

“Reconstructing Somalia and the Politics of Public Sector Finance”

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Somalia, whose descent into collapse and disorder has come to epitomize the cautionary lessons of state failure, is poised to enter a new phase. Yet, as the international donor community and Somalis meet to lay the foundation for the post-transitional government, there are disturbing signs the all parties involved are not fully aware of the dysfunctional conditions of public sector finance over the last twelve years and its continuing impact on the state and society. At the root of this is the pernicious influence of clan politics and elite conduct which combined to systematically undermine the efforts to build a working and accountable administrative structure. Without insight into these fundamental problems, the possibilities of devising a coherent and ultimately successful outcome will be compromised. This policy briefing, based on a longer and more detailed study to be published, critically examines Somalia’s public sector finance and the efforts to reconstruct the state from the Transitional National Government (TNG) to the Transitional Federal Government (TFG) and the post-transitional government arrangements.

Transitional National Government

When the TNG was established in April 2000, Somalis hoped that the new government would rescue Somalia from anarchy. However, despite President

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The views expressed in this occasional paper are those of the author.

Abdiqasim Salad Hassan and his four Prime Ministers years of experience in the Siad Barre regime, they completely failed to rebuild a functioning political and financial system. Although the TNG managed to re-establish a parliamentary system with quasi-active line ministries, these efforts were simply not sufficient to rebuild a whole range of basic public services and accountability. The initial failure of the TNG set the tone for successive Transitional Federal Governments (TFG) 2004 – 2012, which also failed to develop appropriate policies, strategies and structures to guide the thrust and direction of socio economic development, which should have been central to the reconstruction agenda. The question remains: why did these Transitional Governments not address these problems?

The Somali political system during the TNG follows a parliamentary model called the “4.5 system,” whereby the parliamentary seats are apportioned to Somalia’s four major clans, with a half share going to minority clans. The majority of the Members of Parliament (MPs) from year 2000 onwards were selected by former warlords or leaders of Islamic militias. Successive Transitional Governments were thus still held hostage to clan politics and even corrupt clan interests wearing the cloak of Islam. Guns and money still ruled the day. It remains bewildering to the outside world how the former leader of the Islamic Courts Union (which gave birth to Al Shabaab), Sheikh Sharif Sheikh Ahmed, was recycled back into power in 2009 as the President of the Transitional Federal Government of Somalia. Given the recent history of clan conflict in Somalia, there were multiple challenges that needed to be addressed in re-launching public sector reform.

The Transitional Governments did not plan for transitional security arrangements, including the development of clear and coherent structures and the mapping out of the steps required to advance the security apparatus. The police, military and custodian corps were not restructured and re-trained and the intelligence service was not re-established, existing in its previous form

where until today it remains heavily infiltrated by Al Shabaab². One of the reasons why the security issue was not tackled adequately was because the leaders of the Transitional Governments themselves relied on warlords, clan militia and Islamic ideology to further their own interests and to gain territorial access. Corruption was synonymous with clan interests and money that should have been earmarked for the rebuilding of the institutions was diverted.

Coupled to this is the fact that transitional leaders never took leadership over the re-building process by creating a team of technocrats whose job would have been to assess the current state of government institutions in terms of policy, programmes, and resources. They did not revitalize the government institutions and its civil service, even though on paper they had budgetary bodies, including line ministries, integrity institutions and finances and constitutional commissions and bodies, which in fact were largely “suitcase institutions” that were managed from hotel rooms in Mogadishu and Nairobi.

In concrete terms, this has meant that during the entire TNG and TFG period, there was no official administrative structure where the task at hand went through a validation process by the institution. For instance, official documents and validation stamps are kept in the briefcases of leaders who neglect the institutions role for such verification processes. These suitcase institutions had no clear lines of authority and no continuity in administrative systems. Although there was a hierarchic layout of various departments, none of them

