



# Use of Country Systems Roadmap for Somalia 2021-2023



# Use of Country Systems Roadmap for Somalia

2021-2023

## INTRODUCTION

This roadmap is designed to serve as a living document for strengthening and improving the use of country systems (UCS) in Somalia. It provides background (section 1), articulates agreed commitments for both government and partners (section 2), and elaborates guidance on a few prioritized dimensions of UCS (section 3).

The roadmap was developed by the Use of Country Systems (UCS) working group comprised of representatives from the Federal Government of Somalia (FGS) and international partners, including donors, UN agencies and International Financial Institutions (IFIs).

# 1. BACKGROUND

## WHAT IS THE USE OF COUNTRY SYSTEMS?

“UCS refers to the variety of ways in which international partners can engage with national counterparts to deliver aid, ranging from alignment with national priorities to direct implementation by government”<sup>1</sup>

## WHAT ARE THE BENEFITS OF UCS?

Focuses attention on strengthening country systems, with the potential to incentivize dialogue and reform.



Reduces fragmentation and reliance on parallel systems, which can yield greater aid effectiveness and value for money.



Strengthens national ownership, enables the government to plan and budget more effectively, and creates opportunities to improve state-society relations / build state legitimacy.



## WHAT ABOUT THE RISKS?

No delivery modality is without risk; however, UCS risks *and* benefits need to be considered side-by-side with alternatives. Moreover, not all country systems present the same level of risk. Partners need to consider different levels of capacity within government,<sup>2</sup> when considering when and how to use country systems. Partners and government need to work together to achieve the right mix of delivery modalities to achieve statebuilding goals.

[>> Read more about weighing the risks and benefits of UCS in Somalia](#)

## IS THIS RELEVANT FOR MY AGENCY/ORGANIZATION?

If you are working with any part of government to plan, implement or monitor aid-financed projects, you are already using country systems. This roadmap will help you understand whether your agency can do more to








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<sup>1</sup> Honig and Cramer 2017.

<sup>2</sup> Abilities to perform different functions vary across Ministries, Departments and Agencies, as well as across federal, state and local levels of government.

improve the way in which you use country systems to better serve statebuilding objectives.

