Meeting Minutes for the 16th IGFFTC Meeting in Kigali

Venue: Convention Centre, Raddison Blue Hotel
Date: 1-6th August 2024

1. Introduction & opening remarks

A successful physical meeting of the Intergovernmental Fiscal Federalism Technical Committee conference **(No.16)** organized by the RCRF Coordinator Office was held in Kigali, Rwanda, from 1st to 6th August 2024. The Federal Ministry of Finance's Director General-Revenue, in his capacity as the Committee Chairman Feisal Mohamed Hashi, chaired the meeting, apart from Puntland state, all IGFFTC members from the FGS, BRA, and FMSs were in attendance. The primary goals of the meeting were for the IGFF technical committee members to discuss and reach agreement on several significant fiscal reforms related issues which include unified TIN structure; grant manual agreement for local governments; validation of the revenue assignment policy paper, and the self-assessment results and scores; and other fiscal matters.

2. Discussion & Adoption of the Agenda Items

Several significant activities were proposed to be included in the discussion such as reflecting self -assessment reports, PREMIS II updates and the budget presentation. The committee carefully considered and deliberated on each proposed activity, ensuring that they align with the objectives and priorities of the forum. The unanimous approval of the agenda signified a consensus among the committee members regarding the proposed activities and their relevance in strengthening intergovernmental fiscal relations.

3. Election of the Deputy chair

Since the Director General of Jubaland was reshuffled to another ministry, everyone agreed that the person who took his place should take the deputy chair position. The IGFFTC members have unanimously elected Mr. Nor Shalle, Director General of the Jubbaland Ministry of Finance as the Deputy Chair for the Intergovernmental Fiscal Federalism Technical Committee.

4. FMS Self-Assessment Reports

The agenda of the self-assessment reports, which present the Performance Based Condition (PBC) 9.3 and the requirements related to their eligibility for incentives, was the main topic of discussion during the third session of the first day. It is evident that the self-assessment's two primary goals. Finding out how much each FMS could obtain from the DPO, and other international budget supports should come first. The second goal is to promote budget credibility, which entails encouraging Member States to establish reasonable rather than lofty revenue projections.

Two of the six federal member states entities submitted the second self-assessment reports, and the secretariat acknowledged receiving them. To prevent further delays, the representatives of the remaining member states were strongly encouraged to submit theirs before the meeting ended. They responded by promising to turn in their reports as soon as possible—The remaining FMSs timely delivered their assessments during the meeting in Kigali and the secretariat to assess the validity of the information and will further assess the ranking and scoring.

At the Kigali Meeting, IGFF Advisors and the Secretariat diligently evaluated the second self-assessment reports provided by the Federal Member States (FMS) and Banadir Regional Administration (BRA) utilizing a developed excel sheet template for this purpose.
The result of the evaluation of each FMS/BRA performance against the established criteria was meticulously conducted. The findings from the evaluation were then shared with the IGFFTC members for consideration and validation before being presented to the Finance Ministers Fiscal Forum (FMFF) for approval.
Following a thorough review, **the IGFFTC unanimously endorsed the outcome, and results of the assessment** as presented by the Secretariat.

The below table shows the ranking, and scores attained by each FMS/BRA resulting from the second self-assessment reports.

Table 1: FMS/BRA Ranking and Scoring as Per the Second Self-Assessment Reports

States	Inland Variance rate	Ranking	Scoring
JSS	6.0%	1	17.40%
BRA	7.0%	1	17.40%
GSS	11.0%	1	17.40%
PSS	11.9%	1	17.40%

SWS	14.0%	1	17.40%
HSS	75.8%	6	13%
			100%

It is important to note that, **the IGFFTC members also reached a consensus to calculate an average score** for the states that are ranked equally, ensuring that each state within the same rank receives a uniform average score. This approach aims to maintain fairness and consistency in the evaluation process by providing an equitable assessment for states sharing the same rank position.

5. Update on the implementation of income tax bill

The IGFFTC Chair gave an update on the implementation of the income tax bill which had been approved by the cabinet ministers. The bill is submitted to the desk of the parliament, and there is an expectation that it will be passed by the parliament soon. After, the parliament approves the bill, it will then be sent to the president to be signed before the end of the year. This move is expected to promote tax collection and enhance revenue generation. By closing the gap between tax rates in different regions, the bill aims to create a fair and more equitable tax system. This could potentially discourage individuals and businesses from exploiting regional tax differences to minimize their tax obligations. This goal is to ensure that taxes are collected appropriately, and that the government can generate sufficient revenue to fund public services and initiatives.

