



**Federal Republic of Somalia
Office of the Auditor General**

ANNUAL FINANCIAL STATEMENTS OF THE FEDERAL GOVERNMENT OF SOMALIA

for the Year Ended 31st December 2020

November, 2021

THE ANNUAL FINANCIAL STATEMENTS OF THE FEDERAL GOVERNMENT OF SOMALIA

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Abbreviations & Acronyms

Abbreviation/Acronym	Meaning
FGS	Federal Government of Somalia
FMS	Federal Member States
FPS	Federal Parliament of Somalia
FRS	Federal Republic of Somalia
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
No.	Number
OAGS	Office of the Auditor General Somalia
PFM	Public Financial Management
PFRS	Parliament of the Federal Republic of Somalia
SAI	Supreme Audit Institution
SFMIS	Somalia Financial Management Information System





The Speaker of the House of the People, PFRS
The Speaker of the Upper House, FPS
Mogadishu, Somalia

Audit Report on the Annual Financial Statements of the FGS for the Year ended 31st December 2020

Excellency,

Introduction

I have conducted the audit of the annual financial statements of the Federal Government of Somalia for the year ended 31st December 2020 as required by Law 34 of Magistrates of Accounts and article 45 (3) of the PFM Act 2019. I am delighted to submit my audit report set out on page 1 to 6 in connection with the financial statements attached thereto set out from page 17 to 45.

Additional Annexes A, A.1, B, C and explanatory notes are also attached on page 46 to 55 as provided by the Accountant General. These are accompanied by the Statement of the Minister of Finance, Statement of Responsibilities, and an Executive Commentary which were not audited and I do not provide an audit opinion on them.

Although I was required to submit my report by 30th June 2021, the delay had been occasioned by the impact of COVID-19.

Scope and determination of responsibility

As an independent office of the Federal Republic of Somalia as enshrined in Article 114 of the Provisional Constitution, and in accordance with the Law 34 of Magistrates of Accounts (in particular Articles 6, 7, 8, 9, 13 and 17), I conducted the audit using the International Standards of Supreme Audit Institutions (ISSAIs). These standards require that the audit is planned and performed so as to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the annual financial statements.

An audit includes:

- Examination on a test basis of evidence supporting the amounts and disclosures in the financial statements;
- Assessment of the accounting principles used, and significant estimates made by management; and
- Evaluation of the overall financial statement presentation.

The audit also includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to our attention and are applicable to financial matters.

The matters mentioned in my audit report are therefore those that were identified through tests considered necessary for the purpose of the audit and it is possible that there might be other matters and/or weaknesses that were not identified.

The financial statements, maintenance of effective control measures and compliance with laws and regulations are the responsibility of the Accountant General as the Accounting Officer of the Federal Government of Somalia. My responsibility is to express my opinion on these financial statements.

Acknowledgements

I would like to thank various officials of the Federal Government of Somalia who worked with my office during the audit for the year ended 31st December 2020.



Mohamed M. Ali "Afgoi"
Auditor General, FRS

CC: The Accountant General, FGS
 The Minister of Finance, FGS
 H.E. The Prime Minister, FGS
 H.E. the President, FRS

Report of the Auditor General on the Financial Statements of the FGS for the Year Ended 31st December 2020

1. Qualified opinion

I have audited the accompanying financial statements of the Federal Government of Somalia set out on pages 17 to 45, which comprise the statement of cash receipts and payments, statement of cash flows, statement of comparison of budget and actual amount, and a summary of significant accounting policies and other explanatory information as prepared by the Accountant General according to the provisions of Article 45 of the PFM Act 2019, and the financial statements have been prepared using the Cash Basis International Public Sector Accounting Standards (Cash Basis IPSAS).

I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the statement of cash receipts and payments, cash flows, the statement of the comparison of budget and actual amounts for the year ended 31st December 2020 using the Cash Basis IPSAS and PFM Act 2019.

2. The basis for qualified opinion

I conducted my audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report.

I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements in the Federal Republic of Somalia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

2.1 Failure to include, in the primary financial statements, cash receipts, cash payments, and resultant cash balances arising from extra-budgetary funds amounting to US \$17,978,413.15

The authoritative paragraph 1.3.12 of the Cash Basis IPSAS requires the Statement of Cash Receipts and Payments to include total receipts and total payments of a reporting entity during the reporting period.

Furthermore, the authoritative paragraph 1.4.9 of the Cash Basis IPSAS requires disclosure of cash balances held by an entity at reporting date that are not available for use by the entity or are subject to external restrictions.

In addition, Article 38 (1) of the PFM Act requires all external assistance received by a government agency to be on-budget and on-treasury.

Based on a sample of compliance audits I conducted for the financial year ended 31st December 2020, I noted that several entities as shown in the table below received external assistance from development partners amounting to a gross total of **US \$17,978,413.15**. Of this amount, a total amount of **US \$12,042,096.92** was expended leaving a balance of **US \$5,936,316.23** not included in the primary financial statements.

Therefore, cash receipts arising from extra-budgetary funds were understated by **US \$17,978,413.15**, and cash payments were understated by **US \$12,042,096.92**, and closing cash balance was also understated by **US \$5,936,316.23** contrary to the authoritative paragraphs 1.3.12 and 1.4.9 of the Cash Basis IPSAS.

No.	Name of public institution	Amount Received (US \$)	Amount Disbursed (US \$)
1.	House of the People	417,625.00	333,802.00
2.	Senate (Upper House)	97,079.00	25,000.00
3.	Office of the Prime Minister	3,734,434.65	1,498,711.00
4.	Ministry of Foreign Affairs	300,000.00	300,000.00
5.	Ministry of Planning	3,790,513.50	728,836.22
6.	Ministry of Defense	735,001.00	503,951.00
7.	Ministry of Internal Security	446,700.00	243,700.00
8.	Somali embassy in Turkey	246,000.00	246,000.00
9.	Ministry of Public Works	7,863,000.00	7,819,197.00
10.	Ministry of Youth and Sports	348,060.00	342,899.70
TOTAL		17,978,413.15	12,042,096.92

Table 1: Public institutions that received extra-budgetary funds — 31st December 2020

2.2 Failure to include in the primary financial statements of cash receipts, cash payments, and resultant cash balances of revenues amounting to US \$277,925.46 collected by embassies and foreign missions

The authoritative paragraph 1.3.12 of the Cash Basis IPSAS requires the Statement of Cash Receipts and Payments to include total receipts and total payments of a reporting entity during the reporting period.

In addition, Article 42 (4) of the PFM Act requires all government revenues to be deposited in the consolidated treasury account held with the Central Bank of Somalia.

During the compliance audits I conducted this year, I noted three (3) embassies had collected combined revenue amounting to **US \$277,925.46** and used the collections at source without accountabilities as shown in the table below:

No.	Name of Embassy	Amount Collected (US \$)	Amount Disbursed (US \$)
1.	Somali Embassy in Pretoria, South Africa	117,583.48	117,583.48
2.	Somalia Embassy in Ankara, Turkey	101,229.77	101,229.77
3.	Somalia Embassy in Kampala, Uganda	59,112.21	59,112.21
TOTAL		277,925.46	277,925.46

Table 2: Embassies which collected revenues and used at source without accountabilities

As a result, the Statement of Cash Receipts and Payments, and Statement of Cash Flows were understated by **US \$277,925.46** in respect of the embassies sampled for the audit.

3. Key audit matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, my description of how the audit addressed the matter is provided in that context.

The results of my audit procedures, including the procedures performed to address the matters below, provided the basis of my audit opinion on the accompanying financial statements.

No.	Key Audit Matter	How my audit addressed the Key Audit Matter
1.	Compensation of employee costs	
	<p>I noted a significant increase in employees' salary expenses under the compensation of employees expenditure in the year under audit. This was mainly due to payroll expenses to the security forces.</p> <p>The Somali security forces uses a parallel system for the management of its payrolls, which is not integrated with the SFMIS.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> The amounts involved and disclosures are significant in the financial statements of the Federal Government of Somalia. No independent quality assurance has been conducted and completed on the payroll system used by the Somali security forces. An independent quality assurance on the SFMIS was still on-going by the time of the audit. 	<p>The audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> Understanding payroll processes from initiation to approval before payroll data is transmitted to SFMIS for salary disbursements. Performing analytical tests on salaries and allowances for the selected public institutions. Evaluating management assertions about staff increases and salary adjustments during the year and performing tests accordingly. Assessing adequacy of disclosures regarding compensation of employee costs in the financial statements.
2	Somali Financial Management Information System (SFMIS)	
	<p>The Somalia Financial Management System (SFMIS) is a Bespoke system. It was developed to fit with the Somalia PFM re-engineered business processes and environment in alignment with international standards. The system is implemented in all ministries, departments and agencies which are budget entities.</p> <p>The SFMIS is integrated with the Central Bank of Somalia (CBS) Core Banking System. The design was based on a Statement of User Requirements (SOUR) and signed-off Conceptual Design with process flows.</p> <p>It is the primary computerized information system (IS) principally for public expenditure management for the Federal Government of Somalia. It is also the system used for preparation of financial information including the annual financial statements.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> The on-going independent quality assurance of the SFMIS indicates some serious weaknesses that need to be addressed. Once completed, this will be the first ever independent quality assurance of the SFMIS since its deployment, and for management to address any weaknesses identified. Secondly, there has been no independent audit of the SFMIS since its deployment. 	<p>The audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> Understanding the overall control environment of the SFMIS, and business continuity plans put in place. Understanding internal controls and operations of the SFMIS, and security arrangements Performing analytical tests on a sample of transactions processed through the SFMIS. Evaluating management assertions about the efficacy of the SFMIS and performing tests accordingly. Planned to conduct an IS audit of the SFMIS. I will then consider whether or not to place reliance on SFMIS and controls when conducting audits of financial statements produced by the system in the future.

Table 3: Key Audit Matters.

4. Other matters

4.1 Non-submission by public entities annual financial statements for audit

During the audit, I reviewed the PFM Act, 2019 in particular Article 45 regarding submission of annual financial statements for audit. The Article provides for the Accountant General to submit annual financial statements for my audit but the Act is silent on submissions of annual financial statements for my audit by ministries, departments and agencies (MDAs) of the Federal Government of Somalia.

During the annual compliance audit I conducted this year, I noted several MDAs, all embassies, and Banadir Regional Administration did not submit their financial statements for audit in respect of the year ended 31st December 2020.

I therefore, recommend a review of the PFM Act to ensure that all MDAs that receive public funds of the Federal Government of Somalia submit annual financial statements for my audit in a similar manner and timeframe as that of the Accountant General to ensure accountability and transparency in service delivery.

4.2 Non-accountability of grants transferred to Federal Member States and Banadir Regional Administration amounting to US \$78,894,993.00

I noted during the audit that a total of **US \$78,894,993.00** was transferred to the Federal Member States (FMS) and Banaadir Regional Administration (BRA during the year as shown in the table below.

No.	Name of Federal Member State	Amount (US \$)
1.	Somaliland	1,003,271.00
2.	Puntland	17,355,991.00
3.	Jubbaland	8,020,557.00
4.	Southwest	10,602,600.00
5.	Galmudug	12,220,554.00
6.	Hirshabelle	9,597,196.00
7.	BRA	20,094,824.00
TOTAL		78,894,993.00

Table 4: Transfers to the FMS and BRA.

However, there were no accountabilities of these funds to the Federal Government of Somalia for my audit.

I noted Articles 6(3) and Articles 45(6) of the PFM Act, 2019 regarding the application of the PFM Act, 2019 in the Federal Member States. As stipulated in Article 6(3), I recommend that steps should be taken to have in place uniform financial management laws to ensure timely accountability by FMSs and similar institutions of annual federal transfers made to them.

4.3 The Internal Audit Department in the Ministry of Finance not functional

Article 46 (1) of the PFM Act requires that the authorized officer of an agency to have in place an internal auditor who reports on effectiveness of internal controls of the agency.

I noted during the audit there was an internal audit department within the Ministry of Finance. However, the department is under resourced, and there was no evidence of the department performing regular audits to the required generally recognized standards.

4.4 Compliance audit report for the year ended 31st December 2020

I draw your attention to compliance audit reports for the Accountant General's Office and for the Ministry of Finance for the year ended 31st December 2020. These are included in the Annual Compliance Audit Report for the sample of ministries, departments, agencies and embassies of the Federal Government of Somalia I audited.

5. Responsibilities of management and those charged with governance for the financial statements

The Federal Minister of Finance, the Accountant General, and management under them are responsible for the preparation and fair presentation of these financial statements in accordance with the Cash Basis IPSAS, and the PFM Act 2019 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing going concern considerations, disclosing, as applicable, matters related to going concerned, and using the going concern basis of accounting unless management either intends to cease operations or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process of the Accountant General's Office.

