



THE INTERGOVERNMENTAL FISCAL TRANSFERS REGULATIONS



**MINISTRY OF FINANCE
PUNTLAND STATE, SOMALIA**



2022



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PREAMBLE

The Puntland constitution promotes a system of governance based on self-governance, good governance, consultation, multi-party competition and decentralization of power throughout Puntland¹.

The Puntland constitution requires all local governments to have political, administrative and fiscal powers and requires state government to demarcate powers between state government and local governments with regard to fiscal administration².

The constitution of the state mandates relevant authorities to regulate the decentralisation agenda by assigning expenditure and revenue responsibilities to different spheres of government³.

1 Article 3, 3 (b, c, d, g) – Puntland Constitution, 2009.

2 Article 120 - Puntland Constitution, 2009.

3 Article 120, (4) – Puntland Constitution 2009.

The regions, districts and local councils law⁴ states that local governments shall receive fiscal support as follows;

1. Conditional transfers
2. Unconditional transfers
3. Equalization transfers

The law also requires any revenues assigned to local government and collected by the Ministry of Finance of the Puntland government, to be remitted to local governments⁵.

Now, therefore, and in pursuant of the above law, the minister responsible for local government, and in consultation with the districts should issue ⁶ regulations to effect transfers from the central government to Local governments. In this regard the Minister tables these regulations for adoption;

4 Article 75 (b, t & j) - Regions, Districts and Local Councils Law, Puntland.

5 Article 65 (6) - Regions, Districts and Local Councils Law, Puntland.

6 Article 81 - & j) - Regions, Districts and Local Councils Law, Puntland.

Article 65 (6) - Regions, Districts and Local Councils Law, Puntland.

THE INTERGOVERNMENTAL FISCAL TRANSFERS REGULATIONS

CITATION

ARTICLE 1

These regulations may be cited as the ‘Intergovernmental Fiscal Transfer Regulation’, 2022.

COMMENCEMENT

ARTICLE 2

This regulation shall come into force after the official release by the Ministry.

INTERPRETATIONS

ARTICLE 3

In this regulation, unless the context otherwise require’

‘**Ministry**’ means Ministry of Finance, Puntland State Government

‘**Minister**’ means minister Ministry of Finance, Puntland State Government

‘**Law**’ means Regions, Districts and Local Councils Law of Puntland

‘**Fund**’ means Local Governments Transfer Fund

‘**Grade B Districts**’ means pre-1991 districts + upgraded Grade C districts

‘**Grade C Districts**’ means post 1991 districts (Districted formed by Puntland Administrations)

APPLICATION

ARTICLE 4

These regulations shall apply to local governments in respect to grant transfers by the central government of Puntland.

PURPOSE OF THE REGULATIONS

ARTICLE 5

The purpose of these regulations are;

- a. To formalise the current ad hoc transfers to local governments and make the transfer process reliable, predictable and transparent
- b. To establish a regular transfer arrangement to devolve funds to local governments
- c. To set out mechanisms and procedures for transfers to local governments
- d. To broaden and enable LG to receive transfers to finance operations and deliver core municipal services

INTERGOVERNMENTAL TRANSFERS LOCAL GOVERNMENTS TRANSFER FUND

ESTABLISHMENT OF FUND

ARTICLE 6

In order to regularize the transfers to local governments, the minister shall establish and create a fund to be known as the Local Governments Transfer Fund administered by the Ministry.

ARTICLE 7

In pursuant to article 6, the Minister shall issue decree to establish the Local Governments Transfer Fund.

BUDGET ANNOUNCEMENT

ARTICLE 8

The Ministry of Finance shall announce the percentage of the state budget to be allocated to the Fund with the annual budget statement for approval by the parliament.

PURPOSE OF THE FUND

ARTICLE 9

The purpose of the fund shall be to facilitate and provide fund transfers to local governments to supplement the financing of the services they are required to provide.