²This is epitomized by Sheikh Sharif dismantling the previously established TFG soldiers. The estimated TFG 3,000 soldiers in Mogadishu were dismantled under pressure from the Sheikh Sharif who saw these soldiers as prodigy of Ethiopia and were replaced with a number of 1,350 soldiers of Alliance for the Re-liberation of Somalia (ARS) and 574 Ugandan trained troops. They disapproved the TFG soldiers’ uniform claiming it was Western attire and therefore dismissed troops of their duties. Some of the soldiers went on to join Al-Shabaab (80%), some moved to Puntland (13%) and the rest remained idle in Mogadishu (7%). Although the government claimed to have paid out the security sector (military, police and custodian corps), it was also left without stipends according to security personnel, despite the significant allocation for the security sector in 2009–2012. There as an allocation of \$6,143,309 in 2009, \$13,882,788 in 2010, \$16,229,542 in 2011 and \$14,395,289 in 2012 devoted to the security sector, while it was fully funded by both US and EU.

were functional and were only superficial, whereby designated individuals remained idle. There were titles and positions given to these individuals within the prime minister's office, but there were no specific tasks and nobody to report to, and no technical staff to support these office bearers. Simply put, the Government institutions were not revitalized by selecting qualified technocrats, instead favoring warlords, Islamists and the individuals of a given clan to run the institutions.

In the last twelve years, the transitional governments have hosted twelve prime ministers where the number of cabinet ministers varied from about 37 to 18 cabinet ministers. However, overtime, line ministries' portfolios were streamlined to other ministries, and others were merged, often without necessary legislative or formal mandate adjustments to support this transfer. There was no accountability structure within these ministries, and this was likely exacerbated by the absence of uniform recruitment systems and procedures followed by government institutions to hire capable civil servant. There were no recruitment records of staff and institutions paid their staff salaries without individual files. Because institutions are not organized and no employment contracts were given yet it is well known that these public servants actually worked. Even the Ministry of Labour and National Civil Service Commission had no recruitment policy and procedures for hiring its own staff. Worst of all, MPs, civil society organizations, and senior officials did not work together to address the inadequate pay and irregular salaries issue, some of which dated back to 2000.

While the problem of salary arrears remains a reality for the entire public servants in the transitional era; approximately more than 90 percent of civil servants do not earn enough to provide for the basic needs of their families. An estimated 3,245³ public servants (not included army troops, police and

³Formulation of the number of civil servants of the Federal Institutions are based on current National Civil Service Commission records

custodian corps) who are considered employed earn stipends that are insufficient to provide decent living condition for their families.

A simple example of the transitional government's lack of departments and coordination would be the financial monitoring and evaluation by the office of the accountant general, internal audit, and the auditor general, which are supposed to act as a main centre of the ministries by directing and controlling funds. There has not been public procurement and concessions commission since the fall of Siad Barre regime in 1991. These personnel working in the department are often not well placed to take part in financial monitoring and evaluation dialogues due to their position within organizational frameworks at the ministerial level. Internal audits were generally non-existent. There appeared to be little reporting on use of funds by government institutions to the Ministry of Finance, and where it did exist, the reporting was directly to the President and the Prime Minister, bypassing the accountant general, internal audit department and the auditor general. All entities of the central government were not audited monthly, quarterly and annually covering revenue, expenditure and assets/liabilities, and tools for auditing preparation did not adhere to international standards.

It is clear that from the information above that all the transitional government in the last twelve years had not adequate skills in formulating the national budget, even lacking basic information such as annual budget allocations by central government, and its subsequent accountability. The revenue receipts were largely received in cash and so were expenditures payments. The impact of this process has rendered budget preparation as largely a mechanical exercise of 'skeleton' budgets. However, these "skeleton" budgets were never adhered to, and the Transitional Governments never reported actual expenditures for the periods under review. Moreover budgets were not supported by a sound legal base, including the 1961 and 1971 (amended)

Constitution. A range of laws and regulations strengthening transparency in the budget system has not been put in place in this period. Transitional Governments (both the TNG and TFG) legal framework for transparency did not at all take shape because of the weaknesses in monitoring process⁴.

