	141,134,542
Total Revenues	-	15,000,000	-	-	-	-	-	32,000,000	-	17,770,832	23,166,854	58,473,573	39,710,528	116,735,474	302,857,261
Recurrent Expenditure															
Administration & General Services	\$ -	\$ 9,806,433	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,732,407	\$ -	\$ 3,667,000	\$ 5,157,325	\$ 38,385,805	\$ 21,112,536	\$ 39,724,303	\$ 125,585,809
Security Services	-	110,000	-	-	-	-	-	3,665,204	-	6,143,309	13,882,788	6,828,436	9,828,870	57,910,075	98,368,682
Justice Services	-	-	-	-	-	-	-	-	-	36,000	14,135	826,886	610,580	3,809,975	5,297,576
Economic Services	-	-	-	-	-	-	-	-	-	252,000	98,945	2,490,899	2,268,189	6,544,910	11,654,943
Social Services	-	-	-	-	-	-	-	-	-	972,000	56,545	954,609	604,129	2,105,299	4,692,582
Other Expenditures	-	4,972,545	-	-	-	-	-	14,136,706	-	-	815,144	5,141,741	5,332,087	11,035,739	41,433,962
Contingency	-	-	-	-	-	-	-	-	-	-	65,000	-	-	6,000,000	6,065,000
Total Recurrent Expenditure	-	14,888,978	-	-	-	-	-	25,534,317	-	11,070,309	20,089,882	54,628,376	39,756,391	127,130,301	293,098,554
Capital Expenditure															
Administration & General Services	-	-	-	-	-	-	-	1,452,208	-	-	-	-	-	-	1,452,208
Economic Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	-	-	-	-	-	-	-	1,452,208	-	-	-	-	-	-	1,452,208
Total Expenditure	-	14,888,978	-	-	-	-	-	26,986,525	-	11,070,309	20,089,882	54,628,376	39,756,391	127,130,301	294,550,762
Surplus/Deficit	\$ -	\$ 111,022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,013,475	\$ -	\$ 6,700,523	\$ 3,076,972	\$ 3,845,197	\$ (45,863)	\$ (10,394,827)	\$ 8,306,499

13 Years of Reconciliation Budget Variation Cluster

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Revenue															
Domestic Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,297,465	\$ 89,571,014	\$ 94,865,634	\$ 98,821,747	\$ 102,336,038	\$ 471,891,898
Donors Support	18,000,000	15,000,000	12,000,000	10,000,000	4,000,000	18,000,000	15,000,000	32,000,000	13,000,000	42,875,000	32,875,000	122,660,000	92,450,000	206,953,615	634,813,615
Total Revenues	\$ 18,000,000	\$ 15,000,000	\$ 12,000,000	\$ 10,000,000	\$ 4,000,000	\$ 18,000,000	\$ 15,000,000	\$ 32,000,000	\$ 13,000,000	129,172,465	122,446,014	217,525,634	191,271,747	309,289,653	1,106,705,513
Recurrent Expenditure															
Administration & General Services	\$ 8,000,000	\$ 9,806,433	\$ 6,400,000	\$ 4,500,000	\$ 550,000	\$ 7,900,000	\$ 5,431,200	\$ 7,732,407	\$ 4,789,200	\$ 13,620,000	\$ 16,620,000	\$ 19,760,000	\$ 21,570,000	\$ 48,900,000	\$ 175,579,240
Security Services	2,500,000	110,000	3,000,000	2,460,000	900,000	2,771,500	2,157,800	3,665,204	1,852,200	12,286,618	13,882,788	16,229,542	14,395,289	113,029,420	\$ 189,240,361
Justice Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
Economic Services	-	-	-	-	-	-	-	-	-	2,304,000	4,608,000	2,490,899	2,268,189	6,397,949	18,069,037
Social Services	-	-	-	-	-	-	-	-	-	2,016,000	4,032,000	4,283,580	5,809,000	8,500,000	24,640,580
Other Expenditures	7,000,000	4,972,545	2,500,000	2,800,000	2,100,000	7,168,500	7,200,000	14,136,706	5,894,100	-	6,819,423	10,283,482	10,661,986	13,178,244	\$ 94,714,986
Contingency	-	-	-	-	-	-	-	-	-	2,000,000	2,000,000	4,000,000	4,000,000	6,000,000	18,000,000
Total Recurrent Expenditure	17,500,000	14,888,978	11,900,000	9,760,000	3,550,000	17,840,000	14,789,000	25,534,317	12,535,500	32,226,618	47,962,211	57,047,503	58,704,464	196,005,613	\$ 520,244,204
Capital Expenditure															
Administration & General Services	-	-	-	-	-	-	-	1,452,208	-	-	-	-	-	-	1,452,208
Economic Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	-	-	-	-	-	-	-	1,452,208	-	-	-	-	-	-	1,452,208
Total Expenditure	17,500,000	14,888,978	11,900,000	9,760,000	3,550,000	17,840,000	14,789,000	26,986,525	12,535,500	32,226,618	47,962,211	57,047,503	58,704,464	196,005,613	\$ 521,696,412
Surplus/Deficit	\$ 500,000	\$ 111,022	\$ 100,000	\$ 240,000	\$ 450,000	\$ 160,000	\$ 211,000	\$ 5,013,475	\$ 464,500	\$ 96,945,847	\$ 74,483,803	\$ 160,478,131	\$ 132,567,283	\$ 113,284,040	\$ 585,009,101
NET EFFECT															\$ (576,702,602)

Appendix - B
REQUESTED CONTRIBUTION - DEVELOPMENT PARTNERS

SCENARIO 1

SUPPORT	Amount Required	2009 - 2011 BUDGET			
		Semester 1	Semester 2	Semester 3	Semester 4
Salary Contributions					
TFP (550 MPs)	\$ 3,762,000	\$ 1,980,000	\$ 1,188,000	\$ 594,000	\$ -
Cabinet Members (37 Min & V. Ministers**)	253,080	133,200	79,920	39,960	-
Civil Servants ***	5,694,786	1,898,262	1,898,262	949,131	949,131
Commissions***	1,454,310	484,770	484,770	242,385	242,385
Parliamentary Staff***	108,054	36,018	36,018	18,009	18,009
In-Country Travel	2,160,000	540,000	540,000	540,000	540,000
Rehabilitation*	-	-	-	-	-
Rent Subsidy-Somalia Embassy in Kenya	84,000	21,000	21,000	21,000	21,000
Total	\$ 13,516,230	\$ 5,093,250	\$ 4,247,970	\$ 2,404,485	\$ 1,770,525

* The TFG are to provide a list of buildings which need to be rehabilitated. Thereafter an estimated budget can be included.

