

# Use of Country Systems

Roadmap for Somalia

April 2017

# 1 Introduction

The need to use country systems (UCS) is an oft-cited international commitment for improved aid effectiveness (Paris Declaration in 2005, New Deal for Fragile States in 2011). But what does it really mean to use systems in practice? How strong do systems need to be before development partners are willing to use them? Why does UCS remain weak, despite international commitments?

In Somalia, the UCS working group (Box 1) has been grappling with these questions over the past three years. The group has identified several reasons why UCS remains low in Somalia:

- 1. “Chicken or Egg” dilemma:** UCS is critical for building national capacity; yet the weakness of Somalia's systems is often the reason why development partners are reticent to use them.
- 2. Shifting goalposts:** UCS discussions are focused on Public Financial Management (PFM) performance, when development partners' decisions about whether to use systems are often based on the quality of dialogue and a variety of different factors (e.g. human rights, elections, other political commitments). The lack of clear targets for government performance gives the impression that the goalposts set by the international community are shifting.
- 3. Lack of clarity about UCS:** Some development partners want to use country systems, but are simply unsure of how to do so in the Somali context. There is also a common misconception that UCS refers only to on treasury aid. While it represents an important channel for delivery, use of the treasury is not the only dimension of UCS.

This report aims to provide clarity and guidance on UCS. It also presents an updated roadmap for the government and development partners to strengthen and use country systems in Somalia for 2017-19.

## **Box 1. Background on the UCS Working Group**

**Previous roadmaps:** The roadmap and guidance in this booklet have been developed through consultation between government and development partners. It builds on a process of dialogue, monitoring and collective target setting that has evolved over the past three years in Somalia. The first UCS roadmap was presented to the High-Level Partnership Forum (HLPF) in Copenhagen in November 2014. The second version, which included a monitoring of benchmarks, was shared at the HLPF in Istanbul in February 2016.

**Members:** The UCS working group is comprised of government and international partners. On the government side, members include FGS representatives from the Ministry of Finance, Ministry of Planning, Investment and Economic Promotion, and the Aid Coordination. On the development partner side, members include representatives of the European Union, Norway, Sweden, the United Kingdom, the United States, UNDP, UN Resident Coordinator's Office, and the World Bank. Representatives of the g7+ group of fragile states, the International Dialogue for Peacebuilding and Statebuilding and the Financial Governance Committee (FGC) also engage with the group, providing insight and guidance.

# UCS Roadmap: 2017-19

The UCS Roadmap outlines benchmarks and indicators to promote greater use of country systems in Somalia. As government systems are strengthened and fiduciary risks are reduced, the government would like to see development partners increase their use of country systems.

This roadmap adopts a narrow focus on collectively agreed targets related to specific aspects of UCS. A new Partnership Agreement – agreed between the government and development partners – tackles a broader set of political commitments and partnership principles (Box 2). To avoid a duplication of monitoring efforts, the UCS benchmarks focus exclusively on those areas within the mandate of the UCS working group. Monitoring of the Partnership Agreement will provide an important resource for discussions and decisions to use Somalia's systems, as it will cover issues that will influence UCS decisions-making.

## **Box 2. New Partnership Agreement for Somalia**

Successful partnerships are based on reciprocity and mutual accountability. The Federal Government of Somalia (FGS) and development partners have agreed to a new Partnership Agreement (London Conference – May 2017) designed to govern and guide the partnership between Somalia and the international community. Together, the National Development Plan and Partnership Agreement retain the critical elements of Somalia's New Deal Compact, reframing them based on lessons learned and the heightened levels of ambition to which the government and development partners are committed.