6. Auditor's responsibility for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Financial Audit Manual, which is consistent with the Fundamental Auditing Principles (ISSAIs 100-999) of the International Standards for Supreme Audit Institutions (ISSAI), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with the Financial Audit Manual, which is consistent with the Fundamental Auditing Principles (ISSAIs 100-999) of the International Standards for Supreme Audit Institutions, I exercise professional skepticism throughout the audit. I also:

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- b) Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Entity's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- e) Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



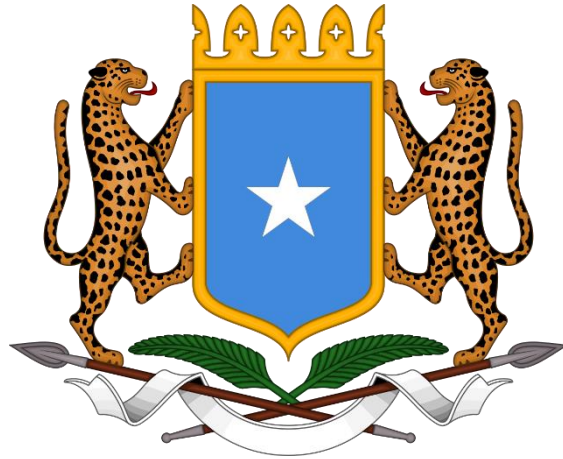
H.E. Mohamed M. Ali "Afgoi"
The Auditor General, FRS

November ,2021

Mogadishu, Somalia

THE FEDERAL GOVERNMENT OF SOMALIA

Office of the Accountant General



Reports and Financial Statements of the Federal
Government of Somalia
For the year ended 31 December 2020

THE FEDERAL GOVERNMENT OF SOMALIA
Reports and Financial Statements
For the year ended 31 December 2020

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I. STATEMENT OF THE MINISTER OF FINANCE

Somalia recently adopted its ninth National Development Plan (2020-2024), which outlines the country's priorities for programs to reduce poverty and boost inclusive growth.¹ The National Development Plan (NDP) aims at promoting human development, boost economic recovery, strengthening governance, establishing peace and security and making politics more inclusive. Addressing the needs of the NDP Agenda requires substantial financial resources, sound financial management systems, improved inter-governmental coordination between the Federal Government of Somalia (FGS) and the Federal Member States (FMS), and a responsive citizen-centric state system.

The Federal Government with the support of its development partners has continued to make steady progress in the implementation of various public financial management reforms providing critical support to national development priorities and helping to provide a modicum of macroeconomic stability during a tumultuous year. Specifically, a number of interventions were undertaken during the year to strengthen systems of domestic revenue mobilization, expenditure control and accountability in the federal government and selected FMS.

From the government's revenue reform effort, local revenue collection was originally estimated to be US\$234 million and because of the confluence of the Covid-19 pandemic, locusts, and erratic droughts and flooding, there was a shortfall of 10% (US\$211M) of the actual revenue collected compared to the budget with US\$60 million collected in the first quarter of the year which indicates that if it were not for the effects of the outbreak of COVID-19 pandemic, the original budgeted domestic revenue of US\$240 million would have been collected in 2020 if the trajectory had continued.

In March 2020, Somalia – one of 37 countries identified for debt relief through the International Monetary Fund's Heavily Indebted Poor Countries Initiative – became the most recent to reach the initiative's Decision Point. Through a series of international negotiations and significant public financial management reforms led by the Ministry of Finance in the preceding IMF Staff Monitored Programs, Somalia is now on track to achieve debt cancellation for arrears accumulated following the collapse of the Republic, irrevocably reducing our debt burden from US\$5.2 billion at end-2018 to US\$557 million in net present value terms once we reach the HIPC Completion Point. I cannot overemphasize how critical this normalization of our relationships with international financial institutions is to Somalia's economic recovery and development. In the IMF March Country Report No. 20/85, IMF staff stated that:

“Somalia has reached the HIPC Decision Point given the authorities’ sustained commitment to reform in a challenging political, security and climate environment. The authorities’ strong policy commitment has helped strengthen public financial management and the financial sector, improve governance, and enhance macroeconomic stability”.

The Use of Country Systems (UCS) is an increasingly salient issue for both the Somali Government and the international community and following the passage of the PFM Act in 2019; it is now a legal requirement that donor funds provided to FGS institutions use government systems. The PFM Act requires all donor grants to FGS institutions to be appropriated in the FGS budget ('on budget') and to be paid into the Treasury Single Account ('on treasury'). It requires all donor grant agreements with FGS institutions to be signed by the Minister of Finance and registered with the Office of the Auditor General. A roadmap for Use of Country Systems (UCS) (2021 – 2023) is in place to guide the donors to improve the way in which they use country systems to better serve state building objectives. During the year, discussions commenced with the UN and the affiliated Agencies to bring aid on budget and on-treasury.

¹ <http://mop.gov.so/wp-content/uploads/2019/12/NDP-9-2020-2024.pdf>

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Finally, despite the challenges brought about the COVID-19 pandemic, the FGS is committed and determined to continue with its ambitious reform agenda to improve the FGS capacity and systems in order to utilize public funds towards meeting the aspirations of the NDP.


02/10/2021
Dr. Abdirahman Dualeh Beileh
H.E. Minister of Finance



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II. STATEMENT OF RESPONSIBILITIES

The financial statements set out from page 17 to page 44 have been prepared in line with the provisions of the Public Financial Management Act (2019) (PFM Act), and prepared in accordance with the International Public Sector Accounting Standards (IPSAS), in particular the Cash Basis of IPSAS that was issued in 2017.

Article 45(3) of the PFM Act requires the Auditor General to audit the financial statements of the Federal Government of Somalia and submit an independent audit report along with the audited financial statements, to the Federal Parliament no later than two months upon receipt of the unaudited financial statements. Further, and in line with Article 43 of the PFM Act (2019), the Accountant General shall advise the Public Bodies, Sub-National Governments and State-Owned Enterprises on the accounting and classification systems to be adopted and applied accordingly throughout Government. In line with this article, the Accountant General adopts and continues to apply internationally accepted accounting standards in the preparation of the accounts of the government and has adopted the IPSAS, Cash Basis of Accounting (2017) in the preparation of these financial statements.

Accordingly, and in reference to Article 45(1) of the PFM Act (2019), I am pleased to submit the annual financial statements of the Federal Government of Somalia for the financial year ended 31st December, 2020.

I have provided and will continue to provide all the information and explanations as may be required in connection with these financial statements. To the best of my knowledge and belief, these financial statements agree with the books of accounts of the Government, which have been properly kept.

To the best of my knowledge these financial statements of the Federal Government of Somalia for the year ended 31 December 2020 have been prepared in accordance with the Public Financial Management Act (2019), and using Cash Basis IPSAS. Financial reporting under the Cash basis of Accounting (2017).


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Fatuma Osman Farah
Accountant General



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II. EXECUTIVE COMMENTARY

1) Overview of the Financial Statements

The Financial Statements of the Federal Government of Somalia (FGS) provide a record of the Government's financial performance over the financial year, 2020 as shown in the Statement of Receipts and Payments, Statement of Budget Comparison and Actual Amounts, and the Statement of Cash Flows. The Financial Statements further summarize all financial transactions for the year ended 31st December 2020 and the FGS's financial cash position as at the 31st December 2020. These statements have been prepared by the Accountant General of the Federal Government of Somalia at the federal level and include financial information related to all Federal Government Ministries, Departments and Agencies (MDAs).

The 2020 financial statements focus on reporting, primarily budgeted activities of the FGS for which an Annual Budget Statement was prepared for and authorized by the Federal Parliament of Somalia for the 2020 fiscal year. **Accordingly and in line with paragraph 1.4.8 of the Cash Basis IPSAS, the financial statements have been prepared for the budget sector and do not include extra-budgetary receipts and payments during the same period.** The budget and annual financial statements are produced to support FGS's strategic business and financial decisions critical to the fiscal and economic wellbeing of the nation. The annual reports include the financial and budget activities of MDAs which directly and indirectly receive budget allocations from the Federal Government of Somalia. These MDA entities are listed in Note 1.2 (c) of this report.

However, disclosures have been made on the extrabudgetary receipts and payments by consolidating the financial information that MDAs have provided in respect of their extrabudgetary transactions.

2) Format of the Financial Statements and additional disclosures

Financial statements of the Federal Government of Somalia have been prepared on a cash basis with activities and related transactions recognized when cash is received, and payments are made. The financial statements for the financial year have been compiled and presented in order to make a fair presentation of the FGS's financial information and have been prepared in accordance with Part 1 of the IPSAS Cash Basis of Accounting which requires the following mandatory information to be disclosed:

○ *Statement of Cash Receipts and Payments*

According to Cash Basis IPSAS, paragraph 1.3.12 and 2.3.13, the statement of cash receipts and payments is to show total or all cash receipts and payments of the Federal Government of Somalia. This statement reports on the net surplus or deficit (the difference between total receipts and total payments) for the year. The statement provides information on the FGS's sources of revenue and the cost of its activities.

- *Statement of Comparison of Budget and Actual Amounts by Economic Nature*

The statement of comparison of budget and actual amounts presents a comparison of the approved budget amounts (appropriations) and the actual amounts for the year based on the GFS economic classification. Where the budget has been revised, the revised and final budget is also included. The statements are prepared to provide information on the extent to which resources were appropriated by parliament and used in accordance with the budget approved by the Federal Parliament of Somalia.

- *Statement of Payments by Functions of Government*

This is a statement that is an optional requirement under IPSAS Part 1 and provides further details of the amounts disclosed in the Statement of Cash Receipts and Payments by comparing the budget and government spending during the financial year. The statement is based on the Division Classification of Government outlays by functions of Government (COFOG) and identifies the purpose of spending by the Government.

- *Accounting Policies*

These are the specific principles, bases, conventions, rules, and practices adopted by the Federal Government of Somalia in preparing and presenting the financial statements.

- *Explanatory Notes to the Financial Statements*

The explanatory notes to the financial statements assist in understanding the information reported in the principal statements to provide full disclosure and are considered an integral part of the financial statements.

3) Additional Disclosures

In order to provide further information to the financial statements reported under Cash Basis IPSAS, the following additional disclosures have been made so as to provide more information necessary for accountability and decision-making purposes.

- *Statement of Cash flow*

The statement of cash flow presents the movements of cash during the year resulting from operating, investing and financing activities. This statement provides information on how cash has been raised and used during the year, including borrowing and repayment of borrowing, and the acquisition and disposal of fixed assets.

- *Balance Sheet*

This Balance Sheet (previously the Statement of Assets and Liabilities) provides details of the assets and liabilities of the Government reporting the net assets (the difference between total assets and total liabilities) of the Government. Currently the Balance Sheet provides information on the financial assets and some liabilities.

- *Schedule of Receivables and Payables*

Accounts receivable (AR) is the balance of money due to the Government for goods or services delivered or used but not yet paid for by customers as at the 31st of December 2020. The FGS does not have any accounts receivable as at the 31st December 2020.

Accounts payable (AP) represents the amount that the Government owes to its suppliers as at the 31st December 2020. Accounts payable is recorded on the balance sheet under current liabilities.

- *Statement of Expenditure Arrears*

This statement provides information on the outstanding payments that have built-up over the years for the supply of goods and services including employee costs. Expenditure arrears is recorded on the balance sheet under current liabilities.

- *Statement of Public Debt*

This statement provides information on the outstanding external debt of the Federal Government of Somalia at the end of the year and makes a distinction between multilateral and bilateral creditors. Bilateral are further broken down into Paris and Non-Paris club creditors.

- *Statement of Extrabudgetary Transactions of all Public Bodies*

The statement of extrabudgetary funds is a summary of the extrabudgetary transactions prepared and submitted by the MDAs to the Accountant General in respect of funds operated outside the national budget.

- *Disclosure of all State-Owned Enterprises (SoEs) Controlled by the Federal Government*

In accordance with Article 3 of the Public Financial Management Act 2019, state-owned enterprises shall carry the same meaning assigned to public corporations by Internationally accepted statistical standards which is defined as “A legal entity that is owned or controlled by the government and that produces goods or services for sale in the market at economically significant prices. All corporations are members of the non-financial corporations’ sector or financial corporations’ sector.”

A survey is to be undertaken to identify all state-owned enterprises in which the Government has a controlling interest and follow up to ensure all SoEs reporting requirements are met in line with the provisions of the PFM Act (2019).

4) Summary of Financial Results

Financial Statement Highlights and Analysis

Table 1 – Summary of Financial Performance

Financial Performance	2020	2019	2018
	USD\$	USD\$	USD\$
Revenue	496,826,962	337,800,903	295,333,647
Expenditure	485,287,246	315,654,346	268,521,523
Surplus	11,539,716	22,146,557	26,812,124
% Change	47%	14.2%	19.5%
Original Budget	476,150,905	344,199,037	274,630,191
Revised Budget (Mid-year Revision)	685,270,734	390,158,833	297,072,158
Actual Expenditure	485,287,246	315,654,346	268,521,523
Under Spending (Budget Saving)	(200,002,027)	(74,520,363)	(28,550,635)
% Change	54%	17.5%	14%
Revised budgeted revenue & external assistance	685,270,734	390,158,833	297,072,158
Actual revenues	496,826,962	337,800,903	295,333,647
Shortfall in budgeted revenue & assistance	(188,443,772)	(52,357,930)	(1,738,511)

