

FGC Press Release – 7th November 2018

Financial Governance Committee takes stock of Somalia's near-term financial challenges

The Financial Governance Committee (FGC) today held its 34th meeting in the Ministry of Finance offices in Mogadishu.

The FGC reviewed the Central Bank's efforts to recover Somali financial assets held in foreign institutions. Banks in Italy, the UK and Switzerland still hold Somali assets. The Minister of Finance reiterated he would like to see all negotiations concluded and all assets repatriated as soon as possible. He called upon the international community to provide concrete support to the Ministry of Finance and Central Bank to finalise the recovery of all remaining assets in overseas banks.

On currency reform, the Minister received a report on positive progress from the Central Bank of Somalia. With technical support from the IMF, Significant progress was made on the preparatory work prior to the launch of the new national currency. Some donors have already shown interest in supporting this important project. Once all the funds are in place, the government will go ahead with introducing the new currency.

The FGC received an update on the Federal Government of Somalia's (FGS) progress on biometric registration of Somalia National Army (SNA) personnel and ensuring that all their salaries and entitlements are paid directly to banks. The registration exercise has already been extended to the Federal Police and will now be extended to SNA personnel in the Federal Member States (FMS).

Minister Beileh emphasised the crucial role of the FGC in supporting the constitutional discussions in the area of fiscal federalism. In the coming months, decisions will need to be made on establishing clear fiscal relations between the FGS and the FMS. The Minister stated that the final agreement on the necessary transparent, accountable and participatory governance of fiscal and economic systems would necessitate ensuring appropriate language was incorporated into the Constitution.

The FGC discussed FGS progress in reviewing and renegotiating a number of contracts, including the port and airport concessions. Renegotiations on both contracts are expected to be concluded by the end of the year. The FGC also received an update on the tender process for the new SNA rations contract ensuring a transparent and open process.

Notes to the Editor: Background on the FGC

The Federal Government of Somalia (FGS), together with the World Bank, established a high-level hybrid institution to increase transparency and accountability on key financial governance issues in 2014. The Financial Governance Committee (FGC), funded by the Multi-Partner Fund (MPF) for Somalia, provides predictable, reliable funding for its basic operations, and technical assistance to help advance its work program. Members of the FGC are drawn from Somali institutions and international partners. The FGC is chaired by the Minister of Finance. Other FGS members include the Governor of the Central Bank of Somalia (CBS), the Minister of Fisheries and Marine Resources in his capacity as Secretariat of the Economic Committee of the Council of Ministers, representatives from the President's Office and the Prime Minister's Office, the Chair of the Parliamentary Finance Committee and the State Attorney General. and international delegates representing the World Bank, African Development Bank, IMF and Donors¹.

The FGC allows the FGS to access independent and confidential international advice in important areas of financial governance, including Central Bank governance, asset recovery, contracts and concessions, the protection of public property, fiscal federalism and public financial management. The FGC also has a formal oversight role with respect to high value Government contracts and concessions and helps monitor the implementation of public financial management reforms.

Since its establishment, the FGC has published four reports on FGS contracts and concessions², and issued 35 confidential assessments for 32 contracts, which the Federal Government of Somalia (FGS) has used to inform decision-making. Of the contracts reviewed by the FGC, four incorporated FGC amendments and were signed, nine did not proceed, one was allowed to expire, two partially incorporated FGC recommendations, seven were cancelled, one is to be cancelled, one is on hold, and only one went forward without incorporating recommended amendments³. A further three are under renegotiation, two have been recommended to be retendered, and the FGC's comments on the remaining two continue to be addressed.

The FGC also supports the Interim National Procurement Board (INPB), which is responsible for overseeing the procurement of FGS contracts and concessions until such a time as the provisions of the 2016 Procurement Act are implemented. The INPB has held two meetings under the new administration. It has been primarily focused on the implementation of the Procurement Act passed in August of 2016, but it is also preparing to support the FGS as it renegotiates several important concession agreements and contemplates the award of new concession contracts.

The project is funded through the World Bank-administered Multi Partner Fund, with the support of the following partners: United Kingdom's Department for International Development (DfID), the European Union (EU), the Swedish International Development Cooperation (SIDA), the Royal Norwegian Embassy,

¹African Development Bank delegate and Prime Minister's Office representative are currently under appointment.

²Copies available on MoF website: <http://mof.gov.so/contracts-and-concessions/>

³See MoF website for further details on these contracts

Danish International Development Agency (DANIDA), the Swiss Agency for Development Co-operation (SDC), the Ministry of Foreign Affairs of Finland, United States Agency for International Development (USAID), Italy's Ministry of Foreign Affairs and International Cooperation, and the World Bank's State- and Peace-building Fund (SPF).