## Development Partner Benchmarks

Benchmark	Indicator	Targets		
		2017	2018	2019
1. Partners consult with Office of the Prime Minister (OPM) and SDRF Steering Committee on country strategies to ensure alignment with national priorities	% of partners who consulted with OPM and SDRF on country strategies <sup>2</sup>	<b>60%</b>	<b>70%</b>	<b>80%</b>
		Baseline: Not tracked		
2. Partners programming aligned to government priorities within the National Development Plan	Indicator to be determined and tracked as part of NPA monitoring plan	<b>TBD</b>	<b>TBD</b>	<b>TBD</b>
		Baseline: Not currently tracked		
3. Partners report aid flows to government in a timely manner	% of partners reporting aid flows in a timely manner	<b>90%</b>	<b>95%</b>	<b>100%</b>
		Baseline: 82%		
4. Partners report on progress through Pillar Working Groups <sup>3</sup>	% of partners engaged in working group monitoring / reporting	<b>60%</b>	<b>70%</b>	<b>80%</b>
		Baseline: Not currently tracked		
5. Partners increase share of development aid channeled through the treasury	% of development aid channeled through treasury	<b>15%<sup>4</sup></b>	<b>TBD</b>	<b>TBD</b>
		Baseline: 9%		

<sup>1</sup> Additional qualitative information on baselines, including those missing data, is provided in Annex A.

<sup>2</sup> Consultation should take place during design and any review phases of country strategies, based on timelines for their multi-year strategies.

<sup>3</sup> Benchmark based on assumption that the NDP Monitoring will involve collection of input from Pillar Working Groups.

<sup>4</sup> Target will depend on external grants already captured in the 2017 Appropriations Act.

## Government Benchmarks

Benchmark	Milestones / Indicators		
	2017	2018	2019
1. Increased domestic revenue*	Domestic revenue increased as per budget estimates		
2. No new accumulation of arrears*	No new accumulation of arrears		
	--	Clearance of stock of arrears initiated	Continued progress clearing stock of arrears
3. Better budget execution controls	Reintroduction of PFM law incorporating FGC recommendations	Cash management plan implemented	Customs Admin systems implemented
	Security sector payroll automation completed	Human resources mgmt system established for security sector payroll	
4. Strengthened procurement systems	# of contracts and concessions with completed review by Interim National Procurement Board (INPB) and Financial Governance Committee (FGC) annually (Target: 7)		
	# of identified contracts / concessions above the threshold that did not undergo INPB/FGC Review (Target: <3)		
	Increased #/% of contracts and concessions for which there is evidence of FGC recommendations being implemented		
5. Robust audit function	Revised audit law establishing legal framework to make audits public introduced to Parliament	Audits completed and published in line with international audit standards	
	Auditor General's Office established as an independent entity	Indicator on AG capacity (TBD)	
6. Transparent reporting	Publication of monthly financial statements		
	Publication of audited annual statements		

\* In line with IMF Staff Monitored Program (SMP)

# UCS Guidance by Dimension

This next section breaks down the use of country systems (UCS) by dimension. Using the international CABRI definition as the starting point, explanations are provided to clarify what each dimension means in the Somali context based on what is currently feasible. Guidance for development partners is accompanied by recommendations for enabling actions by government and the Somalia Development Reconstruction Facility (SDRF).

## **Box 3. Risk Benefit Analysis of UCS**

As a next step, the UCS Working Group plans to undertake risk-benefit analysis to complement the guidance provided in this booklet and inform the next iteration of the roadmap. The objectives will be to: *i)* identify the risks and benefits of the different dimensions of UCS; analyze the quality of country systems relative to other delivery modalities in Somalia, drawing comparisons with systems in other fragile contexts where country systems are used to a greater extent; and *iii)* examine how the application of various safeguards affect risk levels. The findings of this analysis will be shared in 2017.



# On Plan

*CABRI Definition: Aid is integrated into spending agencies' strategic planning and supporting documentation for policy intentions behind the budget submissions.*

## What does “On Plan” mean in Somalia?

*Consultation:* Relevant government authorities consulted in planning process for both country strategies and programming



*Alignment:* Development aid aligned to country's priorities as defined in NDP and sub-national documents defining local priorities

*Implementation:* Continue to engage with relevant government counterparts on implementation.