5) Revenue

Revenue Analysis

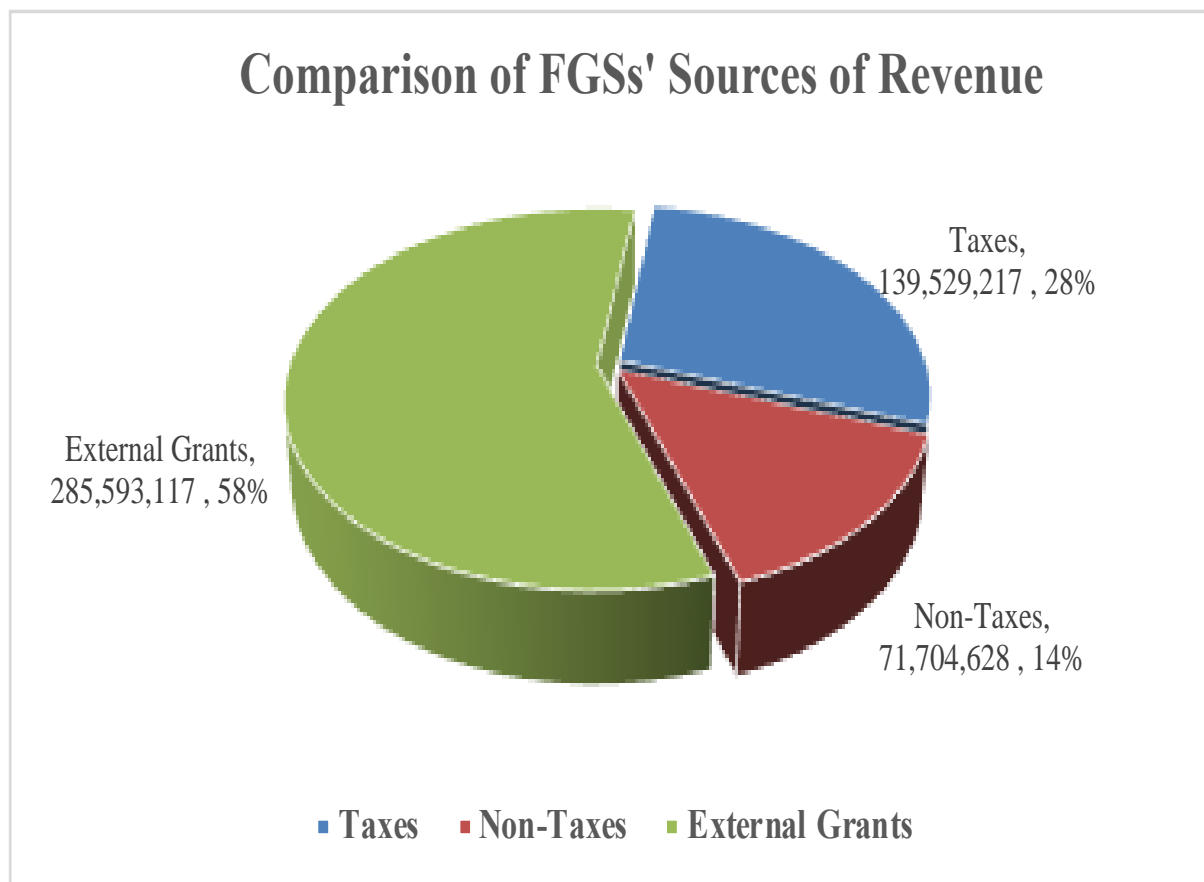
The Federal Government of Somalia's total revenue increased significantly by US\$159.1 million (47%) from \$337.8 million in 2019 to US\$496.9 million in 2020. The main sources of the FGS's revenue are internally generated income; (taxes and domestic fees and charges) as well as external assistance from Multilateral and Bilateral organizations. Internal revenue (taxes and fees) of US \$ 211.2 million was 42% of total revenues of US\$496.8 million for the year.

Table 2 – Summary of Receipts

Revenue Analysis	2020	2019	2018
Revenue Type			
Taxes	139,529,217	154,744,603	138,945,588
Non-Taxes	71,704,628	74,939,156	44,473,235
External Grants	285,593,117	108,117,144	111,914,824
Total	496,826,962	337,800,903	295,333,647

The following chart further highlights, the breakdown of revenue collections for the year which shows that external grants was 58% of the total receipts.

Chart 1 – Comparison of FGSs' Sources of Revenue



Non-Tax Receipts

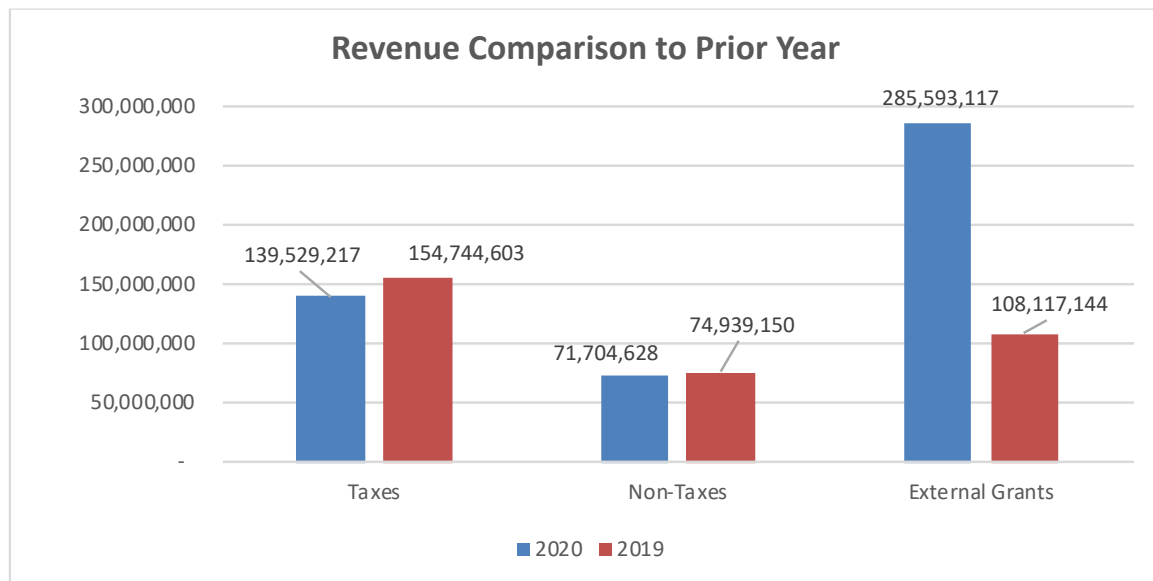
The financial year 2020 saw non-tax receipts decreasing by US\$15.2 million when compared to the previous year. As detailed in Table 2, the current year's non-tax revenue (domestic receipts) stands at US\$71.7 million down from US\$74.9 million last year, in the same period. This downward movement of US\$3.0 million in this category of the revenue has mainly come from passport fees which have not been issued due to COVID19 lockdown. As depicted in Chart 1 non-tax receipts was 14% of the total revenue for the year.

Tax Receipts

The financial year 2020 saw revenue from taxes decrease from US\$154.7 million last year to US\$139.5 million. This decrease of US\$15.2 million has been mainly attributed to the consequence of the deteriorated political relationship between FGS and Kenya and the FGSs ban over imported khat from Kenya. As depicted in Chart 1 above, revenue from taxes collected was 28% of the total revenue for the year.

Further illustration and comparisons between current year and previous year is highlighted in Chart 2.

Chart 2 – Revenue Comparison to Prior Year



External Assistance

External assistance and grants from bilateral and multilateral agencies were significant sources of funds accounting for US\$285.6 million (58%) of total revenue compared to US\$108.1 million in the previous year, representing an increase of US\$ 177.5 million, (164%). This was is mainly due to financing new projects and financial assistance provided in response to the COVID-19 pandemic.

6) Expenditure

Expenditure Analysis

The FGS's payments fall into four distinct categories; recurrent, capital expenditure, loan repayments and grants paid to sub-national governments, in particular the Federal Member States. The recurrent expenditure or costs were primarily manpower related expenses, and cost on goods and services for operations. The recurrent expenses also include interest and other charges. Chart 3 summarizes the major areas of expenditure incurred by FGS during the year.

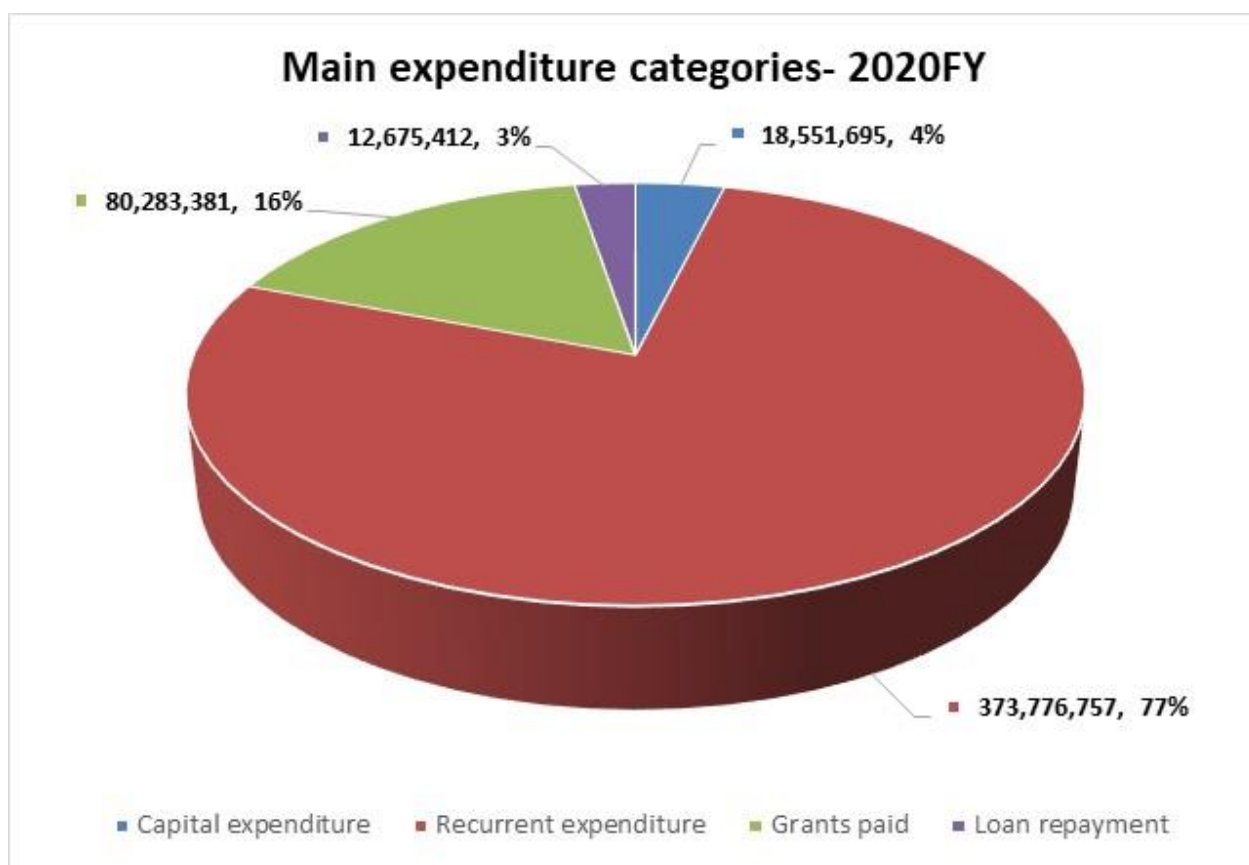


Chart 3 – Main Expenditure Categories

The total payments made during the year amounted to US\$485.3 million in comparison to US\$315.6 million in 2019. Overall, the FGS has increased its expenditure by US\$170 million, (53.8%), with the highest increases in compensation of employees of US\$64.2 million and social benefits expenditure incurred this year of US\$62.1 million with no spending on social benefits for the previous year.

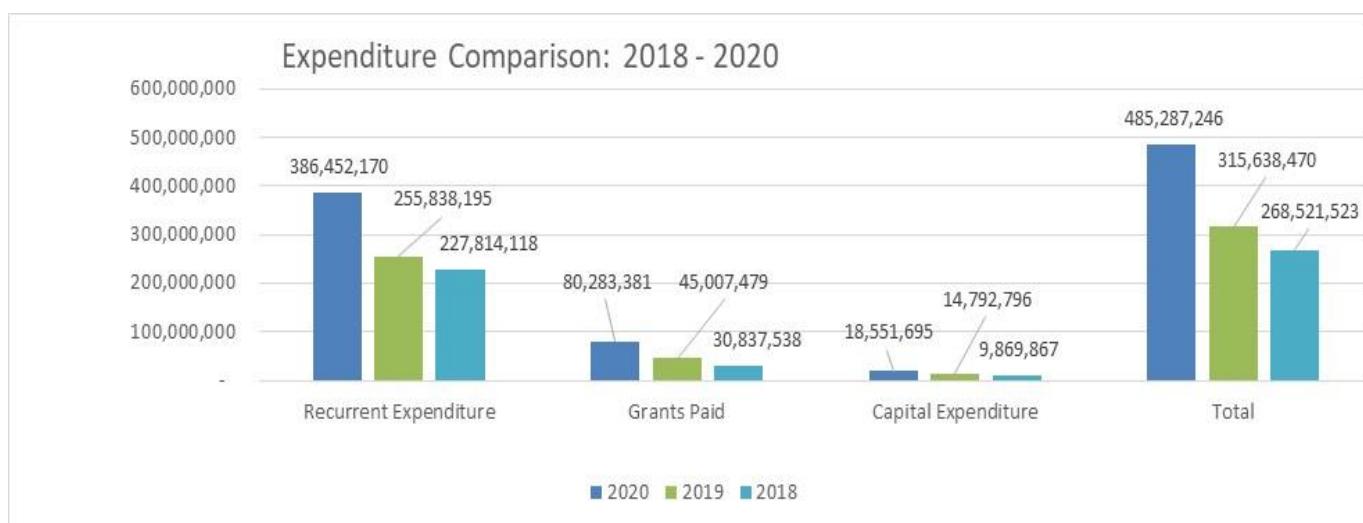
The largest expenditure category was the employee salary cost which amounted to US\$227.0 million, which was 46.8% of the total expenditure, up 39% from US\$162.9 million in 2019. The second highest cost is the use of goods and services expenditure, which was 20% of total expenditure for the year.

Table 3 below shows expenditure categories for the 2020 financial year in comparison to the 2019 and 2018 financial years.

