

Press Release on Fiscal Federalism Workshop

Nairobi, 21, July, 2016- A delegation from the Federal Government of Somalia have today concluded a workshop on regional fiscal relations in Nairobi, Kenya. The delegation composed of representatives from the Ministries of Finances of the Federal Government, Interim Galmudug Administration (IGA), Puntland State, Interim South West Administration (ISWA) and Interim Jubbaland Administration (JIA). The workshop is organized and facilitated by the Ministry of Finance of the Federal Government of Somalia.

The workshop was a follow up to a call made in November last year at the Forum of the Ministries of Finance intended to institutionalize a technical level of Intergovernmental fiscal federalism relations. The committee is designed to undertake a deeper discussion on how to strengthen an intergovernmental trust and propose the best practice of fiscal arrangement and transfer. It would recommend mechanisms of resource distribution between the Federal Government and Federal Member States (FMS). Experts in the subject matter have been invited at the workshop to sensitize participants over topics on principals and options of federalism, an intergovernmental revenue assignment on what level of government is allowed to tax and what revenue resource as well as fiscal transfer mechanisms. The dignified practitioners were from World Bank, the Ministry of Finance of the Federal Government of Somalia, the Central Bank of Somalia and University Lecturers, who have contributed tools and methods of how to carry out the activities that are expected from the intergovernmental fiscal committee.

During the workshop a strong need to understand the functional assignment of the levels of governments as well as the revenue assignment by which governments are allowed to generate revenues has been emphasized.

Furthermore, experts showcased types of federalisms in different parts of the world and the best of them that fits the country with regard to fiscal federalism vis-à-vis equal distribution of resources in Somalia.

On the other hand, during the course of conference information on debts that Somalia owes has been presented. The Ministry of Finance of the Federal Government of Somalia reported that Somalia owes an external debt amounting US \$ 5.3 billion to other countries of which 94% of the amount is an accumulated interests over the last 26 years and hence only 6% is the actual official outstanding debt.

The World Bank representing donors has technically and financially supported this workshop and provided the know-how of the subject matter. It is further worth mentioning that the World Bank continuously supports the Federal Government of Somalia through wide range projects including Recurrent Cost

Reform Financing Project of which carries fund earmarked for the sole of regional fiscal relations over span of five years.

Finally, the workshop produced the following anticipated outcomes:

- ❖ Detailed discussion on fiscal federalism and discourse on international best practices;
- ❖ An empowered intergovernmental technical committee that deals with intergovernmental fiscal affairs;
- ❖ Developed a ToR for the committee of what duties they are expected to accomplish on what duration of time;
- ❖ Provided recommendations to a road map for the adaptation and implementation of ad valorem across the country;

It has been agreed that the deliberations and recommendations from the workshop be discussed at the next meeting of the Ministries of Finance Fiscal Forum.