** This includes Vice Ministers and the few Ministers who are not MPs. TFG to clarify number of Ministers who are not MPs.

*** Partners contribute 100% in Year1 (S1 and S@) and only 50% on Year 2 (S3 and S4)

CONTRIBUTION BY SOMALIA GOVERNMENT

SUPPORT	Amount Required	2009 - 2011 BUDGET			
		Semester 1	Semester 2	Semester 3	Semester 4
Salary Contributions					
TFP (550 MPs)	\$ 12,078,000	\$ 1,980,000	\$ 2,772,000	\$ 3,366,000	\$ 3,960,000
Cabinet Members (37 Min & V. Ministers**)	812,520	133,200	186,480	226,440	266,400
Civil Servants ***	1,898,262	-	-	949,131	949,131
Commissions***	484,770	-	-	242,385	242,385
Parliamentary Staff***	36,018	-	-	18,009	18,009
Total	\$ 15,309,570	\$ 2,113,200	\$ 2,958,480	\$ 4,801,965	\$ 5,435,925

Scenario 1: 50%, 30%, 15% and 0 (S1 to S4)

REQUESTED CONTRIBUTION - DEVELOPMENT PARTNERS

SCENARIO 2

SUPPORT	Amount Required	2009 - 2011 BUDGET			
		Semester 1	Semester 2	Semester 3	Semester 4
Salary Contributions					
TFP (550 MPs)	\$ 5,940,000	\$ 2,970,000	\$ 1,980,000	\$ 990,000	\$ -
Cabinet Members (37 Min & V. Ministers**)	399,600	199,800	133,200	66,600	-
Civil Servants ***	5,694,786	1,898,262	1,898,262	949,131	949,131
Commissions***	1,454,310	484,770	484,770	242,385	242,385
Parliamentary Staff***	108,054	36,018	36,018	18,009	18,009
In-Country Travel	2,160,000	540,000	540,000	540,000	540,000
Rehabilitation*	-	-	-	-	-
Rent Subsidy-Somalia Embassy in Kenya	84,000	21,000	21,000	21,000	21,000
Total	\$ 15,840,750	\$ 6,149,850	\$ 5,093,250	\$ 2,827,125	\$ 1,770,525

* The TFG are to provide a list of buildings which need to be rehabilitated. Thereafter an estimated budget can be included.

** This includes Vice Ministers and the few Ministers who are not MPs. TFG to clarify number of Ministers who are not MPs.

*** Partners contribute 100% in Year1 (S1 and S@) and only 50% on Year 2 (S3 and S4)

CONTRIBUTION BY SOMALIA GOVERNMENT

SUPPORT	Amount Required	2009 - 2011 BUDGET			
		Semester 1	Semester 2	Semester 3	Semester 4
Salary Contributions					
TFP (550 MPs)	\$ 9,900,000	\$ 990,000	\$ 1,980,000	\$ 2,970,000	\$ 3,960,000
Cabinet Members (37 Min & V. Ministers**)	666,000	66,600	133,200	199,800	266,400
Civil Servants ***	1,898,262	-	-	949,131	949,131
Commissions***	484,770	-	-	242,385	242,385
Parliamentary Staff***	36,018	-	-	18,009	18,009
Total	\$ 12,985,050	\$ 1,056,600	\$ 2,113,200	\$ 4,379,325	\$ 5,435,925

Scenario 2: 75%, 50%, 25% and 0 (S1 to S4)

Appendix-C

Names	Occupation/Expertise	District killed	Date Killed
1. Hon. Mustafa Haji Mohamed	Member of Parliament	Waaberi	23-Sep-12
2. Hon. Sheikh Adan Madeer	Chairman of Financial Standing Committee	Hamarweyne	1-Aug-14
3. Hon. Admiral Mohamed Mohamud Heydh	Member of Parliament Expert on Marine issues	Hamarweyne	3-Jul-14
4. Hon. Saado Ali Warsame	Member of Parliament/Former Singer	Hodan	23-Jul-14
5. Hon. Mohamed Warsame Mohamud (Faisal)	Member of Parliament	Boondheere/Villa Somalia	12-Dec-13
6. Hon. Abdiaziz Issaq Mursal	Member of Parliament	Madina	22-Mar-14
7. Hon. Issaq Mohamed Ali (Rino)	Member of Parliament	Hamarweyne	24-Mar-14
8. Hon. Hussein Abdusalam	Member of Parliament	Buulo Huubeey	
	Roohaan Terror Brigade's Target		
9. Hon. Abdi Ali Hassan	Member of Parliament	Chairman of Parliamentary Electoral Committee	
10. Hon. Abdullahi Coon	Member of Parliament	Survived twice	

Appendix - D

Islamist Organization	Leader	Clan	Dominant Clan	Ideology	Terror Brigade	Business Community			Representatives in Government	
						NGOs/Commercial	Education Sector	Health Sector	MPs	Minister
1. Al-Ictisam	Sheikh Bashir Ali Salad	Habar Gedir (Saleyman)	Darod	Salafi Ideology (Holly war & Dacwa)	Hisbul Islam & Jabha Islamiya	Salaama Bank Hormud Telecom Golis (50%) - Puntland Telesom (50%) - Hargeisa	East Africa University - Puntland Kismayo University Benadir University		15 Abdulkadir Osoble	Ridwan Hirsi Mohamed - Minister of Religious Affairs and Deputy Prime Minister Minister of petroleum - Da'ud Mohamed Omer (Bisile)
2. Al-Islah	Dr. Ali Bashi Rooraaaye	Sheekhaal/backed by Abgaal	Hawiye	Muslim Brotherhood	No terror brigade	Tadaamun (funded by Qatar, Muslim Brotherhood and Kuwait) Towfiq - Puntland Garisa Lodge - East Leigh - Nairobi	Muqdishu University High school across Somalia		10	Minister of Planning - Saed Abdullahi Dani
3. Damu Jadid	Mohamed Osman	Sheekhaal	Hawiye	Muslim Brotherhood	ICU/Roohaan terror brigade	Zamzam Foundation- funded by Qatar	Samad University		30	Former Minister of Interior - Abdikarim Hussein Guled Minister of Justice and Constitutional Affairs - Farah Abdulkadir State Minister of Finance - Abdullahi Ahmed Nur
4. Ala Sheikh	????	Hawiye	Hawiye	Muslim Brotherhood		Heritage	City University		25	Ambassador Qatar - Omer Idriss (Dheere) Minister of State for Presidential Affairs - Hassan Ma'alim Bashir
5. Al Shabab	Godane	Issak	All Somali Clan	Al-Qaida		Secret	Secret	Secret		Secret