Principles governing the allocation of the Fund

ARTICLE 10

The Local Government Transfer Fund shall follow the five principles

- Transparency
- Equity
- Fairness
- Accountability
- Predictability
- Neutrality

SOURCES OF THE FUND

ARTICLE 11

The local government Transfer Fund shall have the following sources;

- a. Allocation from the state budget announced in the annual budget statement
- b. Allocation from the federal government
- c. Donations and contributions from local and international development partners

CLASSIFICATION OF THE DISTRICTS

ARTICLE 12

For the purpose of determining district transfer funds, districts shall be classified as follows;

- a. Capital City
- b. Port City
- c. Populous city
- d. Regional capitals
- e. Grade B Districts
- f. Grade C Districts
- g. Coastal Districts

FUND TRANSFER ACCOUNTS

ARTICLE 13

The share of the total funds received by the fund shall be divided, deposited and channelled into the following account windows;

- a. Capital City Account
- b. Port City Account
- c. Population significance city account
- d. Regional Capitals Account
- e. Grade B Districts Account
- f. Grade C Districts Account
- g. Coastal Districts Account

TRANSFER FUND PROVISIONS

ARTICLE 14

Local governments shall receive fiscal support as follows;

- a. Conditional transfer fund (transfers allocated for a targeted use, project, or beneficiary)
- b. Unconditional transfer fund (transfers without specified requirements or target use leaving the local governments free to decide on how to use the funds).
- c. Equalization transfer fund to promote development of the least developed regions and districts.
- d. Block grant for ad hoc/recurrent/ unplanned municipal activities

DISBURSEMENT CRITERIA

ARTICLE 15

Disbursement from the fund to the districts shall be based on the following percentage entitlement and classifications;

No	Categories	# Districts	Percentage Share
1	Capital City - Garowe	1	10%
2	Port City - Bosaso	1	10%
3	Populous City - Galkacyo	1	5%
4	Regional Capital Districts	6	20%
5	Grade B Districts	12	25%
6	Grade C Districts	29	30%

ARTICLE 16

The disbursements from the Fund shall be made directly to the account windows specified in article 13

TRANSFERS TO GAROWE – CAPITAL CITY

ARTICLE 17

The capital city shall be entitled to receive 10% from the Local Governments Transfer Fund.

ARTICLE 18

The transfers shall comprise of three portions- sixty percent (60%) conditional transfer, thirty percent (30%) unconditional transfer and ten percent (10%) as the block/recurrent grant.

ARTICLE 19

The conditional transfer fund (60%) received by Garowe shall only be use on the following specific purposes;

- a. Social Service Investment – Health, Education, Water, Sanitation, Waste management and Firefighting
- b. Infrastructure Development – (e.g. roads)
- c. Climate change mitigation and adaptation infrastructure

ARTICLE 20

The unconditional transfer fund (30%) received by Garowe shall only be used on activities that support the district's core functions, community services (e.g. sport facilities), economic services (markets, revenue mobilisation) and municipal and council functions.

ARTICLE 21

The ten percent (10%) allocation is for ad hoc, unplanned recurrent expenditure. Eligible activities are the following; council meetings, fuel, transportations, office supplies and equipment, and allowances, among others.

TRANSFERS TO BOSASO – PORT CITY

ARTICLE 22

The port city shall be entitled to receive 10% from the Local Governments Transfer Fund.

ARTICLE 23

The transfers shall comprise of three portions- sixty percent (60%) conditional transfer, thirty percent (30%) unconditional transfer and ten percent (10%) for ad hoc, unplanned recurrent expenditure.

ARTICLE 24

The conditional transfer fund (60%) received by Bosaso shall only be used on the following specific purposes;

- a. Social Service Investment – Health, Education, Water, Sanitation, Firefighting and Waste management
- b. Infrastructure Development – (e.g. roads)
- c. Climate change mitigation and adaptation infrastructure

ARTICLE 25

The unconditional transfer fund (30%) received by Bosaso shall only be used on activities that support the district's core functions, community services (e.g. community halls, sport facilities, recreational parks), economic services (e.g. markets, revenue mobilisation) and municipal and council functions.