Finance Ministers and their senior finance advisors never attempted to host an informative session about the budget, why they are important, and how they can increase participation and transparency in budgetary processes. The exception however, is the current Minister of Finance and Planning, Mohamud H. Suleiman who brought up the Mini budget (for the period October 1st to December 31st 2012 and the Budget 2013) for debate in the House for the first time and he also opened a website where the budget as well as financial statements for the year ended 31st December 2012 would become available to the public. He also reached out to the international community (DFID and World Bank) to perform a needs assessment in order to pinpoint the weaknesses of the financial management of the country in addition to maintaining a rule of transparency with the civil servants working in the MOFP. In addition to that the minister is currently working hard to put in place a regulatory and tax regime that can boost the country's domestic revenue.

From 2000–2004, the first Transitional National Government (TNG) should have had a mandate to regain control of the ports and the airports given they were under the control various clan enclaves and this would have created new incoming-generating areas. However, during the entirety of 2000–2004 there was no domestic revenue⁵ collected by TNG. Therefore, they were forced to

⁴Civil society was clan oriented which did not favor progress; they also failed to make use of available opportunity by strengthening its own capacity to engage in budget monitoring and advocacy. This raises the question of transparent and accountability in view of the budgetary formulation, preparation and allocation in the transitional era. The budgetary allocations and over the period under review, however, under different administrations reflects inconsistencies in terms of revenues and expenditures variations.

⁵On the domestic revenue front, the findings from reviewing the 1961 and 1971 (amended constitution) documents of taxation and custom system vigorously illustrates the solid foundation of the tax system in the

turn to either direct budgetary support from Western donors or Arabian donors, where TNG opted for Arabian aid since they would not be forced to remain accountable. During this period, there is no evidence of the TNG receiving aid from Western donors, despite receiving \$59 million dollars from Arabian countries, out of which only 25% (\$15 million) was reported and documented.⁶ This revelation came into force when the prime minister was exiting from the office but his personal financial records were not supported by the government books. Evidence of funding received through bilateral assistance is made clear by the Parliament inquiry of the Prime Minister, Dr. Ali Khalif Galeyr about these funds. Before the Parliament the Prime Minister responded by the taking the million dollar cheque out of his pocket and replying: “here’s the check that you thought I stole”. There is no doubt; this confirms that financial donor support was flowing into the country but not being fully accounted for in the government books. The subsequent three prime ministers’ (Hon. Osman Jama Ali, Hon. Hassan Abshir and Hon. Mohamed Abdi Yusuf) never revealed any donor financial support receipts and yet the government incurred operational expenditures.. How did the government operate for four years without any revenue expenditure receipts? This informality in managing public funds epitomized the personalization of public funds, which also became a model for future leaders to be, where there was, and still is today, circumvention of transactions going through financial institutions.

In regards to multilateral, there is no evidence that shows the government received this form of assistance. The TNG administration did not factor any capital expenditure into the budget. They failed to invest in the rehabilitation of

Siad Barre regime, this indicates that Somalia has had a relatively good foundation of government tax system, which the TNG failed to proceed with it. One of the major sources of government revenue in the post conflict economy of Somalia is the domestic and foreign taxes including harbor and airport services. The TNG also failed to concentrate on mobilizing of these national resources that could help raise adequate revenue for financing the indispensable rehabilitation plan.

⁶XogWarran and XisaabXir published February-September 2001 by Prime Minister Dr. Ali Khalif Galeyr.

government institutions and there was no important development, which occurred except for the spread of Islamic ideology in the country. For instance, there was no rehabilitation of government offices, houses to accommodate the purported employed civil servants. The respective prime minister's administration (except Dr. Ali Khalif Galeyr) did not record the government expenditures. For example, according to the investigations the government incurred an expenditure of US \$57,847,978 and which was spread amongst administration and other expenditure. However, a total expenditure provision of US \$42,959,000 (US \$57,847,978 – US \$14,888,978) was through investigation and was for years 2000, 2002, 2003 and 2004. The TNG omitted a revenue sum of US \$44,000,000 and a corresponding expenditure of US \$42,934,000. It would suffice confirmation if the government availed documentary proof of the revenue as well as detailed itemization of the expenditures. Otherwise, according to the investigations the revenues for the period were US \$59,000,000 and against a corresponding expenditure of US \$57,847,978. The arising surplus of US \$1,152,022 should be accounted within the budget. In other words, the TNG did not carry forward the budgetary surpluses which accrued in each of the four years into the subsequent ones. The surpluses are not known as to how they were appropriated.