Appendix - E

GOVERNMENT REGISTERED REVENUE (DOMESTIC & BILATERAL SUPPORT)

Period	Aden Adde International				Mogadishu				Immigration	Appropriation in aid	Pay As You Earn (PAYE)	Total Domestic Revenue	Bilateral Assistance	Total Revenue
	Mogadishu Port	Airport	Civil Aviation	Companies	Mogadishu Districts	Districts Courts	Benadir Court	High Court						
2009	11,529,563	351,921	-	3,014,348	-	-	-	-	-	-	-	14,895,832	2,875,000	17,770,832
2010	13,169,529	430,164	256,394	2,348,745	-	-	-	-	446,122	-	-	16,650,954	6,515,900	23,166,854
2011	16,866,018	5,317,726	123,691	437,882	-	-	4,777	620	555,000	265,100	1,895	23,572,709	34,900,864	58,473,573
2012	27,050,663	942,418	595,360	2,811,530	2,178	90	9,962	-	1,090,000	533,391	5,650	33,041,242	6,669,286	39,710,528
2013	50,276,086	2,270,981	725,680	16,647,688	32,704	8,682	72,830	8,270	2,343,013	1,171,851	4,197	73,561,982	43,173,492	116,735,474
Total	\$ 118,891,859	\$ 9,313,210	\$ 1,701,125	\$ 25,260,193	\$ 34,882	\$ 8,772	\$ 87,569	\$ 8,890	\$ 4,434,135	\$ 1,970,342	\$ 11,742	\$ 161,722,719	\$ 94,134,542	\$ 255,857,261

Actual Government Registered Revenues Receipts

Sources	2009	2010	2011	2012	2013	Total
Port	\$ 11,529,563	\$ 13,169,529	\$ 16,866,018	\$ 27,050,663	\$ 50,276,086	\$ 118,891,859
Airport	351,921	430,164	5,317,726	942,418	2,270,981	9,313,210
Civil Aviation	-	256,394	123,691	595,360	725,680	1,701,125
Companies	3,014,348	2,348,745	437,882	2,811,530	16,647,688	25,260,193
District	-	-	-	2,178	32,704	34,882
Districts Courts	-	-	-	90	8,682	8,772
Benadir Court	-	-	4,777	9,962	72,830	87,569
High Court	-	-	620	-	8,270	8,890
Immigration	-	446,122	555,000	1,090,000	2,343,013	4,434,135
Appropriation in aid	-	-	265,100	533,391	1,171,851	1,970,342
PAYE	-	-	1,895	5,650	4,197	11,742
Total Domestic Revenue	\$ 14,895,832	\$ 16,650,954	\$ 23,572,709	\$ 33,041,242	\$ 73,561,982	\$ 161,722,719

Potential Realizable Sales Revenue Turnover

Sources	2009	2010	2011	2012	2013	Total
Port	\$ 32,000,000	\$ 32,960,000	\$ 34,900,000	\$ 36,800,000	\$ 41,660,000	\$ 178,320,000
Airport	31,379,760	32,007,355	32,647,502	33,300,452	34,993,661	164,328,731
Civil Aviation	5,280,000	5,385,600	5,493,312	5,603,178	5,715,242	27,477,332
Companies	146,204,000	149,128,080	152,110,642	155,152,854	158,255,912	760,851,488
District	120,000	180,000	360,000	420,000	120,000	1,200,000
Districts Courts	600,000	900,000	1,800,000	2,100,000	600,000	6,000,000
Benadir Court	600,000	900,000	1,800,000	2,100,000	600,000	6,000,000
High Court	300,000	900,000	1,200,000	1,500,000	2,100,000	6,000,000
Immigration	2,460,000	2,509,200	2,559,384	2,610,572	2,662,783	12,801,939
Appropriation in aid	2,376,000	2,423,520	2,471,990	2,521,430	2,571,859	12,364,799
PAYE	1,717,200	1,751,544	1,786,575	1,822,306	1,858,753	8,936,378
Total Domestic Rev	\$ 223,036,960	\$ 229,045,299	\$ 237,129,405	\$ 243,930,793	\$ 251,138,209	\$ 1,184,280,667

Projected Realizable Sales Revenue Turnover

Sources	2009	2010	2011	2012	2013	Total
Port	\$ 48,600,000	\$ 51,030,000	\$ 53,581,500	\$ 56,260,575	\$ 59,073,604	\$ 268,545,679
Airport	32,948,748	34,596,185	36,325,995	38,142,294	40,297,478	182,310,700
Civil Aviation	5,544,000	5,821,200	6,112,260	6,417,873	6,738,767	30,634,100
Companies	153,729,660	161,416,143	169,486,950	177,961,298	186,859,363	849,453,413
District	144,000	204,000	384,000	552,000	156,000	1,440,000
Districts Courts	720,000	1,020,000	1,920,000	2,760,000	780,000	7,200,000
Benadir Court	720,000	1,020,000	1,920,000	2,760,000	780,000	7,200,000
High Court	600,000	1,200,000	1,500,000	1,800,000	2,700,000	7,800,000
Immigration	2,583,000	2,712,150	2,847,758	2,990,145	3,139,653	14,272,706
Appropriation in aid	2,494,800	2,619,540	2,750,517	2,888,043	3,032,445	13,785,345
PAYE	1,803,060	1,893,213	1,987,874	2,087,267	2,191,631	9,963,045
Total Domestic Revenue	\$ 249,887,268	\$ 263,532,431	\$ 278,816,853	\$ 294,619,496	\$ 305,748,939	\$ 1,392,604,987

Appendix E (Continued)

FEDERAL BUDGET REVENUE

GOVERNMENT REGISTERED REVENUE (DOMESTIC & BILATERAL SUPPORT)