ARTICLE 26

The ten percent (10%) allocation is for ad hoc, unplanned recurrent expenditure. Eligible activities are the following; council meetings, fuel, transportations, office supplies and equipment, and allowances, among others.

TRANSFER TO GALKACYO – POPULOUS CITY

ARTICLE 27

The Galkacyo city which is a densely populated city on a regional frontier shall be entitled to receive 5% from the Local Governments Transfer Fund.

ARTICLE 28

The transfers shall comprise of three portions- sixty percent (60%) conditional transfer, thirty percent (30%) unconditional transfer and ten percent (10%) for ad hoc, unplanned recurrent expenditure.

ARTICLE 29

The conditional transfer fund (60%) received by Galkacyo shall only be used on the following specific purposes;

- a. Social Service Investment – Health, Education, Water, Sanitation, Firefighting and Waste management
- b. Infrastructure Development – (e.g. roads)
- c. Climate change mitigation and adaptation infrastructure

ARTICLE 30

The unconditional transfer fund (30%) received by Galkacyo shall only be used on activities that support the district's core functions, community services (e.g. community halls, sport facilities, recreational parks), economic services (e.g. markets, revenue mobilisation) and municipal and council functions.

ARTICLE 31

The ten percent (10%) allocation is for ad hoc, unplanned recurrent expenditure. Eligible activities are the following; council meetings, fuel, transportations, office supplies and equipment, and allowances, among others.

TRANSFERS TO REGIONAL CAPITAL DISTRICTS

ARTICLE 32

Regional capitals (Excluding Bosaso, Garowe and Garowe) shall be entitled to receive 20% from the Local Governments Transfer Fund.

ARTICLE 33

The total allocation transfer received by the regional capitals shall be divided among the existing seven regional capital districts on the basis of the following factors and formula.

- Equal share - 30%
- Population share - 30%
- Poverty share - 20%
- Performance share - 20%

No	Regional Capital - District	Equal share - 30%	Popn Est.	Population Share - 30%	Poverty Share - 20%	Performance Share - 20%	Total Allocation
1	Buuhoodle						
2	Laascaano						
3	Baran						
4	Qardho						
5	Dhahar						
6	Caluula						

ARTICLE 34

The total allocation transfers to each regional capital district shall be divided in three portions-sixty percent (60%) conditional transfer, thirty percent (30%) unconditional transfer and ten percent (10%) as a block/recurrent grant.

No	Regional Capital - District	Total Allocation Transfer	Conditional Transfer - 60%	Un-conditional - 30%	Recurrent Transfer - 10%
1	Buuhoodle				
2	Laascaano				
3	Baran				
4	Qardho				
5	Dhahar				
6	Caluula				

ARTICLE 35

The conditional transfer fund (60%) received by each regional capital district shall only be use on the following specific purposes;

- a. Social Service Investment - Health, Education, Water, Sanitation, Firefighting and Waste management
- b. Infrastructure Development - (e.g. roads)
- c. Climate change mitigation and adaptation infrastructure

ARTICLE 36

The unconditional transfer fund (30%) received by each regional capital shall only be used on activities that support the district's core functions, community services (e.g. community halls, sport facilities, recreational parks), economic services (e.g. markets, revenue mobilisation) and municipal & council functions.

ARTICLE 37

The ten percent (10%) allocation is for ad hoc, unplanned recurrent expenditure. Eligible activities are the following; council meetings, fuel, transportations, office supplies and equipment, and allowances, among others.

TRANSFERS TO GRADE B DISTRICTS

ARTICLE 38

Grade B districts shall be entitled to receive 25% from the Local Governments Transfer Fund.

ARTICLE 39

The total allocation transfer received by the Grade B Districts shall be divided among the existing seventeen (17) districts on the basis of the following factors and formula.

