



Second Public Financial Management Capacity Strengthening Project (P151492)

AFRICA | Somalia | Governance Global Practice |

Recipient Executed Activities | Investment Project Financing | FY 2016 | Seq No: 2 | ARCHIVED on 29-Jun-2016 | ISR21455 |

Implementing Agencies: Ministry of Finance, Ministry of Finance of Somaliland Hargeisa, Ministry of Finance Federal Government

Key Dates

Key Project Dates

Bank Approval Date:07-Jul-2015

Effectiveness Date:09-Sep-2015

Planned Mid Term Review Date:31-Jan-2017

Actual Mid-Term Review Date:--

Original Closing Date:30-Jun-2018

Revised Closing Date:30-Jun-2018

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The Project Development Objective is to establish and strengthen institutional capacity for the management of public funds in Central Finance Agencies and targeted sectors.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components

Name

Component 1: Revenue mobilization, planning and budget preparation:(Cost \$2.75 M)

Component 2: Treasury management, budget execution, procurement, accounting and financial reporting:(Cost \$9.88 M)

Component 3: Strengthening the integrity pillars:(Cost \$1.95 M)

Component 4: Public financial management professionalization:(Cost \$1.00 M)

Component 5: Public financial management reform oversight, coordination and management:(Cost \$2.93 M)

Component 6: Demand-driven Just-in-Time support (JIT) (Bank Executed):(Cost \$1.00 M)

Unallocated:(Cost \$0.50 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Moderately Satisfactory	● Moderately Satisfactory



Overall Implementation Progress (IP)	● Moderately Satisfactory	● Moderately Satisfactory
Overall Risk Rating	● High	● High

Implementation Status and Key Decisions

Component 1: Revenue Mobilization & tax administration – this sub-component which is being implemented in FGS and Puntland has the objective of supporting the improvement in budget realism and fiscal discipline. Despite the initial challenges in better defining the scope of activities, progress has been made at the FGS level with finalization of the Technical Evaluation report for the firm TA. Similarly, in Puntland, significant progress has been made with the finalization of the TER and ongoing evaluation of the financial proposals. It is expected that both packages will be finalized and ready for contract negotiations by mid-July 2016. It is important to highlight that the diverse nature of firms expressing interest reflects positively on the perception of Somalia by the private sector.

Component 2: Treasury Management; Budget Execution, procurement, accounting and financial reporting: This component which is being implemented at the FGS, PL and Somaliland leverages substantially from the implementation of the SFMIS undertaken under the recently closed SPF-funded PFM project. Its goals is to support the strengthening of controls needed for fiscal discipline; promote accountability and transparency. For the FGS, this component is clearly aligned with the expectations of the SMP PFM benchmarks.

On accounting & Reporting, through the support of phase 1, at the FGS all major financial reports such as Trial Balance, Budget Utilization, Revenue Performance, Source and Use of Funds by the various chart of accounts segments and sub-totaled by user-defined elements can be instantly produced with drill-down features. Furthermore, many charts and financial dashboards are available from the SFMIS to provide real-time financial information for decision making. In addition, annual Financial Statements – prepared using the IPSAS format - have consistently being submitted on time with the 2015 FS submitted for audit on 30 March 2016 respectively to the Auditor General. The Firm TAs for which the Technical and financial proposals are being evaluated will therefore focus on supporting the Government in such areas as commitment controls, cash management & forecasting and full operationalization of the TSA. It is expected the TA firms will be onboard by August 1.

Concessions, procurement and contract management. At the FGS level, a TA firm, M/s Ernst & Young have been recruited and already deployed to support the government in its procurement reforms. A draft inception report has been submitted for review and will form the basis for implementation. In Puntland and Somaliland, procurement of the TA firms through a competitive process is well advanced and an award is expected in the next few weeks.

Financial Information Management Systems: In Puntland, through the support of the Bank, an initial business process review - involving key stakeholders across the PFM institutions – and ToTs has been undertaken. A similar undertaken is expected for Somaliland. At the FGS, PL and Somaliland, the TA firm under procurement will focus on ensuring full functionality of the such modules as budget preparation, revenue capturing, expenditure control; financial reporting; purchasing amongst others based on distinct business processes. However, for both Puntland and Somaliland, delays by UN-HABITAT in delivering the required infrastructure presents a risk for the FMIS to 'go-live' as scheduled. As an alternative, PL is now exploring an interim cloud provider to host the application until UN-HABITAT provide the dedicated cloud solution.

Modernization of CBS banking operations: The Government has recruited a firm to support the strengthening of its core banking and accounting operations. A project launch was held in Nairobi early June. The TA firm - Sofgen has deployed and already working with the Government in setting up implementation structures and governance arrangement.

