

SOMALIA PUBLIC FINANCIAL MANAGEMENT ROADMAP ACTION PLAN (2021-2024)



Federal Republic of Somalia
Ministry of Finance



جمهورية الصومال الفيدرالية
وزارة المالية

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Re: Public Financial Management Roadmap Action.

The Federal Government of Somalia has committed itself to increase revenue, strengthen expenditure management, improve the intergovernmental fiscal framework and strengthen relationships with external development partners. To this end, the Ministry of Finance has developed public financial management (PFM) reform action plan for 2021-2024 attached here to. This plan sets out the critical reforms needed to put in place robust PFM practices.

In recent years, significant progress in improving PFM practices has been made and it is time for us to continue building on our recent successes. Under this plan, we will take stock of how far we have come, ensure that we have sound foundations in place, and then implement incrementally complex reforms.

In developing the plan, the Ministry of Finance has ensured the involvement of all relevant stakeholders and development partners. This has led to a plan which is comprehensive and prioritizes key issues that should be addressed. Whilst the plan will be led by the Ministry of Finance, the Federal Member States will also play a significant role in its implementation to ensure that full fiscal federalism is realized in the near future.

Successful implementation of the plan will enable us to achieve fiscal discipline, the strategic allocation of financial resources, and the efficient delivery of essential services to our fellow citizens.

Yours Sincerely,


16/08/2021
Dr. Abdirahman D. Beileh
The Minister



Acronyms

AGO	Accountant general's office
BSP	Budget Strategy Paper
CBA	Cost Benefit Analysis
CAS	Customs Administration System
CBS	Central Bank of Somalia
CIP	Capacity Injection Project
CMC	Cash Management Committee
COPM	Comprehensive Operating Procedures Manual
COSO	Committee of Sponsoring Organisations of The Treadway Commission
CMU	Cash Management Unit
DMU	Debt Management Office
DP	Development Partner
EPPD	Economic Policy and Planning Department
EU	European Union
FAR	Fixed Asset Register
FGS	Federal Government of Somalia
FMIS	Financial Management Information System
FMS	Federal Member States
GGFF	Good Governance and Financial Management Institute
GFS	Government Finance Statistics
HIPC	Heavily Indebted Poor Countries
IA	Internal Audit
ICCAD	Internal Control and Compliance Advisory Department
IGFR	Intergovernmental Fiscal Federalism Relations
IMCC	Inter-Ministerial Concession Committee
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
MAF	Mutual Accountability Framework
MAPS	Methodology for Assessing Procurement Systems
MDA	Ministry, Department And Agency
MoPIC	Ministry of Planning and International Cooperation
MTFF	Medium Term Fiscal Framework
NAD	National Asset Department
NDP	National Development Plan
NPARFS	National Public Administration Reform Framework
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFM-RAP	Public Financial Management Reform Action Plan
PPD	Public Procurement Department
RCRF	Recurrent Cost and Reform Financing
SDG	Sustainable Development Goals
SPF	Somali Police Force
TSA	Treasury Single Account
UN	United Nations
WB	World Bank
WCO	World Customs Organisation

Introduction

This document presents the Ministry of Finance's Public Financial Management Reform Action Plan (PFM-RAP), 2021-24. The PFM-RAP details actions required over a three-year period, aligned with the ninth National Development Plan of Somalia¹, to improve public financial management practices. "Improved governance" is identified as a "cross-cutting imperative" for each pillar of the NDP-9. Improving public financial management practices is also a key priority in the Mutual Accountability Framework (MAF). The MAF is agreed between the Federal Government of Somalia (FGS) and the Somalia Partnership Forum (SPF), which includes all international development partners supporting Somalia's development priorities, as outlined in the NDP-9.

The ultimate objective of the PFM-RAP is to enable the Federal Government of Somalia to put in place robust public financial management practices by 2024, with a focus on increasing revenue, strengthening expenditure management, improving the intergovernmental fiscal framework and strengthening relationships with external partners. These priorities are in line with recommendations of the Financial Governance Committee, as outlined in the Financial Governance Report (July 2020). Achievement of these objectives, creating an open and orderly PFM system, will in turn contribute to desirable outcomes – fiscal discipline, the strategic allocation of resources and more efficient service delivery.

The PFM-RAP supports implementation of key pieces of public financial management legislation. FGS made significant progress in passing legislation in 2019–20. Relevant laws include the Revenue Act (2019), the PFM Act (2019), PFM Regulations (2020), FGS Public Procurement, Concessions and Disposals Act (2019) and Regulation (2020) and drafting of the Audit Bill (2018). The revenue act establishes the basis for modernising revenue administration and identifies categories of revenue that are subject to FGS jurisdiction. The PFM act regulates all aspects of national budget preparation and execution and establishes procedures for borrowing, debt management, and natural resource revenue management. Amendments to the procurement act have enabled central oversight of high-value contracts and non-standard bidding methods.

The PFM-RAP builds upon work undertaken under the previous PFM-RAP, 2018-2021 and is a precursor for further refinement that will take place on an annual basis and after regular PEFA assessments. A PEFA assessment is planned for 2022². In refining the PFM reform action plan after the PEFA assessment, the FGS will ensure that there is effective sequencing and prioritization of actions, that it is fully costed and resourced and that there is both political support and donor coordination throughout implementation. Moreover, the FGS follows **'basics first' approach**, ensuring that it is implementing context-appropriate reforms that are needed in the first instance before embarking on more complex and demanding reforms.