- Equal share – 30%
- Population share – 30%
- Poverty share – 20%
- Performance share – 20%

No	Regional Capital - District	Equal share - 30%	Popn Est.	Population Share - 30%	Poverty Share - 20%	Performance Share - 20%	Total Allocation
1	Jeriban						
2	Galdogob						
3	Burtinle						
4	Eyl						
5	Dangoranyo						
6	Bandarbeyla						
7	Iskushuban						
8	Ceerigaabo						
9	Qandala						
10	Baarmaal						
11	Laasqorey						
12	Taleex						
13	Xuddun						
14	Ufayn						
15	Waaciya						
16	Rako-raaxo						
17	Xaafuun						

ARTICLE 40

The total allocation transfers to each Grade B district shall be divided in three portions- sixty

percent (60%) conditional transfer, thirty percent (30%) unconditional transfer and ten percent (10%) as a block/ recurrent grant.

No	Grade B Districts	Total Allocation Transfer	Conditional Transfer - 60%	Un-conditional - 30%	Recurrent Transfer - 10%
1	Jeriban				
2	Galdogob				
3	Burtinle				
4	Eyl				
5	Dangoranyo				
6	Bandarbeyla				
7	Iskushuban				
8	Ceerigaabo				
9	Qandala				
10	Baargaal				
11	Laasqorey				
12	Taleex				
13	Xuddun				
14	Ufayn				
15	Waaciya				
16	Rako-raaxo				
17	Xaafuun				

ARTICLE 41

The conditional transfer fund (60%) received by each Grade B district shall only be use on the following specific purposes;

- a. Social Service Investment – Health, Education, Water, Sanitation, Firefighting and Waste management
- b. Infrastructure Development – (e.g. roads)
- c. Climate change mitigation and adaptation infrastructure

ARTICLE 42

The unconditional transfer fund (30%) received by each Grade B District shall only be used on activities that support the district’s core functions, community services (e.g. community halls, sport facilities, recreational parks), economic services (e.g. markets, revenue mobilisation) and municipal & council functions.

ARTICLE 43

The ten percent (10%) allocation is for ad hoc, unplanned recurrent expenditure. Eligible activities are the following; council meetings, fuel, transportations, office supplies and equipment, and allowances, among others.

TRANSFERS TO GRADE C DISTRICTS

ARTICLE 44

Grade C districts shall be entitled to receive 30% from the Local Governments Transfer Fund.

ARTICLE 45

The total allocation transfer received by the Grade C districts shall be divided on equal basis among the Grade C districts;

No	District	Equal share = Available amount/24
1.	Carmo	
2.	Gumbax	
3.	Balidhidin	
4.	Godobjiiraan	
5.	Fiqifuliye	
6.	Kalabaydh	
7.	Boocame	
8.	Horufadhi	
9.	Widhwidh	
10.	Dhudhub	
11.	Shaxda	
12.	Xumbeys	
13.	Towfiq	
14.	Bursalax	
15.	Xarfo	
16.	Saaxo	
17.	Xingalool	
18.	Yube	
19.	Dharkeengeenyo	
20.	Bareedo	
21.	Murcanyo	
22.	Ceegag	
23.	Buraan	
24.	Ceelaayo	

ARTICLE 46

The total allocation transfers to each Grade C district shall be divided in two portions- forty percent (40%) conditional transfer and sixty percent (60%) unconditional transfer

No	District	Total Allocation Transfer	Conditionl Transfer (40%)	Unconditional Transfer (60%)
1.	Carmo			
2.	Gumbax			
3.	Balidhidin			
4.	Godob			
5.	Fiqifuliye			
6.	Kalabaydh			
7.	Boocame			
8.	Horufadhi			
9.	Widhwidh			
10.	Dhudhub			
11.	Shaxda			
12.	Xumbeys			
13.	Towfiq			
14.	Bursalax			
15.	Xarfo			
16.	Saaxo			
17.	Xingalool			
18.	Yube			
19.	Dharkeen-geenyo			

20.	Bareedo			
21.	Murcanyo			
22.	Ceegag			
23.	Buraan			
24.	Ceelaayo			

ARTICLE 47

The conditional transfer fund (40%) received by each Grade C district shall only be use on district’s capacity development.