### Box 4. Alignment to Somalia's National Development Plan (NDP)

Somalia's international partners have committed to aligning behind Somalia's National Development Plan (2017-2019), which sets the priorities for national recovery and development. The Federal Government of Somalia (FGS) will lead the process of further articulating top priorities in collaboration with Federal Member States and development partners through the aid architecture of the Somalia Development and Reconstruction Facility (SDRF). Given the broad scope of NDP priorities, this next phase of prioritization is needed to inform programmatic alignment.



# Guidance for Development Partners

## 1. Consult with government and SDRF at early stages of planning

- Consult with the Office of the Prime Minister and the SDRF Steering Committee on country strategies (design and mid-term reviews)
- Consult with pillar working groups on project design to ensure alignment, avoid duplication, and identify potential partners

## 2. Demonstrate alignment with national priorities

- Indicate in country strategy and project documents how proposed activities align with national priorities
- Document the consultation process and government involvement in design and planning process

## 3. Engage government in design and implementation

- Engage relevant government counterparts, to the extent possible, in the design and implementation of projects to strengthen government capacity and avoid creating parallel systems
- Consult with the Ministry of Finance, as the Minister is required to co-sign all foreign grants to government (SMP structural benchmark)

## Enabling Actions

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For Government:

- Provide clarity on the sequencing of priorities in NDP
- Provide guidance on the consultation process within the SDRF & improve communication within government, both within the FGS and between FGS and FMS

For SDRF:

- Provide guidance on key gaps to inform better alignment, based on mapping of activities against key priorities

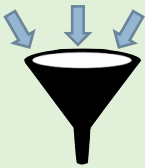


# On Treasury

*CABRI Definition: Aid is disbursed into the government's main revenue funds and is managed through the government's systems*

## What does “On Treasury” mean in Somalia?

*Disbursement through TSA:* External financing is disbursed into the FGS Treasury Single Account (TSA), recorded on the Somalia Financial Management Information System (SFMIS), and managed through the government's financial systems. In Somalia, a looser definition of “On Treasury” is applied to include funds disbursed into the TSA with additional safeguards.



*Use of pooled funds:* Pooled funding instruments can promote risk sharing, coordinated support and reduced overhead costs. If delivering at scale, risk can also be distributed across the portfolio through a range of projects with varying levels of risk.

### Box 5. Types of On Treasury Support

- **General budget support** is a financial contribution to the overall budget, possibly with conditionalities on policy measures or budget priorities. In 2016, Saudi Arabia provided US\$ 20 million in general budget support, the majority of which the government used to pay arrears.
- **Sector budget support** is earmarked to a specific sector or sectors with conditionalities, such as the EU support for police salaries.
- **Programmatic support** delivered on treasury is aid managed by a government agency on a projectized basis. Most of the projects under the WB MPF and the UN National Window fall under this category.

# Guidance for Development Partners

## 1. Increase level of overall aid channeled through treasury

- Explore delivery modalities and safeguards that fit your institutional needs: general, sector and programmatic support carry different levels of risk. The application of additional safeguards can further mitigate risks, making the risk level more palatable for partners.
- Channel an increasing share of funds through the treasury. Recurrent expenditures (i.e. salaries) and capital investment projects are prioritized for this shift to “On Treasury” delivery.
- Provide timely, predictable disbursements, in line with commitments captured in the budget.

## 2. Use pooled funding instruments delivering on treasury

- Increase use of ready-made pooled funding instruments (WB MPF, UN National Window) that deliver on treasury
- Increase on treasury delivery of programmatic support by other pooled funds (e.g. UN MPTF – UN Window; SSF, AfDB SIF)
- Create sector-specific pooled funding instruments, where relevant (e.g. security sector stipends)

### Enabling Actions

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For Government:

- Strengthen expenditure management and reporting as well as the oversight functions of the Accountant General
- Establish the legislative framework supporting the PFM system through the passage of the PFM Act and issuance of associated regulations

## Box 6. Additional Safeguards for On Treasury Funds

**Sector conditionality or ear-marking:** Specifications on how the money may be spent, e.g. sector budget support and on-treasury programmatic support