1 The NDP-9 covers the period 2020-2024 and identifies three main priorities to drive poverty reduction in Somalia, namely "Inclusive and Accountable Politics" (Pillar 1); Improved Security and the Rule of Law (Pillar 2); and Improved Economic Development (Pillar 3). The NDP-9 is aligned with the Sustainable Development Goals (SDGs), notably through its M&E framework which refers specifically to the various goals and targets of Agenda 2030. The SDG 16 on Peaceful, Justice and Inclusive Institutions is of particular importance to Somalia and the broader G7+ community of 20 fragile and post-conflict countries, as reflected by the prominent emphasis placed on these themes across the NDP-9.

2 The exact scope of the PEFA assessment, appropriate to the context, will be agreed with the PEFA secretariat.

At present the PFM-RAP only includes actions for the Ministry of Finance (MoF) and reforms that are linked to intergovernmental fiscal relations (outlined under Pillar 2). Key priorities for FMSs include ensuring that there is transparency of intergovernmental transfers, close linkage between planning and budgets, a unified chart of account and financial reports and harmonisation of revenue policy and administration between FMS and FGS.

The PFM-RAP is structured in line with the PEFA seven pillar framework. The PFM-RAP's Key Performance Indicators (KPIs) are standard PEFA indicators, enabling ease of reporting overtime and with a range of stakeholders. The PEFA framework assesses and reports on the strengths and weaknesses of public financial management performance, with seven pillars defining key elements of a PFM system. The PFM-RAP actions are informed by the 2019 PFM diagnostic assessments conducted by the World Bank, FGS and other reports. It should however be noted that actions within the PFM-RAP will be regularly (annually) updated so that it becomes an effective operational tool in bringing about positive developments in PFM indicators.

The PFM-RAP supports public sector reforms efforts outlined in the National Public Administration Reform Framework (NPARFS) and the ninth National Development Plan. It also incorporates recommendations from recent PFM assessments and reviews and is in line with other supporting PFM strategies and action plans including the National Anti-Corruption Strategy, 2020-2023.

The plan has been formulated through a consultative process with key PFM staff and development partners. Several recent PFM assessments and supportive reform plans have informed development of the updated plan. World Bank, EU and IMF benchmarks have also informed the update process.



Monitoring and Planning Arrangements

Progress in implementing PFM-RAP activities and the achievement of KPIs will be monitored on a six-monthly basis by the Ministry of Finance. KPIs will also be assessed in regular PEFA assessments. In the bi-annual reports the Ministry of Finance will report on the progress of each Department within the Ministry on their expected activities under the plan, and progress against the KPIs. Production of the monitoring reports is the responsibility of the PFM Coordination Unit, with inputs from respective Ministry of Finance departments. Monitoring reports should be made available to the Minister within two weeks after the end of the reporting period (July and December).

The Office of the Prime Minister will also provide oversight on progress under the plan, linking activities under the plan to the Mutual Accountability Framework and the IMF Extended Credit Facility and Extended Fund Facility arrangements. In addition, the Financial Governance Committee can review specific strategic issues at the request of the Chair (the Minister of Finance) and may report to the Reform Oversight Committee chaired by the Prime Minister.

The PFM-RAP will be updated on an annual basis to ensure that it remains an effective operational tool. Annual planning will consider progress made and prioritisation of key actions required to improve PFM processes and outcomes. Development partner support mentioned in the action plan is provisional, as it is based on the initial consultation, and requires confirmation during annual planning processes.



Capacity Development

Strengthening the capacity³ of departments responsible for actions under the PFM-RAP is crucial for the success of the plan. To this end, in addition to the actions outlined in the plan, the Ministry of Finance with the support of development partners will carry a series of key capacity enhancement activities, including:

- Strengthening the organisational structure of the Ministry of Finance (MoF).
- Strengthening the capacity of the Technical Intergovernmental Fiscal Federalism Committee and Intergovernmental Fiscal Federalism Relations unit at MoF.
- Building technical expertise in macro-fiscal forecasting, procurement, internal control, cash management, FMIS, internal audit, fiscal risk analysis and asset management in the respective departments of the MoF and line ministries.
- Improving debt statistics analysis, financial statistics reports and COVID-19 economic impact assessments.
- Carrying out training needs assessments, review of business processes, particularly for the AGO, and develop a training policy for the PFM cadre.

In addition, the MoF has established a federal centre of excellence and training on **Good Governance and Financial Management** (GGFM), which can provide core and specialised training to civil servants across FGS and FMS. It is critical that civil servants working in the Finance Department of ministries, departments and agencies, along with staff of FGS and FMS Ministries of Finance, are trained in core public administration and financial management skills. These skills are important to help develop a robust public financial management foundation and enable sustainable, inclusive socio-economic recovery and development.

The MoF also expects that donor investment in developing the GGFM will offer value for money, as the centre will provide a sustainable mechanism for extending public financial management best practice from the MoF to line Ministries across the FGS.

The MoF is planning a phased approach to curriculum and training material development, starting with core course functions, such as basic accounting and finance, ethics in public administration and taxation. as these modules are developed and piloted, the MoF will seek to incorporate lessons learnt into the development of subsequent phases of course development.



³ Capacity is defined as the skills, knowledge, abilities of staff alongside physical equipment.

1. Budget Reliability

Over the next three years, FGS's objective is to continue to formulate a realistic budget and to implement it as intended. This is measured by comparing actual revenues and expenditures (the immediate results of a PFM system) with the original approved budget. Key actions to achieve this objective are outlined below.

KPIs	2024 Target
1.1 Aggregate expenditure outturn.	To achieve at least B score in PEFA assessment.
1.2 Expenditure composition outturn.	To achieve at least D+ score in PEFA assessment.
1.3 Revenue outturn.	To achieve at least D+ score in PEFA assessment.