The expenditures for the four year period were US \$57,847,978 and whose accountability was personalized by the upper echelons and the few staff in the office. For instance, the office of the president, office of the prime minister, office of the speaker, ministry of finance, ministry of interior, ministry of defense, ministry of foreign affairs and the parliament (under the administration and general service cluster) incurred an expenditure of US \$19,462,233 (34%) and which could not be vouched. There were also no budgetary expenditure support provisions for economic and social services. The amount incurred on other expenditures and of US \$38,385,745 (66%) could also not be vouched. The aforementioned incurred expenditures were relatively high in relationship to the low costs which were involved in the

initial formation of the government. In view of this, bulk of the expenditure went to individuals and groups while the rest of the costs were incurred under “other expenditures”. The expenditures incurred under the item “other expenditures” were a conduit for funding the Islamic militia.⁷

Transitional Federal Government

At the same time, from 2005–2008 the TFG received \$78 million in bilateral assistance from the Arabian countries, out of which only 41% (\$32 million) was reported and documented.⁸ The sum of US \$32,000,000 (2007) donated by Saudi Arabia was not captured in the formal budget preparation but nonetheless was recorded as expenditure by the office of the prime minister, Ali Ghedi. The actual expenditures recorded by the office of the prime minister were US \$26,986,525⁹. The deficit arising there was US \$5,013,475 (US \$32,000,000 – US \$26,986,525).

Abdullahi Yusuf administration was able to regain control and rebuild certain government institutions (Central Bank, Ministry of Post & Telecommunication office, rehabilitating Mogadishu port and the State House known as Villa Somalia). With respect to regional expenditure allocations, the areas of conflict were mainly south central of Somalia. The Yusuf and Ghedi administrations invested more in Puntland than in any other region in Somalia. Transport for Puntland delegates was allocated US \$190,000 and incentives for the same

⁷ The total donor receipts and of US \$59,000,000 that was misused by the administrations was adequate to rehabilitate all the government assets/inventories and to some extent initiate the improvement of the citizens’ social economic well-being.

⁸(Ref. ODPM/WHTS/046B/07 published 11/09/07 certified by the Prime Minister Ali Gedi).

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2007 budget expenditure	Reported amounts	Percentage
Office of the president	1,665,345	6%
Office of the prime minister	487,721	2%
Office of the speaker	1,275,000	5%
Somali National Army	3,453,500	13%
National Police Force	1,424,943	5%
National Intelligence Agency	1,359,000	5%
Other expenditure	17,321,016	64%
Total expenditure	\$26,986,525	100%

delegates accounted for US \$30,000. In addition there was an ambiguous US \$3,000,000 to Puntland with no justification. Despite the even distribution, Puntland's relatively stable region in Somalia received more than the entire south central Somalia. In fact, there were many regions such as Galgadud, South Mudug, Hiran, Bay & Bakol, Gedo and Middle Jubba who were completely neglected and it's worth noting these regions are the ones where conflicts were mostly prominent. As part of other expenditures, reconciliation efforts accounted for US \$8,135,000. An entire US \$8,000,000 from this total was disbursed to a single well known warlord. A mere US \$35,000 was given to the lower Shabelle region, where there is no evidence supporting how the money was spent.

According to the investigations the government incurred an expenditure of US \$72,151,025 and which was spread amongst administration, and other expenditure. The trend of the cluster revenue/expenditure is no different from the previous administration (TNG). The "other expenditure" cluster received a little bit higher allocation but details as to its transparent accountability were not available. In spite of that, the bulk of expenditures went to individuals. These scanty details of expenditure as shown in table – 8, were unearthed through investigations as the government did not have records of the same, save for the year 2007. Furthermore, during the years 2000 – 2008, there were no formal operational budgets prepared by either of the administration's (TNG/TFG), despite the fact that they received substantial bilateral assistance. The question is how did the two administrations operate without any registered source of revenue?