**Co-signatory authority:** Signatures required from both government and development partner (Not currently being used in Somalia)

**Reimbursement basis:** Expenditures monitored and eligible expenditures reimbursed (e.g. WB RCRF)

**Additional oversight arrangements:** Use of a monitoring agent, 3<sup>rd</sup> party monitor or external auditor (e.g. WB MPF and UN MPTF National Window)

**Use of a Project Implementation Unit (PIU):** Used to supplement capacity constraints (e.g. WB MPF and UN MPTF National Window)

**Project account mapped to TSA:** To avoid mingling project funds with other treasury funds or useful if payment requires additional authorizations by donor or Project Implementation Unit (PIU) staff rather than normal government payment processes (e.g. WB MPF and UN MPTF National Window)

**Results based financing:** Payment upon achievement of pre-defined results (not yet being implemented)

## **Box 7. A UCS Pioneer: The Special Financing Facility (SFF)**

The Norwegian-supported Special Financing Facility (SFF) paved the way for greater use of government systems in Somalia. In December 2012, Norway signed a multi-year agreement with the Federal Government of Somalia (FGS) to provide US\$ 30 million in programmatic support delivered on treasury to support recurrent costs and quick impact community-driven projects. It demonstrated the feasibility of on treasury support at a time when development partners relied on parallel systems of delivery.

There is a common misperception that Somalia's systems are being built from scratch, disregarding the legacy systems already in place. The SFF wisely used existing systems as the basis for payroll reform, conducting a detailed business process mapping from the outset. Early support focused on harmonizing existing processes and supporting the government to conduct its work in a more structured way.

Through the SFF, the FGS completed 12 infrastructure rehabilitation projects in collaboration with local authorities in Bay, Benadir, Galgaduud, Hiiran, Lower Juba and Middle Shabelle. The project is being expanded to additional regions through a follow-up project established in 2016 under the World Bank Multi Partner Fund (MPF) with an initial US\$ 6 million, and an additional US\$ 2 is being delivered through the UN National Window.

The recurrent costs component laid the foundations for payroll reform and strengthened financial management and procurement processes within government. A key challenge for government accountability was its reliance on a cash-based payroll system. Through the SFF, the FGS introduced a biometric registration system for civil servants in Mogadishu and established links between the payroll and the Somali Financial Management Information System (SFMIS).

The government is carrying forward the reform agenda through the Recurrent Costs and Reform Financing Project (RCRF) under the World Bank MPF. This 5-year, US\$ 144 million project supports the government to provide credible and sustainable payroll and to establish the foundation for efficient budget execution and payment systems for the non-security sectors in the FGS as well as federal member states.



# On Budget

*CABRI Definition: Aid is integrated into budgeting process and is reflected in the documentation for policy intentions behind the budget submissions*

## What does “On Budget” mean in Somalia?

*Tracking of aid flows:* The government collects aid data through an annual aid mapping exercise. This data collection process will be improved in 2017 with the establishment of an online aid information management system (AIMS) to facilitate reporting and dissemination of data and analysis (Box 8).



*Reporting in Budget Annex:* Currently, only “on treasury” activities are fully reported on budget to avoid overwhelming government systems. Off-treasury activities are reported in the annexes of the FGS Budget. The Ministry of Finance will be working to provide more detailed reporting for specific sectors in the budget annexes using data reported to the AIMS.

## Guidance for Development Partners

### Provide timely reporting of aid flows to government

Provide data on aid flows to the online AIMS in line with the government’s budget cycle. Until the online AIMS is established, report aid data to the interim aid mapping exercise

### Enabling Actions

For Government

- Prepare tables and analysis of the aid flow data for the budget annex
- Finalize and launch online AIMS to ease the process of data collection and dissemination

### **Box 8. Somali Aid Information Management System (AIMS)**

An innovative AIMS is under development to enable collaborative reporting and transparent dissemination of aid flow data in Somalia. The online system will allow development partners to easily input data and provide a set of automated “one click” report for regularly recurring data requests (e.g. sector and state-specific reports, reports for the budget annex). It will also provide a single source for accessing both development and humanitarian flows by integrating humanitarian data collected through the OCHA Financial Tracking Service.