1.1 Expenditure and Revenue Outturns

#	Reform Actions	DP support	Timeframe	Responsible Departments
				<ul style="list-style-type: none"> Office of the Director General Accountant general's office (AGO) Economic policy and planning department (EPPD) Budget Department
1.	Implement the "Use of Country Systems Roadmap for Somalia 2021-2023" to increase the volume of external assistance delivered on budget and on treasury.	EU BSTA FGC, UN	2021 onwards	
2.	Carry out a Budget Execution & Absorption Survey for Ministries, Departments and Authorities (MDAs)	EU BSTA	2021 onwards	
3.	Support MDAs to use the Comprehensive Operating Procedures Manual (COPM) to improve expenditure composition outturns.		2022	
4.	Develop tools and work processes to strengthen revenue forecasting and outturns.		2022	
5.	Carry out and publish performance evaluation reports.	WB RCRF	2021 onwards	
6.	Undertake regular public expenditure (spending) reviews and diagnostics.		2023	

2. Transparency of Public Finances

Through implementation of the PFM-RAP, the MoF intends to strengthen the accessibility, consistency and completeness of PFM information for users. This will be achieved through comprehensive budget classification, transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance and easy access to fiscal and budget documentation.

KPIs	2024 get
2.1 Budget classification	To achieve at least C score in PEFA assessment.
2.2 Budget documentation.	To achieve at least C score in PEFA assessment.
2.3 Public access to fiscal information.	To achieve at least C score in PEFA assessment.
2.4 Performance information for service delivery.	Improve capture and reporting of performance information. To achieve at least D+ score in PEFA assessment.
2.5 Central government operations outside financial reports.	Improve availability of financial reports to be able to assess in PEFA assessment.
2.6 Transfers to subnational governments.	Improve rules, transparency and timeliness of fiscal transfers. To achieve at least D+ score in PEFA assessment.

2.1 Budget Classification, Documentation, and Access to Fiscal Information

Responsible Departments	<ul style="list-style-type: none"> Working group on “Fiscal Transparency and Open Budget” Budget Department SFMIS Unit 		
#	Reform Actions	DP support	Timeframe
1.	In line with FGS’s anti-corruption strategy, ensure that gazetted versions, and official translations, of PFM legislation are accessible on the MoF’s website.	EU BSTA	2021
2.	Ensure that budget documents and financial reports are produced on administrative, economic (at least “group” level of the GFS standard), functional and programme classifications.	EU BSTA	2022 onwards
3.	Ensure key budget documents are produced and made available to the public in a timely manner. Key documents include the Budget Strategy Paper, enacted budget, citizen’s budget, mid-year budget review and supplemental budgets.	EU BSTA WB	2022
4.	Ensure pro-growth and pro-poor spending can be easily aggregated to support high-level tracking of NDP priorities under HIPC.	AfDB EU BSTA	2023
5.	Publish information on an annual basis on activities carried out by pilot/targeted ministries.		2023
6.	Strengthen annual budget hearings with civil society stakeholders as part of the budget calendar and seek their input before the budget goes to Parliament.	EU BSTA WB	2023

2.2 Government Operations Outside Financial Reports

Responsible Department		Accountant General's Office (AGO)		
#	Reform Actions		DP support	Timeframe
1.	Issue the Fiscal Buffer account policy and ensure the policy and guidelines on the use and accountability mechanisms of the Fiscal Buffer account, are adhered to.		IMF EU BSTA	2021 onwards
2.	Ensure that extra-budgetary cash receipts and payments are included in annual financial statements.		WB (DRM- PFM/SCAL ED UP) EU BSTA	2022 onwards

2.3 Fiscal Federalism and Transfers to Federal Member States

Responsible Department		Intergovernmental relations unit, Budget Department Intergovernmental Fiscal Federalism Technical Committee (IGFFTC) Accountant General's Office		
#	Reform Actions		DP support	Timeframe
1.	Ensure implementation of existing policy papers on intergovernmental fiscal transfers. Strengthen the Intergovernmental Fiscal Relations (IGFR) regulatory framework to ensure accountability and transparency of the use of public funds.		WB	2021 onwards
2.	Ensure that budgets and budget execution reports contain a clear disaggregation of allocations and expenditure by FMS/Benadir Regional Administration (BRA).			2021 onwards
3.	Ensure quarterly, monthly consolidated fiscal reports are prepared and published. Harmonize and improve accounting and financial reporting processes between FGS and FMS.		WB	2021 onwards
4.	Define the revenue assignment, revenue sharing and assignment of expenditure responsibilities between FGS and FMS.		WB,UNDP	2021 onwards
5.	Ensure that intergovernmental fiscal transfers are rule based and transparent (transfer criteria).			2021 onwards
6.	Transparency of fiscal transfers to be ensured through inclusion in the pre-budget statement paper (budget strategy paper).		EU BSTA	2021 onwards
7.	Enhance linkages of intergovernmental fiscal transfers with medium-term fiscal targets and public service delivery targets.		EU BSTA	2021 onwards
8.	Enhance the clarity and accountability of the aggregated FGS and FMS fiscal status. Publish the aggregated FGS and FMS annual budget in the FGS Budget Strategy paper.		IMF EU BSTA	2021 onwards
9.	Harmonise FGS and FMS planning and budget calendars.		WB EU BSTA	2021 onwards
10	Launch a new unified chart of accounts for use by FGS and FMS in budget preparation, execution and timely financial reporting.		WB EU BSTA	2021
11	Harmonise FGS and FMS systems (BISAN and SFMIS) in areas of budgeting, chart of accounts and GFS integration.		WB	2021 onwards
12	Improve coordination between FGS and FMS, BRA (budgeting, treasury and revenue functions) through joint capacity building activities in planning, budgeting and reporting.		WB (RCRF), EU BSTA	2023

3. Management of Assets and Liabilities

The key objectives under pillar three are to strengthen the management of assets and liabilities and ensure that debts and guarantees are prudently planned, approved, and monitored.⁴

KPIs	2024 Target
3.1 Public asset management.	Maintain an accurate record of financial and non-financial assets. To achieve at least D+ score in PEFA assessment.
3.2 Debt management.	To achieve at least B score in reporting of debt. Improve policies and procedures to undertake borrowings in line with a medium-term debt management strategy to achieve at least D+ rating in next PEFA assessment.