6. Discussion on adopting and implementing a unified TIN structure:

Knowing that the agreement to establish a unified Taxpayer Identification Number (TIN) structure is a performance-based condition under the Recurrent Cost and Reform Financing (RCRF) Project, specifically PBC 1.4. This should be implemented by both the Federal Government of Somalia (FGS) and the Federal Member States (FMS), ensuring integration with the Financial Management Information System (FMIS) and the BISAN system. Originally, the timeline to meet this performance-based condition was set for June 2024, but it has now been postponed to August 2024.

The Revenue subcommittee gave a presentation at the meeting about the various Tax Identification Number (TIN) structures that are currently in use by the FGS and the Federal Member States (FMS). The presentation's goals were to give a summary of the current TIN structures and start a conversation about the necessity of a single TIN structure. Following the presentation and subsequent deliberations, the revenue subcommittee who were tasked with working on the agreed unified TIN structure and come up with a final unified TIN structure that will be adopted and implemented across the FGS and FMSs. The presentation summarized various TIN structures suggested by the committee, the International Monetary Fund (IMF), and the World Bank.

IGFFTC came up with reflections and suggestions on the proposed TIN Structures such as Inclusion of Business Branches. it was proposed to incorporate business branches into the unified Taxpayer Identification Number (TIN) structure.

Micro Sector Classification: the inclusion of the micro sector in the taxpayer classification was suggested. **Recommendation from the IGFFTC Chair**: the IGFFTC Chair recommended considering the proposed TIN structure by the IMF. Unified TIN Designation: the unified TIN will be issued to both individuals and companies under the name 'Taxpayer Identification Number (TIN'.

Agreement: Finally, the IGFFTC members have unanimously agreed on the following unified Taxpayer Identification Number (TIN)s structure which will be implemented nationwide upon endorsement by the Federal Government of Somalia (FGS) and the Federal Member States (FMS) Finance Ministers: The unified TIN structure will consist of 12-digits, combining both alphabetic and numeric elements. The design is based on the proposal recommended by the International Monetary Fund (IMF) and the World Bank with a slight modification to include differentiation between individual and entity taxpayers.

The Agreed unified TIN structure is as follows:

SS	X	YYYYYYYY	Z

This coding structure is designed to identify taxpayers by the Federal Government and Federal Member State (SS), differentiate between individual and entity taxpayers (X), assign a unique identifier to each taxpayer (YYYYYYYY), and include a verification digit for accuracy (Z). The meeting decided to incorporate TIN harmonization recommendations from the IMF, which relates to the segmentation of Large, Medium and Small, and the World Bank's suggestion to include entities in the TIN system.

7. PREMIS Role in IGFF Discussion

Role of PREMIS at the FMS has been appreciated. The meeting encouraged to continue the support (PFM- PBC meeting criteria, customs and Intergovernmental discussions, PEFA self-assessment, budget credibility and advisory noting PREMIS to support the implementation of the agreed TIN Structure harmonization, PREMIS legal advisor to support on revenue laws and recommendations and finally synergy between RCRF, SERP and PREMIS support Secretariat to share draft agenda with PREMIS for their input and participation. The role of PREMIS is extended to support FMS in strengthening their PFM reforms. Help the implementation of the agreements reached by NCC, FMFF, and IGFFTC. Scope: PFM, Customs, Public sector. Give recommendations in different fiscal matters. Support the FMS in meeting the upcoming PBCs conditions.

The IGFF-TC forum has considered what relationship it should have with the FCDO funded PREMIS programme. The meeting confirmed that PREMIS was given an opportunity to provide assistance to both FMSs and FGS, addressing matters such as tax reform, tax policy, legislation, PFM, modernisation of customs, fiscal federalism, and harmonisation across jurisdictions. This support aligns with the scope of PREMIS 2. It suggested that a coordination meeting is required among development partners to discuss reforms and initiatives in the post HIPC environment, fostering synergy in their efforts. It was agreed that PREMIS would be invited to attend future IGFF-TC meetings.

8. Discussion on the proposed amendments to the original IGFFTC ToR

Previously, In the absence of both the chair and the deputy chair, the most senior member from the FGS will chair the IGFFTC meetings (new provision 2.11TOR was presented with some modification of the participant's number, in the absence of the chair and the deputy chair the FMS DGS will appoint an interim chair. In the event that both the Chairman and Deputy Chairman resign or are otherwise absent from the meeting, one of the Directors General (DGs) present at the meeting shall preside over the meeting. The DGs would appoint one among themselves to lead the meeting.