With a launch planned for the end of the year, the government will conduct its fourth interim aid mapping exercise in mid-2017 to ensure data is: *i)* collected in time to inform the 2018 budget, *ii)* disseminated to inform planning and coordination for NDP implementation, and *iii)* used to populate the online system before it comes online. This area of work has been led by the Aid Coordination Unit (ACU) and the Ministry of Planning and International Cooperation (MOPIC, which in March 2017 became the Ministry of Planning, Investment, and Economic Promotion - MoPIEP) in collaboration with Ministries of Planning in the Federal Member States, with the support of UNDP and the World Bank.



# On Report

*CABRI Definition: Aid is included in ex-post reports by the government.*

## What does “On Report” mean in Somalia?

*Reporting on progress:* Reporting on progress of development activities through the pillar working groups in a timely manner, supporting collaborative monitoring and reporting of NDP implementation.

*Reporting on finances:* Reporting of outturns through the government’s Aid Information Management System (AIMS), validating previously reported aid flow projections.



## Guidance for Development Partners

### 1. Report on your agency’s progress through Pillar Working Groups

- Provide requested information to the Pillar Working Groups

### 2. Report outturn of development activities

- Verify and revise previously reported projections in the AIMS based on actual spending in a timely manner.

## Enabling Actions

For Government:

- MoPIEP: Provide simple template and process note for reporting on progress against the NDP Pillars, building on the experience of reporting on Somali Compact implementation.
- MoF: Include previous year’s outturn data for development activities compared with initial estimates in the budget annex for





# On Audit

*CABRI Definition: Aid is audited by the government's auditing system.*

## What does “On Audit” mean in Somalia?

*Government audit:* “On Treasury” projects are subject to audit by government. The Offices of the Auditor General (OAG) in the FGS and FMS have the constitutional responsibility to carry out independent audits of the project components implemented at the federal and state levels. Most partners using the treasury still conduct external audits to compensate for capacity constraints within government.



## Guidance for Development Partners

### 1. Provide documentation for audit (On Treasury flows only)

- Provide relevant documentation to the OAG for “on treasury” projects
- Provide external technical assistance to work with the relevant OAGs (ground support and knowledge transfer) to conduct audits in line with agreed standards

### 2. Conduct external audits in line with international standards

- Undertake external audits in line with international auditing standards

## Enabling Actions

For Government:

- Strengthen oversight of the Auditor General and pass the Audit Law
- Publish annual financial statements audited and approved, with associated audit reports submitted to parliament.
- Demonstrate strengthened procurement integrity for government funded activities, establishing track record of performance



# On Procurement

*CABRI Definition: Procurement using aid funds follows the government's standard procurement procedures.*

## What does “On Procurement” mean in Somalia?

*Regulatory Compliance:* Use of the government's procurement regulations and procedures to the extent possible



*Government involvement:* Involve the government procurement authorities in procurement processes when government is the implementation partner

## Guidance for Development Partners

### 1. Align with the Procurement Act

- Align to the regulations and procedures of the procurement for all aid expenditures to the extent possible
- For grant-financed contracts procured by government:
  - Provide support (not just oversight) to government counterparts to assist in procurement processes and strengthen capacity
  - Where there is a gap in procurement regulations/procedures, agree procedures with government counterparts

### 2. Increase involvement of government in procurement processes

- Include government officials (civil servants, not just PIU staff) in the procurement process and panels, especially for projects implemented by or in partnership with government
- Invite government officials to be included in procurement panels for projects, specifically for service delivery projects

## Enabling Actions

For Government:

- Develop regulations and procedural manuals operationalizing the recently passed Procurement Act
- Strengthen the Interim Procurement Board while the Procurement Authority is being established
- Demonstrate strengthened procurement integrity for government funded activities, establishing track record of performance

## Additional Dimensions

In the Somali context, the following dimensions do not require dedicated guidance as they overlap with the full application of previously presented dimensions.