Table 3 – Summary of Expenditure, 2018 - 2020

Expenditure	2020	2019	2018
Employee Consumption	227,014,247	162,862,398	143,071,787
Use of Goods and Service	80,696,010	92,393,185	80,635,606

Grants Paid	80,283,381	45,007,479	30,837,538
Capital Expenditure	18,551,695	14,792,796	9,869,867
Interest payments	1,769,434		
Loan repayments	12,675,412		
Subsidy	2,161,914		
Social benefits	62,135,152		
Other Payments		598,488	4,106,725
Total	485,287,246	315,638,470	268,521,523
% Change	54%	17.5%	14%



7) Capital Expenditure Analysis

Capital expenditure (non-financial assets) for the year was US\$18.6 million compared to US\$14.8 million for the previous year, an increase of US\$3.8 million (25.4%). The major areas of expenditure were other fixed assets followed by ICT infrastructure expenses. In accordance with reporting on a cash-basis IPSAS, capital expenditure is expensed in the year of acquisition.

Table 4 – Summary of Capital Expenditure

Capital Expenditure	2020 USD\$	2019 USD\$
Non – residential buildings	546,050	682,500
ICT infrastructure, hardware, networks, facilities	6,370,451	428,366
Other fixed assets	10,280,331	13,560,223
Transport equipment	320	1,950
Machinery and other equipment	218,444	35,030
Intangible assets	617,199	84,727
Software application	464,135	
Furniture and fixtures	54,765	
Total Capital expenditure	18,551,695	14,792,796

8) Budget and Expenditure Analysis

The annual budget of the FGS is the principal document by which the Government sets out its financial plan for the year. The original budget or financial plan approved by the Federal Parliament for the budgeted expenditure for the year was US\$476.2 million. A Supplementary Budget was approved by Parliament on the 31st August 2020 which revised the budget, to US\$685.3 million, an increase of, (43.9%). The budgets were increased for grants paid, social security benefits, use of goods and services with a budget decrease relating to subsidies, realigning costs in relation to priorities during the COVID-19 pandemic which was funded by additional grant funding of US\$166.8 million to counteract the decrease in recurrent revenue estimates of US\$66.7 million resulting from the impact of the COVID-19 pandemic.

The table below depicts the allocations and actual payments of each category of the expenditure.

Table 4 – Expenditure, Budget and Actual comparison

Expenditure Category	2020		
	Budget USD\$	Actual USD\$	Variance (Underspend) USD\$
Compensation of Employees	235,262,920	227,014,247	-4%
Use of Goods & Services	154,010,694	80,696,010	-48%
Grants Paid	143,048,110	80,283,381	-44%
Capital Expenditure	41,918,594	18,551,695	-56%
Interest and loan repayments	14,563,584	14,444,846	-1%
Subsidy	2,210,000	2,161,914	-2%
Social benefit	93,435,025	62,135,152	-33%
Other Expenditure (Contingency Fund)	821,807		
Total Expenditure	685,270,734	485,287,246	-187.2%

9) Functions of Government

Developed by the OECD, the Classification of the Functions of Government (COFOG) classifies government expenditure data for the purpose for which the funds are used by Ministries, Departments and Agencies. All expenditure relating to a particular function is aggregated into one category regardless of the economic nature of the expenditure. The functions of the Federal Government of Somalia are:

Table 5 – Summary of Expenditure by Functions of Government

Classification of Functions of Government (COFOG)	2020 USD\$	2019 USD\$
General Public Service	201,227,385	136,030,319.0
Defense	83,704,942	59,019,490.0
Public Order and Safety	89,974,889	74,813,485.0
Economic Affairs	86,690,260	22,761,662.0
Health	6,235,712	2,681,401.0
Education	14,512,290	13,616,218.0
Social Security and Welfare	1,338,523	4,269,060.0
Recreation, Culture and religion:	1,603,244	2,276,364.0
Refund s2s project		170,362.0
Total Expenditure by Functions of Government	485,287,246	315,638,361

10) Balance Sheet (Statement of Financial Assets & Liabilities)

As the government reports on a cash basis accounting, the balance sheet does not include all assets and liabilities of the Government in the Balance Sheet, but will initially include financial assets and liabilities and will progressively include all the assets and liabilities over time.

The following is a summary of the Balance Sheet (Statement of Assets and liabilities)

Table 6 – Balance Sheet

Description	12/31/20 USD\$	12/31/19 USD\$	% Change
Cash & Cash Equivalents	66,139,211	54,599,495	21%
Receivables			
Total Assets			
Payables			
Expenditure Arears	52,795,274	53,620,274	2%
Total Liabilities	52,795,274	53,620,274	
Net Financial Worth	13,343,937	979,221	

(a) *Net financial worth equals total financial assets minus total liabilities excluding external debt.*

(b) *Expenditure arrears are liabilities that have so far been verified as outstanding. So far these relate to payroll arrears.*

11) Public Debt

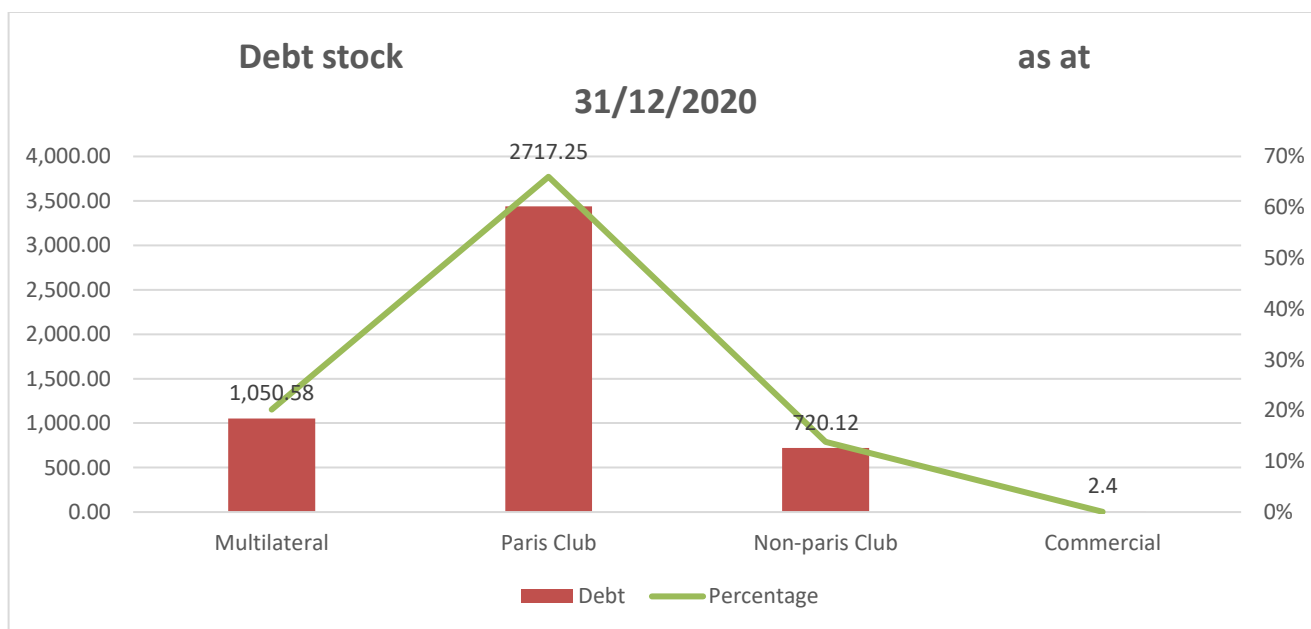
Public debt also referred to as government debt, represents the total outstanding debt (bonds and other securities) of the Government. The Government public debt includes multilateral, Paris Club and non-Paris Club debt. Multilateral debt is that portion of a country's external debt burden owed to international financial institutions (IFIs) such as the International Monetary Fund (IMF) and the World Bank. The Paris Club (Club de Paris) is a group of official borrowings from major creditor countries whose role is to find co-ordinated and sustainable solutions to the payment difficulties experienced by debtor countries.

The total stock of debt as at the 31st of December, 2020 stood at US\$4.5 billion, of which multilaterals represented less than 25% (US\$1.0 billion). The largest creditors are the IMF, AFESD and IDA respectively. Debt to bilateral creditors reached US\$3.4 billion with Paris Club creditors representing close to 80% of the bilateral debt. The main creditors are Russia¹, USA, Italy and France. Non-Paris club debt amounts to S0.7 billion and the main creditors are Arab creditors, mainly Abu Dhabi Fund, Iraq, and the Saudi and Kuwait Funds

The external debt composition of the Federal Government of Somalia is shown in the table below.

Table 7 – Summary of Public Debt

Public Debt	12/31/20 USD\$ million	12/31/19 USD\$ million	% Change
Multilateral Debt	1,051	1,529.62	-0.31
Paris Club Debt	2,717	3,072.20	-0.12
Non-Paris Club Debt	720	709.03	0.02
Commercial-Serbia	2		
Total Public Debt	4,490	5,311	-0.41



III. Statement of Cash Receipts and Payments

IV. Statement of Cash Receipts and Payments

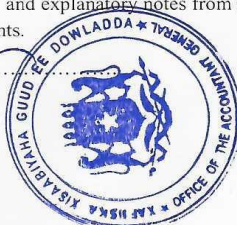
Federal Government of Somalia
Statement of Cash Receipts and Payments
For the Year ended 31 December 2020.
Budget Approval on Cash basis
[Classification of Receipt and Payments by Economic Classification]

	Note	2020 USDS	2019 USDS
RECEIPTS			
Tax Receipts	1	139,529,217	154,744,603
Non-Tax Cash Receipts	2	71,704,629	74,939,156
External Assistance Grants	3	285,593,117	108,117,144
TOTAL RECEIPTS		496,826,962	337,800,903
PAYMENTS			
Compensation of Employees	4	227,014,247	162,862,398
Use of goods and services	5	80,696,010	92,393,185
Consumption of Fixed Assets	6	18,551,695	14,792,796
Grants Paid/Transferred	7	80,283,381	45,007,479
Interest charges & Loan Repayments	9	14,444,846	-
Subsidy	10	2,161,914	-
Social benefit	8	62,135,152	-
Other Payments	11	-	598,488
TOTAL PAYMENTS		485,287,246	315,654,346
Increase/(Decrease) in Cash		11,539,716	22,146,557
Cash at the beginning of the Year	12	54,599,495	32,452,938
Adjusted Cash at the beginning of the year		54,615,521	32,452,938
Increase/(Decrease) in Cash		11,539,716	22,146,557
Cash at the end of the Year	12	66,139,211	54,599,495

* As indicated under note 12, a total amount of US\$46,559,656 (FY 2019: US\$42,834,668) included in the cash balance at the end of the year are restricted funds relating to externally financed projects and the Fiscal Buffer Account

The accounting policies and explanatory notes from pages 17 to 41 to these financial statements form an integral part of the financial statements.

Fatuma Osman Farah
Accountant General



IV. Statement of Comparison of Budget and Actual Amount

Federal Government of Somalia Statement of Comparison of Budget and Actual Amount for the Year ended 31 December 2020.

Budget Approved on a cash basis
[Classification of Receipt and Payments by Economic Classification]

Receipt/Expense Item	Notes	Original Budget USD\$	Budget Adjustment s USD\$	Final Budget USD\$	Actual Outturn USD\$	Variance between Budget and Actual USD\$	% Variance
Receipts (Inflows)							
Tax Receipts	1	155,500,000	48,451,930	107,048,070	139,529,217	32,492,519	30%
Non-Tax Cash Receipts	2	78,900,000	18,428,343	60,471,657	71,704,628	11,232,971	19%
Bilateral Sources-Grants	3	30,000,000	-	30,000,000	15,000,000	15,000,000	-50%
Multilateral Sources-Capital	3		12,000,000	12,000,000		-	0%
Multilateral Sources-Grants	3	201,750,902	166,833,606	368,584,508	270,593,117	97,991,451	-27%
Total Cash Receipts		466,150,902	111,953,333	578,104,235	496,826,962	-69,265,961	
Expenses (Outflows)							
Compensation of Employees	4	223,591,491	11,671,429	235,262,920	227,014,247	8,248,673	4%
Use of goods and services	5	131,457,121	22,553,573	154,010,694	80,696,010	73,333,222	48%
Subsidies	10	10,050,000	7,840,000	2,210,000	2,161,914	48,086	2%
Grants Paid	7	42,646,869	100,401,241	143,048,110	80,283,381	62,764,729	44%
Interest & Loan repayments	9	276,000	14,287,584	14,563,584	14,444,846	118,738	1%
Social Benefits	8	25,000,000	68,435,025	93,435,025	62,135,152	31,299,873	33%
Other Expenses-	11	2,500,000	1,678,193	821,807	-	-	0%
Total Expenses		435,521,481	207,830,659	643,352,140	466,735,551	175,813,321	
Capital Expenditure							
Capital Expenditure	6	40,629,424	1,289,170	41,918,594	18,551,695	23,366,899	-56%
Total Capital Expenditure		40,629,424	1,289,170	41,918,594	-	23,366,899	-56%
Total Cash Expenditure		476,150,905	209,119,829	685,270,734	485,287,246	152,446,422	22%
NET CASH FLOWS		(10,000,003)	(97,166,496)	(107,166,499)	11,539,716	(221,712,383)	

The revision of the revenue budget was largely as a result of expected increase in external assistance grants from multilateral sources but also with a projected decrease in the domestic revenue due to the COVID-19 pandemic that brought about major disruption to the FGS economic activities.

Consequently and following the sequestration prescribed in the Appropriation Act, limited funds were available for allocation to the expenditure categories of goods and services, grants and capital expenditure and this explains the significant variances of underutilization of the budget of 52%, 56% and 44% respectively.

The social benefits budget was underutilized by 67%, mainly as a result of the late commencement of the activities of the Somali Emergency Locust Response Project (SELRP) which only became effective late September 2020. The project's expenditure during the FY 2020 was US\$ 7,700,127 compared to an annual budget of US\$ 39 Million, representing only a 20% level of budget execution.

The accounting policies and explanatory notes from pages 17 to 41 to these financial statements form an integral part of the financial statements.