3.1 Public Assets Management

Responsible Department		<ul style="list-style-type: none"> National Assets Department Accountant General's Office Public Procurement Department 		
#	Reform Actions	DP support	Timeframe	
1.	Produce a comprehensive consolidated asset register. Review on annual basis.		2021 onwards	
2.	Develop an assets management framework of policies and guidelines as required by the PFM Regulations, 2020.		2022	
3.	Implement SFMIS asset management module and rollout fixed assets module to cover all MDAs.	WB (DRM-PFM/SCAL ED UP)	2022	
4.	Operationalise a committee to recover and protect public property.		2023	
5.	Integrate the fixed assets register into the procurement process and SFMIS purchase module.	WB (DRM-PFM/SCAL ED UP)	2023	

3.2 Debt Management

Responsible Department		<ul style="list-style-type: none"> Debt Management Unit (DMU) 		
#	Reform Actions	DP support	Timeframe	
1.	Continue to prepare and publish regular quarterly and annual public debt bulletins to enhance debt transparency and accountability.	AfDB, IMF, World Bank	2021	
2.	Continue implementing the adopted negotiations strategy in engaging with non-Paris Club and multilateral creditors in order to secure debt relief in line with the Paris Club agreed minute of March 31, 2020, and IMF burden-sharing principle.	AfDB/ALSF /DRI	2021	
3.	Complete the DMU organizational set-up by creating the middle office with functional roles and responsibilities. Envisage transforming these local national experts, competitively recruited and trained, into civil servants in the near future.	AfDB	2024 onwards	
4.	Upgrade and operationalize the Commonwealth Secretariat Meridian Debt Management System with training provided to the DMU. Through	AfDB	2021 onwards	

⁴ Pillar 3 of the PEFA framework also assesses public investments and fiscal risks. These dimensions have not been included in this version on the PFM-RAP.

	CS-DRMS, establish a complete record of all domestic, foreign, and guaranteed debt. Continue to engage with DFI to finalize the data migration process to operationalize the Commonwealth Meridian debt recording System (with interface to SFMIS).		
5.	Develop an approach for Post-HIPC era to monitoring and evaluating the government's debt portfolio and structure. Establish strong links to the annual budget process to secure fiscal space for debt servicing. The DMU will take the lead to develop a framework to monitor and evaluate the government's debt portfolio and structure along with other relevant departments.	AfDB/WB	2023
6.	Improve the draft debt management procedure manual to ensure the process for managing all government borrowing is well defined.	AfDB/IMF/WB	2022
7.	Draft MTDS in the context of Somalia with capacity building of staff. Base new borrowings for Post-HIPC era on a medium-term debt management strategy consistent with debt sustainability. Future (post HIPC) borrowing should be based on a medium-term debt management strategy.	African Legal Support Facility (ALSF)/AfDB	2023
8.	Develop a framework to produce annual reports against debt management objectives to the legislature post-HIPC era.	AfDB	2023

3.3 Pension Reforms

Responsible Department	Pensions Department		
#	Reform Actions	DP support	Timeframe
1.	Enact the civil servants pension bill and adopt the armed forces pension act with associated regulations.	WB	2022 onwards
2.	Establish the Pension Fund account and Armed Forces and Security Services Pension and Gratuities Fund with associated administrative arrangements. Ensure the pension system is fiscally sustainable in the medium term, i.e. all pension payments can be covered from either contribution revenue or the accumulated reserve funds for at least 15 years.	WB	2021 onwards
3.	Establish a pension department in the Ministry of Finance and ensure the department is fully staffed and operational.	WB	2021
4.	Support the Armed Forces to establish systems for collecting additional personnel and dependent information with the help of the MoF pension department. Armed Forces and MoF pension department to integrate their HR systems with other government technologies such as the SFMIS.	WB	2022 onwards
5.	Establish a high-level framework for the Armed Forces' pension. The framework should include appointing committees to implement the retirement scheme, developing and executing a plan to inform security members about procedures, identifying members to be retired based on the pensions Bill and Regulations and identifying capacity and resource needs to implement the framework.	WB	2021 onwards

4. Policy-Based Fiscal Strategy and Budgeting

Over the next three years, the Ministry of Finance will seek to improve macroeconomic forecasting and budget preparation processes.

KPIs	2024 Target
4.1 Macroeconomic and fiscal forecasting.	To achieve at least D+ score in PEFA assessment.
4.2 Fiscal strategy.	To achieve at least D+ score in PEFA assessment.
4.3 Medium-term perspectives in expenditure budgeting.	To achieve at least D+ score in PEFA assessment.
4.4 Budget preparation process.	To achieve at least C score in PEFA assessment.
4.5 Legislative scrutiny of budgets.	To achieve at least C score in PEFA assessment.