ARTICLE 48

The unconditional transfer fund (60%) received by each Grade C District shall only be used on activities that support the district’s core functions, community services (e.g. community halls, sport facilities, recreational parks), economic services (e.g. markets, revenue mobilisation) and recurrent expenditures.

INSTITUTIONAL ARRANGEMENT

THE MINISTRY OF INTERIOR, DEMOCRATISATION AND FEDERAL AFFAIRS

THE MINISTRY OF FINANCE

LOCAL GOVERNMENT FUND MANAGEMENT COMMITTEE

ARTICLE 49

Establishment of the Committee

1. The Minister of Finance shall appoint Local Government Fund Committee
2. There shall be a local government fund management committee consisting of Six members.
3. Members of the committee shall be persons of high moral character and proven integrity and demonstrated competence in the conduct of public affairs.
4. Members of the committee shall be appointed by the Minister in consultation with the Minister responsible for Local Governments, for a period of three years and shall be eligible for reappointment for one further term.
5. The five members to be appointed by the Minister shall be nominated for appointment as follows;
 - a. One person shall be nominated by ALGAPL
 - b. One person shall be nominated by the Champion Office, Office of the Vice President
 - c. One person shall be nominated by a partner institution (s)
 - d. One person shall be nominated by the Minister of Interior
 - e. One person shall be nominated by the Minister of Finance

6. The committee shall elect a chair amongst its members
7. The ministry shall provide secretariat support to the committee
8. The Minister shall issue the Terms of Reference (ToR) of the committee, detailing their roles and responsibilities.

COASTAL DISTRICTS

Coastal districts shall be entitled to receive their revenue share from taxes collected from marine resources

ARTICLE 50

In order to distribute the revenues, the government shall deposit the retained revenue into a special account under the local government transfer fund.

ARTICLE 51

The amounts deposited shall distribute among the coastal districts on these bases;

- Equal share – 30%
- Population share – 30%
- Poverty share – 20%
- Performance share – 20%

No	Districts	Equal Share - 30%	Population share - 30%	Poverty share - 20%	Performance share - 20%	Total Transfer
1.	Jeriban					
2.	Godob					
3.	Eyl					
4.	Bayla					
5.	Xaafuun					
6.	Gumbax					
7.	Baargaal					
8.	Bareedo					
9.	Caluula					
10.	Xaabo					
11.	Qandala					
12.	Bosaso					
13.	Laasqorey					

PROJECTION OF REVENUE AND EXPENDITURES

ARTICLE 52

Local governments shall submit to the Ministry the following particulars with the projection of revenue and expenditures in each fiscal year;

- a. Estimate of expenditures
- b. Estimated revenues to be collected from own sources
- c. Estimated amount to be obtained from revenue sharing
- d. Estimated amount to be obtained from fund transfers
- e. Estimated amount needed to meet the budget deficit

REPORTS AND STATEMENTS TO BE SUBMITTED

ARTICLE 53

Local governments shall prepare reports and statements, and submit to the Ministry, Accountant General and the Auditor General within 30 days from the date of completion of that fiscal period.

ARTICLE 54

In the case of failure to submit the reports and statement with in the time-frame specified, the Ministry may hold the grants to be provided

AUDITS AND FINANCIAL REPORTS

ARTICLE 55

The auditor general shall be responsible for auditing all accounts submitted by local governments.

ARTICLE 56

Financial reports shall always be prepared by local governments and submitted to the ministry.

DISPUTE SETTLEMENT

ARTICLE 57

For dispute matters concerning the fund, the minister shall establish and appoint a special settlement committee.

PUBLICATIONS

ARTICLE 58

The ministry shall publish annually the disbursement criteria, together with the amounts allocated to each local government.

ARTICLE 59

The ministry shall publish the transfer funds provided to each district on annual basis

REVISIONS OF THE REGULATIONS

ARTICLE 60

These regulations should be revised in every 3 years and/or from time to time as need arises.

