ICGFM

December 2015 Washington Conference

PFM’s role in meeting Sustainable Development Goals: “Somalia PFM Education and Training Program”
Overview of presentation

• Context of Somalia
• PFM reform plan
• PFM Education and Training Programme
• Somalia Financial Management Information System (SFMIS)
Somalia PFM Reform Programme

Somalia - Context

- Emerged from Civil War in 2011
- New government 2012
- Federal structure
- Continuing security problems
- Institutions of government are being established
Somalia PFM Reform Plan
PFM Reform Plan: Evaluation

• PFM self-assessment early 2013
  – Led by Senior Advisors of the Ministry of Finance.

• Interviews key government officials

• Strategy and comprehensive action plan for the years 2013-16
  – Supported by Donor Partners.
Key PFM Weaknesses

• Inadequate controls for revenue management
• Absence of long term planning and policy analysis
• Budget execution and procurement processes lack adequate transparency and efficiency
• Inadequate banking supervision mechanisms by the Central Bank
• Lack of comprehensive reporting on the use of state resources
• Weak Parliamentary oversight over PFM functions
• Absence of a truly independent Auditor General
• Inadequate PFM legal framework and requires modernization
• Human resource and logistics challenges
Objective of PFM Reform

To improve the efficiency and effectiveness of public financial management processes and systems in order to provide timely, transparent and accurate financial information across the public sector to underpin policy formulation and inform Government decision making in support of service delivery.
State and Peace-Building Fund (SPF) US$4.5m Phase I (2014-2016): The Project Development Objective (PDO) is “to establish systems for more transparent and accountable management and use of public funds in Somalia”.

PFM Reform Oversight

PFM Reform Coordinating Unit

PFM Education & Training Program

*Somalia Financial Management Information System (SFMIS)*

Expenditure Control, Procurement, Accounting and Reporting (ECPAR)

*Strengthening expenditure controls, procurement systems and practices*

Accounting & financial reporting
Multi Partner Fund (MPF) US$20m Phase II (2015-2018): The Project Development Objective is “to establish and strengthen institutional capacity for the management of public funds in central finance agencies and targeted sectors”

**Component 1:** Revenue mobilization, planning and budget preparation

**Component 2:** Treasury management, budget execution, procurement, accounting and financial reporting

**Component 3:** Strengthening the integrity pillars

**Component 4:** Public financial management professionalization

**Component 5:** Public financial management reform oversight, coordination and management

**Component 6:** Demand-driven just-in-time support (JIT) (Bank Executed)
Governance and implementation structure

- Presidency
- PFM Reform Oversight Committee (ROC)
- Technical Steering Committee
- PFM Reform Coordination Unit (PFMRCU)
- Component Implementation Team (CIT)
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Scaled-Up Approach

Short-Term Strategy to Increase Domestic Revenue

January
• Low Introductory Tax Rates
• Focus on Limited Number of Taxes

February
• Prioritize High Valued Tax Sector for Taxation

March - April
• Begin Taxing Medium size Tax Payers

May / June
• Propose a Long-Term Strategy to Modernize Tax Administration for 2016
Key achievements so far

- PFM strategy and action plan agreed with the Development Partners.
- Audit and Procurement bills endorsed by the cabinet, submitted to the Parliament for approval.
- Treasury Single Account (TSA) and comprehensive Chart of Accounts (CoA) established and operationalized in SFMIS.
- Finance related information posted regularly on the MoF website.
- Procurement, Concessions and National Assets Department is slowly thrusting into action.
- Governor, Deputy and Board of directors of the Central Bank of Somalia were openly advertised and appointed in April.
- Financial Governance Committee FGC have been established.
- PFM reform initiatives are now evident in all Regional States to replicate the successes of the FGS.
PFM Education and Training Programme
The need for PFM training

PFM Self-Assessment Report, April 2013:

• Low staff capacity across institutions
• Lack of training opportunities
• Lack of definition of roles and responsibilities
• Logistical constraints: offices, transportation, equipment
Challenges of PFM Training