### UCS DIMENSIONS<sup>3</sup>

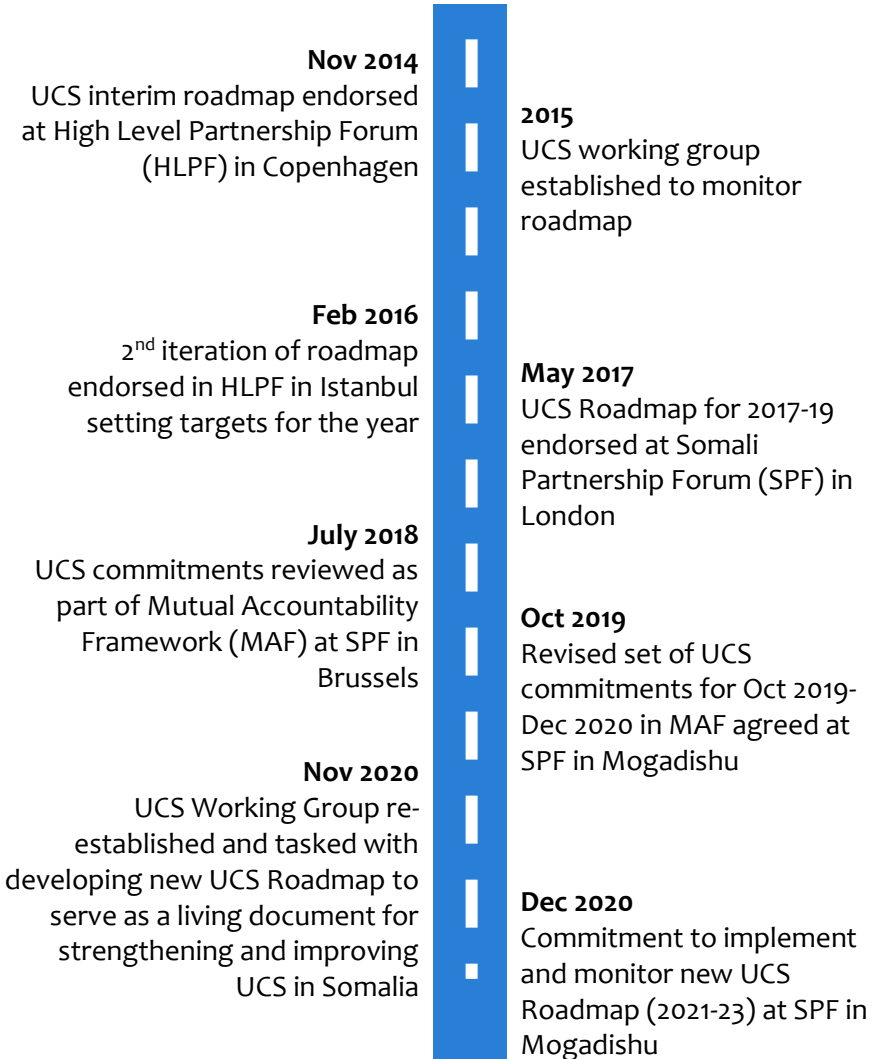
	<p><b>On Plan:</b> Aid is aligned with national priorities, as defined in the National Development Plan and sub-national documents defining local priorities. Relevant government authorities are consulted in the planning process. All aid should be reported to the Somali Aid Information Management System (AIMS), providing information demonstrating alignment with national priorities.</p>
	<p><b>On Budget:</b> Aid is integrated into the budgeting process and is reflected in the appropriation act. Only aid delivered on treasury in Somalia can also be reflected fully on budget,<sup>4</sup> whereas aid channeled outside the treasury is considered off budget. All aid reported to the AIMS is presented in a dedicated budget annex.</p>
	<p><b>On Treasury:</b> Aid is disbursed into the Treasury Single Account (TSA), recorded on the Somalia Financial Management Information System (SFMIS), and managed through government systems.</p>
	<p><b>On Procurement:</b> Procurement using aid funds follows the government's regulations and standard procurement procedures to the extent possible.</p>
	<p><b>On Account:</b> Aid is recorded and accounted for in the government's accounting system – the Somalia Financial Management Information System (SFMIS) at FGS level or the FMS equivalents – in line with the government's classification system.</p>
	<p><b>On Report:</b> Progress of aid-financed activities is reported through the aid architecture to be included in government-led reports.</p>
	<p><b>On Audit:</b> Aid is audited by the Office of the Auditor General using the government's own auditing system.</p>

<sup>3</sup> Definitions adapted from the Collaborative Africa Budget Reform Initiative (CABRI). On Parliament has been removed as a dedicated dimension due to the overlap with on budget. On budget aid in the Somali context is also on parliament as it is included in the revenue and appropriations approved by parliament.

<sup>4</sup> This is specific to Somalia. Some countries allow for aid to be integrated into the budget even if it is not channeled through the Treasury.

## TIMELINE OF UCS COMMITMENTS IN SOMALIA

This roadmap builds on a robust UCS dialogue between government and international partners in Somalia that began in 2014.



## ON BUDGET & ON TREASURY AID

The volume of aid delivered on budget and on treasury in Somalia has increased substantially, from just 26.9 million in 2015 to 284.3 million<sup>5</sup> in 2020. The last year saw a substantial increase as Somalia reached Decision Point under the Heavily Indebted Poor Countries Initiative (HIPC), restoring access to a number of financial instruments of international financial institutions (IFIs).

On budget and on treasury delivery go hand in hand in Somalia. Activities cannot be appropriated through the budget if they are not also channeled through the Treasury Single Account (TSA). However, there is a tool for reporting and accessing information about aid flows to Somalia, regardless of whether they are channeled on budget and on treasury – the [Somali Aid Information Management System \(AIMS\)](#). Administered by the Ministry of Planning, Investment & Economic Development (MoPIED), the AIMS is an online platform that enables partners to share data on development and humanitarian aid flows for Somalia. Its aim is to help make aid more effective by increasing transparency, accountability, and coordination.

