



HIRSHABELLE STATE OF SOMALIA

Public Financial Management Law 2018

Applicable from

31 March 2018

Regulation # 3

Establishing Yearly Budgeting Procedures and Contents and Documents of Proposed Budget

1. Authority & Purpose

1.1 This regulation is issued pursuant to Part III, Sections 8 to 27 of the Public Financial Management Law 2018 (PFM Act). This regulation is a “disallowable instrument” as defined in the PFM Act and in accordance with Section 7 is subject to a review period not to exceed ten (10) days by Parliament.

1.2 The purpose of this regulation is to provide further details on the yearly budgeting procedures and contents and document contained in the proposed budget.

1.3 This regulation does not provide detail on the how to prepare the budget. This is included in the *Budget Circular* which is issued annually by the Minister as an Instruction.

2. Budget concepts and principles

2.1 As outlined in Chapter 2 of the annual Appropriation Act, Government Ministries and Agencies shall not spend more than the amount that has been appropriated and they shall use funds only for purposes specified in the approved budget. They are prohibited from spending or committing payments in advance or in excess of the budget.

2.2 The budget of the Government shall be based on the expected results of projects and activities and will comply with the following concepts and principles.

- a) The concept of balance (i.e., limiting money spent to resources available).
- b) Budget control and accountability - defining responsibilities and goals of the various levels of organization in relation to the fiscal limits within which tasks are accomplished.
- c) The concept of prudence and prioritization - indicating that the government shall live within its means and shall prioritize its activities accordingly. Ministries and Agencies must consciously and deliberately define what it can achieve within its organizational resources and constraints.

3. Yearly Budgeting Procedures

3.1. Estimates of revenue and expenditure shall be prepared in accordance with the annual *Budget Circular* issued by the Minister for Finance.

3.2. The budget classification structure for the preparation of the budget is outlined in ***Regulation #2, Establishing Budget Classification Structure for Budget Preparation and Execution.***

Establishing Yearly Budgeting Procedures and Contents and Documents of Proposed Budget

3.3. The procedure for the preparation of the Budget is included in the *Budget Circular* which is issued annually and should be read in conjunction with these regulations.

3.4. In accordance with Section 11 (2) of the PFM Act, the Minister shall issue a *Budget Circular* to all Spending Agencies and State-Owned enterprises of the Government no later than the first week in July of the preceding year. The Circular shall outline the budget process and include:

- (a) The fiscal year the budget preparation period relates to,
- (b) Dates for the Budget Process, outlined in an annual calendar,
- (c) Instructions as to how the budget submissions will be received,
- (d) Forms required to be used for submitting budget estimates to the Ministry,
- (e) List of Spending Agencies of the Government required to submit their budget estimates,
- (f) Each Spending Agencies budget ceiling, and
- (g) Any other information that the Minister may determine from time to time

3.5 Forms issued to Spending Agencies for collation of the budget estimates maybe in softcopy or hard copy and shall be in the layout and content as per the *Budget Circular* and shall include:

- (a) Estimates of Revenue
- (b) Estimates of Recurrent Expenditure showing totals for wages and salary and other operating expenses
- (c) Staffing estimates. Details of current and proposed Ministry staff by position and grade showing the estimated budget for each position
- (d) Capital expenditure, and
- (e) Proposed Development Project Expenditure. Details of specific capital projects each Ministry has identified
- (f) Donor funding outside of the Treasury Single Account, cash or in-kind, and
- (g) Any other forms that the Minister may issue

3.6 Standard forms required for the budget process shall be approved by the Minister for Finance and shall approve any other additional forms or amendment to existing forms that might be required from time to time.

3.7 The Budget circular shall be published on the Government's website within 7 working days of issuance to the Spending Agencies.

4. Budget Calendar

4.1. It is important that the preparation of the annual Budget follows an orderly process with participation by all those who are affected. The main stages in the preparation of the annual budget for a normal financial year are outlined in the budget calendar as set out below (specific dates to be provided in the Budget Circular):

