THE FEDERAL REPUBLIC OF SOMALIA

FEDERAL REPUBLIC OF SOMALIA

MINISTRY OF FINANCE

Project Name

Somalia Public Financial Management Capacity Strengthening Project
(P146006)

TERMS OF REFERENCE FOR

EXPENDITURE CONTROLS, CASH MANAGEMENT, ACCOUNTING
AND FINANCIAL REPORTING TECHNICAL ASSISTANT
The Federal Republic of Somalia (FRS) Legislature and the Presidency have prioritized security, justice and PFM integrity at the top of the country’s development agenda. This is driven by improved security, regaining of political legitimacy, and need to build citizens’ confidence and relationship with Development Partners (DPs) that public funds will be managed in a transparent, equitable and accountable manner. The Federal Republic of Somalia PFM self-assessment noted that long-term impactful reforms are yet to be undertaken. The Minister of Finance and Planning presented the PFM self-assessment report and proposed PFM strengthening initiative (2013-2016) to Development Partners on April 4 2013. The self-assessment report revealed amongst other issues that budget execution and procurement processes lack adequate transparency and efficiency and that the existing PFM legal framework is inadequate and requires modernization. Human resource and logistics challenges are also a major issue.

The overall PFM reform objective of the Government is “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”. The Somalia ‘PFM Reform Architecture’ is underpinned by the Government’s “Foundations of New Beginning: Six Pillar Policy”; particularly pillar one that deals with good governance. The PFM reforms are anchored on four platforms: (i) instituting PFM fundamentals for budget credibility; (ii) effective budget execution and financial accountability; (iii) improved policy formulation, planning and budget preparation; and (iv) institutional structures; Strategic Human Resource Management (SHRM); Financial Management Information Systems (FMIS); and cross-cutting issues. The cross-cutting platform provides the beam that holds the whole reform platforms together in order to meet the overall PFM reform objectives. This strategy was endorsed by the Council of Ministers and submitted to the National Assembly; thereby receiving the strong political ownership.

Based on the division of labour amongst Develop Partners, the World Bank's support, through PFM Capacity Strengthening Project funded by the State and Peace Building Fund (SPF), is focused on the establishment of systems for more transparent and accountable management and use of public funds. At the moment, the FRS has no comprehensive public procurement system and staff in the public procurement and asset management directorate of the Ministry of Finance to support the implementation of the project. Therefore, as part of this project implementation, the Government is desirous to recruit a qualified and experienced individual procurement

His Excellency Professor Jawari, Mohammad Osman was elected Speaker of the new Federal Parliament of Somalia whilst Parliament elected President Hassan Sheikh Mohamud on 10th September 2012
Technical Assistant (TA) to support the Government in implementing this PFM Capacity Strengthening Project.

### 2.0 IMPLEMENTATION

A Public Financial Management Reform Coordinating Unit (PFMRCU) will anchor the reform and capacity building efforts. A Government PFM Reform Coordinator will be responsible for day-to-day coordination of the reform activities and serve as the key interlocutor for the Component Implementation Teams (CIT) and ensuring proper sequencing of activities expected to be funded by various donors. Consistent with the ‘New Deal’ TRUST principles, this structure will substantially reduce program implementation units per institution and will coordinate the use of external technical assistance, ensuring that they report through the relevant national authorities.

![PFM Reform Structure Diagram]

The PFM Reform Oversight Committee (ROC) represents at managerial level the key stakeholders. The ROC has authority because they are the decision makers and responsible for the commitment of human and financial resources needed to implement the strategy successfully. The Technical Steering Committee (TSC) members will be accountable for the success of projects to implement the reform strategy. Their responsibilities will be in addition to their normal work, it is important that they direct the project by ‘management by exceptions’, keeping regularly informed by Component Implementation Teams (CIT) but only asking for joint decision making at key points in the project.

PFM Subject Matter Experts (SMEs) will provide technical assistance services with a clear capacity building and exit strategy with skills transfer arrangements (hand-holding approach) by
embedding the arrangements within government structures and working closely with the CITs that will be led by Heads of the key PFM institutions. An adaptive leadership approach with a suitable change management path based on the Somalia context will help in distinguishing technical problems from the political economy of such institutional reforms.

Developing an organizational structure for an External Assistance Fiduciary Section (EAFS) involves determining the key areas of authority and responsibility and appropriate lines of reporting. The basic functions of the EAFS will be planning, budgeting, procurement, accounting and reporting of recipient-executed external assistance. The recommended organizational chart is as depicted below.

The idea to setup an EAFS that looks beyond this specific project is part of the strengthening of the country systems to handle all external assistance and treat them as Somali public funds and not ‘donor-funds’ per se. The independent monitoring agent will be responsible for physical verification of expected outputs beyond just reviewing payment vouchers for compliance with procedures.

**External Assistance Fiduciary Section (EAFS) Organizational Chart**
3.0 OBJECTIVES

The Government has secured a $4.5m State and Peace Building Fund grant from the World Bank to implement its Public Financial Management Capacity Strengthening Project (P146006) consisting of the following components:

1. Public Financial Management Reform Oversight
2. Financial Management Information System;
3. Expenditure Control, Procurement, Accounting and Reporting.