Most of the aid delivered on budget and on treasury in Somalia is programmatic support managed by a government entity with additional safeguards applied. General or sector budget support are different instruments referring to financial contributions to the overall budget or earmarked to a specific sector. Conditionalities on policy measures or budget priorities may be applied, but these instruments generally have fewer controls and therefore carry greater risk than programmatic support delivered on budget and on treasury.

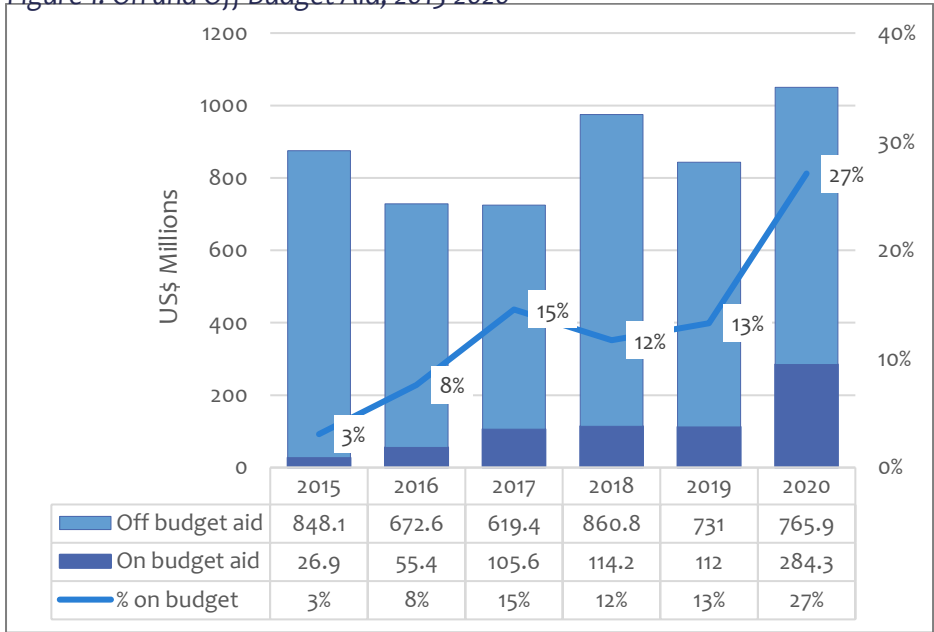
Additional safeguards may be applied to funds delivered on budget and on treasury. These are detailed and agreed in project documents and/or financing agreement with government. They may include sector conditionality or earmarking; operating on a reimbursement basis; additional oversight arrangements, such as the use of a third-party monitor or external auditor); use of a Project Implementation Unit; use of a distinct

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<sup>5</sup> Estimate. Final figure will be shared by Accountant General's Office later in 2021.

project sub-account mapped to the TSA to avoid mingling of funds; and results-based financing.

Figure 1. On and Off Budget Aid, 2015-2020



## 2. COMMITMENTS

### JOINT COMMITMENTS - 2021-2023

Bi-annual review of UCS Roadmap commitments; reporting to SDRF

Increased application of common methodology for assessments of government institutions and/or increased sharing of assessments

Concerted joint efforts to strengthen coordination of capacity injection and salary/top-up support, reducing risk of duplication and ensuring consistent, joined up approaches are applied

### GOVERNMENT COMMITMENTS

2021	2022	2023
Support provided to partners to enable transition on budget / on treasury	Regular engagement with partners to enable timely on budget/on treasury delivery	
Rules & regulations elaborated on PFM Act implementation	FMS provide guidance for partners on state-level PFM legislation / regulations / preferred channels	
New PFM Action Plan developed	Annual reporting on PFM Action Plan	
Continued progress on multilateral benchmarks: EU Budget Support, IMF ECF, HIPC Completion Point Triggers, WB Programs (DPO & RCRF DLIs) and AfDB budget support		
Gender responsive financing: Adequately resourced government policies and/or programs designed to address well identified gender equality goals, including those where gender equality is not the primary objective – e.g. public services, social protection and infrastructure, which incorporate action to close gender gaps		