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Fatuma Osman Farah
Accountant General



VI. Statement of Payments by Functions of Government
Federal Government of Somalia
Statement of Payments by Functions of Government
For the Year Ended 31st December 2020

<i>Functions of Government based on GFS 2014 classification</i>	Budgeted Expenditure for the Federal Government Sector Entities	<i>Actual Payments</i>	<i>Actual Payments</i>
	2020	2020	2019
	US \$	US \$	US \$
Payments-Recurrent			
General Public Service	269,436,557	191,809,423	124,923,136
Defense	87,017,853	83,704,942	58,959,490
Public order and safety	110,708,938	87,918,729	73,479,564
Economic Affairs	127,172,066	82,017,179	21,615,911
Health	24,092,002	3,940,402	2,681,401
Education	21,556,737	14,403,110	12,482,277
Social Security and Welfare	1,610,893	1,338,523	4,257,060
Recreation, Culture and Religion	1,757,095	1,603,244	2,276,364
Total Payments-Operating	643,352,141	466,735,552	300,675,203
Payments-Capital			
General Public Service	16,801,040	9,417,963	11,107,183
Defense	-	-	12,000
Public order and safety	7,249,029	2,056,161	60,000
Economic Affairs	8,979,501	4,673,081	1,145,751
Health	6,753,900	2,295,310	-
Education	2,135,124	109,180	1,133,941
Social Security and Welfare	-	-	1,333,921
Recreation, Culture and Religion	-	-	-
Total Payments-Capital	41,918,594	18,551,695	14,792,796
Refund of funds upon closure of S2S project			170,362
Total Payments	685,270,734	485,287,247	315,638,361

The accounting policies and explanatory notes on pages 17 to 41 to these financial statements form an integral part of the financial statements.

Fatuma Osman Farah
Accountant General



Reports and Financial Statements for the year ended 31 December 2020

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VII. Statement of Cash Flows

Federal Government of Somalia Statement of Cash Flows For the Year Ended 31st December 2020

	Notes	2020	2019
Cash flow from Operating Activities			
Receipts from Operating Activities			
Tax Receipts	1	139,529,217	154,744,603
Non-tax Receipts	2	71,704,628	74,939,156
External Grants	3	285,593,117	108,117,144
		<u>496,826,962</u>	<u>337,800,903</u>
Payment for operating Activities			
Compensation of Employees	4	227,014,247	162,862,398
Use of goods and services	5	80,696,010	92,393,185
Grants paid	7	80,283,381	45,007,479
Subsidy	10	2,161,914	-
Social benefit	8	62,135,152	-
Interest Charges	9	1,769,434	-
Other expenses	11	-	598,488
Total Payments from Operating Activities		<u>454,060,138</u>	<u>300,861,550</u>
Net cash flow from operating Activities		<u>42,766,824</u>	<u>36,939,353</u>
Cash flow From Investing Activities			
Acquisition of Fixed Assets	6	(18,551,695)	14,792,796
Net Cash outflow from Investing Activities		<u>(18,551,695)</u>	<u>14,792,796</u>
Cash flow from Financing Activities			
Repayments of Foreign borrowing	9	(12,675,412)	-
Net cash outflow from Financing Activities		<u>(12,675,412)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENT		<u>11,539,716</u>	<u>22,146,557</u>
Cash and cash equivalent at beginning, 1 January	12	<u>54,599,495</u>	<u>32,452,938</u>
Cash and cash equivalent at end, 31 December	12	<u>66,139,209</u>	<u>54,599,495</u>

* As indicated under note 12 and out of a total of US\$ 66,139,209, a total amount of US\$ 46,559,656 (FY 2019: US\$42,834,668) are restricted balances relating to externally financed projects and the Fiscal Buffer Account.

The accounting policies and explanatory notes from pages 17 to 41 to these financial statements form an integral part of the financial statements.

Fatuma Osman Farah,
Accountant General



Reports and Financial Statements for the year ended 31 December 2020

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ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

I. Accounting Policies

1.1. General Information

The Federal Government of Somalia has its seat in Mogadishu, the capital of the Federal Republic of Somalia. The principal address of the reporting entity is:

The Office of the Accountant General
Building of the Ministry of Finance
Shangani District
Mogadishu
Somalia

The principal activities of the Government and its controlled entities aim at creating value for its people include but not limited to the provision of health, education, defence, security, economic, social, administration and other general public services.

The main laws and regulations for public expenditure management and accountability and reporting on the public finances of the Federal Government of Somalia include the following:

- a) The Appropriation Act for the period under review;
- b) The Public Financial Management Act (2019);
- c) The Procurement Act and related legal framework.

In December 2019 the Public Financial Management Act 2019 (PFMA) was enacted and this is the first year of implementing the law. The PFMA replaced the Financial and Accounting Procedures Regulations of 1961 of the State as amended 1971.

1.2. Significant Accounting Policies

These are the specific principles, bases, conventions, rules and practices adopted by the Federal Government of the Republic of Somalia in preparing and presenting the financial statements. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all transactions unless otherwise stated. The following specific policies have been used:

a) *Basis of Preparation*

The financial statements have been prepared in accordance with the:

- Public Financial Management Act (2019) and related legal framework, and
- International Public Sector Accounting Standards (IPSAS), Cash Basis of Accounting (2017)

Pursuant to Paragraph (1) and in accordance with article (43) (2) of the PFM Act, the financial statements have been prepared using the International Public Sector Accounting Standards (IPSAS), Financial Reporting under the Cash Basis of Accounting (2017), issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants.

Using the Cash Basis IPSAS, the primary financial statements have included the following:

- a) The Statement of Cash Receipts and Payments;
- b) The Statement of Comparison of Budget and Actual Amounts;
- c) The Statement of Cash Flows;
- d) Statement of Payments by Functions of Government;
- e) Accounting Policies and Explanatory Disclosures.

These primary financial statements have been supplemented with additional disclosures and include the following: -

- a) The Balance Sheet (Statement of Financial Assets and Liabilities);
- b) Statement of Extrabudgetary Receipts and payments;
- c) Statement of Expenditure Arrears; and
- d) Statement of External Debt.

b) Going Concern

The financial statements have been prepared on a going concern basis and accounting policies have been applied consistently throughout the period.

c) Reporting Entity

The reporting entity is the Federal Government of Somalia (FGS). The Financial Statements for the FGS have been prepared by the Office of the Accountant General pursuant to Articles 45 (1) of the PFM Act (2019) that empowers the Accountant General to prepare the Annual Financial Statements of the Federal Government of Somalia.

In line with paragraph 1.4.8 of the Cash Basis IPSAS, these financial statements for the Federal Government of Somalia include transactions with Federal Government entities, Federal Member States, Development Partners, etc as specified in the Appropriation Act, 2020; the budget sector entities for that year. The budget sector entities are:

Budget Entities (MDA) during the FY 2020

A budget entity of the FGS is any ministry, department and agency that received an appropriation, based on its budget submission, during the year. Accordingly, based on the Appropriation Act for the financial year ended 31 December 2020, the budget entities were as follows: -

1. Office of the Presidency
2. Parliament
3. Prime Minister
4. Ministry of Foreign Affairs
5. Ministry of Finance
6. Ministry of Planning and Economic Development
7. Ministry of Interior and Federal Affairs
8. Ministry of Endowment and Religious Affairs
9. Ministry of Justice
10. Judicial Authorities
11. Attorney General
12. Solicitor General
13. Auditor General
14. Ministry of Humanitarian and Disaster Management
15. Ministry of Constitution
16. Ministry of Defense
17. Ministry of National Security
18. Ministry of Water and Energy
19. Ministry of Mineral
20. Ministry of Agriculture
21. Ministry of Livestock and Forestry
22. Ministry of Fishery and Marine Resource
23. Ministry of Information
24. Ministry of Post and Telecommunication
25. Ministry of Public Work & Reconstruction
26. Ministry of Transport and Aviation
27. Ministry of Transport and Ports
28. Ministry of Industry & Commerce
29. Ministry of Health
30. Ministry of Education
31. Ministry of Labour and Social Affairs
32. Ministry of Youth and Sport
33. Ministry of Women and Human Rights Development.
34. Boundaries and Federation Commission
35. National Reconciliation Commission

36. National Independent Electoral Commission
37. Human Rights Commission
38. Independent Constitution Review and Implementation Commission
39. National Civil Service Commission
40. National Independent Anti- Corruption Commission

d) Reporting Currency

The functional currency of the Federal Government of Somalia is the United States dollar because: (a) government revenues and expenditures are transacted in that currency; (b) the majority of financing is provided in that currency; and (c) bank transactions and balances are principally in the US \$ (United States Dollar). The reporting currency is the United States Dollar (USD), rounded to the nearest dollar (\$).

e) Reporting Period

The Federal Government of Somalia fiscal and financial year covers the period from 1st January to 31st December, the calendar year. These financial statements are for the period of 1st January 2020 to 31st December 2020. The comparative figures reflect the 12-month period ended 31st December 2019.

f) Revenue Recognition

Receipts represent cash received by the FGS during the financial year and comprise tax revenue, non-tax revenue, grants and external assistance. These receipts are recognized and included in the financial statements only when received as cash or cash equivalent by the FGS or on behalf of the FGS. It does not include other receipts by ministries, departments and agencies of the Federal Government of Somalia outside the Treasury Single Account.

- (i) Tax Revenues is recognized when cash and cash equivalents are received. Cash is considered as received when notification of tax remittance is received.
- (ii) Non-Tax Revenues represents other domestic revenues collected by the FGS other than from taxes and these are recognized in the financial statements at the time associated cash and cash equivalents are received.
- (iii) External Assistance is received in the form of grants from multilateral and bilateral donor agencies under agreements specifying the purposes for which the assistance is to be utilized. This represents grants received from the donor community that are not repayable in future. The amounts in the statement of cash receipts and payments are only recognized when received by and are under the control of the FGS.

g) Recognition of Expenditure

Payments represent outlays of cash and cash equivalents are made by the FGS or other agencies for and on behalf of the FGS. All payments are recognized and included in the financial statements when cash or cash equivalent is paid out.

- (i) Compensation of Employees include employee benefits such as salaries, allowances, and other related-employment costs and these have been recognized in the financial statements only when cash payments have been made.
- (ii) Use of Goods and Services are recognized as cash payments are made in the period for the goods/services consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be included in the statement of financial assets and liabilities (Balance sheet) as financial liabilities with supporting schedules (detailed notes).
- (iii) Property, Plant and Equipment & other non-current assets (Capital items) principally comprise of land, buildings, plant, vehicles, equipment, and any other capital assets controlled by the Federal Government of Somalia. Under the cash basis of accounting, acquisition of property, plant, equipment, and other non-current assets have been expensed fully in the year of purchase. However, these assets are recorded in the Governments Asset Register at historical cost as a memorandum record.

h) Social Benefits.

Under financing agreements with IDA – World Bank, social benefits were paid during the financial year with the following objectives;

- (i) to provide cash transfers to targeted poor and vulnerable households and establish the key building blocks of a national shock-responsive safety net system.
- (ii) to respond to the threat posed by the locust outbreak and strengthen systems for preparedness
- (iii) to support immediate crisis recovery and longer-term resilience building against natural and manmade shocks in Somalia.

All social benefits are recognized and included in the financial statements when cash or cash equivalent is paid out.

i) Subsidies

Under a financing agreement with IDA – World Bank, subsidies were paid under the the Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project (SCALED-UP) to support progress toward increased access to basic digital financial and government services targeting entrepreneurship and employment, particularly for women.

All subsidies are recognized and included in the financial statements when cash or cash equivalent is paid out.

j) Cash and Cash Equivalents

Cash and cash equivalents are reported in the financial statements at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts.

This is comprised of the cash and bank balances of all bank accounts operated by the Treasury of the Federal Government of Somalia with the Central Bank of Somalia under the Treasury Single Account (TSA) framework. This includes balances on the main Treasury Single Account, MDA TSA sub-accounts and the project designated accounts also as TSA sub-accounts. It also includes deposit accounts, revenue collection bank accounts with commercial banks and petty cash balances held by the ministries, departments, and agencies at the end of the financial year.

k) Fiscal Buffer Account

A Fiscal Buffer Account was established by the Government following guidance provided by the IMF under the SMP IV program for purposes of sustaining critical expenditures in the face of volatile revenues. In accordance with the Fiscal Buffer Account Guidelines, the fiscal buffer account shall be built from any surplus revenue realised during a financial year from taxes, non-tax revenues, grants or from any other fund sources with these funds deposited (via the Treasury Single Account) into the fiscal buffer account to be utilized for the sole purpose of financing the FGS annual budget either in the current year or in the future financial year(s) to meet periods of revenue shortfalls and depending on the needs of critical expenditures, amounts are transferred from the Fiscal Buffer Account to general budget support (TSA main account) to finance appropriated expenditure.

l) Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period.

Funds held in the Fiscal Buffer Account may only be used for funding any financing gaps where revenue shortfalls are experienced in the FGS annual budget during the year. Funds utilized are not to exceed the current year budget amount as authorized by Parliament in the Appropriation Act or Supplementary Budget. The withdrawal of money from the fiscal buffer account shall only be made for the purposes of financing the FGS budget.

Funds held in other TSA sub-bank accounts are to be spent in accordance with the project they relate to and as outlined in the financing agreement and or memorandum of understanding between the donor and the Federal Government of Somalia.

m) Original and final approved budget and comparison of budget and actual amounts

The approved national budget of the FGS was prepared on the same accounting cash basis, consistent with the accounting basis of these financial statements. The budget used the same classification basis using the Government Financial Statistics, 2014 (GFSM2014) economic classification for the same period (1 January 2020 to 31 December 2020) as the financial statements. It encompasses the same budget sector entities of the Federal Government of Somalia as identified under accounting policy 1.2(c) and section III providing additional closure on the externally financed projects that use country systems i.e “on-budget”, “on-Treasury” and “on-account”.