Period	Mogadishu Port	Aden Adde International Airport	Civil Aviation	Companies	Mogadishu Districts	Mogadishu Districts Courts	Benadir Court	High Court	Immigration	Appropriation in aid	Pay As You Earn (PAYE)	Total Domestic Revenue	Bilateral Assistance	Total Revenue
2009	11,529,563	351,921	-	3,014,348	-	-	-	-	-	-	-	14,895,832	2,875,000	17,770,832
2010	13,169,529	430,164	256,394	2,348,745	-	-	-	-	446,122	-	-	16,650,954	6,515,900	23,166,854
2011	16,866,018	5,317,726	123,691	437,882	-	-	4,777	620	555,000	265,100	1,895	23,572,709	34,900,864	58,473,573
2012	27,050,663	942,418	595,360	2,811,530	2,178	90	9,962	-	1,090,000	533,391	5,650	33,041,242	6,669,286	39,710,528
2013	50,276,086	2,270,981	725,680	16,647,688	32,704	8,682	72,830	8,270	2,343,013	1,171,851	4,197	73,561,982	43,173,492	116,735,474
Total	\$ 118,891,859	\$ 9,313,210	\$ 1,701,125	\$ 25,260,193	\$ 34,882	\$ 8,772	\$ 87,569	\$ 8,890	\$ 4,434,135	\$ 1,970,342	\$ 11,742	\$ 161,722,719	\$ 94,134,542	\$ 255,857,261

Year 2009															
Revenue Sources	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total Domestic	Bilateral	Total Revenue
1. Mogadishu Port	638,961	893,363	1,039,117	1,758,696	1,341,907	741,464	623,706	468,408	948,770	1,056,039	1,351,262	667,870	11,529,563		
2. Aden Adde Airport	-	-	-	-	-	-	-	-	-	117,307	117,307	117,307	351,921		
3. Civil Aviation	-	-	-	-	-	-	-	-	-	-	-	-	-		
4. Companies	-	-	-	-	700,000	700,000	-	-	-	-	-	1,614,348	3,014,348		
5. Mogadishu Districts	-	-	-	-	-	-	-	-	-	-	-	-	-		
6. Mogadishu Districts Courts	-	-	-	-	-	-	-	-	-	-	-	-	-		
7. Benadir Court	-	-	-	-	-	-	-	-	-	-	-	-	-		
8. High Court	-	-	-	-	-	-	-	-	-	-	-	-	-		
9. Immigration	-	-	-	-	-	-	-	-	-	-	-	-	-		
10. Appropriation in Aid	-	-	-	-	-	-	-	-	-	-	-	-	-		
11. Pay as You Earn	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Domestic Revenue	\$ 638,961	\$ 893,363	\$ 1,039,117	\$ 1,758,696	\$ 2,041,907	\$ 1,441,464	\$ 623,706	\$ 468,408	\$ 948,770	\$ 1,173,346	\$ 1,468,569	\$ 2,399,525	\$ 14,895,832	\$ 2,875,000	\$ 17,770,832

Appendix E (Continued)

Year 2010

Revenue Sources	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Bilateral	Total Revenue
1. Mogadishu Port	856,086	343,478	934,038	1,104,649	1,218,807	350,861	906,483	1,009,364	1,174,488	1,465,497	2,060,760	1,745,018	13,169,529		
2. Aden Adde Airport	-	-	-	-	-	-	-	-	-	143,388	143,388	143,388	430,164		
3. Civil Aviation	-	-	-	-	-	-	-	-	-	-	-	256,394	256,394		
4. Companies	-	-	-	-	-	-	-	400,000	-	49,809	49,809	1,849,127	2,348,745		
5. Mogadishu Districts	-	-	-	-	-	-	-	-	-	-	-	-	-		
6. Mogadishu Districts Courts	-	-	-	-	-	-	-	-	-	-	-	-	-		
7. Benadir Court	-	-	-	-	-	-	-	-	-	-	-	-	-		
8. High Court	-	-	-	-	-	-	-	-	-	-	-	-	-		
9. Immigration	-	-	-	-	-	-	-	-	-	-	-	446,122	446,122		
10. Appropriation in Aid	-	-	-	-	-	-	-	-	-	-	-	-	-		
11. Income Tax	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Domestic Revenue	\$ 856,086	\$ 343,478	\$ 934,038	\$ 1,104,649	\$ 1,218,807	\$ 350,861	\$ 906,483	\$ 1,409,364	\$ 1,174,488	\$ 1,658,694	\$ 2,253,957	\$ 4,440,049	\$ 16,650,954	\$ 6,515,900	\$ 23,166,854

Year 2011

Revenue Sources	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Bilateral	Total Revenue
1. Mogadishu Port	1,405,083	1,006,589	1,318,450	1,565,176	1,425,423	1,338,736	945,695	930,864	1,354,884	2,091,281	1,630,180	1,853,657			
2. Aden Adde Airport	74,227	61,540	98,589	66,620	3,691,519	201,269	121,114	220,960	110,297	445,682	148,619	77,290	5,317,726		
3. Civil Aviation	-	-	-	31,106	-	-	-	-	-	-	41,542	51,043	123,691		
4. Companies	-	-	-	-	-	-	-	-	-	-	237,882	200,000	437,882		
5. Mogadishu Districts	-	-	-	-	-	-	-	-	-	-	-	-	-		
6. Mogadishu Districts Courts	-	-	-	-	-	-	-	-	-	-	-	-	-		
7. Benadir Court	4,000	145	633	-	-	-	-	-	-	-	-	-	4,778		
8. High Court	-	-	-	-	-	-	-	-	-	-	260	360	620		
9. Immigration	-	-	75,000	100,000	50,000	40,000	10,000	60,000	-	100,000	60,000	60,000	555,000		
10. Appropriation in Aid	6,229	8,009	5,862	33,674	6,660	11,789	9,459	13,802	9,506	56,379	74,911	28,820	265,100		
11. Income Tax	-	-	-	206	208	204	222	209	215	-	210	421	1,895		
Total Domestic Revenue	\$1,489,539	\$1,076,283	\$ 1,498,534	\$1,796,782	\$5,173,810	\$1,591,998	\$1,086,490	\$1,225,835	\$1,474,902	\$ 2,693,342	\$2,193,604	\$2,271,591			\$ 58,473,574

Appendix E (Continued)