Date	Event	Responsible Parties
In mid-May	Budget Framework paper presented to the Council of Ministers for consideration	Budget Department, Ministry of Finance
By 1st week of July	Budget Circular and instructions issued by the Minister of Finance	Budget Department, Ministry of Finance
No later than end August	Ministries submit expenditure estimates and project proposals to the Budget Department of the Ministry of Finance.	All Ministries and Agencies
Completed by end September	Discussions between the Ministry of Finance and other Ministries on budget submissions. Consolidation of budget estimates.	Budget Department, Ministry of Finance/ All Ministries and Agencies
No Later than mid-October	Proposed Budget presented to the Council of Ministers for consideration	Minister of Finance
No later than 31 October	Proposed Budget presented to the Parliament for approval	Minister of Finance
Within thirty (30) days after submission of proposed budget	Submission of Annual Revenue and Spending Plans to the Minister for Finance (based on proposed budget submitted to Parliament)	All Ministries and Agencies

No later than 31 December	Budget Approved by Parliament and signed by the President	Parliament and President
------------------------------	--	--------------------------

5. Budget Submission to the Ministry of Finance

5.1. When Ministries and Agencies respond to the Budget Circular and provide their estimates, MoF will review the submissions at both the individual Ministry and Agency level, as well as at the aggregate whole of government level. Continuous renegotiation and reprioritization of estimates then takes place between the Ministries and MoF, usually over a period of several weeks, to arrive at the final consolidated budget estimates.

5.2. The final consolidated budget is forwarded in the first instance to the Minister for Finance, for review and approval. At this point, as outlined in Section 12 of the PFM Act, MoF must also proceed to draft the Budget documents and the President's Budget Message or if delegated to the Minister, per section 5 of the PFM Act, the Minister's speech, in place of the President's Budget Message. In accordance with Section 11 (1) of the PFM Act, the draft Budget and accompanying documents should be delivered by the Minister for Finance to Parliament no later than two (2) months before the start of the Financial Year (i.e., before 31 October).

6. Approved Budget

6.1. After the approval of the Annual Budget by Parliament, the budget is an appropriated budget. An appropriated budget relates to the authorization by an Act of the Parliament to permit government Ministries and agencies to incur obligations, and to pay for them from the Consolidated Fund. Appropriation does not mean actual setting aside of cash, but represents the prescribed legally authorized upper limit on spending within a specified period.

6.2. Once the Budget is approved, the Minister of Finance shall inform the Ministers and Heads of Agencies of the approved appropriations allocated to them. Ministries will then be able to spend against their budget once a Funds Allocation has been issued by the MoF Treasury. Ministries and agencies shall not spend more than what has been appropriated and they shall use funds only for purposes specified in the approved budget. They are prohibited from spending or committing payments in advance/in excess of budget as appropriated

6.3. Budget allocations are based on the Annual Revenue and Spending Plans submitted by Ministries and Agencies to the Minister for Finance.

7. Documents and Content of Proposed Budget

7.1 In accordance with Section 12 of the PFM Act, the annual budget is submitted to Parliament with the following supporting documents

- (a) A budget framework paper which outlines:
 - (i) details on the Hirshabelle state of Somalia economic & fiscal outlook
 - (ii) the fiscal framework for the consolidated budget based on the current fiscal year's estimates and two (2) subsequent year providing a statement of fiscal performance for the previous 2 years.
 - (iii) Policy decisions and expectations, and
 - (iv) Revenue enhancement plans

- (a) Detailed annual budget estimates by Ministry by Budgetary account code and shall include:
 - (i) Original budget and revised budget showing the actual outturn and projected outturns to the end for the current fiscal year.
 - (ii) Previous year outturns

- (b) An instrument outlining any changes in tax and non-tax revenue policy regimes and shall include:
 - (i) The relevant revenue stream,
 - (ii) Date of changes / proposed change attaching Council of Ministers and Parliament endorsement
 - (iii) Estimated impact on revenue from the proposed changes

- (c) An annexure providing a summary of all donor financing and shall include:
 - (i) Name of Donor
 - (ii) Project duration outlining the commencement date and cessation date
 - (iii) Amount of funding
 - (iv) Cash or in-kind
 - (v) Ministry / Agency benefiting from the donor financing
 - (vi) Details of the how the funds are being spent, laid out in a summary format of expenditure using the budget classification structure of the Hirshabelle state of Somalia , and
 - (vii) Banking arrangements for the control & management of the donor funding

- (d) The President's budget message or Minister's speech.

- (e) The format for the Annual Spending Plan shall be in a monthly format detailed by budgetary account code as provided by the Treasury Department and may be updated from time to time and included with the annual *Budget Circular*.

8.0 Entry into Force

- 8.1 This Regulation is deemed to have entered into force on date issued of **31/03/2018**

Mr. Mohamed Mohamud Abdulle

Minister of Finance and Economic Development

Hirshabelle State of Somalia