The main objective of the Consultant’s services under this TOR is to ensure the project objectives are achieved which are to establish systems for more transparent and accountable management and use of public funds in the Federal Republic of Somalia.

The Expenditure Controls, Cash Management, Accounting and Financial Reporting Technical Assistant (TA) will support the Ministry of Finance in strengthening controls, streamlining business processes and applying internationally acceptable standards and practices to improve fiscal discipline and predictability in availability of funds to undertake service delivery functions and promote transparency and accountability. Timely preparation of high-quality in-year budget performance reports will provide opportunity for early action by line ministries to ‘bring in the budget’ and for MoF to have a comprehensive overview for fiscal policy management. Publication of annual financial statements will improve transparency. Good-quality financial statements from the private sector will increase reliability for assessment of tax obligations. He/she will also specifically be responsible for reviewing payment vouchers for this project before payments are made by the EAFS.

4.0 TASKS /RESPONSIBILITIES

The specific responsibilities would include, but not limited to the following:

Support to the technical PFM reforms:

i. Business processes will be re-engineered to strengthen existing processes such as budget controls, requisitioning, purchase orders, invoicing, payment authorization/approval, accounting and reporting. Improved business processes could for example increase total tax revenue without necessarily increasing the tax rate by collecting actual tax payable efficiently.

ii. The mix of forms in Italian, English and Somali will be reviewed and consolidated to prepare a revised standardized set of budgeting/accounting documents that will support the new business processes and controls. Controls including policies, procedures and practices (tasks and activities) will be established to provide reasonable assurance of achieving the specific ministerial objectives. The evolving business processes for planning, budget execution, commitment controls, procurement, internal controls, internal audit, accounting and reporting will initially be issued as Treasury Circulars or Ministerial Orders and later codified in Financial
Regulations (FR) and a Comprehensive Operating Procedures Manuals (COPM) to translate the PFM Laws, financial policies and standards into actual practice.

iii. Establishing a Treasury Single Account (TSA) in the Central Bank through which all revenue collections and authorized payments are made with regular bank reconciliation to lend credibility to the completeness and accuracy of financial reports for decision making and accountability. The TSA will support the extent of consolidation of government cash balances (including those for extra-budgetary funds and external assistance controlled by third-parties) and this will further improve the predictability in the availability of funds for commitment of expenditures and general cash management by avoiding the situation of piling up debts or borrowing whilst there are idle cash balances. Cash handling which pose high risk of leakages will be avoided through direct ‘bank’ transactions. Other Development Partners are supporting the Central Bank to be SWIFT compliant, providing banking software and other institutional capacity building.

iv. Budget and commitment controls will be introduced to curb build-up of arrears through embedded system control features of the Somalia Financial Management Information System (SFMIS). The business process re-engineering should be through an inter-ministerial task force that will own the Statement of User Requirements (SOUR) for the evolving SFMIS including a Standard Chart of Accounts (SCoA). Introduce linking of procurement plans with budget, work plans and disbursement schedules to ensure availability of funds to support the award and payments of contracts in ensuring effective implementation of the budget.

v. Simple accounting procedures manual will be prepared to guide the preparation of annual financial statements in accordance with the ‘Financial Reporting Under The Cash Basis of Accounting’ standard issued by the International Public Sector Accounting Standards Board (IPSASB). Practical training will be conducted for recognition and measurement of elements of financial statements and preparation of prescribed financial statements and the relevant disclosure notes. Tools will also be prepared to support the upload of in-year budget reports and annual financial statements in government websites in a format that is user-friendly for public consumption.

vi. Considering the number of owner-managed business, the MoF will work closely with the Chamber of Commerce to adopt the Small and Medium-sized Entities Guidelines on Accounting (SMEGA) Level 3 issued by the United Nations Conference on Trade and Development (UNCTAD). Instead of an audit report that will increase the cost burden of small businesses, the tax authorities will consider relying on an ‘Accountant Report’ for businesses with a certain level of turnover to be determined after due consultation with relevant stakeholders.

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2 Standards & Law - define mandatory requirements. Guidelines - provide guidance in applying standards and should be considered in determining how to achieve implementation of the standards for which professional judgment is required in its application with justification for any departure. Procedures Manual provide further information on how to comply with set standards in performing certain tasks in day-to-day work.

3 Part 1 is mandatory. It sets out the requirements which are applicable to all entities preparing general purpose financial statements under the cash basis of accounting. Part 2 is not mandatory. It identifies additional accounting policies and disclosures that an entity is encouraged to adopt to enhance its financial accountability and the transparency of its financial statements.