• Lack of initial PFM skills within government or universities
  – Training must be externally supported

• Need for credible certification process
  – Provide credibility
  – Ensure international standards
  – Motivate students

• Security situation
  – Restricted access to Somalia for international trainers
  – Web based support

• Requirement to build sustainability
  – Universities established training institutions
  – Need to create PFM training skills
PFM Education and Training Programme Concept

- To create a core group of trained and internationally qualified PFM professionals within government
- Use of universities as existing training institutions to enable sustainability
- Extensive use of web-based approaches to overcome security issues
Design of Training and Education Programme

• Target group – existing government staff (Federal, State, Local)
• Delivery through universities – PFM Academies, Training of Trainers
• External course design and certification – Chartered Institute of Public Finance and Accountancy (CIPFA), International Labour Organisation - International Training Centre (ITC-ILO)
• Web based delivery of materials and support:
  – Administration
  – Course manuals, teaching materials, practice material and tests
  – Online query and discussion forum
  – Webinars
• Additional non-exam learning programme “PFM for Managers”
  – Entirely web based
Programme Management

• Management structure brings together government, development partners and universities
• Consortium delivering training: WYG (lead firm), Michael Parry Consulting LLP, CIPFA, ITC-ILO (separate contract with government)
• Collaborative approach: face-to-face consortium meetings, frequent and open communications
• Web-based student management system
• Objective of transferring student management to Somalia officials
Course structure

• Introductory course
  – Basics of PFM to prepare students for CIPFA

• PFM course – present phase certificate level
  – CIPFA International Public Financial Management (IPFM)
  – PFM for Somalia
    • Additional module
    • PFM areas not within CIPFA syllabus relevant to Somalia

• Procurement training
  – Developed by ITC-ILO for Somalia
  – Delivery using same web platform as PFM training
Structure

Somalia PFM Reform Programme

All students

Introductory course

CIPFA IPFM Certificate Level
- Financial Accounting
- Management Accounting

Somalia Specific
- PFM for Somalia

ITC-ILO Certificate in Procurement
- Legal framework of public procurement
- Institutional aspects of public procurement
- Management of the public procurement process

PFM Stream

CIPFA IPFM Diploma Level
- IPFM Public Sector Financial reporting
- IPFM Managing Organisations
- IPFM Managing Finance
- IPFM Audit and Assurance

Somalia Specific
- Public sector fiscal management and systems

ITC-ILO Diploma in Procurement
- Strategic public procurement management
- Procurement of goods and physical services
- Procurement of works
- Procurement of professional services

Procurement Stream
How the programme works

1. Government proposes candidates
2. Universities make selection
3. Selected candidates registered as students on website and with CIPFA and ITC-ILO
4. University tutors trained by international trainers outside Somalia
5. Course material delivered via website: workbooks, presentations, practice material and mock exams
6. Students study supported by university tutors, with webinars delivered by international experts
7. Exams set and marked by external body (CIPFA, ITC-ILO or Consortium)
8. Limited re-sits allowed
Experience from first set of exams

• Disappointing - low pass rates
• Identified issues
  – University tutors themselves PFM students
  – Students had inadequate knowledge to start course
  – Limited English language skills
  – Lack of examination experience
  – Security – students unable to attend lectures and/or exams
  – Selection processes lacked rigour
  – Poor internet connectivity
Addressing the issues

• More rigorous selection of students
• Introductory course
  – Pass compulsory before starting Certificate programme
• Improved tutor capacity
  – Extended training of trainers
  – Support by tutor mentors (qualified accountants resident in Somalia)
• Increased support to tutors and students
  – Webinars
• English language training by universities
• Improved internet connections
Impact of changes to programme

• Improvement in pass rate from 5% to 44% between November 2014 and June 2015

• Several universities achieving 70% or higher pass rates

• 28 students have achieved CIPFA IPFM certificate – more than 40 could pass in November 2015
Additional programme - PFM for Managers

• Non-exam course for public sector managers who do not require a formal qualification but do need enhanced PFM knowledge