Component 3: Strengthening the Integrity Pillars: The activities under this component have not commenced due to the ongoing evaluation of the proposals of firms that are bidding to support the Governments in Puntland and Somaliland – where the process is well advanced. At the FGS, discussions are ongoing with the Auditor General on the scope of work and nomination of evaluation committee for the EOIs.

Component 4: PFM Professionalization: This component being implemented in FGS, Puntland and Somaliland (under PFM II) is aimed at building PFM competencies across government as a strategy to ensure the availability of the needed expertise to sustain the PFM reforms over time. At the FGS and Puntland levels, the project is leveraging progress made under PFM I. Currently, a consortium led by WYG has been hired to support the PFM training. In addition, ITC/ILO is facilitating training on procurement. Despite Government's commitment to the program as a flagship program, the lack of resources implies that the program will end in December and will support participation only to the certificate level – a lower target from the envisaged diploma and professional levels. In Somaliland, discussions are ongoing with the Government on program delivery modalities as well as the extent of involvement of local universities and the Civil Service Institute



Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	● Substantial	● Substantial	● Substantial
Macroeconomic	● High	● High	● High
Sector Strategies and Policies	● Moderate	● Moderate	● Moderate
Technical Design of Project or Program	● Substantial	● Substantial	● Substantial
Institutional Capacity for Implementation and Sustainability	● Substantial	● Substantial	● Substantial
Fiduciary	● High	● High	● High
Environment and Social	● Low	● Low	● Low
Stakeholders	● Substantial	● Substantial	● Substantial
Other	● High	● High	● High
Overall	● High	● High	● High

Results

Project Development Objective Indicators

- ▶ Reduced variance between actual primary expenditure and the originally budgeted primary expenditure. (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	45.00	--	43.00	25.00
Date	31-Dec-2013	--	31-Dec-2015	30-Apr-2018

- ▶ Time elapsed (in months) between end of period covered and submission of audit reports to the legislature. (Months, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	12.00	--	12.00	6.00
Date	31-Dec-2013	--	31-Dec-2013	30-Apr-2018



► Increase in real terms of domestic revenue collection (Amount(USD), Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	95.00	--	114.00	172.00
Date	31-Dec-2014	--	31-Dec-2015	30-Apr-2018

Overall Comments

Intermediate Results Indicators

► Increase in budget execution rate in targeted sectors (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	55.00	--	55.00	70.00
Date	31-Dec-2014	--	31-Dec-2014	30-Apr-2018

► Percentage of contracts using competitive procurement methods. (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	--	60.00
Date	31-Dec-2014	--	31-Dec-2014	30-Apr-2018

Comments

Request for Proposals (RFPs) posted on government website which has been upgraded to also post procurement opportunities and awards.



► Improvements in information contained in annual financial reports with regard to application of International Public Sector Accounting Standards (IPSAS) cash-basis (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Revenue and Expenditure reports by organizational and economic classification	--	Annual Financial Statements submitted on a timely basis and as of year-end 31 December, 2015, AFS are prepared using International Public Sector Accounting Standards (IPSAS) format as opposed to the one-pager receipts and payments produced in the past	Register for moveable fixed assets included
Date	31-Dec-2013	--	31-Mar-2016	30-Apr-2018

► Revenue mobilization strategy implemented (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Ad hoc approach to revenue mobilization	--	TA Firm under recruitment. Firm will support the development of a revenue mobilization plan which is a March 31, 2017 IMF SMP Benchmark	Procedures manual for tax administration disseminated and training conducted
Date	31-Dec-2013	--	01-Jun-2016	30-Apr-2018

► Improvement in coverage and classification of data in in-year budget reports. (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Only approved budget and actuals disclosed	--	Chart of Accounts (CoA) expanded from two segments (organization and economic) to a multi-dimensional Standard Chart of Accounts (ScoA) structure including (i) organization; (ii) fund; (iii) programs/projects; (iv) economic; and (v) geographic locations.	Cover expenditure both at commitment and at payment stage
Date	30-Nov-2014	--	31-Mar-2016	30-Apr-2018



► Procurement, installation and commissioning of core banking and accounting systems with an added basic payment system. (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Banking operations manual with no written procedures and incomplete reports. Regional payment system non-existent	--	Core Banking Firm selected to provide support to CBS on payment systems	Basic payment system operational
Date	30-Nov-2014	--	01-Jun-2016	30-Apr-2018

► Percentage of audit recommendations for which there is evidence of follow-up. (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	40.00
Date	31-Dec-2014	--	31-Dec-2015	30-Apr-2018