Other duties include:

i. Shall review Payment Vouchers compliance with the procedures manuals, approved procurement plan, grant agreement and Project Implementation Manual (PIM) and initial as evidence of checking and submit to the Project Coordinator.

ii. Ensure all payment vouchers are reviewed immediately as soon as they are submitted.

iii. Prepare monthly schedule of paid and unpaid payment vouchers with reasons or explanations; return all payment claims without clear justification for payment approval/process; and present to management challenges faced and how to mitigate the challenges faced during payment process in order to avoid delays.

iv. Shall advice the Accountant General on all government cash management, expenditure controls, internal controls, accounting and reporting matters and contribute to preparation of financial statements and supporting the external audit process

- Working closely with Public Financial Management Reform Coordinating Unit (PFMRCU) and the External Assistance Fiduciary Section (EAFS), transfer skills and knowledge to designated counterparts as capacity building is a key aspect of this project
- Support the Project Coordinator for the preparation of quarterly Project Status Reports (PSR) for review by Management and the Steering Committee and onward transmission to the World Bank Country/Regional Office/Task Team Leader of the project.
- He/She shall be part of the team which prepares government section of the Implementation Completion Report for the project at the end of the project.
- Carrying out any other functions related to the project that will from time to time be agreed upon between the Word Bank and the Federal Government of Somalia and carrying out other duties which may be delegated by management
- Shall attend meetings with bank staff and government staff related to the implementation of the project.

5.0 QUALIFICATION AND SKILLS REQUIREMENTS

The MoF requires qualified consultants with the following attributes:

Knowledge

i. Be a Professional Accountant (i.e. membership to a professional accountancy body recognized by the International Federation of Accountants)

ii. A degree in economics, financial or business administration, accountancy, public administration or a related discipline. Advanced university degree in public administration, public sector management will be an added advantage

iii. Good knowledge of International Public Sector Accounting Standards (IPSAS) and general Public Financial Management concepts (fiscal strategy, sector strategies,
planning and budget preparation, budget execution, cash management, procurement, tax administration, accounting and reporting, internal and external audit and parliamentary oversight)

Experience

iv. Must have at least 10 years of working experience 5 years of which should be a senior management position in public or private sector organizations

v. Familiarity with Donors operational procedures, Financial Management and Procurement Guidelines is a pre-requisite.

vi. Good change management, communication and writing skills with strong inter-personal skills, and proven motivation and demonstrated ability to lead teams.

vii. Experience in designing chart of accounts, preparing procedures manual, preparing public sector financial statements

viii. Experience of implementing Financial Management Information Systems (FMIS) in the public sector as part of a wide range of PFM reforms and conducting training

ix. Familiarity with Federal Government of Somalia administrative and bureaucratic procedures

x. Experience of working on similar assignments in fragile and post conflict states

6.0 REPORTING AND EXPECTED OUTPUTS

The TA shall report to the Accountant General under the general coordination of the Project Coordinator and other Component Implementation Teams. The key outputs of the assignment are:

i. Monthly schedule of paid and unpaid payment vouchers with reasons or explanations; return all payment claims without clear justification for payment approval/process; and present to management challenges faced and how to mitigate the challenges faced during payment process in order to avoid delays.

ii. TreasuryCirculars and Ministerial Orders

iii. Cash Management Policy and Treasury Single Account (TSA) framework


v. Financial Regulations for the PFM Law and Comprehensive Operating Procedures Manual (COPM)

vi. Simple IPSAS procedures manual
vii. Templates for Small and Medium-sized Entities Guidelines on Accounting (SMEGA) Level 3

viii. Training reports on use of the above outputs and manuals

7.0 PERIOD OF DUTY AND PLACE OF WORK:

The Technical Assistant will be hired for a period of one year extendable based on satisfactory performance. The work shall be carried out at the Ministry of Finance, Federal Republic of Somalia facilities. He/she is expected to study all relevant documents within the project and shall submit a detailed Work Plan with dates of delivering the expected outputs and training to be approved by the Accountant General with a copy to the Head of External Fiduciary Section of the Ministry of Finance after two weeks of the commencement of the assignment.

8.0 DATA, LOCAL SERVICES, PERSONNEL, AND FACILITIES TO BE PROVIDED BY _THE BORROWER:

The client will avail suitable counterpart staffs from the Accountant General’s Department and the External Fiduciary Section of the Ministry to closely work with the consultant. The client will also provide all necessary documents and office space and furniture to facilitate the task of the Individual Consultant. The client shall provide in soft and hard copies all manuals related to the project implementation on signing of the contract.

9.0 PROCEDURES APPLICABLE FOR THE SELECTION/METHODOLOGY

The Individual Consultant will be hired on the basis of the World Bank’s Guidelines for Selection and Employment of Consultants (January 2011). The contracted consultant will take a position at the Public Financial Management Reform Coordination Unit of Ministry of Finance

A Consultant will be selected in accordance with the Individual Selection method set out in the Consultant Guidelines.

Further information can be obtained at the address below during office hours 8:30am to 3:30pm.

Applications letters must be delivered in a written form to the address below or by e-mail by 31/03/2014. Application letters received later than specified date shall not be considered.
Electronical applications must be copied to all shown email addresses and must be clearly labeled name of the assignment being applied for.

Ministry of Finance

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