4.1 Macroeconomic and Fiscal Forecasting, Fiscal Strategy

#	Reform Actions	DP support	Timeframe	Responsible Department
				<ul style="list-style-type: none"> Budget Department Economic Policy Planning Directorate
1.	Improve processes and systems to prepare macroeconomic forecasts and sensitivity analysis in coordination with key federal fiscal agencies, including financial viability analysis and oversight on the size of the public sector.	EU BSTA WB AfDB	2022	
2.	Enhance tools for revenue forecasting to increase budget integrity through a development and use of a medium-term fiscal framework (MTFF). MTFF to identify available fiscal space to meet NDP-9 priorities.	EU BSTA IMF	2022	
3.	Improve communication and data sharing between the key Federal fiscal agencies, including the Ministry of Finance, the Central Bank of Somalia, the National Bureau of Statistics, and the Ministry of Planning, Investment, and Economic Development, in order to produce accurate statistical reports (including consumer index, supply/demand and export deficit).	EU BSTA WB	2021 onwards	
4.	Conduct natural resources fiscal analysis during budget preparation.		2023	

4.2 Budget Preparation

Responsible Department		DP support	Timeframe
#	Reform Actions		
		<ul style="list-style-type: none"> Budget Department Economic Policy Planning Directorate 	
1.	Ensure a clear annual budget calendar is issued, is adhered to, and allows all budgetary units at least six weeks from receipt of the budget circular to complete their budget estimates on time.	EU BSTA AfDB	2021
2.	Strengthen public participation in the budget process.	EU BSTA AfDB	2021 onwards
3.	Bring government-managed, off-budget external financing into the formal budget (in line with the advisory note produced by the FGC on how to bring aid on-budget and on-treasury) in accordance with the PFM Act/Regulation.	EU BSTA	2022
4.	Ensure the approval of the Budget Strategy Paper (BSP) by the Cabinet.	EU BSTA	2021 onwards
5.	Enhance guidelines and manuals on budget preparation issued to MDAs.	EU BSTA	2021 onwards
6.	Strengthen policy budget linkages through strengthening linkages between NDP-9 and the Annual Appropriation Act, ensuring medium-term budget planning is aligned with NDP-9 and costing and identifying financing of NDP-9 priorities.	EU BSTA AfDB WB	2022
7.	FGSs to use the SFMIS budget preparation module to prepare and MDAs to submit their budgets through SFMIS.	WB	2021 onwards
8.	Strengthen interagency cooperation and coordination in policy analysis, planning and budgeting. Support MDAs to improve their budget/strategic planning processes.		2022
9.	Advance reforms in medium term budget preparation through the preparation of medium-term expenditure ceilings approved by Cabinet, prioritization of new policy proposals and initiatives and improvements in public investment appraisals.	AfDB EU BSTA	2022 onwards
10.	Develop budget planning manuals (programme budgeting manual, MTFF manual)		2022 onwards
11.	Enhance MDA's capacity to adhere PFM Act/regulations and MoF manuals.		2022

5. Predictability and Control in Budget Execution

Key objectives under this pillar are ensuring that the budget is implemented within a system of effective standards, processes, and internal controls and that resources are obtained and used as intended.

KPIs	2024 Target
5.1 Revenue administration.	To achieve at least D+ score in PEFA assessment.
5.2 Accounting for revenue.	To achieve at least B score in PEFA assessment.
5.3 Expenditure arrears.	To achieve at least B score in PEFA assessment.
5.4 Payroll controls.	To achieve at least D+ score in PEFA assessment.
5.5 Predictability of in-year revenue allocation.	To achieve at least D+ score in PEFA assessment.
5.6 Predictability of in-year revenue allocation.	To achieve at least D+ score in PEFA assessment.
5.7 Internal controls on non-salary expenditure.	To achieve at least D+ score in PEFA assessment.
5.8 Procurement.	To achieve at least C score in PEFA assessment.
5.9 Internal audit.	To achieve at least C score in PEFA assessment.

5.1 Tax Administration

Actions related to tax administration are detailed in a separate strategic plan. The Revenue Directorate is currently working on a Transitions Plan (TP) / Medium Term Revenue Strategy (MTRS). Actions from the TP / MTRS will be incorporated into the PFM RAP in its next iteration.

5.2 Customs Administration

Responsible Department	• Revenue Directorate		
#	Reform Actions	DP support	Timeframe
1.	Develop and roll-out Somali Customs Strategic Plan (including FGS and JL, PL).	WB (SCSP, DRMPFM) AfDB, FCDO CRATES5	2021 onwards
2.	Implement the Customs Administration System (CAS) IT system at Mogadishu, Bosaso and Kismayo ports, including common goods classification, customs practices and procedures and valuation of goods.	WB (SCSP, DRMPFM) RCRF FCDO CRATES	2021 onwards
3.	Support embedding of the CAS IT system and further capacity building of the system. Ensure communication and engagement with the private sector.	FCDO (CRATES) WB (SCSP, DRMPFM)	2022
4.	Complete a simplified functional review of FGS customs to better allocate human resources in customs. Develop and implement a HQ structure, providing the basis for ongoing discussions regarding a harmonised Somali Customs service.	FCDO CRATES WB	2022
5.	Draft regulations to support implementation of the Customs Act 2020	FCDO CRATES	2023

⁵Under FCDO CRATES there is a harmonised workplan that incorporates the FGS, Puntland and Jubbaland.