### On Parliament

*CABRI Definition: Aid is included in the revenue and appropriations approved by parliament.*

Aid reported “on budget” in line with the budget cycle goes to Parliament as part of the Appropriations Act. This includes both on-treasury activities integrated into the budget and aggregate aid figures for off-treasury items reported in the budget annexes.



### On Account

*CABRI Definition: Aid is recorded and accounted for in the government's accounting system, in line with the government's classification system.*

Aid delivered “on treasury” is recorded in the Somalia Financial Management Information System (SFMIS),

## **Box 9. Lessons Learned on Salary & Stipend Payments**

In March 2017, the FGS, World Bank and UN co-hosted a workshop on “Sharing Lessons Learned on Salary and Stipends Payments.” The workshop brought together representatives from government and the international community working on payment systems for civil servants and security forces in Somalia. The following key lessons emerged:

### **1. Using country systems enables reforms and strengthened capacity**

Development partners took a leap of faith with the civil service and more recently with the police by supporting salary payments delivered through government systems. Putting money through government systems, while iteratively reforming them, has proven to be a successful strategy. A core financial management capacity now exists within government that was lacking just 3-4 years ago.

### **2. Delivery through government can provide greater value for money**

By investing in government payroll systems, development partners can avoid the costs and challenges associated with establishing and eventually handing over parallel systems to government. The “handover mentality” carries significant programmatic risks, as systems are established using a separate set of standards without a clear picture of what could be sustainable in the local context.

### **3. Government systems are not inherently more risky**

Development partners often assume government systems are riskier than parallel systems without properly analyzing the risks and benefits of different delivery modalities. Many of the safeguards that reduce fiduciary risks, such as the use of third party monitors and biometric verification, are being applied to government systems, just as they are with NGOs or the private sector. The use of centralized government systems also holds the potential to mitigate certain risks, such as duplicative payments made through parallel systems.

### **4. Better tools for data**

An IT-based Human Resources registration and management system integrated into or linked to the SFMIS would help with monitoring and analyzing data. “Know Your Customer” (KYC) requirements should also be enhanced at the “Last Mile,” taking services to the user through the relatively advanced telecom and mobile

banking systems in Somalia.

## **5. Payment systems and HR management should go hand in hand**

To better link payment with performance, Human Resources management systems need to be developed with linkages to payment systems. Merit-based recruitment is increasingly becoming the norm within the Somali government, catalyzed through international support for civil service reform. The Capacity Injection Mechanism provides a pathway for transitioning away from fragmented, parallel arrangements towards standardized recruitment. However, there continues to be a significant presence of externally financed staff embedded within the civil service operating with different pay scales, contractual arrangements and lines of accountability.

## **6. Short-term solutions need to be accompanied by a longer-term vision**

Decisions being made today will drive the direction of future travel. Support to payment systems needs to be provided with consideration of longer-term needs and desired outcomes (e.g. improved security, better services for citizens), as well as the evolution of Somali systems. In a context where the framework (legal and regulatory) for longer terms system development remains incomplete, short-term solutions should allow for flexible adaptation in the future.

## **7. Fragmentation is hindering the effectiveness of international support**

A variety of payment systems are being used for security sector payments. A more effective, sustainable approach will require appropriate country “owned and operated” payment processes, recognizing that for some payments, this function may be one of enabling and regulating. The government and development partners are also exploring options to establish a trust fund for security sector payments, which has the potential to help bring together the different approaches and modalities, while providing greater transparency across the system.

Fragmentation is also a challenge for coordination mechanisms. Coordination fora for civil service and security sector reforms need to be consolidated under government-managed working groups, with linkages strengthened across the political-development-security nexus.