The original budget of US\$476,150,905 was approved by Parliament on 31st December, 2019 and a supplementary appropriation to increase the budget to US\$685,270,735 was approved by Parliament on 31st August 2020 under an Act of Parliament cited as 00007/2020.

The original budget’s objectives and policies, the subsequent revisions and the material differences between the budget and actual amounts are explained in the executive commentary provided as part of these financial statements and also with further details in other budget performance reports published online: <http://mof.gov.so/fiscal/>.

n) Foreign Currency Transactions and Foreign Operations

Foreign currency transactions denominated in foreign currencies are recorded in the United States Dollars (USD\$) at the exchange rate ruling on the date of the transaction. Balances of cash, other assets and liabilities denominated in other foreign currencies at the year-end are translated into US Dollars (USD\$) at the closing rate of exchange with the resulting exchange gains/(losses), if any, are dealt with as a reconciling item through changes in net assets or deficits. However, there were no balances of cash, assets and liabilities held in other foreign currencies during the reporting period.

o) Exchange Rates

All monetary amounts in the financial statements are expressed in United States Dollars (US\$), the transaction and reporting currency. The US \$ closing rates (the Central Bank of Somalia middle rate) were:

	2020	2019
	USD\$	USD
Euros (Euro €)	0.885	0.84
Somali Shilling (SOS \$)	22,500	22,500

p) Functions of Government

For presentation of certain information in the financial statements by functions of government, the Government Finance Statistics [GFS] as developed by the Organization for Economic Cooperation and Development [the OECD], and as published by the International Monetary Fund [IMF], 2014 has been used.

q) Contingencies

A contingent liability is either a possible obligation arising from past events and depending on future events not under an entity's control, or a present obligation not recognized because either the entity cannot measure the obligation or settlement is not probable. Some examples of contingent liabilities include: bank or any other guarantee issued, pending legal proceedings, court awards appealed by government, and contingent liabilities arising out of Public Private Partnerships (PPPs). Contingent liabilities are recorded and disclosed when the contingency becomes evident. Contingent assets are neither recognized nor disclosed. Contingent liabilities are aggregated when reported by the individual public bodies and disclosed. No contingent liabilities were reported at the end of the year.

r) Commitments

In accordance with the PFM Act 2019, commitments mean a legally enforceable obligation to make payments to another party. During the financial year, all commitments that were due for payment were recorded and settled.

s) Extra budgetary Funds

Extra-budgetary funds are receipts, payments and account balances outside the National Budget i.e., not appropriated. These are not included in the primary financial statements but are disclosed separately in a statement of extra-budgetary funds as a summary of transactions reported by the individual entities. The list of reporting entities included in the financial statements is provided under Annex B.

t) Expenditure Arrears and other payables

An expenditure arrear is a sub-set of accounts payable that is past its due date. Expenditure arrears are included in the Balance Sheet as a separate account payable when duly verified and certified.

Other payables relate to outstanding bills not due for payment. There were no outstanding bills at the closure of the financial year.

u) Payments by Third Parties

The Federal Government of Somalia may also benefit from goods and services purchased on its behalf as a result of cash payments made to third parties during the period. Requests for third party payments are

processed through the use of country systems, and at the request of the government, the donor makes payment directly to a third party (e.g., supplier, contractor, and consultant) for eligible expenditures. An example is the direct payments processed by the World Bank/African Development Bank upon requests from the FGS which are formally advised and verified by the Government and are included in the financial statements.

On the other hand, and through direct execution, third parties including donors may make payments to external suppliers outside the country systems and provide goods and services including in-kind donations e.g., food aid, big contract of works, vehicles, equipment, technical assistance or personnel services. The payments made by the third parties outside the country systems do not constitute cash receipts or payments managed by the government even though it does benefit from such payments. Such payments are therefore not included in the statement of cash receipts and payments but are reported and disclosed where the financial value of the goods and services received can be reliably verified and determined by government. No direct execution transactions have been reported during the financial year.

v) Re-statement of financial statements of previous period

Where necessary comparative figures for the previous financial year ended 31 December 2018 have been restated to conform with the requirements of the Cash Basis IPSAS and correction of identified errors.

w) Authorization Date

The financial statements were authorized for publication on 30th April 2021 by Dr. Abdirahman Dualeh Beileh, the Minister of Finance and Ms. Fatuma Osman Farah, the Accountant General of the Federal Government of Somalia.

II. Explanatory Notes to the Financial Statements

1. Tax Receipts

Tax revenues arise from both direct and indirect taxes levied and collected by the FGS and consists of the following:

	2020 USD\$	2019 USD
Payable Individual	12,415,562	9,744,929
Payable Corporation	3,181,771	1,458,724
Other Income Tax	556,905	490,606
General Taxes on goods and Services	21,293,612	24,959,917
Customs and other Import Duty	91,054,110	90,458,623
Other Taxes on International trade and Transactions	-	16,569,175
Taxes Payable solely by businesses	11,027,257	11,062,629
Total Tax Receipts	139,529,217	154,744,603

A total of US\$107,048,070 was estimated to be collected in the 2020 financial year, with an actual collection of US\$139,529,217 was achieved which is US\$32,481,147 million (30%) more than estimated the amount collected and represents 28% of the total tax revenue for the 2020 financial year.

2. Non-Tax Cash Receipts [NTR]

Non-Tax revenue represents other domestic revenues collected by the FGS other than from taxes. These comprise of the following:

Non- Tax Cash Receipts	2020 USD\$	2019 USD\$
Administrative Charges	67,170,229	70,492,976
Harbour Fees	4,534,399	4,446,180
Total	71,704,628	74,939,156

A total of US\$60,471,657 was estimated to be collected in the 2020 financial year, with an actual collection of US\$71,704,628 was achieved which is US\$11,232,971 (19%) more than estimated. The amount collected represents 14% of the total tax revenue for the year.

3. External Assistance (Grants)

External assistance was received in the form of grants from multilateral and bilateral donor agencies under agreements specifying the purposes for which the assistance will be utilized. This represents grants received from the donor community that are not repayable in future. The amounts in the statement of cash receipts and payments are only recognized when received by and are under the control of the FGS. The amount of external assistance received in 2020 consists of the following:

Name of Donor	2020 USD	2019 USD
Government of Turkey	15,000,000	15,000,000
State Qatar	-	21,316,829
Government of Algeria	-	100,000
Total	15,000,000	36,416,829
Grants Received from Multilateral Donors (International Organizations)		-
World Bank	178,092,821	37,493,686
EU	7,664,241	29,078,979
AFDB	27,798,672	1,926,485
UNOPS	-	1,670,632
United Nations	2,477,962	640,590
IGAD	100,000	-
Global education partnership	1,438,636	889,943
Urban Investment Planning (SUIP)	2,396,942	-
Somali Shock Responsive and Safety Net	50,623,843	-
Total	270,593,117	71,700,315
Total External Assistance	285,593,117	108,117,144

Non – compliance with significant terms and conditions:

There have been no known instances of non-compliance with terms and conditions with regards to the external assistance agreements or guarantees which have resulted in cancellation of the assistance or has given rise to an obligation to return the assistance previously given.

A total of US\$410,584,508 was estimated to be collected in the 2020 financial year, with an actual collection of US\$285,593,117 was achieved which is US\$124,991,391 (27.5%) less than estimated and represents 57.5% of the total revenue for the 2020 financial year.

4. Compensation of employees

Compensation of employees comprised of the following:

	2020 USD\$	2019 USD
Employee salaries	140,155,460	44,470,683
Employee allowances	72,092,051	105,662,362
Social contributions	-	-
Other employee costs	13,941,736	11,402,763
Arrears - Salaries and Allowances	825,000	1,326,590
Other personnel payments	-	-
Total	227,014,247	162,862,398

The other employee costs are salaries for the staff hired under the Capacity Injection Program.

5. Use of Goods and Services

These comprise the following:

Use of Goods and Services	2020 USD\$	2019 USD
Utilities	4,334,479	6,200,097
Rent expenses	1,955,537	1,781,418
Repairs and maintenance	2,345,356	2,264,793
Office Materials and other consumables	3,063,533	3,178,163
Travel expenses	6,386,033	8,737,764
Education expense	1,624,774	1,281,277
Training expense	1,172,144	1,140,522
Consulting and Professional fees	13,211,505	8,144,302
Fuel	5,274,171	5,253,989
Audit fees	62,023	73,937
Bank Commission	6,361,183	6,091,644
Health and hygiene	775,739	933,242
Insurance Charges /premium	16,150	-
Military material supplies and service	633,049	628,818
Other specialized material and service	1,972,022	3,047,185
Special Operational Service	7,112,726	8,204,769
Other General Expenses	24,395,587	35,431,266
Total	80,696,011	92,393,186

A total of US\$154,010,694 was budgeted to be paid in the 2020 financial year, with payments of US\$80,696,011 made which is US\$73,314,683 (47%) less than budgeted for the year.

6. Acquisition of Fixed Assets (Capital Expenditure)

All non-current assets acquired during the year are expensed in the year of purchase [fully depreciated in the year of purchase]. The value of capital expenditure acquired during the financial year and expensed comprised of the following:

	2020 USD\$	2019 USD
Residential Buildings	546,050	682,500
Transport equipment	320	1,950
Machinery and other equipment	218,444	35,030
Furniture and Fixtures	54,765	-
ICT infrastructure, hardware, networks, facilities	6,370,451	428,366
Software Applications	464,135	-
Other fixed assets	10,280,331	13,560,223
Other intangible assets	617,199	84,727
Total	18,551,695	14,792,796

A total of US\$41,918,594 was budgeted to be paid in the 2020 financial year, with payments of US\$18,551,695 made which is \$23,366,899 (56%) less than budgeted for the year.

7. Grants Paid

The Government paid Grants to sub-national governments as support grants to Federal Member States within the appropriated amounts by Parliament. These were unconditional grants.

Grants paid during the year relate to the following:

Grants Paid	2020 USD\$	2019 USD\$
To Foreign Governements	-	-
To international Organisations as meembership contributions	619,908	1,444,631
To other gneral government units & sub-national Governments	-	-
Somaliland	1,003,271	200,000
Puntland Sate of Somalia	17,355,991	6,806,439
Jubbaland State of Somalia	8,020,557	4,419,223
South West State of Somalia	10,602,600	6,418,014
Galmudug State of Somalia	12,220,554	4,510,815
Hirshabelle State of Somalia	9,597,196	5,198,095
Benadir-Mogadishu City	20,094,824	16,010,262
Chamber of Commerce	384,241	
Somali Development Bank	384,241	
Total Grants	80,283,383	45,007,479

A total of US\$143,048,110 was budgeted to be paid in the 2020 financial year, with payments of US\$80,283.381 which is US\$62,764,729 (44%) less than budgeted for the year.

8. Social Benefits

These comprises of the following;

Social Benefits	2020 USD\$	2019 USD\$
Social Security Benefits	46,850,834	
Social Assistance Benefits	15,284,318	
Total Social Benefits	62,135,152	-

A total of US\$93,435,025 was budgeted to be paid in the 2020 financial year, with payments of US\$62,135,152 made which is US\$31,299,873 million (33%) less than budgeted for the year.

9. Interest Charges and Loan Repayments

Interest and charges are comprised of the following:

Interest Charges and Principal Loan Repayments	2020 USD\$	2019 USD\$
Loan Interest	1,769,434	-
Principal Loan Repayments	12,675,412	-
Total Interest and Charges	14,444,846	-

A total of US\$14,563,584 was budgeted for loan repayments and interests. However, actual loan repayments and interest paid of US\$14,444,846 was lower than the budgeted amount by US\$118,738 thousand (1%).

10. Subsidies

These comprises of the following

Subsidy	2020 USD\$	2019 USD
To non-financial private enterprises	2,161,914	-
	2,161,914	-

A total of US\$2,210,000 was budgeted to be paid in the 2020 financial year, with payments of US\$2,161,914 which is US\$48,086 (2%) less than budgeted for the year.

11. Other Payments

These comprised of the following:

Other payments	2020 USD \$	2019 USD\$ (Restated)
Other expenses-Contingencies	-	412,140
Refund of donor funds on closure of project	-	170,472
Prior year adjustment	-	15,876
Total	-	598,488

A total of US\$821,807 was budgeted to be paid during the year, with no payments made. Contingency expenditure relates to urgent and unforeseen expenditure and there were no refunds to donors on closure of projects for the year.

