

Financial Governance Committee: Summary of Meeting Discussions

48th Meeting – Remote meeting, 10th Nov 2020

2021 Budget: The draft National Budget for 2021 has been approved by the Cabinet and submitted to Parliament for approval before December 31st. The meeting discussed budget cashflow, finalization of the matrix and conditions under the second Development Policy Operations (DPO2) and the need for a continued budget support to the government. Members noted the importance of transparency in election funding, the management of candidate fees, and intergovernmental fiscal transfers for Somalia.

Aid On-Budget and On-Treasury: The meeting discussed the outcome of the forensic audit done by the Auditor General, which showed that donor funding to FGS institutions outside the budget entails a risk of misuse of funds. The FGC has made the case to all donors that their funding to FGS institutions must be provided on-budget and on-treasury, as required by the 2019 PFM Act. As a result, the FGC was able to secure a commitment from the UN country team that any UN funding to FGS institutions next year will be reflected in the budget and pass through the treasury. In support of this, the FGC prepared and tabled a note providing guidance to development partners on bringing their aid on-budget and on-treasury.

Fiscal Federalism: The MoF confirmed that tuna licensing revenue received in 2020 was distributed to the FMS.

Fiscal Chapter of the Constitution: Constitutional consultations are currently happening in Baidoa and the revised Constitution is expected to be finalized in the middle of 2021.

Oil and Gas Licensing: The meeting discussed an FGC Advisory Note on the oil and gas licensing round, which raised the need for compliance with the Procurement Act as well as alignment of fiscal terms of the PSA and the Extractives Industries Income Tax Bill. The meeting took note of the submission of the Extractives Industries Income Tax Bill to Cabinet.

Central Bank and Financial Sector Issues: The CBS has started the process of issuing licenses to mobile money service providers with a National Communications Agency (NCA) license and is now considering the application of two major mobile money service providers. The CBS and NCA also developed a shared benchmark to improve transparency by publishing information on licensed telecom and mobile money service providers on their respective websites.

Concessions and Contracts: The FGS signed a revised port agreement with Al Bayrak, its existing port concessionaire, on revised terms for the continued operation and management of the

Mogadishu Port. During the meeting, a note was tabled outlining the next steps and technical assistance requirements for implementation of the new agreement. An Advisory Note was also tabled that provided guidance on the advisory requirements for renegotiation of Simatech Dry Port Agreement. The MoF also reported on the status of the passport contract extension, rations tender, and airport hotel.