



**FEDERAL REPUBLIC OF SOMALIA
OFFICE OF THE AUDITOR GENERAL**

**Review Report on Cabinet
Internal Procedures of the Federal
Government of Somalia for
Initiation, Approval & Monitoring of
Projects that are Supported by
International Financial
Institutions**

Projects Implemented during FY

2015 - 2021

November 2022

**Review Report on Cabinet Internal Procedures of
the Federal Government of Somalia for Initiation,
Approval and Monitoring of Projects that are
Supported by International
Financial Institutions**

**Projects Implemented during
2019-2021**

**A SPECIAL REVIEW REPORT OF THE
OFFICE OF THE AUDITOR GENERAL**

November 2022

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The Office of the Prime Minister,
The Federal Republic of Somalia
Villa Somalia,
Mogadishu, Somalia

Your Excellency the Prime Minister,

I am pleased to submit a Review Report on Cabinet Internal Procedures for approval of projects that are financed by the International Financial Institutions in Somalia.

This was a limited review at the request of your office. It covered a selected sample of projects that were signed off in 2015, 2019-2021. The IFIs are mainly the World Bank and the African Development Bank.

This review focused on whether there are documented cabinet procedures for initiation, review, approval and monitoring of projects that are signed off by the Minister of Finance on behalf of the Federal Government of Somalia.

Your Excellency, I would like to thank you and the respective officers for the support given to my office in executing this review. Special thanks also go to the Project Implementation Unit (PIU) in the Ministry of Finance who provided information, clarifications, and support throughout the review.

Yours sincerely,

Mohamed M. Ali
Auditor General, FRS

CC: H.E. The President, FGS,
H.E. The Speaker, House of the People, FPS,
H.E. The Speaker, The Senate, FPS

ABBREVIATIONS & ACRONYMS

AfDB	African Development Bank
BRA	Banadir Regional Administration
CIP	Capacity Injection Project
DGs	Development Goals
FGS	Federal Government of Somalia
FRS	Federal Republic of Somalia
HIPC	Heavily Indebted Poor Countries
IFIs	International Financial Institutions
MoEWR	Ministry of Energy and Water
MoF	Ministry of Finance
MoLSA	Ministry of Labour and Social Affairs
MoPIED	Ministry of Planning, Investment and Economic Development
MPWRH	Ministry of Public Works, Reconstruction & Housing
NDGs	National Development Goals
OAGS	Office of the Auditor General of Somalia
ODA	Official Development Assistance
OPM	Office of the Prime Minister
PFM	Public Financial Management
PIU	Project Implementation Unit
RCRF	Recurrent Cost and Reform Financing
SAG	State Attorney General
SCALED UP	Somalia Capacity Advancement, Livelihoods, and Entrepreneurship, through Digital Uplift
SCRIP	Somalia Crisis Recovery Project
SEAP	Somali Electricity Access Project
SELRP	Somalia Emergency Locust Response Project
SISEPCB	Somali Integrated Statistics and Economic Planning Capacity Building Project
SUIP	Somali Urban Investment Planning
SURP	Somali Urban Resilience Project
WB	World Bank

1. EXECUTIVE SUMMARY

1.1. Introduction

This special review is conducted by the Office of the Auditor General of Somalia (OAGS). The review was conducted in response to a special request of the Office of the Prime Minister. The request asked for a review in internal cabinet procedures for identification and initiation, approval and monitoring of projects that are financed by the International Financial Institutions (IFIs) over the last couple of years.

It is noted by the Office of the Prime Minister these projects were approved and signed off by the Ministry of Finance on behalf of the Federal Government of Somalia.

1.2. Scope of the Review

The review was based on those projects and programs that were supported by International Financial Institutions (IFIs) whose grant agreements were signed by the Ministry of Finance of the Federal Government of Somalia and respective IFI. A sample of 12 projects were selected from those which were signed during the years of 2015, 2019, 2020, and 2021.

The focus of the review was on the following matters:

- a. Whether or not there are documented internal procedures for cabinet approval of projects that are supported by IFIs;
- b. Whether or not the selected sample of projects supported by IFIs were formally evaluated against the national development plans and the UN Development Goals;
- c. Whether or not selected programs supported by IFIs obtained cabinet approvals; and
- d. Whether or not programs were regularly monitored by the cabinet.