Year 2012

Revenue Sources	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Bilateral	Total Revenue
1. Mogadishu Port	2,434,652	1,788,078	2,014,831	2,379,530	3,136,406	1,377,100	1,386,033	1,818,030	1,607,262	2,741,488	3,196,972	3,170,281	27,050,663		
2. Aden Adde Airport	66,970	55,391	65,406	55,235	65,651	56,217	65,094	58,397	78,294	215,924	40,806	119,033	942,418		
3. Civil Aviation	39,198	36,487	57,841	42,899	58,405	44,769	56,934	44,801	50,640	50,202	36,425	76,759	595,360		
4. Companies	50,000	-	-	219,000	200,000	-	501,569	253,561	800,000	220,000	278,400	289,000	2,811,530		
5. Mogadishu Districts	220	-	182	-	708	188	678	-	62	-	140	-	2,178		
6. Mogadishu Districts Courts	-	-	-	-	-	-	-	-	-	-	90	-	90		
7. Benadir Court	-	-	-	-	-	-	-	-	-	-	1,360	8,602	9,962		
8. High Court	-	-	-	-	-	-	-	-	-	-	-	-	-		
9. Immigration	60,000	30,000	-	-	153,000	-	137,000	120,000	340,000	-	100,000	150,000	1,090,000		
10. Appropriation in Aid	28,521	10,941	127,190	29,919	44,189	-	63,797	5,970	80,484	18,850	58,520	65,010	533,391		
11. Income Tax	-	1,855	355	366	359	361	359	362	361	363	303	606	5,650		
Total Domestic Revenue	\$2,679,561	\$1,922,752	\$2,265,805	\$2,726,949	\$3,658,718	\$1,478,635	\$2,211,464	\$2,301,121	\$2,957,103	\$3,246,827	\$3,713,016	\$3,879,291	\$33,041,242	\$6,669,286	\$39,710,528

Year 2013

Revenue Sources	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Bilateral	Total Revenue
1. Mogadishu Port	3,095,660	2,396,809	3,374,540	4,982,476	5,165,993	3,625,454	4,436,747	4,622,984	4,562,714	5,182,794	3,404,607	5,425,308	50,276,086		
2. Aden Adde Airport	108,241	89,453	134,655	180,386	210,401	172,744	177,809	199,623	336,955	277,232	153,921	229,561	2,270,981		
3. Civil Aviation	61,942	42,918	51,852	63,433	79,244	93,556	77,745	83,400	85,582	70,805	15,203	-	725,680		
4. Companies	881,470	2,489,976	3,114,120	888,000	1,600,554	1,623,000	1,023,540	902,275	744,800	858,457	854,496	1,667,000	16,647,688		
5. Mogadishu Districts	50	3,538	4,411	9,922	2,815	-	2,626	3,060	852	2,956	415	2,059	32,704		
6. Mogadishu Districts Courts	97	130	532	931	870	771	532	255	914	700	430	2,520	8,682		
7. Benadir Court	8,160	-	15,980	6,120	4,080	4,335	6,970	4,760	3,825	4,200	9,500	4,900	72,830		
8. High Court	820	-	1,300	460	-	620	-	960	1,460	270	500	1,880	8,270		
9. Immigration	100,000	-	200,000	47,000	453,000	397,000	327,112	334,351	84,400	123,800	60,850	215,500	2,343,013		
10. Appropriation in Aid	70,897	50,726	116,954	66,113	114,533	68,203	151,068	81,630	72,131	71,685	220,755	87,156	1,171,851		
11. Income Tax	-	382	440	351	384	384	377	379	-	1,500	-	-	4,197		
Total Domestic Revenue	\$ 4,327,337	\$ 5,073,932	\$ 7,014,784	\$ 6,245,192	\$ 7,631,874	\$ 5,986,067	\$ 6,204,526	\$ 6,233,677	\$ 5,893,633	\$ 6,594,399	\$ 4,720,677	\$ 7,635,884	\$ 73,561,981	\$ 43,173,492	\$ 116,735,473
Grand Total	\$ 9,991,484	\$ 9,309,808	\$ 12,752,278	\$ 13,632,268	\$ 19,725,116	\$ 10,849,025	\$ 11,032,669	\$ 11,638,405	\$ 12,448,896	\$ 15,366,608	\$ 14,349,823	\$ 20,626,340	\$ 161,722,719	\$ 94,134,542	\$ 255,857,261

Appendix F
Companies - government registered receipts

	2009	2010	2011	2012	2013	Total
Commercial Bank						
1. Salama Bank	1,400,000	-	-	-	3,000,000	4,400,000
Sub-total	1,400,000	-	-	-	3,000,000	4,400,000
Hawala Companies						-
1. Dahabshil	1,500,000	2,199,318	-	200,000	4,282,953	8,182,271
2. Amal	-	-	-	50,000	-	50,000
Sub-total	1,500,000	2,199,318	-	250,000	4,282,953	8,232,271
Telecom Companies						
1. Hormud	-	-	-	673,000	945,775	1,618,775
2. NationLink	-	-	-	26,561	-	26,561
3. Somafone	-	-	-	23,000	-	23,000
4. SomaTel	-	-	-	-	900,000	900,000
Sub-total	-	-	-	722,561	1,845,775	2,568,336
Fishing Industry						
Somalfish	-	-	-	400	-	400
Sub-total	-	-	-	400	-	400
Hospitality						
Sub-total	-	-	-	-	-	-
SME						
1. Global Internet	-	-	-	6,000	16,500	22,500
3. Tuuryare	-	-	-	5,000	-	5,000
Sub-total	-	-	-	11,000	16,500	27,500
Chamber of Commerce						
1. Chamber of Commerce	-	-	-	85,000	-	85,000
2. Somali Business Community - Dubai	-	-	-	270,000	610,000	880,000
Sub-total	-	-	-	355,000	610,000	965,000
Total Companies	\$ 2,900,000	\$ 2,199,318	\$ -	\$ 1,338,961	\$ 9,755,228	\$ 16,193,507

