



## Commentary on Somaliland's Budget 2010

On 27/04/2010, Somaliland Finance Minister, Mr. Hussein Ali Dualeh unveiled his last budget to the House of Representatives for approval. On 10/05/2010, The House of Representative approved budget 2010 (\$61 million)

I must admit that \$61 m is not much and even a triple of this amount would not have been enough to satisfy all our society's wants and desires. This is not the point. Economics teaches us that we cannot have all we want of everything we want because our wants exceed our available resources. Unlimited wants competing for limited resources create the basic economic problem of scarcity.

However, the point is that the scarcity forces choice and we as a society faced with the problem of not having enough resources (\$61 m) to provide for all wants and desires have to make choices about how to allocate our scarce resources in an attempt to satisfy our unlimited wants. This budget reflects the choices and priorities that our government has made. While it is true that a budget statement is essentially a list of projections, it is also very true that it is a vital economic policy instrument which reflects the choices and priorities the government has made to realise the country's social and economic agenda.

Few will disagree that in economics and politics great intentions do not always lead to great results, and for that reason it behooves on citizens to be forceful in their duty of pointing out the priorities our government has made. That is why I would like to write this general commentary on Somaliland's Budget 2010 as objectively as I can with the limited information available to me.

In the following section, I will run a general commentary on facts and figures I found interesting in the budget. The next section I will highlight what I believe to be issues deserving greater attention of Somalilanders. The final section I will focus on what are in my opinion that the new government should do.

### **Legislative Branch (Waaxda Sharcidejinta)**

House of Representatives (1.8%)	\$1,092,510
House of Elders (1.7%)	<u>\$1,014,770</u>
	\$2,107,280

### **Judiciary Branch (Waaxda Garsoorka)**

Supreme Court (0.3%)	\$185,732
Lower Court (1.2%)	\$707,227

**Executive Branch (Waaxda Fullinta)**

Residence of the President (Qasriga Madaxtooyada) (0.7%)	\$433,500
The Office of the Vice President (0.3%)	\$191,866
1. Ministry of Presidency* (3.6%)	\$2,199,260
2. Ministry Defense** (3.4%)	\$2,057,760
3. Ministry of Interior*** (3.7%)	\$2,279,743
4. Ministry of Education (4%)	\$2,438,955
5. Ministry of Health (2.4%)	\$1,463,968
6. Ministry of Finance (5%)	\$3,025,541
7. Ministry of Post and Telecommunication (1%)	\$556,000
8. Ministry of Foreign Affairs (1.3%)	\$766,167
9. Ministry of Information, including National TV 0.8% ( 1.6% )	\$965,231
10. Ministry of Trade (0.5%)	\$281,425
11. Ministry of Fisheries (0.4%)	\$244,000
12. Ministry of Agriculture (0.4%)	\$272,908
13. Ministry of Culture and Tourism (0.3%)	\$186,000
14. Ministry of Youth and Sports (0.36%)	\$220,000
15. Ministry of Relations with Houses of Parliament (0.09%)	\$52,388
16. Ministry of Water and Mineral Resources (0.4%)	\$252,135
17. Ministry of Industry (0.18%)	\$110,000
18. Ministry of Rural Development (0.4%)	\$266,925
19. Ministry of Justice***** (0.2%)	\$113,313
20. Ministry of Planning (0.5%)	\$296,353
21. Ministry of Civil Aviation (0.6%)	\$368,847
22. Ministry of Public Works (0.7%)	\$404,000
23. Ministry of Resettlement (0.2%)	\$152,000
24. Ministry of Livestock (0.4%)	\$266,442
25. Ministry of Religion (0.2%)	\$149,000
26. Ministry of Family and Social Affairs (0.17%)	\$108,540
National Army (24%)	\$14,596,777
Presidential Guards (1.2%)	\$720,720
Prisons Guards (4.7%)	\$2,984,473
Coastal Guards (0.6%)	\$360,230
Police force (9%)	\$5,603,680
<b>Other agencies:</b>	
Election Commission (4.4%)	\$2,704,000
Immigration Authority (0.8%)	\$508,948
Human Rights Committee (0.06%)	\$39,207
Law Review Commission (0.08%)	\$51,130
Audit Commission (0.5%)	\$293,161
AIDS Prevention Commission (0.1%)	\$63,248
Civil Service Authority (0.2%)	\$151,204
Genocide Investigation Commission (0.08%)	\$48,300
N.D.C Agency (0.2%)	\$98,341
Landmine Clearance (0.1%)	\$80,000
Contracts Commission (0.1%)	\$71,110
NERAD Agency (0.1%)	\$83,600

National Prosecution (0.2%)	\$142,342
Director General of Health Ministry's staff (0.1%)	\$76,832

\*Ministry of Presidency, Presidential Guards and the residence of the President (Qasriga Madaxtooyada) should come under the heading of:

The Executive Office of the President (5.5%)	\$3,353,480
** Army can come under the heading of Defense (27%)	\$16,654,537
*** Police & Coastal Guards should come under the heading of Interior Ministry (14%)	\$8,243,653
**** Prison Guards should come under the heading of Justice Ministry (5%)	\$3,097,786

The inclusion of the following agencies' income is good step into the right direction: Hargeisa Water Agency, Electricity Agency, Port of Berbera but the following agencies are still missing from the budget: Lease rent of Berbera oil depot from Total, Roads Authority (Hay'ada waddooyinka), National Printing Office and the Central Bank

Army has received an increase of (1.09%) and continues to get the lion's share of the budget, 87,580,662,108 (\$14,596,777), 1 dollar is 6,000 shilling. Our frontline soldiers deserve every dollar they receive and I HOPE every penny of their allocated budget reaches them.