9. Non-Tax Revenue Portal

This an African Development Bank (AfDB) initiative which aims to integrate government services. The IGFFTC Chair encouraged the FMS to take advantage of the initiative in enhancing accountability and a robust payment system for government services.

10. Presentation and Explanation of PBCs and EEP

RCRF Coordinator delivered a presentation on the RCRF PBCs and EEP. As stated, PBCs are funds associated with conditions which create a fiscal space for the Federal Member States. It also aims at strengthening the resource management system at FMS level. The PBC 9.3 is a condition linked to the second self-assessment reports by the FMS. PREMIS 2 was requested to assist the FMS in meeting this condition to release these funds to reflect in FY2025 budget.

Furthermore, PBC 9.4 will focus on evaluating the FMS budgetary process for the fiscal year 2025. It is imperative that the FMS Budget Directors submit a comprehensive set of documents and substantiating evidence to unlock the allocated amount of 2.7 million for the states.

The EEP Program is an RCRF new initiative, and it was proposed to roll out in the FMS as an opportunity for them to secure funding for the temporary workers and civil servants.

11. Validation of the local governments grant agreement

A joint inter-ministerial technical committee meeting between IGFF members and Ministry of Interior took place on the 24th of August 2024. It was a follow-up to the recent local government grant agreements supporting the federalisation of finances in a decentralised governance system. The formal document outlining the grant award to the local governments—was read by the RCRF coordinator, and the articles in the agreement has been updated, particularly the ones pertaining to the name of the grant, force majeure, the governing law, how the grant is administered, reporting, and intergovernmental transfers mechanism of TSA. The most significant questions raised by the participants were alignments with the PFM act—inclusion of BRA in the grant agreement documents and BRA districts to have an equal right with the other districts and the implementation modalities as well as the duties of the various intergovernmental agencies involved, including federal, state, and local responsibilities. The meeting emphasised the significance of social contract and formation of community consultations, capacity assessments, DDF, DDP and citizen engagement, which form the foundation of inclusive and participatory democratic governance. The meeting concluded that the Ministry of Interior will preside over the grant steering committee. BRA to be included in the grant program, and the attendees jointly validated the grant agreement document and recommended expediting the transfer of the grant to the selected districts after much deliberation.

12. Review, discussion and Validation of the policy paper

IFF presented the policy brief overview, key comments, implementation plan, and obstacles. Soeren emphasised the problem of domestic revenue and provided an in-depth explanation that included a fundamental analysis of the main obstacles to fiscal federalism in Somalia. His recommendations were based on a strong emphasis on the current revenue sources in favour of creating institutions (such as the Revenue Agency), providing services that are equitable throughout Somalia, establishing clear political and structural frameworks for mechanisms of cooperation and sharing, and finally granting the FMS, at least in part, some autonomy and divergence (e.g., car / road tax).

The primary feedback from the IGFF and IFF was categorised into three areas: questions for clarification, an explanation of important ideas like concurrent powers, equity, unity, and federalism, and lastly, recommendations for enhancements or modifications. Finally, Soeren made several recommendations for revisions. The main problem is that the inhabitants are provided with very few services and very little domestic income is collected. Capabilities need to be given more attention. Who is allowed to gather and utilise what? How. At the end, he requested the IGFF members to form four groups, each of which was to submit its recommendations and points of view. He had asked five questions in total. Every group presented and provided explanations. The group decided to provide the policy paper with technical validation and distribute it to ministers for additional assessment and suggestions.

In conclusion, the IGFFTC reached a consensus that the committee would approve the paper the initial draft with the IFF and Advisors tasked with refining the draft while maintaining its core essence. Subsequently, the Secretariat to share the last draft with the IGFFTC members for internal review with their respective ministries.

13. Agreed Action Points

S/N	Action Point	Responsible	Timeline
1	FMS/BRA to submit the second self-assessment reports based on the FY2023 fiscal data to the Secretariat Office.	FMS Budget/treasury team	3rd August 2024
2	The TIN structure, harmonization agreement to be presented during the FMFF meeting and signed endorsed by the FMFF.	IGFF Secretariat and Advisors	7th August 2024
4	The draft policy paper to be submitted and presented during the upcoming FMFF meeting.	IGFF Secretariat and Advisors	…………
5	PREMIS 2 to support the implementation of the agreed TIN Structure harmonization. PREMIS legal advisors to support on FMS revenue laws amendments and IGFFTC/FMFF recommendations.	IGFF Secretariat and Advisors	
6	Jubbaland Ministry of Finance to submit the remaining user testing report utilizing the FGS user testing report template.	JSS Ministry of Finance	
7	IGFFTC Budget sub-committee to work on harmonization of budget documents and budget calendar and update the status in the next IGFF TC. Improve public consultation on budget process	Budget subcommittee	
8	IGFFC Secretariat to share with the FGS Budget Department the outcome and the allocations for each FMS based on the self-assessment results and the agreed grant sharing formula.	IGFF Secretariat	Aug 2024
9	The IGFFTC to place EEP agenda on the FMFF desk for further deliberations and recommendations.	RCRF/IGFFTC	7th Aug 2024
10	The RCRF Office shall prepare a monthly PBCs progress report which summarizes the progress made by the FMS in meeting the PBCs as well as the challenges identified.	RCRF PIU	Ongoing