From 2009–2012, nearing the end of the Transitional Governments, the Sheikh Sharif Sheikh Ahmed administration arrived at a time when the Port and Airport was under Federal control¹⁰ (it had been previously regained by

¹⁰This was the first time the office of the auditor general undertook some relative elaborate investigation. This was also the first time the administration started collecting domestic revenues, appropriation in aid (revenues

President Abdullahi Yusuf). The government relies mostly on customs and port duties for its revenue, particularly those inclined to ports and airports, which have essentially been captured by clan enclaves or, in the case of Mogadishu port and airport, competing clan interests who are represented in the central government. To be specific, the main revenue source of the Sheikh Sharif administration was the receipt from foreign trade, which was collected from customs duties in lump sum in specific manner at the port of Mogadishu and in a lesser way at the Aden Adde International Airport¹¹, KM.50 Airstrip, and civil aviation, before KM.50 Airstrip¹² fell to Al-Shabaab. In the Sheikh Sharif administration and the first part of Hassan Sheikh's administration from October – December 2012) the government generated \$214,414,911 but only \$78,564,169 was reported. In other words, 63% of the revenue received was unaccounted for. During the same period, this administration received \$233,750,000 in bilateral assistance, from which only \$50,961,050 was reported; therefore 22% was accounted versus 78%. In 2011, multilateral assistance reached \$18,660,000 and in 2012 \$6,450,000 so in total \$25,100,110.

Essentially, from the period of 2009–2012, only 26% of both domestic and bilateral assistance was accounted for, and 74% slipped through the cracks. Both the domestic and donor funds were often received in cash by top

from various ministries and institutions) and formalizing budget preparation. Though the budgets were not subjected to the due process of competitive vetting, they to some extent provided the framework.

¹¹The government outsourced the management of the Aden Adde International Airport to SKA. These were however, single sourcing as opposed to public competitive bidding. The contract did not spell out what tax revenues the company would be collecting, and what the government would be collecting. The amount SKA remitted to the treasury for years 2011 and 2012 was US \$77,882 and US \$158, 569 respectively.

¹² After KM. 50 Airstrip was captured by Al-Shabaab in 2010 the same individual was again awarded by the then Minister of Finance, Hussein Abdi Halane, a similar contract at Aden Adde International Airport. He only changed the trading name to ADCO. The contract was for levying Khat. The amount ADCO remitted to the treasury for years 2011 and 2012 was US \$360,000 and US \$1,214,000 respectively. The government failure to outsource public contract competitively and with specific terms was prone to financial abuse.

politicians (including Hassan Sheikh's administration from October – December 2012), who often under-reported the amounts to the Central Bank. The Central Bank operates as “a personal ATM machine”, with members of the executive branch making withdrawals without following standard financial regulations and procedures. Almost all the revenue collected from the Mogadishu Port, Aden Adde International Airport and from bilateral donors was not remitted to the treasury and failed to be incorporated in the budget of the government. Furthermore, every government since 2000 has not been able to raise adequate domestic taxes (with the exception of Sharif administration receiving \$214,414,911, of which only \$78,564,169 was recorded), and has depended almost entirely on donor support. For instance, between 2000 and 2012, the Somali government received \$642,274,911, of which only \$176,525,219 was recorded by the government. 63 percent of these funds came from bilateral donors, mainly from Arab countries, including Saudi Arabia, Sudan, Libya, United Arab Emirates, Oman, Qatar, Iraq, Algeria and Kuwait, who all have competing interests in Somalia, which also include in some cases the spreading of more extreme forms of Islam. All in all, about 73% (\$465,749,692) of the governments' revenue in the last twelve years was unaccounted for.

To summarise, under the TFG, Somalia's finances are managed in an informal, ad hoc way, which has encouraged and facilitated mismanagement, misappropriation and embezzlement. Individual politicians – instead of oversight institutions, such as the Central Bank, the Accountant General and the Auditor General – have complete control over how public funds are to be utilized. In most cases, not even Parliament or line ministries are consulted. An informal system of chits issued by senior officials is now the de facto manner of cash allocations (Fadlan System of payment), often piling up at the Central Bank's door with no way for officials in the Central Bank to apply any checks or balances.