6.	Implement the Customs Brokers Licensing Regime (implementation of regulation and capacity building of brokers).	FCDO CRATES	
7.	Develop and roll-out Customs Training Curriculum (and identification of training equipment) in conjunction with the PFM Institute.	FCDO CRATES	2023
8.	Implement code of conduct in Customs Administration.	FCDO CRATES	2023
9.	Implement Risk Management procedures (SOPs to be updated and aligned to CAS selectivity functionality) and adopt risk-based cargo interventions.	FCDO CRATES	2023
10.	Strengthen communications and make information more readily accessible to the private sector including through the further development and population of the MoF website.	FCDO CRATES	2023
11.	Ratify the World Customs Organisation (WCO) membership and follow procedures.	FCDO CRATES	2023

5.3 Internal Controls

Responsible Department			
		<ul style="list-style-type: none"> Internal Control Department, AGO SFMIS department 	
#	Reform Actions	DP support	Timeframe
1.	Enforce the use of the SFMIS by all MDAs and strengthen controls around associated bank accounts with the production of clear guidelines for spending and payments, advance acquittals and what supporting documents are required. Use SFMIS for management of advance funds.	WB (DRM-PFM/Scaled UP)	2021 onwards
2.	Implement SFMIS external review recommendations.	WB (DRMPFM)	2021 onwards
3.	Strengthen commitment controls through: (a) introducing tailored policies for commitment controls to deal with the different categories of expenditure; b) discontinuing manual Purchase Orders (POs), and make system generated POs mandatory before the commencement of activities; and (c) create awareness among suppliers regarding system-generated POs.	WB (DRM-PFM/Scaled UP)	2021 onwards
4.	Increase frequency of reconciliation of FGS bank accounts from quarterly to monthly. Download the bank statements from the core banking system to the SFMIS and ensure that all Bank accounts are set up and reconciled through SFMIS.	EU BSTA WB (DRMPFM)	2021 onwards
5.	Improve transparency and controls of the wage bill through enforcement of establishment controls. Operationalise recommendations from MDAs' function reviews.		2021 onwards
6.	Enable key financial reports to be produced directly from the SFMIS allowing MDAs to access fiscal reports.		2022
7.	Enforce the use of the SFMIS by all MDAs by widening access of the SFMIS to MDAs to enable direct access to financial information.		2022
8.	Customize the SFMIS to support both allotments and warrants. Address challenges in the current expenditure controls approach through the formalization of a two-stage process of allotments preceding warrants in the SFMIS and processing MDA spending plans/expenditure forecasts through the SFMIS.	WB (DRMPFM)	2022
9.	Update the Comprehensive Operating Procedures Manual (COPM) along with all relevant supplemental manuals.	WB (DRM-PFM/Scaled UP)	2022
10.	Update the business process review to further strengthen payment processes.	WB (DRM-PFM/Scaled UP) IMF	2022
11.	Develop and adopt a comprehensive governance policy and sustainability plan for the SFMIS, considering the FGS agreement with the vendor and a gradual transition of technical support from the vendor to the IFMIS team (including establishing the necessary skills in the IFMIS team).	WB (DRM-PFM/Scaled UP)	2022

12.	Complete a set of internal control working tools for ICCAD and provide the necessary practical training for ICCAD staff and awareness training for AG/MDA management.		2022
13.	Enhance the Accountant General's Offices' risk management and fraud investigation procedures.		2022
14.	Strengthen payroll internal controls through integrating payroll and personnel records and making changes to personnel and payroll in a transparent manner once a month. Ensure authority to change records and payroll is restricted and can be audited. Actions will also cover security sector payroll(s) in addition to civilian side.		2022
15.	Publish commitment information alongside budget execution reports.	WB (DRM-PFM)	2022
16.	Expand the coverage of the COPM, and other manuals from internal control activities, to processes for management monitoring aligned with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) integrated internal control framework.		2023

5.4 Cash Management

Responsible Department		• Accountant general's office		
#	Reform Actions		DP support	Timeframe
1.	Improve the cash forecasting model, utilizing recommendations from the World Bank, to better inform Cash Management Committee (CMC) meetings.		WB EU BSTA	2021
2.	Automate cash forecasting and planning in the SFMIS through integrating the cash forecasting model with the SFMIS.		WB (DRMPFM/ SCALED- UP Project)	2021 onwards
3.	Improve reporting on the long-term sustainability of an entity's finances (cash flow projections).		EU BSTA	2022
4.	Ensure service level agreements with the Central Bank of Somalia and commercial banks are in place for revenue collection.		WB (DRMPFM)	2022
5.	Implement a Treasury Single Account (TSA) model adapted to Somalia circumstances.		WB	2022 onwards
6.	Cash Management Unit to work with the Debt Management Unit to develop short-term financing options alongside the cash management plan.			2022
7.	Review and update the template for MDAs' spending plans. Cash Management Unit to undertake analysis of errors in cash forecasts and present the results to the CMC.		EU BSTA	2021 onwards

5.5 Procurement and Concessions

Responsible Department		• Public procurement department (PPD)		
#	Reform Actions		DP support	Timeframe
1.	Enhance stakeholder awareness in public procurement through a dedicated procurement portal. Provide notification and access to information on the revised legal framework for procurement. Increase regular publication of procurement information.		EU BSTA	2021 onwards
2.	Maintain a firm commitment for compliance at ministerial level to public procurement and concessions processes. This includes ensuring that information is available to all stakeholders through the procurement portal.			2021 onwards