11	The FMS to take advantage of the Non-tax Revenue Portal (AfDB initiative) in enhancing accountability and building a robust payment system for government services.	FMS Ministries of Finance	
12	The Finance Ministers Fiscal Forum (FMFF) will review and endorse the FMS/BRA ranking and scoring based on the self-assessment reports submitted in August 2023. The result of the assessment will be presented to the forum for their consideration and approval.	RCRF/IGFFTC	7th Aug 2024
13	FMS shall submit the payroll of all employees to identify employees which are not financed by the RCRF as part of the EEP program.		

14. Annexes

Annex 1: List of Participants

S/N	Name	Position	Institution
1	Feisal Mohamed Hashi	Director Geneal Revenue & IGFFTC Chair	FGS
2	Abdulkadir Suleiman Mohamed	RCRF Coordinator	FGS
3	Abubakar Mohamud Abubakar	SERP Coordinator	FGS
4	Warfa Liban Mohamed	Deputy Budget Director	FGS
5	Sayid Ali Mo'allim Abdullahi	Head of Intergovernmental	FGS
6	Saara Abukar Osman	Head of Corporate Service	FGS
7	Omar salad Hassan	Head of Cash Management Unit	FGS
8	Abdirizak Ahmed Jimale	Reporting Director	FGS
9	Abdi Hamud Ahmed	Federalism Advisor	FGS
10	Ahmed Haji Abdullahi	Fiscal Federalism Expert	FGS
11	Abdiwahab Omer Jama	IGFFC Member of Secretariat	FGS
12	Abdisamad Abdullahi Mohamed	IGFFC Member of Secretariat	FGS
13	Aysha Yasin Mohamud	Revenue Department	FGS
14	Ahmed Muktar Ali	IGFFC Member of Secretariat	FGS

15	Abdinur Mohamed Osman	Director General	HSS
16	Abukar Yusuf Mohamed	Revenue Director	HSS
17	Salad Mohamed Nur	Budget Director	HSS
18	Hashim Mohamed Ahmed	Treasury Reporting Officer	HSS
19	Nur Omar Shalle	Director General	JSS
20	Zakariye Abdi Ali	Revenue Director	JSS
21	Abdirashid Abdi Adan	Treasury Director	JSS
22	Ayan Mohamed Hassan	Budget office	JSS
23	Ali Abdi Adan	Director General	SWSS
24	Abdiaziz Mo'alim Hussein	Budget Director	SWSS
25	Abdiwahid Hussein Hassan	Customs Director	SWSS
26	Abdullahi Abdinur Mohamed	Revenue Director	SWSS
27	Nor Osman Kaarshe	Director General Admin and Finance	BRA
28	Abdirahman Omar Ahmed	Finance Director	BRA
29	Mahad Dahir Afrah	Head of Budget Department	BRA
30	Hamdi Ali Nor	Treasury Director	BRA
31	Saaed Gelle Jama	DRM Advisor	GSS
32	Abdiaziz Mohamud Hussein	Revenue Director	GSS
33	Abukar Muxiyadiin Ali	Treasury Director	GSS
34	Mohamud Ibrahim Adan	Budget Director	GSS
35	Ministry of Interior and Federal Affairs	Director General	JSS
36	Omar Abdi Mohamed	Director General	GSS
37	Mustafe Abdullahi Hassan	Director General	SWSS
38	Nur Hassan Sheikh Muse	Director General	HSS
39	Mohamud Yasin Jama	Governance Specialist	World Bank
40	Violet Tsindori Amani		World Bank
41	Ismail Abdi Ali	PREMIS Deputy Team Leader	PREMIS
42	Abshir Mohamed Abshir	PFM Lead	PREMIS
43	Mustaf Abdullahi Hassan	Director General	MoILGR SWSS
44	Nur Hassan Sheikh Muse	Director General	MoILGR HSS
45	Abdi Mahad Ahmed	Director General	MoILGR JSS
46	Abdikafi Hassan Adan	Director General	MoILGR GSS
47			