12. Cash and Cash equivalents

Cash and cash equivalents comprise of cash and bank balances of all bank accounts operated by the Treasury of the Federal Government of Somalia with the Central Bank of Somalia under the Treasury Single Account (TSA) framework. This includes balances on the main Treasury Single Account, MDA TSA sub-accounts and the project designated accounts which are TSA sub - accounts. It also includes deposit accounts, revenue collection bank accounts with commercial banks and petty cash balances held by the ministries, departments and agencies at the end of the financial year. Details of the cash balances are provided as follows: -

Name of Bank Account		
	2020 USD\$	2019 USD
Treasury Main Account	523,222.00	1,558,364.00
African Development Bank Phase II	199.00	5,044.00
Capacity Injection Project	133,684.00	40.00
ICT Phase 2	54,485.43	503,231.00
ICT – Puntland	2,302.00	48,957.00
PFM Phase 2 Scaled up	387,554.00	108,038.00
RCRF Phase 2 FGS Bank	297,166.00	1,773,142.00
RCRF Phase 2 Regions	1,342,059.00	2,482,795.00
RCRF Surge Support	894,711.00	1,877,181
SCORE Project		137,346.00
SFF-LD Project UN	1,499,881.00	520,318.00
SFF-LD World Bank	104	93,611.00
SURP Project	108,469.00	191,863.00
Support to Stabilization Project (S2S)	-	-
Support to Stabilization Project (S2S) – Phase II	425,114	655,056.00
EU Buffer Funds	-	12,006,969.00
Kingdom of Saudi Arabia (KSA) Buffer Funds	-	7,885,300.00
SCALED – UP	192,730.00	633,807.00
Gargaara Co. LTD	1,329,457.00	
Civil Aviation External	-	10,206,425.00
Armed Forces	-	-
Police	-	-
Education Sector Program Implementation Grant	470,022.00	111,401.00
SEAP Project	50,827.00	50,082.00
SIEPMID Project	66,379.00	365,456.00
Somalia Petroleum Technical Assistance Project	5.00	1,893.00
SUIPP -AF Project	22,182.00	25,164.00
Qatar Buffer Funds	-	13,358,012.00
Road infrastructure Program (ADF Grants)	27,704.00	
Road infrastructure Program (TSF Grants)	68,920.00	
Shock responsive safety net for human capital	289,809.00	
SCAA	187.00	
Water for Agro Pastoral Productivity and Reselianced (Biyoole A)	129,787.00	
DPO	17,726,875.00	
Buffer Fund	13,500,000.00	
Somali Crisis Recovery Project	9,610,858.00	
SISEPCB	800,642.00	
Somali Urban Resilience Project Phase II	3,397.00	
TSF-Crisis Response Program for National and Regional Mitigation of COVID-19 Impact	2,241,780.00	
ADF- Crisis Response Program for National and Regional Mitigation of COVID-19 Impact	12,725,239.00	
SURP Project Phase II FMS	1,213,461.00	
Total	66,139,211	54,599,495

Included in the above balances, are restricted cash balances at the year-end which comprise of the following:

	31-Dec- 20	31- Dec- 19
	US \$	US \$ (restated)
For the Buffer Fund	13,500,000	33,250,281
For designated externally projects	33,059,656	9,584,387
Total restricted cash balances at the end of the year	46,559,656	42,834,668

13. Reconciliation and Movements in the Fiscal Buffer Account

In 2018 and following an agreement between the Government and the IMF under the SMP IV program a “fiscal buffer” was established to enable government sustain critical expenditures and avoid arrears in the face of volatile revenues.

A summary of the movements in the buffer funds during the financial year ending 2018 is as follows:

Source of Funds	Opening Balance 1 Jan 2018	Receipts	Transfers for Budget Support	Closing Balance 31 Dec 2018
Saudi Arabia	-	20,130,868	6,070,868	14,060,000
European Union	-	17,056,485	12,068,439	4,988,046
UNOPS	-	1,254,713	1,254,713	-
Total Fiscal Buffer Account	-	38,442,066	19,394,020	19,048,046

In 2019 virtual SFMIS accounts were operated for the buffer funds with all amounts received paid directly into the TSA main account. A reconciliation of the movement of the buffer funds during the financial year ending 2019 is as follows:

Source of Funds	Opening Balance 1 Jan 2019	Receipts	Transfers for Budget Support	Closing Balance 31 Dec 2019
Saudi Arabia	14,060,000	-	6,174,700	7,885,300
European Union	4,988,046	29,567,130	22,548,207	12,006,969
Qatar	-	21,316,829	7,958,817	13,358,012
Total Fiscal Buffer Account	19,048,046	50,883,959	36,681,724	33,250,281

During the financial year 2020 the fiscal buffer bank accounts configuration was regularized and the fiscal buffer guidelines 2019 to maintain one physical bank account no: 311151 at the Central Bank of Somalia as part of the TSA framework.

During the 2020FY US\$13,500,000 was transferred to the Fiscal Buffer Account from the Somali Civil Aviation Authority (SCAA) in respect of revenue from overflight fees. Also, US\$7,664,241 of EU Budget Support Funds were transferred to the EU Buffer Fund Account. A total amount of US\$40,914,522 was transferred from the buffer accounts to finance appropriated expenditure during the financial year 2020. The movements in the buffer funds for the financial year 2020 as compared to the previous financial year 2019 were as follows

Fiscal Buffer Account	2020 USD\$	2019 USD\$
Balance - 1 January 2020	33,250,281	19,048,046
Receipts - SCAA	13,500,000	-
Receipts - EU account	7,664,241	31,567,130
Receipts - Saudi Arabia	-	-
Receipts - Qatar	-	21,316,829
Total Receipts during the year	21,164,241	52,883,959
Transfers during the year		
Kingdom of Saudi Arabia	7,885,300	6,174,700
The European Union	19,671,210	24,548,206
The Government of Qatar	13,358,012	7,958,817
Total Transfers	40,914,522	38,681,723
Net Movement of the Fiscal Buffer A-	19,750,281	14,202,236
Balance - 31 December 2020	<u>13,500,000</u>	<u>33,250,282</u>

Fiscal Buffer Account Details	Opening Balance 1 January 2020	Receipts	Transfers	Closing Balance 31 December 2020
Saudi Arabia	7,885,300	-	7,885,300	-
European Union	12,006,969	7,664,241	19,671,210	-
Qatar	13,358,012	-	13,358,012	-
Somali Civil Aviation Authority	-	13,500,000	-	13,500,000
Total Fiscal Buffer Account	33,250,281	21,164,241	40,914,522	13,500,000

14. Restatement of audited financial statements for the year ended 31 December 2019

a) Rounding up differences

As a result of adjustments to some bank accounts after the finalization of the 2019 financial statements, an error of US \$150 was detected due to rounding up.

b) Adjustment of 2 bank accounts

An adjustment of US \$ 16,026 relates to two (2) bank accounts: Somalia Armed Forces (US\$3,257) and Somalia Police Forces (US\$12,769) amounting to a total of US \$ 16, 026. These two accounts remained open until the end of the financial year 2020. In 2018, the Government took action to close all MDA special accounts and bring them under the control of the Accountant General's Office. Accounts for eight (8) MDAs which included Armed and Police Forces retained their accounts which were to be operated under the Accountant General's Office. During this transition process, an amount totaling US\$16,026 of these 2 bank accounts remained reported in the Somalia Financial Management Information System (SFMIS) despite funds had been spent by the 2 MDAs. As a result, a management decision was re-state the closing balances of cash and bank balances for the FY ended 31 December 2019.

c) Re-statement of Statement of Cash Receipts and Payments for FY 2019

	Original statement 31 December 2019 US \$	Adjustment US \$	Restated 31 December 2019 US \$
Receipts			
Tax Receipts	154,744,603		154,744,603
Non - Tax Cash Receipts	74,939,156		74,939,156
External Grants	108,117,144		108,117,144
Total receipts	337,800,903		337,800,903
Payments			
Compensation of employees	162,862,398		162,862,398
Use of goods and services	92,393,185		92,393,185
Consumption of fixed assets	14,792,796		14,792,796
Grants paid/transferred	45,007,479		45,007,479
Other payments (contingency)	582,612	15,876 ²	598,488
Total payments	315,638,470		315,654,346
Surplus (deficit) for the year	22,162,433	(15,876)	22,146,557
Cash surplus (deficit) at 1 January	32,452,938		32,452,938
Surplus (deficit) for the year as above	22,162,433	15,876	22,146,557
Surplus (deficit) at year-end, 31 December	54,615,371	15,876	54,599,495

d) Re-statement of Statement of Cashflows for FY 2018

	Original statement 31 December 2018 US \$	Adjustment US \$	Restated 31 December 2018 US \$
Receipts			
Tax Receipts	154,744,603		154,744,603
Non - Tax Cash Receipts	74,939,156		74,939,156
External Grants	108,117,144		108,117,144
Total receipts from operating activities	337,800,903		337,800,903
Payments			
Compensation of employees	162,862,398		162,862,398
Use of goods and services	92,393,185		92,393,185
Grants paid/transferred	45,007,479		45,007,479
Other payments (contingency)	582,612	15,876	598,488
Total payments from operating activities	300,845,674		300,861,550
Net cash in (out) flow from operating activities	36,955,229	(15,876)	36,939,353
Cash outflow from Investing Activities			
Acquisition of fixed assets	14,792,796		14,792,796
Net cash outflow from Investing Activities	(14,792,796)		(14,792,796)
Cash flow from Financing Activities			

² Comprises adjustment for cash balances for 2019 of US \$ 16,026 and rounding up differences of US \$ 150 (16,026-150)

Proceeds/Repayment of borrowings	0	0	0
Net cash flow from financing activities	0	0	0
Net increase/(decrease) in cash balances	22,162,433	(15,876)	22,146,557
Beginning cash balances – 1 Jan	32,452,938		32,452,938
Net increase/(decrease) in cash balances	22,162,433	(15,876)	22,146,557
Cash balances at year end – 31 December	54,615,371	(15,876)	54,599,495

III. Additional Disclosures

1. Projects

MDA	Project	Donor	Amount USD
Office of the Prime Minister	Capacity Injection Project	World Bank	1,250,842
Ministry of Finance	Special Financing Facility (SFF-LD)	World Bank	-
	Public Financial Management		3,221,361
	SCORE Project	World Bank	3,749,699
	RCRF - Budget Support	World Bank	30,368,404
	Somalia Crisis Recovery Project	World Bank UN African	19,359,093
Ministry of Public Work & Reconstruction	Special Financing Facility (UN)	Development Bank	1,761,977
	Economic and Financial Governance Institutional Support Project	World Bank African	27,698,693
	SCALED-UP Project	World Bank	5,219,506
	Road Infrastructure Program	African Development Bank	169,949
Ministry Post-Telecommunication	ICT Sector Support	World Bank	40,117
Ministry of Mineral	SOPTAP Project	World Bank	218,932
Ministry interior	S2S Project	UN	715,985
Banadir Region	SUIIP Project	World Bank	2,396,942
Ministry Education	Global Partnership for Education	World Bank	1,438,636
Ministry Planning	BIYOOLE Project	World Bank	2,668,305
Banadir region	SUIP Project	World Bank	660,926
Banadir region	SURP Project	World Bank	1,650,690

Ministry labour	Somalia Emergency Locust Response Project	World Bank	7,700,127
Ministry labour	Shock Responsive Safety Net for Human Capital	World Bank	50,623,840
Ministry Planning	Somali Integrated Statistics and Economic	World Bank	850,000
Ministry of Water and Energy	SEAP Project	World Bank	677,595.41
	European Union - Budget support	EU	7,664,241

Ministry/ Department	Project Name
Prime Minister	Capacity Injection and Institutional Strengthening Project
Ministry of Finance	Special Financing Facility (MPTF and UN) Public Financial Management Reform Project Economic and Financial Governance Institutional Support Project Recurrent Cost & Reform Financing Facility Somali Core Economic Institutions and Opp. Prg (SCORE) Somalia Shock-Responsive Social Safety Net Project SCALED - UP PROJECT Technical Assistance and Capacity Building for Setting up the Regulatory Authority for Energy Sector
Ministry of Planning and Economic Development	Water For Agro-Pastoral Productivity and Resilience or the “Biyoole” Project
Ministry of Interior	Support Stabilization Project (S2) Somali Urban Investment Planning Project (UN) Somali Urban Investment Planning Project - Additional Financing Somalia Urban Resilience Project PH2
Ministry of Water and Energy	Somali Electricity Access Project (SEAP)
Ministry of Minerals	SOPTAP (Petroleum)
Ministry of Post and Telecommunications - Special Projects	ICT Sector Support
Ministry of Health	Recurrent Cost & Reform Financing Facility
Ministry of Education and Higher Education	Education Sector Program Implementation Grant (ESPIG) Recurrent Cost & Reform Financing Facility
Ministry of Labour and Social Affairs	Somalia Shock-Responsive Social Safety Net Project

Annex A- Balance Sheet

Federal Government of Somalia			
Balance Sheet			
As At 31 December 2020			
	Note	2020 USD\$	2019 USD\$
ASSETS			
Current Assets			
Cash and Cash Equivalents			
Bank Balances	12	66,139,211	54,599,495
Petty Cash		-	-
Total Cash And Cash Equivalents		66,139,211	54,599,495
Non-Current Assets			
Fixed Assets			
Property, Plant & Equipment		-	-
Total Non-current Assets		-	-
Total Assets		-	-
LIABILITIES			
Current Liabilities			
Payables		-	-
Expenditure Arrears	1	52,795,274	53,620,274
Total Curent Liabilities		52,795,274	53,620,274
Non-current Liabilities			
Public Debt	2	-	-
Total Non-current Liabilities		-	-
Total Liabilities		52,795,274	53,620,274
NET ASSETS		13,343,937	979,221
REPRESENTED BY			
NET ASSETS / EQUITY			
Fund balance b/fwd		979,221	- 22,493,926
Surplus/Defict for the year		11,539,716	22,146,557
Payroll arrears		825,000	1,326,590
TOTAL NET ASSETS / EQUITY		13,343,937	979,221

Annex A.1 Explanatory Notes to the Balance Sheet – not audited

1. Payables

These comprise of:

	December 31 st 2020 USD	December 31 st 2019 USD
Domestic Payables		
Payroll Arrears	52,795,274	53,620,274
Total Domestic Payables	52,795,274	53,620,274
Foreign Payables		
Other Payables	-	-
Deposits	-	-
	-	-
TOTAL	52,795,274	53,620,274

2. Accumulated Funds

The accumulated surplus (deficit) as at the year-end was as follows:

	December 31 st 2020 USD	December 31 st 2019 USD
Opening Balance- As at 1 Jan 2020	995,097	-22,493,926
Surplus/Deficit for the Year	11,539,716	22,162,433
Payroll Arrears	825,000	1,326,590
Adjustments – bank balances	(15,878)	-
Balance At the end of the year – As at 31 Dec	13,343,935	995,097

3. Expenditure Arrears

Payroll arrears of US\$52,795,274 were confirmed at the end of the financial year ended 31 December 2020 after arrears amounting to US\$825,000 were settled during the year. However, verification to determine eligible expenditure arrears relating to goods and services is still ongoing.