3.	Conduct contract reviews to improve the management of concessions and contracts with the aim of protecting FGS revenues and financial interests.	FGC	2021 onwards
4.	Establish and institutionalise an Independent Procurement Review Panel.	AfDB	2024
5.	Review and revise the Public Procurement Regulations to reflect the role of secondary legislation, providing guidance on how to apply the primary legislation, which is the Public Procurement Act. Issue circular on emergency procurement	WB (follow up to DRMPFM) AfDB	2023
6.	Develop and publish public procurement manuals for each of the three disciplines of the 2019 public Procurement Act (procurement, concessions and disposal).	WB (follow up to DRMPFM) AfDB	2024
7.	Simplify and harmonise standardised bidding documents for types (goods, works, services and consulting services), methods (open competitive bidding, restricted bidding, QCBS, QBS etc.) and specific sectors (for example, property concessions, oil and gas, health sector etc.).	WB (follow up to DRMPFM) AfDB	2024
8.	Establish and institutionalise Procurement Units in the MDAs that will undertake decentralised procurement.		2024
9.	Undertake an assessment of the procurement system using Methodology for Assessing Procurement Systems (MAPS).	AfDB	2024
10.	Monitor the status of procurement and concessions in FMS, given the increased resources being channeled through the FGS budget to the FMS. Align procurement processes and legal frameworks of FMS with FGS.	FGC	2024
11.	Strengthen public procurement oversight. Establish, empower, and build capacity within FGS oversight bodies for procurement and concessions, namely the Public Procurement Authority, the MoF Contracts Committee, and the Inter-Ministerial Concessions Committee (IMCC).	WB (follow up to DRMPFM) AfDB	2024

5.6 Internal Audit

Responsible Department		Internal Audit Department	
#	Reform Actions	DP support	Timeframe
1.	Strengthen MoF and MDAs' external audit follow-ups through an internal audit function in MoF.	WB (DRM-PFM) AfDB	2021 onwards
2.	Develop an internal audit practice framework, for use by MoF and MDAs, to include an Internal Audit charter, Code of Ethics, Standards, and a strategic plan to align with international standards.	WB (DRM-PFM) AfDB	2021
3.	Develop an Internal Audit Procedure Manual.	WB (DRM-PFM) AfDB	2021
4.	Ensure a strong system of annual payroll audits exists to expose control weaknesses and identify ghost workers.	WB (DRM-PFM) AfDB	2022
5.	Conduct an audit of the SFMIS system to inform management on its performance and help improve its quality and compliance levels.		2022
6.	Develop a short term and a medium-term plan for capacity building of IA in line with enhanced scope of internal audit.	WB (DRM-PFM) AfDB	2022
7.	Review under MOF projects implemented by WB thought conduct follow-up, providing consultation, and report on management response to DG.	WB (DRM-PFM) AfDB	2021
8.	Ensure Effective MDAs, Operations, Accountability, and Transparent on evaluating whether exist the appropriate Adequate control, risk Management System, and communicate any deficient risk/control to Board and DG.	WB (DRM-PFM) AfDB	2023
9.	Conduct full audit cycle on MDAs to determine all operations ongoing effective and efficiency, financial reliability and compliance with all applicable directive, and regulation.	WB (DRM-PFM) AfDB	2023

6. Accounting and Reporting

Under Pillar Six, the Ministry of Finance's objectives are to ensure that accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

KPIs	2024 Target
6.1 Financial data integrity	To achieve at least D+ score in PEFA assessment.
6.2 In-year budget reports	To achieve at least D+ score in PEFA assessment.
6.3 Annual financial reports	To achieve at least C score in PEFA assessment.

Responsible Department		Accountant General's Office		
#	Reform Actions	DP support	Timeframe	
1.	Prepare and publish Consolidated Annual Financial Statements (all MDAs) in compliance with IPSAS cash basis accounting.	EU BSTA WB (DRMPFM)	2021	
2.	Audited financial statements to be published on MoF's website within 6 months after the end of the financial year.	EU BSTA WB (DRMPFM)	2021	
3.	Prepare and submit to OAG a balance sheet (including a statement of assets and liabilities) as a primary financial statement of the FGS.		2021 onwards	
4.	Update the Comprehensive Accounting Procedures Manual to align with the new PFM law & regulations and the re-engineered PFM business processes. Validate and approve the Comprehensive Accounting Procedures Manual to enable full roll out.	WB (DRM-PFM/Scaled UP)	2021 onwards	
5.	Prepare the Chart of Accounts Manual, ensuring GFS compliance, and support the use of the recently established unified chart of accounts.	EU BSTA WB	2021 onwards	
6.	Enhance the financial reporting templates through the use of the recommended practice guidelines.	EU BSTA	2022	
7.	Assess options for automating financial data consolidation, consolidated reporting of FMS and FGS to help improve the timeliness of FMS' annual audited financial statements..		2022	
8.	Support the Accountant General's Office to establish reporting frameworks for MDAs, including reporting extrabudgetary transactions, contingent liabilities, and financial assets and liabilities.	WB (DRM-PFM/Scaled UP))	2022 onwards	
9.	Strengthen period-end (monthly or quarterly) procedures and year-end processes.	EU BSTA WB (DRM-PFM/Scaled UP)	2022	
10.	Implement accounting/reporting-related aspects emerging from the SFMIS Quality Assurance process.	EU BSTA WB (DRM-PFM/Scaled UP)	2022	
11.	Develop a financial reporting framework for State Owned Enterprises and Public Corporations.	WB (DRM-PFM/Scaled UP)	2022	
12.	Accountant General's Office to formalise addressing Office of Auditor General observations and institutionalise external audit follow-ups.	EU BSTA, AfDB WB (DRM-PFM/Scaled UP)	2021	

7. External Scrutiny and Audit

Under Pillar Seven, the FGS seeks to ensure that public finances are independently reviewed and there is external follow-up on the implementation of recommendations for improvement by the executive.