Appendix - G: Potential/Projected Tax Accruals

POTENTIAL							PROJECTED						
	2009	2010	2011	2012	2013	Total		2009	2010	2011	2012	2013	Total
SALAAMA BANK							SALAAMA BANK						
Companies total potential sales turnover	3,900,000	3,978,000	4,057,560	4,138,711	4,221,485	20,295,757	Companies total projected sales turnover	4,095,000	4,299,750	4,514,738	4,740,474	4,977,498	22,627,460
Less:						-	Less:						-
Chargeable commission	195,900	198,900	202,878	206,936	211,074	1,014,788	Chargeable commission	204,750	214,988	225,737	237,024	248,875	1,131,373
Chargeable administration levies	312,000	318,240	324,605	331,097	337,719	1,623,661	Chargeable administration levies	327,600	343,980	361,179	379,238	398,200	1,810,197
Corporate tax	390,000	397,800	405,756	413,871	422,149	2,029,576	Corporate tax	409,500	429,975	451,474	474,047	497,750	2,262,746
Total tax accruals	897,000	914,940	933,239	951,904	970,942	4,668,024	Total tax accruals	941,850	988,943	1,038,390	1,090,309	1,144,825	5,204,316
Companies net taxation income	3,003,000	3,063,060	3,124,321	3,186,808	3,250,544	15,627,733	Companies net taxation income	3,153,150	3,310,808	3,476,348	3,650,165	3,832,674	17,423,144
HAWALA							HAWALA						
Companies total potential sales turnover	45,000,000	45,900,000	46,818,000	47,754,360	48,709,447	234,181,807	Companies total potential sales turnover	47,250,000	49,612,500	52,093,125	54,697,781	57,432,670	261,086,077
Less:						-	Less:						-
Chargeable commission	2,250,000	2,295,000	2,340,900	2,387,718	2,435,457	11,709,090	Chargeable commission	2,362,500	2,480,625	2,604,656	2,734,889	2,871,634	13,054,304
Chargeable administration levies	3,600,000	3,672,000	3,745,440	3,820,349	3,896,756	18,734,545	Chargeable administration levies	3,780,000	3,969,000	4,167,450	4,375,823	4,594,614	20,886,886
Corporate tax	4,500,000	4,590,000	4,681,800	4,775,436	4,870,945	23,418,181	Corporate tax	4,725,000	4,961,250	5,209,313	5,469,778	5,743,267	26,108,606
Total tax accruals	10,350,000	10,557,000	10,768,140	10,983,503	11,203,173	53,861,816	Total tax accruals	10,867,500	11,410,875	11,981,419	12,580,490	13,209,514	60,049,798
Companies net taxation income	34,650,000	35,343,000	36,049,860	36,770,857	37,506,274	180,319,992	Companies net taxation income	36,382,500	38,201,625	40,111,706	42,117,292	44,223,156	201,036,279
TELECOM							TELECOM						
Companies total potential sales turnover	54,000,000	55,080,000	56,181,600	57,305,232	58,451,337	281,018,169	Companies total potential sales turnover	56,915,460	59,761,233	62,749,295	65,886,759	69,181,097	314,493,844
Less:						-	Less:						-
Chargeable commission	2,700,000	2,754,000	2,809,080	2,865,262	2,922,567	14,050,908	Chargeable commission	2,845,773	2,988,062	3,137,465	3,294,338	3,459,055	15,724,692
Chargeable administration levies	4,320,000	4,406,400	4,494,528	4,584,419	4,676,107	22,481,453	Chargeable administration levies	4,553,237	4,780,899	5,019,944	5,270,941	5,534,488	25,159,508
Corporate tax	5,400,000	5,508,000	5,618,160	5,730,523	5,845,134	28,101,817	Corporate tax	5,691,546	5,976,123	6,274,929	6,586,676	6,918,110	31,449,384
Total tax accruals	12,420,000	12,668,400	12,921,768	13,180,203	13,443,807	64,634,179	Total tax accruals	13,090,556	13,745,084	14,432,338	15,153,955	15,911,652	72,333,584
Companies net taxation income	41,580,000	42,411,600	43,259,832	44,125,029	45,007,529	216,383,990	Companies net taxation income	43,824,904	46,016,149	48,316,957	50,732,805	53,269,445	242,160,260
FISHING INDUSTRY							FISHING INDUSTRY						
Companies total potential sales turnover	30,120,000	30,722,400	31,336,848	31,963,585	32,602,857	156,745,690	Companies total potential sales turnover	31,626,000	33,207,300	34,867,665	36,611,048	38,441,601	174,753,614
Less:						-	Less:						-
Chargeable commission	1,506,000	1,536,120	1,566,842	1,598,179	1,630,143	7,837,284	Chargeable commission	1,581,300	1,660,365	1,743,383	1,830,552	1,922,080	8,737,681
Chargeable administration levies	2,409,600	2,457,792	2,506,948	2,557,087	2,608,229	12,539,655	Chargeable administration levies	2,530,080	2,656,584	2,789,413	2,928,884	3,075,328	13,980,289
Corporate tax	3,012,000	3,072,240	3,133,685	3,196,358	3,260,286	15,674,569	Corporate tax	3,162,600	3,320,730	3,486,767	3,661,105	3,844,160	17,475,361
Total tax accruals	6,927,600	7,066,152	7,207,475	7,351,625	7,498,657	36,051,509	Total tax accruals	7,273,980	7,637,679	8,019,563	8,420,541	8,841,568	40,193,331
Companies net taxation income	23,192,400	23,656,248	24,129,373	24,611,960	25,104,200	120,694,181	Companies net taxation income	24,352,020	25,569,621	26,848,102	28,190,507	29,600,033	134,560,283
HOSPITALITY							HOSPITALITY						
Companies total potential sales turnover	400,000	408,000	416,160	424,483	432,973	2,081,616	Companies total potential sales turnover	420,000	441,000	463,050	486,203	510,513	2,320,765
Less:						-	Less:						-
Chargeable commission	20,000	20,400	20,808	21,224	21,649	104,081	Chargeable commission	21,000	22,050	23,153	24,310	25,526	116,038
Chargeable administration levies	32,000	32,640	33,293	33,959	34,638	166,529	Chargeable administration levies	33,600	35,280	37,044	38,896	40,841	185,661
Corporate tax	40,000	40,800	41,616	42,448	43,297	208,162	Corporate tax	42,000	44,100	46,305	48,620	51,051	252,077
Total tax accruals	92,000	93,840	95,717	97,631	99,584	478,772	Total tax accruals	96,600	101,430	106,502	111,827	117,418	533,776
Companies net taxation income	308,000	314,160	320,443	326,852	333,389	1,602,844	Companies net taxation income	323,400	339,570	356,549	374,376	393,095	1,786,989
SMALL & MEDIUM ENTERPRISES (SME)							SMALL & MEDIUM ENTERPRISES (SME)						
Companies total potential sales turnover	720,000	734,400	749,088	764,070	779,351	3,746,909	Companies total potential sales turnover	756,000	793,800	833,490	875,165	918,923	4,177,377
Less:						-	Less:						-
Chargeable commission	36,000	36,720	37,454	38,203	38,968	187,345	Chargeable commission	37,800	39,690	41,675	43,758	45,946	208,869
Chargeable administration levies	57,600	58,752	59,927	61,126	62,348	299,753	Chargeable administration levies	60,480	63,504	66,679	70,013	73,514	334,190
Corporate tax	72,000	73,440	74,909	76,407	77,935	374,691	Corporate tax	75,600	79,380	83,349	87,516	91,892	417,738
Total tax accruals	165,600	168,912	172,290	175,736	179,251	861,789	Total tax accruals	173,880	182,574	191,703	201,288	211,352	960,797
Companies net taxation income	554,400	565,488	576,798	588,334	600,100	2,885,120	Companies net taxation income	582,120	611,226	641,787	673,877	707,570	3,216,580
CHAMBER OF COMMERCE							CHAMBER OF COMMERCE						
Companies total potential sales turnover	64,000	65,280	66,586	67,917	69,276	333,059	Companies total potential sales turnover	67,200	70,560	74,088	77,792	81,682	371,322
Less:						-	Less:						-
Chargeable commission	3,200	3,264	3,329	3,396	3,464	16,653	Chargeable commission	3,360	3,528	3,704	3,890	4,084	18,566
Chargeable administration levies	5,120	5,222	5,327	5,433	5,542	26,645	Chargeable administration levies	5,376	5,645	5,927	6,223	6,535	29,706
Corporate tax	6,400	6,528	6,659	6,792	6,928	33,306	Corporate tax	6,720	7,056	7,409	7,779	8,168	37,132
Total tax accruals	14,720	15,014	15,315	15,621	15,933	76,603	Total tax accruals	15,456	16,229	17,040	17,892	18,787	85,404
Companies net taxation income	49,280	50,266	51,271	52,296	53,342	256,455	Companies net taxation income	51,744	54,331	57,048	59,900	62,895	285,918
SOMALI BUSINESS COMMUNITY IN DUBAI							SOMALI BUSINESS COMMUNITY IN DUBAI						
Companies total potential sales turnover	12,000,000	12,240,000	12,484,800	12,734,496	12,989,186	62,448,482	Companies total potential sales turnover	12,600,000	13,230,000	13,891,500	14,586,075	15,315,379	69,622,954
Less:						-	Less:						-
Chargeable commission	600,000	612,000	624,240	636,725	649,459	3,122,424	Chargeable commission	630,000	661,500	694,575	729,304	765,769	3,481,148
Chargeable administration levies	960,000	979,200	998,784	1,018,760	1,039,135	4,995,879	Chargeable administration levies	1,000,000	1,058,400	1,113,320	1,168,886	1,225,230	5,569,836
Corporate tax	1,200,000	1,224,000	1,248,480	1,273,450	1,298,919	6,244,848	Corporate tax	1,260,000	1,323,000	1,389,150	1,458,608	1,531,538	6,962,295
Total tax accruals	2,760,000	2,815,200	2,871,504	2,928,934	2,987,513	14,363,151	Total tax accruals	2,898,000	3,042,900	3,195,045	3,354,797	3,522,537	16,013,279
Companies net taxation income	9,240,000	9,424,800	9,613,296	9,805,562	10,001,673	48,085,331	Companies net taxation income	9,702,000	10,187,100	10,696,455	11,231,278	11,792,842	53,609,674
Companies Realizable Sales Turnover							Companies Realizable Sales Turnover						
Companies Names	2009	2010	2011	2012	2013	Total	Companies Names	2009	2010	2011	2012	2013	Total
Salaama Bank	3,900,000	3,978,000	4,057,560	4,138,711	4,221,485	20,295,757	Salaama Bank	4,095,000	4,299,750	4,514,738	4,740,474	4,977,498	22,627,460
Hawala	45,000,000	45,900,000	46,818,000	47,754,360	48,709,447	234,181,807	Hawala	47,250,000	49,612,500	52,093,125	54,697,781	57,432,670	261,086,077
Telecom	54,000,000	55,080,000	56,181,600	57,305,232	58,451,337	281,018,169	Telecom	56,915,460	59,761,233	62,749,295	65,886,759	69,181,097	314,493,844
Fishing Companies	30,120,000	30,722,400	31,336,848	31,963,585	32,602,857	156,745,690	Fishing Companies	31,626,000	33,207,300	34,867,665	36,611,048	38,441,601	174,753,614
Hospitality	400,000	408,000	416,160	424,483	432,973	2,081,616	Hospitality	420,000	441,000	463,050	486,203	510,513	2,320,765
SME													