1.3. Methodology of the Review

1.3.1. Approach

The review used two approaches – (a) an online questionnaire; and (b) an analytical review of selected projects. The questionnaires were administered to senior government officials of the Ministry of Finance, the Ministry of Planning, the State Attorney General, and the Office of the Prime Minister.

1.3.2. Online questionnaire

The specific areas of the questionnaires were in limited areas. These were: (a) whether relevant ministries were involved and actively participated in project initiation; (b) whether such projects were reviewed and approved formally by the cabinet, and (c) whether the projects were monitored by cabinet periodically.

1.3.3. Analytical work

This was an analysis of 12 selected projects. It involved discussions with the PIU of the Ministry of Finance.

1.4. Key Observations

- a. There are no formal/documented internal cabinet procedures of the FGS that guides the government on how projects are identified, initiated, developed, approved and monitored at cabinet level.
- b. There was no evidence that projects were formally evaluated against national development plans and the UN Development Goals.
- c. There is no evidence that cabinet formally and regularly monitored implementation of projects that are financed by the International Financial Institutions.

1.5. Key Recommendations

- a. The OPM, in close consultation with the Ministry of Finance and other stakeholders, should develop internal procedures, at cabinet level, for identification, initiation, development, approval, and monitoring projects that are to be financed by the international community generally.
- b. Project selection and approval at cabinet level, should be in the context of the national development plans and the UN Development Goals.
- c. Such projects should be formally monitored periodically, at cabinet and at high level only, to ensure consistency with the national development plans and the UN Development Goals.

2. INTRODUCTION

2.1. External Support from the International Community

Since the collapse of the central government of Somalia in 1991, donors have played key roles in supporting several relief, recovery, and resilience programs. This has contributed significantly to the rebuilding of the country. The donor community includes International Financial Institutions (IFIs) of which the World Bank (WB) and the African Development Bank (AfDB) are some of them. Also, bilateral donors have included the European Union (EU), United Kingdom (UK), United States of America (USA), Germany, Sweden, Norway, the United Nations (UN), etc.

The Federal Government of Somalia has made significant strides in Heavily Indebted Poor Countries (HIPC) debt relief completion. This resulted in a significant increase in grant-based financing from IFIs. This is evident in the Official Development Assistance (ODA) landscape of Somalia with IFIs currently the largest contributing donors.

Since the HIPC decision point, the international community has made significant contributions to the Federal Republic of Somalia. The WB has provided close to US **\$1 billion** in grant funding to the Federal Republic of Somalia (FRS) to rebuild institutions and provide services to the people. During the financial year 2021 alone, the WB approved the US **\$445 million** which was equivalent to **87%** of the total budgeted external revenue for the year 2021. The WB portfolio in Somalia for the financial year 2021 stood at US **\$1.19 billion** for 17 projects.

Additionally, the AfDB country portfolio has also increased significantly. As of 31st July 2021, this stood at US **\$200 million** for different sectors of the economy. The portfolio consists of twelve (12) sector operations (9 national and 3 regional).

2.2. A request of the Office of the Prime Minister

The Office of the Prime Minister made a special request for a review of internal procedures for the initiation, approval, and monitoring of such support from the international community. As noted above, there have been several projects that have been supported by the IFIs. The review is only for those that were and or are supported by the IFIs. For those which are on a budget and on treasury, the Ministry of Finance signs program financing arrangements with respective IFIs.

2.3. The Objective of the Review of Projects and Projects Supported by IFIs

The main objective of the review is very specific – looking at internal cabinet procedures for such projects supported by the IFIs. Therefore, the focus of the review is to ascertain if projects supported by IFIs have gone through internal government procedures from initiation, evaluation/review, and approval before they were signed off by the Ministry of Finance on behalf of the Federal Government of Somalia. The other objective is whether or not the cabinet periodically monitored the implementation of such projects at a high level.

3. REVIEW PROCESS

3.1. Scope of the Review

The review was based on those projects and programs that were supported by International Financial Institutions (IFIs) whose grant agreements were signed by the Ministry of Finance of the Federal Government of Somalia and respective IFIs. A sample of 12 projects were randomly selected from those which were signed during the years of 2015, 2019, 2020, and 2021. It was based on projects that were supported by the World Bank and the African Development Bank because they were on-budget and pass through the country system.