Actions related to external scrutiny and audit are captured in the Auditor General's Strategic Plan 2021-22.

Annex A: Key Performance Indicators

The tables below provide further detail on the key performance indicators under each pillar.

Pillar 1: Budget reliability

KPIs	<p>1.1 Aggregate expenditure outturn. The extent to which aggregate budget expenditure outturn reflects the amount originally approved.</p> <p>1.2 Expenditure composition outturn. Measures the difference between the original, approved budget and end-of-year outturn in expenditure composition, by functional classification and economic type during the last three years, excluding contingency items, and interest on debt.</p> <p>1.3 Revenue outturn. Measures the extent to which revenue outturns deviate from the originally approved budget.</p>
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Pillar 2: Transparency of public finances

KPIs	<p>2.1 Budget classification. The classification system used for formulation, execution and reporting of the government's budget.</p> <p>2.2 Budget documentation. Budget documentation includes key elements.</p> <p>2.3 Central government operations outside financial reports. Financial reports are comprehensive and submitted on time, with minimal expenditure and revenue outside of government reports.</p> <p>2.4 Transfers to subnational governments. Transfers to sub-national governments is determined by a clear system and executed in a timely manner.</p> <p>2.5 Performance information for service delivery. Service delivery performance information is prepared and published annually.</p> <p>2.6 Public access to fiscal information. The public has access to key fiscal information.</p>
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Pillar 3: Management of assets and liabilities

KPIs	<p>3.1 Fiscal risk reporting. Monitoring of fiscal risk associated with public corporations, national government, contingent liabilities and other fiscal risks takes place and is published.</p> <p>3.2 Public investment management. Prior to inclusion in the budget major investment projects have been prioritised and economic analysis and comprehensive project costings have been undertaken. The total cost and implementation progress of approved projects takes place on a regular basis.</p> <p>3.3 Public asset management. The government maintains a record of its financial and non-financial assets and procedures for the transfer or disposal of assets are established.</p> <p>3.4 Debt management. Debt and guarantees are reported, debt approval processes are clear and there is a debt management strategy.</p>
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Pillar 4: Policy-based fiscal strategy and budgeting

KPIs	<p>4.1 Macroeconomic and fiscal forecasting. The government prepares forecasts on key macroeconomic indicators, fiscal indicators and prepares a range of fiscal forecasts scenarios.</p> <p>4.2 Fiscal strategy. The government prepares estimates of the fiscal impact of proposed changes in revenue and expenditure, has a current fiscal strategy and reports on fiscal outcomes.</p> <p>4.3 Medium-term perspectives in expenditure budgeting. The government prepares expenditure estimates, ceilings and seeks to align strategic plans and medium-term budgets.</p>
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- 4.4 Budget preparation process. The budget is guided by a calendar, guidance documents and is submitted to the legislature in a timely manner.
- 4.5 Legislative scrutiny of budgets. The legislature scrutinises the budget and has sufficient time to do so before the start of the fiscal year.

Pillar 5: Predictability and control in budget execution

KPIs	<p>5.1 Revenue administration. Entities collecting revenue provide payers with easy access to comprehensive information, have a systematic approach for assessing compliance risk, undertake audits and fraud investigations and monitor revenue arrears.</p> <p>5.2 Accounting for revenue. A central agency obtains revenue data at least monthly, revenue collected is transferred directly into accounts controlled by the treasury and revenue account reconciliations occur on a regular basis.</p> <p>5.3 Predictability of in-year revenue allocation. Cash balances are consolidated on a regular basis, cash forecasts are updated on a regular basis and in-year budget adjustments are infrequent and take place in a transparent and predictable way.</p> <p>5.4 Expenditure arrears. The stock of arrears is under control (no more than 2% of total expenditure in two of the last three years) and is regularly monitored.</p> <p>5.5 Payroll controls. Payroll and personnel records are integrated, records are updated regularly and the authority and basis to make changes is clear. A strong system of payroll audit exists.</p> <p>5.6 Procurement. Most contracts are awarded through competitive tendering, the public have access to procurement information and there is well developed complaints mechanism.</p> <p>5.7 Internal controls on non-salary expenditure. Clear segregation of duties are in place alongside commitment controls and compliance with payment controls.</p> <p>5.8 Internal audit. There is good coverage of the internal audit function across government, internal audit is focused on the adequacy and effectiveness of internal controls, annual audit programs exist and management provides a response to audit recommendations in a timely manner.</p>
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Pillar 6: Accounting and reporting

KPIs	<p>6.1 Financial data integrity. Bank, advance and suspense accounts are regularly reconciled and access and changes to financial records is restricted and recorded.</p> <p>6.2 In-year budget reports. The coverage and comparability of reports is assessed alongside the timing and accuracy of in-year reports.</p> <p>6.3 Annual financial reports. The completeness of annual financial reports is assessed alongside whether they have fulfilled international public sector accounting standards and are submitted for external audit.</p>
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Annex B: Bibliography

- Abyrint (2019): Government expenditure. Review of the management of government expenditures and reform in Somalia.
- Ministry of Finance (2018): Public Finance Reform Strategy Updated Action Plan
- Wickramasinghe, J.B, Matheka, L, Hawley, I and Fiebelkorn, A. (2020): Somalia: Public Expenditure Management Assessment.
- Ministry of Finance (2019, 2020): Internal PFM assessments
- Ministry of Finance (2020): Quality assurance on implementation of Somalia financial management information system

Annex C: IMF SMP Benchmarks

Annex D: World Bank Supported DLIs

Annex E: EU Policy Benchmarks



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