Post Transitional Government

How has the current administration differentiated itself from previous government? Until now under Hassan Sheikh administration (even though, a complete analysis and interpretation of data is yet to be determined), the government bodies remain briefcase institutions with no structural composition, which would determine roles and responsibilities for each level of administration. To this day, there exists a deficiency in the hierarchy of government institutions where executive level positions (often awarded based on clan pacification) completely supersede technocratic positions which are not given any weight. Most government ministries lack proper facilities to exercise their authority and to this day, there has yet to be a plan of action introduced by the government to restore their respective premises (some who are still occupied by IDPs) to become functional. It is worth mentioning however, that the only one who has attempted to achieve this task is the current Minister of Finance, Mr. Mohamud H. Suleiman. After the minister sought the Swedish government's assistance, the Swedish government has now agreed to help restore the office of the Finance Ministry.

Most civil servants in the country are not awarded a salary; for instance, the current MPs have yet to receive stipends on a regular basis. And like previous administrations, the irregularity of their salary's payout has allowed for the previous and current government to buy the MPs vote¹³. Essentially, the MPs who were to serve as checks and balance remain at the mercy of the President's control of wealth. Moreover, integrity institutions who are supposed to be an independent body and whose main task is oversight of public funds, also remains reliant on the President's payout. Despite all of the financial assistance, all government institutions remain underfunded.

¹³Members of Parliament (MPs) were often divided into pro-President and pro-Prime Minister Functions and they found large bribes from both sides by lobbying and supporting each wing. Because of the MPs failure to serve as a checking and balance of the government, the Prime Minister was replaced four times in three different administrations. In other words, there were 12 different Prime Ministers in span of 12 years. See page 14 in the table.

Currently, 33% of the income generated by the port of Mogadishu¹⁴ remains unaccounted for and is partly being used for the travel expenses of the current president. Moreover, bilateral assistance remains unregulated and out of the reach of the current oversight committee. On the expenditure side of the budget, the administration has not strengthened its commitment control system, reinforcing the [Fadlan system] of payment, which was in force by the previous administrations and still continues to be in use.

Previous Public Financial Management actors who are known to be corrupt and against transparent methods of financial management still maintain their positions within government. This was made clear when the current President

¹⁴Hassan Sheikh administration has improved revenue collection to an increased scale and in span of six months. This is as opposed to the previous regime whose collection for the nine month period was equivalent to six month record. See below table.

	Sharif Sheikh Ahmed Administration	Hassan Sheikh Administration
Institutions	January – September 2012	October 2012 – March 2013
Mogadishu Port	17,941,922	17,975,750
Aden Adde Airport	725,224	708,112
ADCO	914,000	1,200,000
Civil Aviation	431,974	320,000
Total Domestic Revenue	\$20,013,120	\$20,203,960

Source: government financial records

However, the increase performance is far short of the anticipated (potential revenue) for the year 2012. The potential revenue for year 2012 was factored on research statistics and which translated into monthly revenue of about US \$4,473,360 (US \$53,680,320). The government did not register any collection closer to the provision in the last six months. See table below.

	Oct	Nov	Dec	Jan	Feb	Mar	Total
Potential revenue (Port)	4,473,360	4,473,360	4,473,360	4,473,360	4,473,360	4,473,360	26,840,160
Registered (Port)	2,741,488	3,196,972	3,170,281	3,095,660	2,396,809	3,374,540	17,975,750
Surplus/Deficit	1,731,872	1,276,388	1,303,079	1,377,700	2,076,551	1,098,820	8,864,410

Source: government financial records

The revenue deficit from the potential target for the six months is about US \$8,864,410 (33% of the potential target of year 2012). This amount was omitted from the government records for the individual benefits. This is in view of the fact that the government has not developed adequate financial control measure, which means the [Fadlan system] still in effect. Even though, the minister of finance and planning Hon. Mohamed H. Suleiman has improved the port revenue, he requires external supplementary support towards developing the financial control system. The foregoing could have assisted in realizing the potential revenue target for 2013 and which is US \$4,607,561, per month (US \$55,290,730).