# Annex A. Monitoring of 2016 Indicators

## 2016 Development Partner Benchmarks

Benchmark/Indicator <sup>5</sup>	Assessment
a) Consultations with government start at a higher level on country strategies and pipelines (Managed through the office of the Deputy Prime Minister)	a) While an increasing number of development partners are perceived to be consulting with government on their country strategies, a system for organizing and tracking consultations in the OPM was never established
b) Baseline assessment of programmatic alignment to NDP priorities to identify key gaps for 2017	b) Development partners reported their data to the ACU-led aid mapping exercise, in which activities were mapped against NDP pillars to provide a baseline for analysis
c) % of projects designed and implemented with participation by the relevant ministry/agency.	c) In 2016, 8% of development financing was implemented directly by government and 13% of financing had government listed as one of the implementing partners. The share is expected to increase to 11% and 19% respectively in 2017, indicating greater engagement of government in implementation of activities.
d) % of aid channeled through pooled mechanisms (WB MPPF, UN MPTF, AfDB SITF, SSF, SDF)	d) 26% of development aid was reportedly channeled through pooled funding mechanisms in 2016; however, the share appears to be declining, from 30% in 2016 to an expected 21% in 2017.
e) Predictability of Direct Budget Support (measured against commitments and delivery schedules)	e) 88% of committed general and sector budget was delivered in 2016 by Saudi Arabia and Turkey, marking huge improvement from 2015, in which approx. 4% of committed budget support by the UAE, Turkey and the Arab League
f) 15% of development spending channeled through treasury	
g) Development partners to	

<sup>5</sup> Several indicators from the 2016 Roadmap had been developed in line with the government's draft aid policy, which was not finalized. As they were never fully appropriated by the SDRF, they have been removed from the list for monitoring.

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- conduct a risk/benefit analysis for using country systems and action plan to increase use
- h) % of development projects have a well-defined capacity building component built in to ensure sustainability
- i) % of projects under the PFM sub-working group that include capacity development and institution building components
- j) Aid to be less fragmented and focused on key government priorities
- k) Use of government owned reporting systems (M&E framework), including reporting of programmatic impact (will require implementation of the M&E framework before compliance can be measured)
- l) % Of development partners providing timely and comprehensive information on aid resources
- materialized.
- f) 8% of development aid was delivered on treasury in 2016. Slower than expected disbursements by programmatic support delivered on treasury prevented the achievement of the target. The responsibility for delays is shared by both government and development partners. Had they delivered as initially predicted, 16% of development aid would have been delivered on treasury.
- g) Although not yet conducted, the joint UCS risk/benefit analysis is scheduled to commence in June 2016, with financial support from the UN-WB Partnership Trust Fund.
- h) 78% of projects (80% of disbursements) reported either a significant or principal focus on capacity development for 2016
- i) 100% of projects under the PFM sub-working group have capacity development as either the principal or significant focus of activities.
- j) The fragmentation ratio for development aid improved in 2016: 60% of donors (12 out of 20) provided 90% of aid, compared with 50% in 2015. However, the use of pooled funding mechanisms decreased over the same period, with negative consequences for fragmentation.
- k) National M&E framework not implemented yet by government – unable to report adherence by dev't partners
- l) 45 (82%) development partners and funds reported to the government's aid mapping exercise in 2016 (increased from 71% in 2015)
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# 2016 Government Benchmarks