• Entirely web based
  – Online registration
  – Computer generated study programme for guidance
  – Self certification for each module
  – Online testing for each subject
  – Certificates issued and e-mailed to successful students by the system

• Statistics: 298 registered students; 98 recording progress through system; 17 passed Introductory course; 9 passes at Certificate level

• Conclusions
  – A valuable additional programme
  – Low cost learning
Additional programme - budget workshops

• Objective
  – To improve budget processes and outcomes
  – Task related training
• Delivered by international experts
  – Locations outside Somalia
• Practical approach
  – Working with real data
• Focus
  – Fiscal forecasting and fiscal strategy papers
  – Budget preparation
  – Budget execution and monitoring
Achieving sustainability

• PFM Academies being established in each University
  – Based on tutors trained by programme
  – Developing direct links with CIPFA and ITC-ILO
  – Will provide ongoing training
• Programme administration
  – In process of transfer to Somalia government officials
• Website
  – Being developed as multi year system for ongoing use by universities and government
  – Will be handed over to government as basis for continuing training
• PFM cadre of service
  – Plan developed for recognising PFM qualifications within government scheme of service
Next steps

• Certificate programme completed by June 2016
  – ITC-ILO procurement certificate last part of PFM Certificate programme
• Diploma level training
  – Planned to commence July 2016
  – Separate streams for PFM (CIPFA) and procurement (ITC-ILO)
• Website developed as multi year system
  – Government and university officials to be trained in use of website
Somalia Financial Management Information System (SFMIS)
Somalia Financial Management Information System (SFMIS)

- Identified requirement to replace manual systems
- SFMIS bespoke system:
  - Fit with current processes and environment
  - Aligned with international standards, “Fit for Purpose”.
- Developed and implemented within only one year
  - Minimum cost
  - Key challenges such as security, logistics and human capabilities.
- SFMIS considered one of the successful FMIS implementations in the region
Development of Multi-Segment, Multi-Level Chart of Accounts
SFMIS Evolution

July – 2013
Interim Desktop SFMIS
- COA Design
- Budget Capturing and Control
- Expenditures & Revenue Capturing
- Financial Reporting
- Internal capacity building
- Forming of internal IT Team

Jan – 2015
Implementation of Web-Based SFMIS
- Financial Management (Budget, Expenditures, Revenue Capturing)
- Payroll
- Treasury Management (Payment Instructions)
- Asset Register (Partial)
- Central Bank Functions
- Automated Workflow
- Implementation of IT Infrastructure

April – 2015
SFMIS went Live
- No SFMIS No Payment
- Direct Deposit capability
- Instant Financial Reporting

October – 2015
Implementation of Purchasing
- Commitment Control
- Pilot Ministries
### Main Features

#### Technology
- Web-Based (ASP.NET)
- MS SQL Database
- Intranet
- User Friendly
- Drill Down capability
- Seamless Integration
- Use of Barcode
- Hand-Held Collectors (Future)

#### Security
- Secured Login (Single Sign on)
- Hardware Firewall
- Use of SSL

#### Workflow
- Completely user configured workflow
- Horizontal and Vertical approval levels
- Document attachments
- Task List
- Delegation of responsibilities (Future)
- Email notification (Future)

#### Functionality
- Budget and Allocation Control
- Auto-application of Double Entry accounting
- Auto-generation of Payments
- Revenue Capturing
- Auto-calculation of Payroll
- Audit Trail
- Instant Financial Reporting
- Treasury Single Account (TSA)
Key Achievements & Results so far

Improved PFM processes and controls
• From two segments to multi-dimensional CoA
• 100% Budget Control
• Instant Financial Reporting with drill-down by various CoA segment
• *Use of country systems* for Donor-funded projects
• Improved payment process, “*No SFMIS no Payment*” with bar-coded Payment Instructions integration with Central Bank
• Direct Deposit function and bank transfers being piloted
• Automated and controlled monthly payroll processing for all civil servants
• Primary and Disaster Recovery IT infrastructure
• Functional and technical *human capacity building* - certifications
Thank You

Q&A