The focus of the review was on the following matters:

- a. Whether or not there are documented internal procedures for cabinet approval of projects that are supported by IFIs;
- b. Whether or not the selected sample of projects supported by IFIs were formally evaluated against the national development plans and the UN Development Goals;
- c. Whether or not there were formal cabinet approvals of selected projects supported by IFIs; and
- d. Whether or not projects were regularly monitored by the cabinet.

3.2. Methodology of the Review

3.2.1. Approach

The review used two approaches: – (a) an online questionnaire; and (b) an analytical review of selected projects. The questionnaire was a general one and asked participants questions about whether there was a need for documented procedures for project initiation, review, and cabinet approval before such projects are signed off by the Minister of Finance with respective IFIs.

The questionnaires were administered to senior government officials of the Ministry of Finance, the Ministry of Planning, the State Attorney General, and the Office of the Prime Minister.

3.2.2. Online questionnaire

The specific areas of the questionnaires were limited areas. These were: (a) are relevant ministries involved and actively participated in project initiation; (b) whether such projects were reviewed and approved formally by the cabinet; (c) whether the projects were in line with the National Development Goals (NDGs) of the FGS; and (d) whether they were in line with one or more of 17 UN Development Goals.

3.2.3. Analytical work

This was a detailed analysis of the 12 selected projects. For each project, it was analyzed based on how each of the selected samples of 12 projects was initiated by the responsible ministry and the IFI; whether formally approved by the cabinet; whether assessed to be in line with National Development Goals; and whether assessed to be in line with the UN Development Goals – at least one or more of the 17 DGs. This was evidence-based.

3.3. Review Limitation

The review is limited to selected projects implemented in the last few years. There is an inherent risk that cabinet records may not be made readily available for review.

As a high-level review, there are inherent risks and limitations since it is based on selected projects.

4. PROJECTS REVIEWED

4.1. List of Projects/Projects of FGS Being Funded by IFIs

The table below is for projects and projects that were approved between 2015 - 2021 and /or were being implemented during the financial year of 2021. The table also shows individual program budgets and disbursements as of 31st December 2021.

Projects financed by the World Bank

Project name	Effective date	Closing date	Project budget US \$	Disbursement - 31/12/2021 US \$	Implementing agency
Recurrent Cost and Reform Financing (RCRFII) Project (P154875) - FGS, PL, JSS, ISWA and IGA	2 Jul 2015	30 Jun 2022	206,000,000	23,505,875.90	MoF
Recurrent Cost and Reform Financing (RCRFIII) Project (P173731) - FGS, P &, JSS, ISWA and IGA	11 Jun 2020	31 Dec 2023	68,000,000	22,425,659.16	MoF
Public Financial Management (PFM) Capacity Strengthening Project Phase II (P151492) - FGS and PL	9 Sep 2015	30 Oct 2022	31,000,000	3,980,813.41	MoF
Capacity Injection Project (CIP) (P149971) - FGS	13 Oct 2015	31 Dec 2021	24,000,000	1,925,149.49	MoF
Somali Urban Resilience Project (SURPII) (P170922) - FGS and BRA	31 Aug 2018	30 Sept 2021	6,000,000.00	1,065,467.84	MoF
Somali Urban Resilience Project (SUPRII) (P170922) - PCU	24 Feb 2020	31 Dec 2024	7,256,556	7,615,899.47	
Somali Electricity Access Project (SEAP) (P165497)	1 Apr 2019	30 Jun 2022	4,600,000	2,090,999	MoEWR
Somalia Capacity Advancement, Livelihoods, and Entrepreneurship, through Digital Uplift (SCALED UP) (P168115) IDA	08 Aug 2019	30 June, 2023	31,000,000	7,667,640.96	

Project name	Effective date	Closing date	Project budget US \$	Disbursement - 31/12/2021 US \$	Implementing agency
Somali Urban Investment Planning (SUIP) (P150374) South West State of Somalia -Additional Financing	22 Dec 2018	31 Dec 2020	500.000.00	1,838,050.80	
Somali Urban Investment Planning (SUIP) (P150374) – TFA8878 – FGS, Jubba Land State of Somalia - Additional Financing	16 Jan 2019	30 Dec 2021	500,000	48,513.92	
Somali Integrated Statistics and Economic Planning Capacity Building Project (SISEPCB) (P171160)	29 Sep 2020	31 Aug 2025	25,000,000	2,045,765.80	MoPIED
Somalia Crisis Recovery Project (SCRIP)	29 Jun 2020	31 May, 2024	137,500,000	20,761,985.82	
Water for Agro-Pastoral Productivity and Resilience or the "Biyoole" Project (P167826)	13 Dec 2019	28 Feb 2023	42,000,000	7,541,179.12	MoPIED
Somalia Shock-Responsive Social Safety Net Project (Baxnaano) (P171346)	17 Sep 2019	31 Aug 2022	65,000,000	7,153,206.73	MoLSA
Somalia Emergency Locust Response Project (SELRP) (P174065)	17 Jun 2020	30 Jun 2022	40,000,000	31,826,101.12	