Hassan Sheikh appointed as head of the Central Bank an individual who had allegedly misappropriated funds which was to be used for the rebuilding of public financial management under a previous administration. Similarly, the current administration failed to welcome the Joint Financial Management Board (JFMB), knowing the latter would serve to manage expenditures and reinforce transparency. All the while, the administration claimed the JFMB would hinder Somali sovereignty, yet national security is paid for by the U.S., E.U. which explains AMISOM presence in Somalia as the national security force.

This raises the question of the current administration's definition of sovereignty. How can the government speak of sovereignty when it still has no authority in many parts of Somalia? In fact, the current president Hassan Sheikh's campaign was funded by Qatar with an estimated funding of \$7M. Most schools in Somalia are funded by foreign Islamic organizations, while Somali embassies around the world are funded by host countries. Not to mention civil aviation (air traffic control) is not in the hands of the government. Therefore, it is clear that the government's definition of sovereignty varies according to their interests.

Conclusion

This overview of Somalia's public sector finances highlights the fact that the entire government institutions (both past and present) were a picture of absolute informality: informal structure, informal management, and informal service access. These offices were not exemplary in the way they operated, with low standards of professionalism, integrity and ethics. All government organs failed to function and abide by a structured system. In other words, there were barely any collaboration between government bodies and ultimately they were unable to function as a united front. This dysfunctionality is represented in the strained relationship between the Office of the President, Office of the Speaker and Office of the Prime Minister. Despite the important

task ahead, the executives were busy trying to exercise their power which was based on the perception of their respective clan being superior than any other. So in total, Somalia lost 12 years of development under the internationally-supported governments. What's worse, the socio-economic fabric of Somali society deteriorated. Terrorism and piracy took root. Famines became more frequent, and camps for internally displaced people mushroomed in the capital and in other major towns. Somalia thus never recovered from its "failed state" status.

Recommendations

In order for the recovery of the country to be successful, the Somali government must be willing to work with the international development in building governance (security reform, public sector reform, judicial reform and financial institutional reform) and business climate reform (oil concessions, sea management, livestock management and agricultural management).

Governance

1. The **security reform** must be managed by the U.S. alongside the Somali government, given the United States' successful achievements in the area such as training of ALFA group (based in Mogadishu) and their consistent pay-out (8,500 personnel in Mogadishu and 1,500 in Gedo regions) to the security sector. They have also financially contributed to AMISON's presence in the country. This indicates a development potential in this area where the U.S. is playing an active role but one that needs to expand in order for the security sector in the country reaches its full capacity.

2. The EU must be actively involved in **public sector reform and judicial reform**. The institutions in both sectors must be completely rehabilitated under the joint leadership of the Somali government and the EU.
3. **Financial institutional reform** must be led by the UK. All revenue-generating areas, such as the ports and airports as well as all the integrity institutions (central bank, accountant general, auditor general and financial standing committee of the parliament), must be managed by both the UK and the Central Government in order to build strong revenue collection system in addition to firm oversight of expenditures. This will also ensure the targeting and prioritizing of government spending by strengthening the internal audit, accounting and reporting system. The UK can seek assistance from technical experts such as DFID and the World Bank in this area.

Business Climate Reform

4. The business climate reform can only be successful through the involvement of qualified and knowledgeable Somalis, which means the inevitable need for Somalis from the diaspora to take part in the business climate reform of the country. Therefore, foreign bodies such as the U.S., Canada, United Kingdom, Italy, Sweden, Holland, Norway, Denmark, Finland and Australia who are host to the largest Somali Diasporas must be the main parties concerned in business climate reform. The reform must include the extraction of natural resources, the management of fishery, the management of livestock as a source of revenue and the development of a sustainable agricultural system. This will help create a roadmap for national monitoring and evaluation policy that would institutionalize good governance and ethical fiscal management in the future.

5. Finally, these recommendations are only the first step in the process of recovery. There needs to be the establishment of the united government. This can only possible by taking into account the sensitive issue of clanism which is the biggest cause behind the division in the country. Currently the most feasible solution is federalism regarding the PFM and fiscal federalism. Therefore, in order to be optimal about development in the country there needs to be a dialogue.