► Number of students completing certificate and diploma stages. (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	37.00	20.00
Date	31-Dec-2014	--	31-Mar-2016	30-Apr-2018

► Number of PFM reviews and actionable advisory notes (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	5.00
Date	30-Nov-2014	--	01-Jun-2016	31-Dec-2019





► Percentage of expenditures represented by the government entities audited in total public expenditure. (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	75.00
Date	31-Dec-2014	--	31-Dec-2014	31-Dec-2017

Overall Comments

Data on Financial Performance

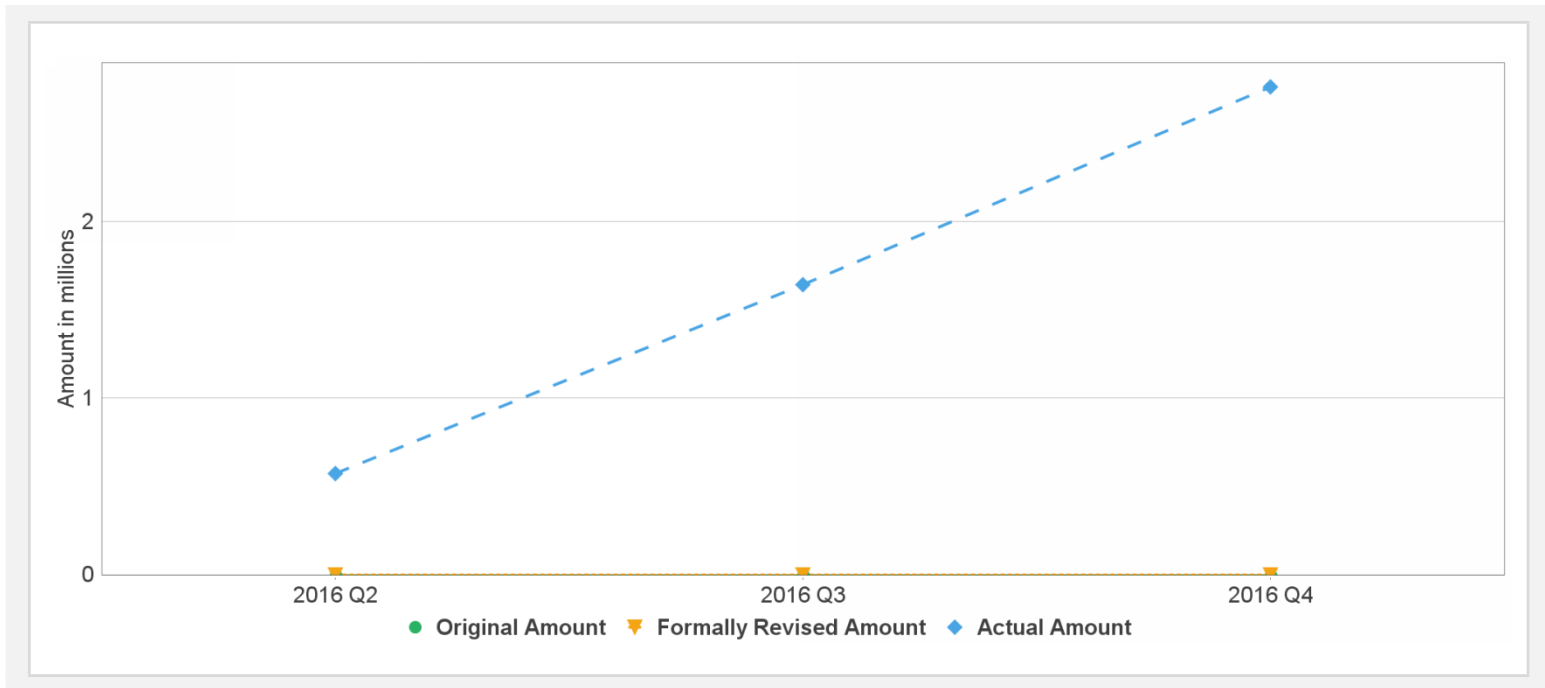
Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
P151492	TF-A0388	Effective	USD	8.00	8.00	0.00	2.25	5.75	 28%
P151492	TF-A0389	Effective	USD	2.00	2.00	0.00	0.51	1.49	 26%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P151492	TF-A0388	Effective	06-Jul-2015	22-Jul-2015	09-Sep-2015	30-Jun-2018	30-Jun-2018
P151492	TF-A0389	Effective	10-Nov-2015	10-Nov-2015	07-Dec-2015	30-Jun-2018	30-Jun-2018

Cumulative Disbursements



Restructuring History

There has been no restructuring to date.

Related Project(s)

There are no related projects.