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Somaliland Public Financial Management Reform Program

**SPEECH BY THE HONORABLE MINISTER OF FINANCE ZAMZAM ABDI ADEN AT THE
OFFICIAL LAUNCH OF THE SOMALILAND FINANCIAL MANAGEMENT
INFORMATION SYSTEM (SLFMIS)**

**AT THE AMBASSADOR HOTEL
HARGEISA, SOMALILAND**

Thursday, April 27, 2017

Fellow Ministers;
Staff of the Ministry of Finance;
Esteemed Partners and Guests;
Ladies and Gentlemen:

We have convened here today to inaugurate the introduction of the Somaliland Financial Management Information System (SLFMIS). In 2013, the Government of Somaliland commissioned the Ministry of Finance to initiate the public financial management, or PFM, Reform Program: To strengthen the country's procedural, legal and regulatory frameworks in order to ensure that the her financial resources are mobilized, allocated and utilized by the most efficient, effective and transparent means so as to improve service delivery. The implementation of a financial management system is one of several reform measures being undertaken by the Government of Somaliland under the PFM programme. Today is an opportunity to demonstrate that the reform agenda continues to move forward as directed by the PFM Reform Strategy.

The MoF has worked tirelessly to lay the foundations for PFM reform, most notably leading the passage of key PFM legislation and is now digging deeper to



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implement several programs through the MoF. The various programmes are represented by six Pillars.

Pillar 1: Economic Management and Budget Preparation, has three components, namely Economic Management, Budget Preparation and Fiscal Decentralization.

Pillar 2: Resource Mobilization, comprises of one component, which is increasing Domestic Revenue Generation and the Tax Base to a sustainable level by establishing the Somaliland Revenue Authority (SLRA).

Pillar 3: The Accounting and Reporting, as well as Treasury and Expenditure Management Components. These components are in place to strengthen financial management and reporting by Line Ministries and local governments, and strengthen the Treasury Management Operations for timely and accurate cash balances, public debt, and effective management of bank accounts and cash plans, respectively.

Pillar 4: The Public Procurement Component.

Pillar 5: Oversight and Evaluation, comprises three Components: The External Audit Component – set to enhance the independence of the Office of the Auditor General; the Internal Audit Component – improving the effectiveness of internal audit functions for purpose of strengthening internal control systems in Line Ministries and higher Local Governments; and thirdly, Parliamentary Oversight, which involves strengthening Parliamentary ex-ante Scrutiny of the Budget and ex-post review of financial statements and audit reports.

Finally, there is the Cross-cutting Pillar, Pillar 6, which is composed of reforming PFM Legislation, PFM Systems and Processes, PFM Program Management and PFM Capacity development across all sectors of government.

Altogether, these Pillars, or programs, strive to strengthen the GoSL's integrity, re-engineer financial management processes to meet international standards, and create a free environment that not only promotes public awareness of how their hard-earned money is spent, but also engenders public involvement by building



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strengthen the capacity of the Parliamentary Accounts Committee to effectively apply legislative measures when reviewing reports of the Auditor General. This will ensure the citizens' needs are taken into account when reviewing Government finances, and that reviews are done in a timely and appropriate manner.

Following an extensive strategic design phase, the PFM Reform Programme has moved into its implementation phase with significant work planned for all pillars. Recent achievements to this end include:

- The PFM and Accountability, Public Procurement, National Audit, and Customs and Revenue Bills have all become law, with the Procurement Bill still debated in Parliament. The passage of these Acts is a significant milestone in our effort to address the structural weaknesses in fiscal formulation and fiscal discipline in the country.
- Completion of a needs assessment for 2017 budget reforms, and training of MoH staff in Medium Term Expenditure Framework development
- The establishment of the Somaliland Revenue Authority (SLRA) to improve revenue administration, strengthen the tax administration system and increase resources available for achieving our national vision. Somaliland's revenue has grown at a rate of between 12% and 25% between 2012 and 2016, and we hope to continue our exemplary revenue collection efforts.
- Essential Accounting and Financial Reporting guidelines, as well as vital audit manuals, have been completed to empower MoF staff to apply best practices in their work.
- We have completed the preparation of various manuals, policy regulations and a transition roadmap for public procurement.

Given the goals and achievements I have summarized above, there is a clear need for a critical support system for the whole PFM process. This system requires a contextually appropriate design, and web-based accessibility to both modernize and connect financial transactions in the public sector. For that reason, we are



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now launching the Somaliland Financial Management Information System into our PFM processes. These include: Budget Control, Expenditure, Revenue and Financial Reporting, Treasury and Payment Management, Human Resources and Payroll, Local Governments, Purchasing, Fixed Assets, Revenue Management and Contract Management, among others. The SLFMIS will transform various time-consuming, manual and error-prone practices into real-time, automatic and accurate processes as standard. The SLFMIS will further assist the Government to address issues at the heart of the PFM Reform Program, namely: efficiency, effectiveness and accountability.

Efficiency: As our resource envelope continues to expand each year, our budgeting timelines are increasingly longer-term, and our national development strategies are increasingly demanding. The task of managing budget process is therefore increasingly complex and budget execution is therefore necessarily a rapid response mechanism. With the SLFMIS, it is our expectation that the current budget preparation and execution will be faster than what they are now.

Transparency: The urgent demand for financing our development priorities not only requires speed and accuracy in allocating public resources but also transparency to ensure that finances are spent as had been planned and wastage is controlled. Through the SLFMIS, financial transactions are now accessible to a wider and critical mass of interested parties. Purchase orders and vouchers are generated from the system. Payments will not be made when cash budgets are not available to support requested expenditures. That layer of control ensures prudence in our liquidity management.

Accountability: Reporting in the public sector is always a challenge. Under the new PFM legal and regulatory frameworks, the Government of Somaliland is obliged to provide statutory reports to the people of Somaliland and our development partners. We are committed to meeting this challenge. The SLFMIS is designed with the capacity to generate many statutory and management reports that would assist us to meet those legal provisions. The SLFMIS will contribute greatly towards increasing regular reporting, and ultimately increase



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access to information for the citizens of Somaliland and other interested parties. This will serve as the basis for more constructive engagement between the Government, Civil Society Organizations (CSOs) and other groups and individuals representing the interests of the national development of Somaliland.

In conclusion: The Ministry of Finance has continued to demonstrate our commitment towards transforming our PFM sector. We have made significant strides since the beginning of this year alone and although there is much to be done, we must celebrate the small milestones along the way. The launch of the SLFMIS signifies one of these milestones. While we prepare for future challenges, we are now more equipped to manage them. **HOWEVER:** We must exercise careful optimism. The key to successfully implementing SLFMIS is maintaining the momentum of will, commitment, concerted efforts, ownership, responsibilities, and active participation of all institutions involved. Once implemented, all budget-related entities will be interlinked. If any player cannot move forward as expected, the whole system will fail. This is our great challenge. Therefore, the success of FMIS implementation will depend heavily on active participation of all players specifically the management and staff at all levels.

With this, I commend everyone who took part towards making this day a success.

Thank you.