The biggest winner is Ministry of Post and Telecommunication which has received an increased of 2.62% with a total budget of 3,336,099,200 (\$556,000), Interior Ministry has received an increase of (1.5%), Ministry of Education (1.1%), Ministry of Finance (1.1%), Ministry of Health (1.2%), National TV (1.8%) and House of Representatives (1.2%)

Although, Ministry of Presidency's expenditure has received a reduction of (0.81%), Presidential Guards which now has a new heading has received a separate budget of 4,324,324,812 (\$720,000). This amounts to an increase of 1,239,083,414 (\$206,514) and not a reduction. If the Presidents Guards are from the National Army they should be on National Army's payroll and their cost should be met from the army's budget and if they are from the Police, then the police and the Interior Ministry should pay their costs.

It is a disgrace that Foreign Affairs Ministry which is responsible for recognition receives only 1.3%, almost the same money as the Presidential Guards. This means recognition is not a priority after all. Infrastructure (roads and airports) did not receive attention at all from the Minister and the ministries responsible for infrastructure (Ministry of Public Works & Civil Aviation) have a budget of 1.3% less than the budget of Ministry of Information which runs only Radio Hargeisa and the National TV. This is unacceptable in a situation where there are several more pressing needs and Somaliland's infrastructure is totally non-existent.

Furthermore, 17 ministries receive less than 1% each, in other words only the salaries and expenses of ministries and their perks. This clearly shows that the government's priority is to have as many ministers (wasiir reer habel) as possible from all clans/sub-clans in the government in order to get support from people and this budget which has no developmental goals at all reflects exactly that priority. Therefore the new government should ditch this budget.

### **The Challenge for the Next Government**

The new government must not shrink from the hard choices and challenges it confronts. To begin with, consolidating the existing 26 ministries into maximum 15 ministries will be a major pro-efficiency reform and will save us millions.

Minister's wage:	\$500
Staff's wage (secretary, assistant, driver etc)	\$300
Travel and fuel expenses	\$400
Ministerial Housing cost (rent, electricity, water)	\$500
Incidental expenses (dhacdhaac)	\$500
Total (this a very conservative estimate)	\$2,200

I lost count the number of deputy ministers and state ministers. Let's say that every ministry has either Deputy Minister or Minister for State (Wasiirul Dawle).

11 minister x \$2,200 = \$24,200 a month x 12 months =	\$290,400
11 deputy ministers/state minister x \$2000 a month x 12 months =	<u>\$242,000</u>
	<b>\$532,400</b>
22 ministerial cars: 22 x \$5000=	<u>\$110,000</u>
	\$642,400 per year

The ballooning central government expenditure (wages & expenses of 26 ministers, their deputy ministers and state ministers, fuel, cars, stationary, electricity, water and furniture) is obvious for all to see. There is an urgent need to reduce the size of the government to smaller and more efficient number of cabinet portfolios such as the following:

- (1) Foreign Affairs
- (2) Interior
- (3) Health & Employment
- (4) Education, Youth & Sports
- (5) Justice
- (6) Trade & Industry
- (7) Defense
- (8) Agriculture, Livestock & Rural Development
- (9) Finance
- (10) Media & Culture
- (11) Natural Resources & fisheries
- (12) Energy, Environment & Tourism
- (13) Public Works & Transportation
- (14) National Planning
- (15) Religion & Family Affairs

Government functions which cannot be accommodated by these ministries can be delegated to executive government agencies. We also know where the real cost-saving can be made – the Executive Office of the President and the Ministry of Presidency as the budget of the President is equivalent to the budget of 15 ministries including the productive sectors of the economy Agriculture, Livestock, Fisheries, Rural Development and the ministry responsible for the infrastructure, Public Works Ministry. Therefore the cost of the President should be cut by 30% in my opinion. (waxaynu u baahnahay Madaxweyne dadkiisa la hayn ah)

When we make these savings we can think about increasing government's receipts. As the Minister has pointed out there are many loop holes which allow tax avoidance. Somaliland lacks the administrative capacity to collect taxes particularly inland taxes (cashuuraha barriga) and there is no well-established legal framework that governs tax collections such as income and corporate taxes. The new Government faces the big challenge of developing a fair tax system in which every body pays his/her fair share of tax and the administrative capacity required to collect taxes.

Every dollar that is saved by trimming ministries and cutting expenses can be reinvested in the productive sector of the economy such as public services 20% (health, education, water and electricity) economic development 20% (agriculture, fisheries, Livestock and industry) and infrastructure 20% (roads and ports)

I hope that the new Finance Minister will not miss the opportunity to frontload the bold decisions needed to get Somaliland on a developmental path at the time when the new government enjoys its honeymoon.



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