PARTNER COMMITMENTS		
2021	2022	2023
<p>Increased volume of aid delivered on-treasury relative to the previous year, commensurate with documented progress</p> <p>Enhanced support for Ministry of Finance to handle increased channeling of support on budget and on treasury</p> <p>Support for strengthening capacity to manage competitive, transparent procurement processes within government (esp. support for the Public Procurement Authority and procurement capacity within priority Ministries/Departments/Agencies)</p>		
<p>Majority of financial support to FGS institutions compliant with PFM Act (see Box 1)<sup>6</sup></p>	<p>All financial support provided to FGS institutions compliant with PFM Act</p>	
	<p>Reporting of financial support to FMS institutions and channel of delivery</p>	<p>Increased channeling of financial support to FMS institutions through TSAs at state-level</p>

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<sup>6</sup> Financial support that was previously channeled through off-budget accounts held outside of the Treasury transitioned on budget/on treasury in supplemental budget. All donor grant agreements signed by Ministry of Finance and registered with Auditor General.

### 3. GUIDANCE

This iteration of the roadmap focuses on the issue of compliance with the PFM Act, which in principle requires aid delivery on budget and on treasury.

#### **COMPLIANCE WITH THE PFM ACT**

##### **Who needs to comply with the Public Financial Management (PFM) Act?**

Any partner providing financial support to FGS institutions in Somalia.

##### **In a nutshell, what is required?**

Any financial support to FGS institutions is legally required to be appropriated in the FGS budget (“on budget” in UCS terms) and paid into an account held in the Treasury Single Account (“on treasury”). Support cannot be delivered through an off-budget account that is held outside of the Treasury by any entity of the FGS that is fully or substantially financed by the National Budget.

##### **Does this mean all aid needs to be transitioned on budget and on treasury?**

No, this does not affect aid channeled through non-FGS institutions or implementers. It is specifically about the means by which support is provided to FGS institutions.

##### **What is this meant to achieve?**

Compliance will enable enhanced fiduciary oversight of funding to FGS institutions, by ensuring it is captured in the FGS budget and reported on through the Somalia Financial Management Information (SFMIS) system. The FGS Accountant General will oversee the expenditures of recipient FGS institutions, and the FGS Auditor General will hold audit responsibility. These safeguards decrease fiduciary risks for partners. Greater transparency should also enable better coordination amongst partners supporting FGS institutions.

### Where can I find out more?

- FGC Advisory Note on PFM Act compliance, available at <https://mof.gov.so/fgc/fgc-advisory-notes>
- Resources on Use of Country Systems: <https://mof.gov.so/ucs>
- Join the UCS Working Group

#### **Box 1. Provisions of the FGS PFM Act Relevant for Partners**

- All donor grant agreements, with any FGS institution, must be signed by the Minister of Finance (Article 38:2).
- All donor grant agreements, with any FGS institution, must be registered with the Auditor General (Articles 11:1(c) and 38:5).
- All donor grants received by an FGS institution must be appropriated in the FGS Budget (Articles 4:2, 4:3(g) and 38:1).
- All FGS revenues from donor grants, received by any FGS institution, must be paid into the FGS Consolidated Fund / Single Treasury Account within one working day (Articles 4:2, 4:3(g) and 42:4).
- FGS institutions can only open bank accounts with the written authorisation of the Accountant General (Article 42:3).

Each FMS also has a PFM Act. These pieces of legislation do not explicitly reference the use of country systems or how money should be routed to FMS. However, they do state that the respective Ministries of Finance should be informed of the details of any development assistance channeled directly to MDAs in their FMS.

<https://mof.gov.so/ucs>

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