4. Property, Plant and Equipment

The Government plans to develop and implement the SFMIS fixed asset module to enable the asset registers Government Ministries, Department and Agencies to maintain comprehensive and up-to-date asset registers from which appropriate asset disclosures shall be prepared and included in the Federal Government annual financial statements.

The Government also intends to develop asset management policies that will guide public entities on the classification, valuation (so as reflect the current value of assets), tagging and verification of assets which is an ongoing process. The fixed assets shall be included in the Government balance sheet upon the conclusion of the verification exercise and when credible asset information can be obtained from the SFMIS.

5. Public Debt

The total stock of debt as at the 31st December, 2020 stood at US\$4.5 billion, of which multilaterals representing less than 25% with US\$1.0 billion. The largest creditors are the IMF, AFESD and IDA in that order. Debt to bilateral creditors reached US\$3.4 billion with Paris Club creditors representing close to 80% of the bilateral debt. The main creditors are Russia, USA, Italy and France. Non-Paris club debt amounts to US\$0.7 billion, and the main creditors are Arab creditors, mainly Abu Dhabi Fund, Iraq, and the Saudi and Kuwait Funds.

Because of the matching principle, public debt has been disclosed separately and it will be included in the Balance Sheet at the same time with the fixed assets.

Annex B – STATEMENT OF EXTRABUDGETARY FUNDS FOR PUBLIC BODIES

Federal Government of Somalia
Statement of Extrabudgetary Receipts and Payments for Public Bodies
For the Year Ended 31 December 2020
(Reported by Public Entity & GFS Economic Classification for Expenditure)

	Notes	2020 USD\$	2019 USD\$
Revenue (by Public Entity)			
Somali National University	1.1	1,287,305	1,096,250
Mogadishu Ports Authority		-	354,193
Ministry of Energy & Water	1.2	1,427,590	640,110
Ministry of Finance -Dryland project	1.3	979,206	981,341
Total Revenue		3,694,101	3,071,894
Expenditure			
Compensation of employees	2.1	1,076,747	759,573
Use of goods and services	2.2	2,645,259	1,309,225
Acquisition of fixed assets	2.3	579,824	352,716
Total Expenditure		4,301,830	2,421,514
Surplus/(Deficit)		(607,728)	650,380
Balance at the beginning of the year		809,776	159,396
Cash end of the year	3	202,048	809,776

Notes to the Statement of Extrabudgetary Receipts and Payments

1. Extrabudgetary Revenue

1.1. Somali National University

Funding received during the 2020 financial year was USD\$1,427,590 (USD\$640,110 in 2019) and was collected from the following sources:

Revenue Source	2020 USD\$	2019 USD\$
Student service	1,084,157	714,092
Fees for Social Work		206,998
Fees for journalism		11,207
Income from private activities	500	11,250
Other income	293	1,016
Income from Training	192,793	90,152
Research Income	4,263	-
Grants	5,300	61,536
Total Revenue	1,287,305	1,096,250

1.2. Ministry of Energy & Water

Funding received during the 2020 financial year was USD\$1,427,590 (USD\$640,110 in 2019) from the following donors:

Donor	2020 USD\$	2019 USD\$
UNICEF	1,422,590	640,110
Save the Children International	5,000	
Total	1,427,590	640,110

1.3. Ministry of Finance - Dryland Project

During the year, funds were received for the Dryland project from the Islamic Development Bank. The key objective of the project is to:

- strengthen the livestock and drylands farming system
- building value chains activities, and
- improving access to basic social services.

The executing agency is the Ministry of Finance.

Funding received during the 2020 financial year was USD\$979,206 (USD\$981,341 for 2019)

2. Expenditure

2.1. Compensation of Employees

Prior Period Adjustment

Compensation of Employees reported an incorrect total amount in the 2019 financial statements which resulted from the omission of the Ministry for Finance employee costs from the total. The comparatives

in the 2020 financial year Statement of Extrabudgetary Receipts and Payments have been restated to report the correct total. The following table reflects the impact of correcting this error.

	2020 USD\$	2019 USD\$ (Restated)	2019 USD\$
Compensation of Employees	1,076,747	759,573	623,863

Compensation of employees totalled USD\$1,076,747 in comparison to USD\$759,573 for the previous year, the increase was attributed to the increase of employee costs for the Ministry for Finance's Dryland Project of USD\$542,480. Expenditure relating to compensation of employees is detailed in the following table as provided by the Public Bodies:

	2020 USD\$	2019 USD\$
Somali National University		
Allowances	266,917	156,405
	266,917	156,405
Ministry of Energy & Water		
	2020 USD\$	2019 USD\$
Salary	131,640	113,265
	131,640	113,265
Ministry of Finance - Dryland Project		
	2020 USD\$	2019 USD\$
Compensation of Employees	678,190	135,710
	678,190	135,710
Mogadishu Ports		
	2020 USD\$	2019 USD\$
Compensation of Employees	-	354,194
	-	354,194
TOTAL	1,076,747	759,573

2.2. Use of Goods and Services

Prior Period Adjustment

Use of Goods and Services reported an incorrect total amount in the 2019 financial statements which resulted from the omission of the Ministry for Finance costs of Goods and Services from the total. The comparatives in the 2020 financial year Statement of Extrabudgetary Receipts and Payments have been restated to report the correct total. The following table reflects the impact of correcting this error.

	2020 USD\$	2019 USD\$ (Restated)	2019 USD\$
Use of Goods and Services	2,645,259	1,309,225	937,989

Use of Goods and Services expenditure totalled USD\$2,645,259 in comparison to USD\$309,225 for the previous year, an increase of \$1,336,034 the increase was attributed to the increase of expenditure for

the Ministry for Finance's Dryland Project of USD\$383,326 and the Ministry of Energy & Water of USD\$1,048,461 and a decrease in expenditure for the Somali National University of USD\$95,753. A breakdown of Expenditure relating to the purchase of goods and services is detailed in the following table as provided by the Public Bodies

Somali National University

	2020 USD\$	2019 USD\$
Training Expenses		91,356
Rent	18,390	
General Operational Costs	236,438	100,268
Oil & Gas	29,690	11,316
Maintenance	73,221	57,154
Office Equipment	47,056	16,233
Travel Expenses	32,523	59,251
Ceremony Expenses		37,742
Social Benefits		11,374
Student Expenses		50,092
Other Project Costs		13,200
Special Operational Costs		28,214
Operational Costs - Galmudug State		56,872
Total Use of Goods & Services	437,317	533,070

Ministry of Energy & Water

	2020 USD\$	2019 USD\$
Use of Goods & Services	1,453,380	404,919

Ministry of Finance - Dryland Project

	2020 USD\$	2019 USD\$
Use of Goods & Services		
Use of Goods & Services	739,824	371,236
Finance Costs	14,738	-
Total Use of Goods & Services	754,562	371,236
TOTAL	2,645,259	1,309,225

2.3. Capital Expenditure

Acquisition of Assets (Capital Expenditure) for the year was USD\$579,824 in comparison to \$352,716 for the previous year, an increase of USD\$227,108. A breakdown of capital expenditure s is detailed in the following table as provided by the Public Bodies

Somali National University

	2020 USD\$	2019 USD\$
Capital Expenditure	550,324	352,716
	550,324	352,716
Ministry of Finance - Dryland Project		
	2020 USD\$	2019 USD\$
Office Equipment, Furniture & Fittings	29,500	
	29,500	-
TOTAL	579,824	352,716

3. Cash and Bank Balances*Prior Period Adjustment*

This relates to the variance in the 2020 opening cash balance and the 2019 closing cash balance as reported in the 2019 financial statements. The difference of \$12,842 related to the omission of the opening balance of the IDB – Dryland bank account. The amount reported in the 2019 Extrabudgetary Fund statement was USD\$796,934. The 2020 opening balance has been restated to USD\$809,776 to reflect the correct bank balance and the petty cash balance and CBS bank account balances were adjusted accordingly.

	2020 USD\$	2019 USD\$ (Restated)	2019 USD\$
Closing Cash Balance (31/12/2019)	202,048	809,776	796,934

The following is a breakdown of the opening and closing cash and bank balances:

Cash and Bank balances

	2020 USD\$	2019 USD\$ (Restated)	2019 USD\$
Petty cash balance	2,530	1,066	1,565
Salaam bank	49,329	70,617	70,617
Dahabshiil Local	57,104	58,395	58,395
Premier Bank	31,243	18,157	18,157
Dahabshil Int.	55,031	169,120	169,120
Amal Bank	1,412	3,173	3,173
Salaam XDX	692	1,513	1,513
CBS	500	500	-
IBS	16	-	-
IDB - Dryland	4,191	487,237	487,237
Total balance	202,048	809,776	809,776

Annex C – STATEMENT OF EXPENDITURE ARREARS AS AT 31st DECEMBER 2020

GUNNADDA BAARLAMAANKA 213														
No	MDA	January	February	March	April	May	June	July	August	September	October	November	December	Total
1	Shaqalaaha Bankiga												904,301.70	904,301.70
	Total	-	-	-	-	-	-	-	-	-	-	-	904,301.70	904,301.70
MUSHAARAADKA CIIDAMADA 2015														
No	MDA	January	February	March	April	May	June	July	August	September	October	November	December	Total
1	Ciidanka Xooga									1,779,100.00	1,779,100.00	1,779,100.00	1,779,100.00	7,116,400.00
2	Ciidanka Asluubta									216,500.00	216,500.00	216,500.00	216,500.00	866,000.00
3	H. Nabadsgidda												457,333.33	457,333.33
4	Shaqalaaha Bankiga											2,117,678.00	2,117,678.00	4,235,356.00
5	Shaqalaha Gudaha											1,031,067.00	1,031,067.00	2,062,134.00
	Total	-	-	-	-	-	-	-	-	1,995,600.00	1,995,600.00	1,995,600.00	5,601,678.33	14,737,223.33
MUSHAARAADKA CIIDAMADA 2016														
No	MDA	January	February	March	April	May	June	July	August	September	October	November	December	Total
1	Ciidanka Xooga				1,042,900.00	1,770,700.00	1,770,700.00	1,770,700.00	1,770,700.00	1,895,700.00	1,895,700.00	1,895,700.00	1,895,700.00	15,708,500.00
2	Ciidanka Booliiska							466,350.00	466,350.00	466,350.00	466,350.00	466,350.00	466,350.00	2,798,100.00
3	Ciidanka Asluubta								216,500.00	216,500.00	216,500.00	216,500.00	216,500.00	1,082,500.00
4	H. Nabadsgidda											457,333.33	457,333.33	914,666.66
5	Shaqalaha Bankiga									2,573,322.00	2,573,322.00	2,573,322.00	2,573,322.00	10,293,288.00
6	Shaqalaha Gudaha									897,869.00	1,005,805.20	1,005,805.20	1,005,805.20	3,915,284.60
7	Xubnaha G. Shacabka								918,600.00	918,601.00	918,602.00	918,603.00	918,604.00	4,593,000.00
	T+RC:RC[12]total	-	-	-	1,042,900.00	1,770,700.00	1,770,700.00	2,237,050.00	2,453,550.00	2,578,550.00	2,578,550.00	3,035,883.33	7,533,614.53	39,305,339.26
													Summary	
													Total verified Expenditure	54,946,864.29
													Total Paid in 2019	1,326,590.00
													Closing Balance 2019	53,620,274.29
													Opening Balance 01-2020	53,620,274.29
													Paid in 2020	825,000.00
													Closing Balance 2020	52,795,274.29

Annex D – STATEMENT OF EXTERNAL DEBT AS AT 31st DECEMBER 2020

Standard Debt Reporting as of December 31, 2020

Total Outstanding Debt By Creditor

In USD Million

	Total Outstanding Debt	Of which arrears	As % of total
Total Debt Stock	4,490.35	2,277.03	51%
Total Multilateral	1,050.58	569.13	54%
<i>AfDB</i>	26.27	-	0%
<i>IMF</i>	313.19	-	0%
<i>IDA</i>	137.83	-	0%
<i>AFESD</i>	186.95	186.95	100%
<i>IFAD</i>	27.53	23.36	85%
<i>IsDB</i>	13.52	13.52	100%
<i>OFID</i>	35.82	35.82	100%
<i>AMF</i>	309.48	309.48	100%
Total Bilateral	3,437.37	1,705.50	50%
Paris Club Bilateral Creditors (BC-PC)	2,717.25	988.21	36%
<i>Denmark</i>	2.97	-	0%
<i>France</i>	156.88	-	0%
<i>Italy</i>	629.32	-	0%
<i>Japan</i>	135.66	-	0%
<i>Netherlands</i>	2.38	-	0%
<i>Norway</i>	0.61	-	0%
<i>Spain</i>	40.45	-	0%
<i>UK</i>	28.88	-	0%
<i>USA</i>	731.58	-	0%
<i>Russia</i>	986.89	986.89	100%
<i>EUIDA</i>	1.66	1.32	80%
Non Paris Club bilateral creditors (BC-NPC)	720.12	717.29	100%
<i>Algeria</i>	1.56	1.56	100%
<i>Bulgaria</i>	10.71	10.71	100%
<i>Iraq</i>	192.06	192.06	100%
<i>KFAED</i>	120.71	120.71	100%
<i>Libya</i>	33.90	33.90	100%
<i>Romania</i>	2.53	2.53	100%
<i>SFD</i>	112.67	109.85	97%
<i>ADFD</i>	245.98	245.98	100%
Total Commercial	2.40	2.40	100%
<i>Serbia</i>	2.40	2.40	100%



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