Appendix - H

	2009	2010	2011	2012	2013	Total
Potential Realizable Sales Revenue Turnover	\$ 223,036,960	\$ 229,045,299	\$ 237,129,405	\$ 243,930,793	\$ 251,138,209	\$ 1,184,280,667
Less: Private Sector Potential Net Taxation Income						
COMPANIES OPERATING AT THE AIRPORT						
1. Contracted Companies						
SKA/FAVORI	10,505,880	10,715,998	10,930,318	11,148,924	11,371,902	54,673,021
Sub-total	10,505,880	10,715,998	10,930,318	11,148,924	11,371,902	54,673,021
2. Private Commercial & Khat Companies						
Turkish Airlines	-	-	-	-	790,944	790,944
KM.50 AIRSTRIP/ADCO	13,656,535	13,929,666	14,208,259	14,492,424	14,782,273	71,069,158
Sub-total Companies operating at the Airport	13,656,535	13,929,666	14,208,259	14,492,424	15,573,217	71,860,102
MAJOR COMPANIES						
Salaama Bank	3,003,000	3,063,060	3,124,321	3,186,808	3,250,544	15,627,733
Hawala	34,650,000	35,343,000	36,049,860	36,770,857	37,506,274	180,319,992
Telecom	41,580,000	42,411,600	43,259,832	44,125,029	45,007,529	216,383,990
Fishing Industry	23,192,400	23,656,248	24,129,373	24,611,960	25,104,200	120,694,181
Hospitality	308,000	314,160	320,443	326,852	333,389	1,602,844
SME	554,400	565,488	576,798	588,334	600,100	2,885,120
Chamber of Commerce	49,280	50,266	51,271	52,296	53,342	256,455
Somalia Business Community in Dubai	9,240,000	9,424,800	9,613,296	9,805,562	10,001,673	48,085,331
Sub-total Major Companies	112,577,080	114,828,622	117,125,194	119,467,698	121,857,052	585,855,645
Total Private Sector Potential Net Taxation Income	136,739,495	139,474,285	142,263,771	145,109,046	148,802,171	712,388,768
Net Government Accruable Revenue Turnover	\$ 86,297,465	\$ 89,571,014	\$ 94,865,634	\$ 98,821,747	\$ 102,336,038	\$ 471,891,898