Benchmark/Indicator	Assessment
<p><b>Credibility of the Budget</b></p> <p>a) Balanced Budget</p> <p>b) Increase in domestic revenue</p> <p>c) Stock and flow of expenditure payment arrears</p> <p>d) Consultative 2017 Budget preparation</p>	<p>a) Floor on the fiscal balance (on a cash basis) achieved</p> <p>b) Domestic revenue remained steady (similar to 2015), however did not meet 2016 budget targets</p> <p>c) Arrears reported in Sept of \$10 million, plan is in place to clear arrears. Arrears management plan was developed</p> <p>d) 2017 budget consultations began with meetings held within government, civil society and business community</p>
<p><b>Transparency &amp; control in budget execution</b></p> <p>e) Presentation of PFM Law to Parliament</p> <p>f) 100% of transactions processed through SFMIS</p> <p>g) 50% of value of payments be made directly to vendors</p> <p>h) Introduction &amp; roll out of commitment control</p> <p>i) Civil servants' payroll paid through bank accounts</p> <p>j) Security forces payroll based on bio-metric database</p> <p>k) Strengthening of TSA, consolidation of MDA accounts</p>	<p>e) PFM Law presented to Parliament</p> <p>f) 100% of transactions processed through SFMIS</p> <p>g) 50% of value of payments be made directly to vendors</p> <p>h) Commitment control designed and implemented in SFMIS. As of 2017, commitment control function will be mandatory and training is underway</p> <p>i) Civil servants payroll paid through bank accounts</p> <p>j) Security payroll not yet based on bio-metric. Security payroll reform underway</p> <p>k) Stock-taking of the existing bank accounts belonging to MDAs completed resulting in the closing of non-critical accounts</p>
<p><b>Strengthening of procurement systems</b></p> <p>l) Development and implementation of roadmap for operationalizing Procurement Law</p> <p>m) Publication of awarded contracts</p> <p>n) # of contracts reviewed by the interim procurement board</p> <p>o) Completion of revisions accepted by Government to reviewed</p>	<p>l) This is underway with support of E&amp;Y</p> <p>m) Contracts reviewed by FGC on MOF website</p> <p>n) Interim procurement board met 3 times since August (need to confirm contracts reviewed)</p> <p>o) Of the contracts reviewed by the FGC, three incorporated FGC amendments and were signed, eight did not proceed, one was allowed to expire, and only two went forward without incorporating recommended amendments. A</p>



concessions contracts, in line with FGC advice

further two are under renegotiation, while the FGC's comments on the remaining three continue to be addressed.

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**Robust Accounting, Recording and Reporting**

- p) Accurate, complete and timely record keeping
- q) Audited and published annual statements
- r) Publication of quarterly financial statements

- p) Accurate, complete and timely record keeping provided through SFMIS
- q) 2015 Audited and published annual statements not yet completed
- r) Publication of monthly financial statements completed

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**External Scrutiny and Audit**

- s) Timeliness and publication of reports
- t) Completion of audit based on recognized audit standards of key government institutions
- u) Submission of audit reports to parliament

- s) TBD
- t) TBD
- u) TBD

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**Establishment of National Development Plan (includes IPRSP)**

- v) National Development Plan completed and fulfills IPRSP requirements
- w) M&E framework for NDP established
- x) Sufficient resources allocated to support the NDP process
- y) Development through consultative process
- z) NDP adequately addresses gender and youth programming needs

- v) National Development Plan completed, but has yet to meet IPRSP requirements
- w) Support provided to the NDP process
- x) Development of NDP was through consultative process
- y) Gender and youth programming covered in NDP

# Annex B: Acronyms and Abbreviations

ACU	Aid Coordination Unit
AfDB	African Development Bank
AIMS	Aid Information Management System
FGC	Financial Governance Committee
FGS	Federal Government of Somalia
FMS	Federal Member States
HLPF	High-Level Partnership Forum
IMF	International Monetary Fund
INPB	Interim National Procurement Board
MoF	Ministry of Finance
MoPIC	Ministry of Planning and International Cooperation
MoPIEP	Ministry of Planning, Investment, and Economic Promotion
MPF	Multi Partner Fund for Somalia (World Bank administered)
MPTF	Multi Partner Trust Fund for Somalia (UN Administered)
PIU	Project Implementation Unit
PFM	Public Financial Management
RCRF	Recurrent Costs and Reform Financing Project
SDRF	Somalia Development and Reconstruction Facility
SFF	Special Financing Facility
SFMIS	Somalia Financial Management Information System
SIF	Somali Infrastructure Fund (AfDB adminisitered)
SSF	Somalia Stability Fund
TSA	Treasury Single Account
UCS	Use of country systems
UNDP	United Nations Development Programme

