

Financial Governance Committee: Summary of Meeting Discussions

49th Meeting – Remote meeting, 22nd Dec 2020

2020 & 2021 Budget: The meeting discussed the implementation of 2020 budget and progress of the approval of the 2021 budget. For the approval of the 2021 budget, consultations with line ministries have been conducted, clearance was received by the Cabinet, discussions with Finance and Economic Committee of the Parliament are ongoing, and the second reading of the budget will soon follow. Due to a cash flow constraint and the impact of COVID-19 on domestic revenue, the chair reported that MoF is working on raising the domestic revenue and securing budget support from the World Bank and other international partners.

Fiscal Policy: The meeting discussed the need for government to establish a policy on agency creation and for MoF to enforce the PFM Act requirement that all draft bills are assessed for their fiscal implications prior to submission to Cabinet. MoF will hold an internal discussion about the Bill and its fiscal implications and to take the necessary next steps.

Oil and Gas Licensing: The meeting discussed recent developments in oil and gas, including the publication of the model PSA and tender protocol on the Somalia Licensing Round website without going through the approval process required by the Procurement Act. The Extractive Industries Income Tax (EIIT) Bill has been approved by Cabinet for submission to Parliament and members reiterated the urgent need to bring the PSA and tender protocol in line with the EIIT Bill and Procurement Act.

Central Bank and Financial Sector Issues: The Central Bank Governor reported that after analyzing the UN Panel of Experts report, the CBS is now in the process of drafting a directive of corrective action to improve weaknesses identified and to strengthen their systems in the future. It has also followed up on the GIATOC report regarding the allegations that two Money Transfer Businesses (MTBs) have been facilitating the purchase of arms from Yemen. CBS did not find evidence supporting the most critical element of that report however, the it has concluded that there is a need for increased Anti Money Laundering training and support is required for Banks and MTBs operating in remote areas in different parts of the country.

Members welcomed CBS's achievement of issuing the first ever license to a mobile money company in Somalia after meeting all the requirements and obtaining a NCA license. CBS is committed to push other mobile money companies to get the license and address the issues between the NCA and mobile operators.

Concessions and Contracts: MoF provided an update on the passport contract and its plans to issue a new tender. It is working on securing the necessary funding for legal support is continuing. MoF has finalized all the documents for all rations tendering and plan to advertise them before of the end of this week. An advisory note was tabled on maintaining competitive tendering for security sector rations. MoF reported on the status of the Airport hotel contract and implementation of revised port agreement.