

Puntland:

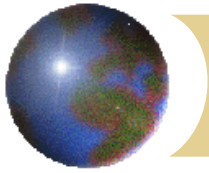
Proposed Public Financial Management and State Capacity Building Program Grant

Fred Kilby, Consultant



Outline

- ✚ **Background**
- ✚ **Proposed Program components**
- ✚ **Proposed Institutional and implementation arrangements**
- ✚ **Key Performance Indicators**



“Fast Track Four Priorities”

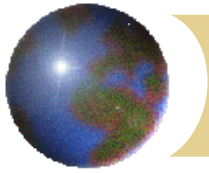
- ⊕ A comprehensive public sector expenditure management reform program to ensure public resources are spent prudently, in accordance with priorities, and properly accounted for
- ⊕ Customs reforms to mobilize urgently needed domestic revenues



“Fast Track Four Priorities”

continued

- ❖ **Central banking reforms and financial sector development to promote macroeconomic stability and private sector savings and investment**
- ❖ **Civil service reform and institution building to overhaul the existing civil service structures in Puntland and rebuild the federal civil service.**



Approach Requires

- ❖ **Recognizing the low current policy and operational capacity of the Somali State**
- ❖ **A substantial donor commitment to provide financial resources to fund the system and build the necessary domestic capacity .**
- ❖ **A comprehensive and coordinated 5 year program to respond to the needs of the TFG, Somaliland and Puntland**



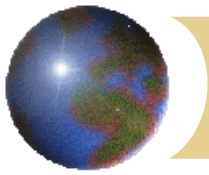
Program Design

- ✦ **Proposed program based on a joint identification mission comprising UNDP, DfID and the World Bank in October 2007.**
- ✦ **Public Financial Management Steering Committee the Arab League, the World Bank, DfID, EC, UNDP, USAID, AfDB has been established-- and is open to other interested donors.**



Project Components

- ❖ **PFM Reform**
- ❖ **Customs Modernization and Reform**
- ❖ **Strengthening the Financial System**
- ❖ **Support for State Capacity Building**
- ❖ **Development Learning Centers**
- ❖ **Institute of Professional Accountants**
- ❖ **Fiduciary Agent Services**



Public Financial Management

Strengthen and functionalize the offices of

- **Accountant General**
- **Auditor General**
- **MoF Internal Audit Unit**
- **Public Procurement and Disposal Authority**



Public Financial Management

Continued

Establish

- ✚ **Ministry of Finance Budgeting and Macroeconomic Policy Units**
- ✚ **Parliamentary PFM Oversight Committees**
- ✚ **A decentralized financial management system**



Customs Modernization

- ❖ **Improve the Legal and Regulatory Framework**
- ❖ **Outsource Pre-Shipment Inspection (PSI)**
- ❖ **Restructure and reorganize customs administration**
- ❖ **Simplify and Automate Customs Procedures**



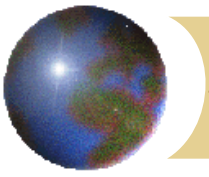
Customs Modernization and Reform Continued

- ❖ **Upgrading and Rehabilitation of Customs Facilities**
- ❖ **Developing Customs Intelligence and Enforcement Capacity**
- ❖ **Monitoring & Evaluation**



Strengthening the Financial System

- ✦ **Policy Advice and Capacity building**
- ✦ **Improve the Financial Legal and Regulatory Framework.**
- ✦ **Computerizing Central Bank Treasury and Related Functions**
- ✦ **Establishing a National Payments System**
- ✦ **Introduction of a New Currency**



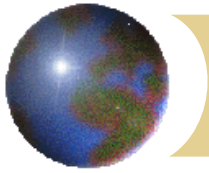
Support for State Capacity Building

- ✚ **Strategic policy decisions in the office of the President, Prime Minister and Cabinet.**
- ✚ **Federal Civil Service Commission**
Recruitment and Change Management
Payroll Cleansing and Auditing



Development Learning Centers

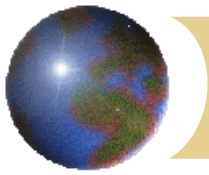
- ❖ **Establishment of the DLC network as an independent legal entity**
- ❖ **Constructing, equipping and staffing the DLC network**
- ❖ **Development and Delivery of DLC Curricula and Related Partnership Arrangements with Regional Training Centers.**



Development Learning Centers

Continued

- ✚ **Support the operation of the DLC network**
- ✚ **Monitoring and Evaluation**



Independent Institute of Professional Accountants

- ✦ **Establishment of the IPA as an independent legal entity**
- ✦ **Constructing, equipping and staffing the IPA**
- ✦ **Twinning arrangements**
- ✦ **Support the operation of the IPA**
- ✦ **Monitoring and Evaluation**



Fiduciary Agent's Services

- ❖ **Program coordination and management of development partner funding;**
- ❖ **Financial management;**
- ❖ **Compliance with the development partners procurement guidelines;**
- ❖ **Monitoring and Evaluation**

•



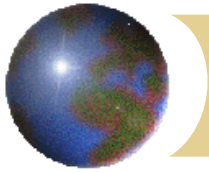
Implementation Arrangements

- ❖ **The Program will be initially executed through a fiduciary agent overseen by the donor group financing the program.**
- ❖ **Oversight of the fiduciary agent based on a memorandum of understanding to be developed during appraisal.**



Implementation Arrangements

- ❖ **In time significant administrative responsibility for the Program could be transferred to Somali government structures.**
- ❖ **The beneficiaries of the program subcomponents will also participate fully in every stage of the quality assurance process**



Key Performance Indicators

- ❖ **Public Finance Management (PFM) capacity developed/strengthened**
- ❖ **Efficient accounting and transparent reporting procedures**
- ❖ **Local procurement capacity**
- ❖ **Budget preparation process strengthened**



Key Performance Indicators

(continued)

- ✚ **Federal, state, and local government domestic revenue base established**
- ✚ **Macroeconomic stability**
- ✚ **Capacity for bank supervision and monetary policy**
- ✚ **New local currency in circulation**
- ✚ **Commercial banks re-established**



Key Performance Indicators

(continued)

- ❖ **Efficient, professional and performance-based federal civil service**
- ❖ **Puntland civil services professionalized and right sized**
- ❖ **Development Learning Centers meeting cost recovery targets**
- ❖ **Internationally recognized independent professional association of accountants**