Projects financed by the African Development Bank (AfDB)

Project Ref.	Project title	Grant No.	Budget - US \$	Implementing agency
P-SO-KF0-006	Economic and Financial Governance Institutional Support Project (EFGISP) PHASE IIs	5900155012902	2,199,978.38	MoF
P-SO-K00-002	Strengthening Institutions for Economic Policy Management and Infrastructure Development Project (SIEPMID)	5900155015304	1,109,026.19	MoF
P-SO-DB0-005	Roads Infrastructure Programme	2100155040160	383,653.70	MPWRH
P-SO-DB0-005	Roads Infrastructure Programme	5900155015755	161,224.20	MPWRH
P-SO-F00-002	Technical Assistance and Capacity Building for Setting Up the Regulatory Authority for the Energy Sector	5900155015593	55,000.00	

5. FINDINGS & RECOMMENDATIONS

5.1. Documented Procedures at Cabinet Level

5.1.1. Observation- No documented cabinet procedures for projects supported by IFIs

During the review, through the questionnaires to the respondents, it was revealed that the FGS does not have documented cabinet procedures for initiation, evaluation, approval, and follow-up of projects supported by the IFIs. There was no evidence that projects supported by the IFIs were formally approved and or endorsed at cabinet level.

5.1.2. Recommendation

The Office of the Prime Minister, in close consultation with the Ministry of Finance and the Ministry of Planning, should develop a documented cabinet procedure for initiation, approval and follow up, at cabinet level, of projects that are to be supported by the IFIs.

Once the document is formally approved at cabinet level, it should be implemented.

5.2. Project Approval at Cabinet Level

5.2.1. Observation- though selected projects were initiated jointly with line ministries, they were not formally endorsed by the cabinet

The majority of the respondents agreed that all the selected projects for the review were jointly initiated by the two institutions (WB & AfDB) and relevant line ministries and were subsequently approved by the Ministry of Finance. However, there was no evidence provided that the projects were formally approved at cabinet level.

5.2.2. Recommendation

The OPM and the Ministry of Finance should develop formal procedures for cabinet approval of projects that are supported by IFIs.

5.3. Project Monitoring at Cabinet Level

5.3.1. Observation- projects were not formally monitored by cabinet periodically

During the review, we requested the OPM to share records of the cabinet's periodic follow-up of the sampled projects. However, none was available for the review. We, therefore, could not confirm if the cabinet periodically made follow-ups on implementation of the sampled projects. However, the Project Implementation Unit (PIU) of each project does the monitoring by engaging third-party firms and forwarding the reports to the IFIs and other stakeholders other than cabinet.

5.3.2. Recommendation

The OPM should put in place a mechanism for periodic monitoring and follow-ups for major projects that are implemented by line ministries to achieve intended results. The OPM, in close consultation with the Ministry of Finance, should develop formal procedures, at cabinet level, for periodic monitoring of such projects.

6. CONCLUSION

6.1. Key Observations

- a. There are no formal/documented internal cabinet procedures of the FGS that guides the government on how projects are identified, initiated, developed, approved and monitored at cabinet level.
- b. There was no evidence that projects were formally evaluated against national development plans and the UN Development Goals.
- c. There is no evidence that cabinet formally and regularly monitored implementation of projects that are financed by the International Financial Institutions.

6.2. Key Recommendations

- a. The OPM, in close consultation with the Ministry of Finance and other stakeholders, should develop internal procedures, at cabinet level, for identification, initiation, development, approval, and monitoring projects that are to be financed by the international community generally.
- b. Project selection and approval at cabinet level, should be in the context of the National Development Plans and the UN Development Goals.
- c. Such projects should be formally monitored periodically, at cabinet and at high level only, to ensure consistency with the National Development Plans and the UN Development Goals.



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