Appendix - I

5 Years of Government Registered Revenue Summary

	Reconciliation			OAG/Administration			Unaccounted Funds
	Total	Domestic	Donor	Total	Domestic Revenue	Donor Support	
2000	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-
2009	129,172,465	86,297,465	42,875,000	17,770,832	14,895,832	2,875,000	111,401,633
2010	122,446,014	89,571,014	32,875,000	23,166,854	16,650,954	6,515,900	99,279,160
2011	217,525,634	94,865,634	122,660,000	58,473,573	23,572,709	34,900,864	159,052,061
2012	191,271,747	98,821,747	92,450,000	39,710,528	33,041,242	6,669,286	151,561,219
2013	309,289,653	102,336,038	206,953,615	116,735,474	73,561,982	43,173,492	192,554,179
Total	969,705,513	471,891,898	497,813,615	255,857,261	161,722,719	94,134,542	713,848,252

13 Years of Reconciliation Summary

	Reconciliation			OAG/Administration			Unaccounted Funds
	Total	Domestic	Donor	Total	Domestic Revenue	Donor Support	
2000	18,000,000	-	18,000,000	-	-	-	18,000,000
2001	15,000,000	-	15,000,000	15,000,000	-	15,000,000	-
2002	12,000,000	-	12,000,000	-	-	-	12,000,000
2003	10,000,000	-	10,000,000	-	-	-	10,000,000
2004	4,000,000	-	4,000,000	-	-	-	4,000,000
2005	18,000,000	-	18,000,000	-	-	-	18,000,000
2006	15,000,000	-	15,000,000	-	-	-	15,000,000
2007	32,000,000	-	32,000,000	32,000,000	-	32,000,000	-
2008	13,000,000	-	13,000,000	-	-	-	13,000,000
2009	129,172,465	86,297,465	42,875,000	17,770,832	14,895,832	2,875,000	111,401,633
2010	122,446,014	89,571,014	32,875,000	23,166,854	16,650,954	6,515,900	99,279,160
2011	217,525,634	94,865,634	122,660,000	58,473,573	23,572,709	34,900,864	159,052,061
2012	191,271,747	98,821,747	92,450,000	39,710,528	33,041,242	6,669,286	151,561,219
2013	309,289,653	102,336,038	206,953,615	116,735,474	73,561,982	43,173,492	192,554,179
Total	1,106,705,513	471,891,898	634,813,615	302,857,261	161,722,719	141,134,542	803,848,252

APPENDIX - J

Expenditure 2009-2013 (In USS)

CLUSTERS	2009			2010			2011			2012			2013			Grand Total
	Total	Individualized Payment	Purported Official	Total	Individualized Payment	Purported Official	Total	Individualized Payment	Purported Official	Total	Individualized Payment	Purported Official	Total	Individualized Payment	Purported Official	
Administration and General Services	3,667,000	1,027,000	2,640,000	5,157,325	2,546,253	2,611,072	39,096,405	30,949,633	8,146,772	21,621,380	17,574,047	4,047,333	39,365,312	26,866,402	12,498,910	108,907,422
Security Services	6,143,309	6,143,309	-	13,882,788	13,882,788	-	6,828,436	6,828,436	-	9,828,870	9,828,870	-	57,910,076	49,673,293	8,236,783	94,593,479
Justice Services	-	-	-	-	-	-	-	-	-	-	-	-	3,809,975	3,809,975	-	3,809,975
Economic Services	252,000	252,000	-	98,945	98,945	-	2,490,899	2,490,899	-	2,268,189	2,268,189	-	6,544,910	6,544,910	-	11,654,943
Social Services	1,008,000	1,008,000	-	70,680	70,680	-	1,070,895	1,070,895	-	705,865	705,865	-	2,464,290	2,464,290	-	5,319,730
Other Expenditures	-	-	-	815,144	815,144	-	5,141,741	5,141,741	-	5,332,088	5,332,088	-	11,035,738	11,035,738	-	22,324,711
Contingency	-	-	-	65,000	65,000	-	-	-	-	-	-	-	6,000,000	6,000,000	-	6,065,000
Total Clusters	11,070,309	8,430,309	2,640,000	20,089,882	17,478,810	2,611,072	54,628,376	46,481,604	8,146,772	39,756,392	35,709,059	4,047,333	127,130,301	106,394,608	20,735,693	252,675,260

Prime Ministers & Ministers	Total	Individualized Payment	Chit (Fadlan) Payment	Purported Official Payment	Total	Individualized Payment	Chit (Fadlan) Payment	Purported Official Payment	Total	Individualized Payment	Chit (Fadlan) Payment	Purported Official Payment	Total	Individualized Payment	Chit (Fadlan) Payment	Purported Official Payment
Omer A. A. Shari	31,160,191	12,259,119	13,650,000	5,251,072												
Mohamed Abdullahi Mohamed (Farmaajo)					28,033,113	11,696,124	11,725,339	4,611,650								
Dr. Abdiweli Mohamed Ali Gaas									66,351,654	34,383,990	24,385,209	7,582,455				
Abdi Farah Shirdon													127,130,301	98,317,973	8,076,635	20,735,693
Total	31,160,191	12,259,119	13,650,000	5,251,072	28,033,113	11,696,124	11,725,339	4,611,650	66,351,654	34,383,990	24,385,209	7,582,455	127,130,301	98,317,973	8,076,635	20,735,693

	Individualized Payment	%	Chit (Fadlan) Payment	%	Purported Official Payment	%
Omer A. A. Sharmarke (Feb 2009-Sep 2010)	12,259,119	8%	13,650,000	24%	5,251,072	14%
Mohamed Farmaajo (Nov 2010-June 2011)	11,696,124	7%	11,725,339	20%	4,611,650	12%
Dr. Abdiweli Gaas (July 2011-August 2012)	34,383,990	22%	24,385,209	42%	7,582,455	20%
Abdi F. Shirdon (Nov 2012-Dec 2013)	98,317,973	63%	8,076,635	14%	20,735,693	54%
Total	156,657,206	100%	57,837,183	100%	38,180,870	100%



For more than two decades Somalia has lacked any accountable system of governance. From the start of the civil war in 1991 till 2000, when the Transitional National Government was formed, right through the administrations of the Transitional Federal Government (2004-2012) and even during the current tenure of the first post-transitional government, the country has been managed through cliques of warlords, faith-based militia (including Al Shabaab) and clan-based groups and politicians, who have failed to unite the country or to provide even a modicum of services to the Somali people. Despite donor assistance, and various peace and reconciliation efforts by the international community, the country is still fragmented along clan lines, and has been unable to reconstitute viable governance structures both at the national and state levels.