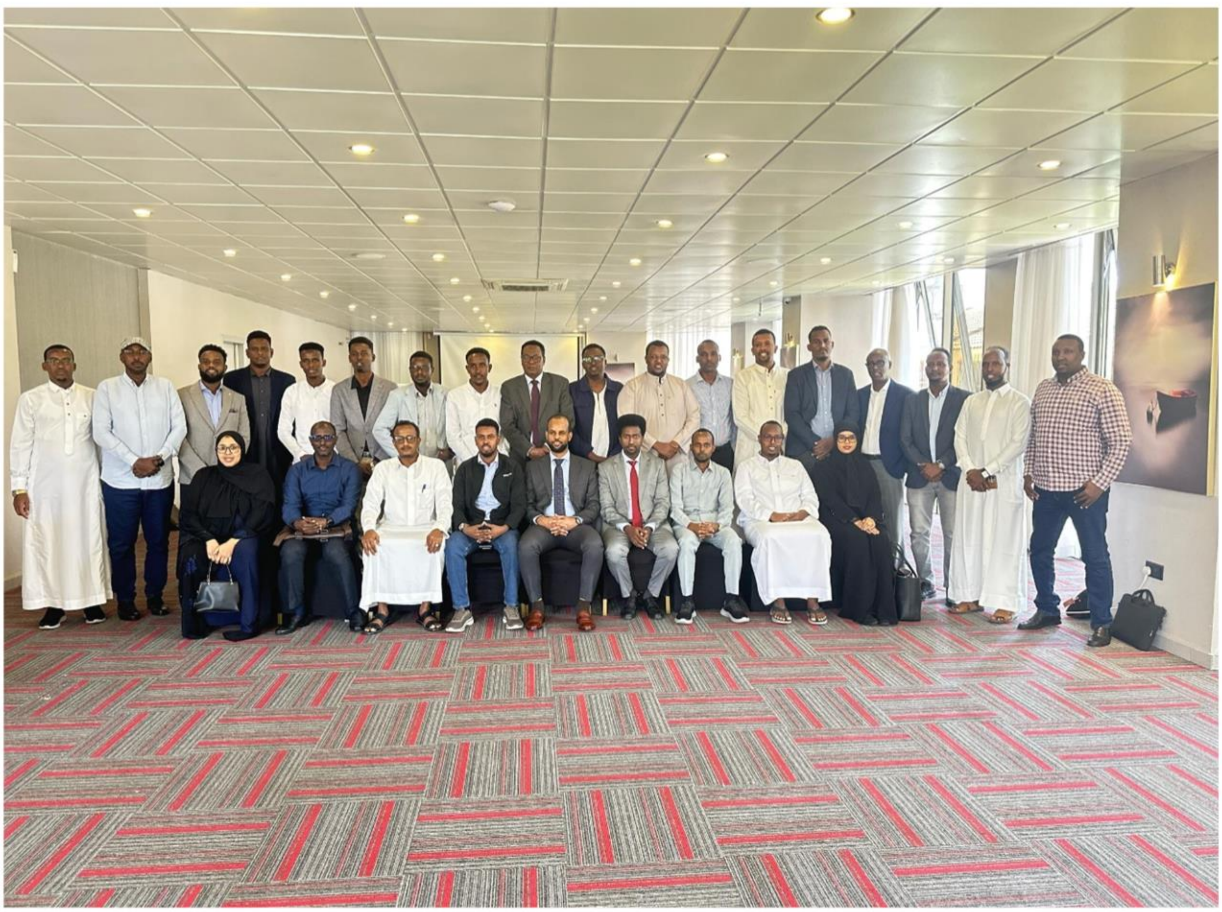
Meeting Minutes for the 18th IGFFTC Meeting in Nairobi

Venue: MAA Hotel & Suits
Nairobi, Kenya
Date: 8th – 12th April 2025



1. Introduction & opening remarks

A successful in-person meeting of the 18thIntergovernmental Fiscal Federalism Technical Committee conference **(No.18)** organized by the IGFFC Secretariat Office was held successfully in Nairobi, Kenya from 8th April to 12th April 2025. 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 objectives of the meeting will be for the members of the IGFF technical committee to have an in-depth discussion and reach a unanimous consensus on the following proposed points of fiscal governance reforms:

- **Validation of the IGFFTC Annual Workplan For FY2025:** review and approve the yearly workplan to ensure alignment with the committee's objectives and priorities.
- **Modification of the Existing Grant Sharing Formula**: introduce two more additional indicators to the grant sharing formula to enhance its effectiveness gradually in response to fiscal reforms of the country.
- **Discussion and Validation of the Self-Assessment Results:** evaluate, confirm and validate the outcomes of the assessment conducted by the IGFFC Secretariat and Advisors to identify strengths and areas for improvement.
- **Proposed Amendments to the IGFFTC Terms of Reference (ToR):** deliberate on and approve changes to the ToR to include provisions for the local government component, ensuring comprehensive coverage of fiscal reform initiatives.
- **Addressing Other Significant Fiscal Reforms Issues**: engage in detailed discussions on various crucial fiscal reform matters to address challenges and opportunities for enhancing fiscal governance and revenue management.
- **Discussion and validation of the proposed tax audit strategy**: IGFFTC will engage a focused discussion on the proposed tax audit strategy, and the proposed strategy will be approved after confirming its effectiveness by the IGFFTC.

2. Discussion & Adoption of the Agenda Items

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. Update on the Achievements of the FY-2024 Annual Work Plan

The meeting was briefed with the achievements made in the FY-2024 regarding the implementation of the planed intergovernmental activities in FY2024. These achievements include endorsement and implementation of the unified TIN structure across FGS and FMSs; submission and validation of the FY2023 self-assessment reports; convening successfully three IGFFTC meetings (3) and two (2) FMFF meetings in FY2024.

4. Review and discussion of the current publication practices of the reports and the technical problems of the websites

During the meeting, the IGFFTC discussed issues related to publication of fiscal data and reports on the FGS/FMS websites and challenges in accessing these data. The committee realized and emphasized the importance of improving the quality, timeliness and accuracy of the reports being published on the website. The data should be refined before it is uploaded on the respective website.
Regarding the changes in the FMS original budget is due to the state appropriation action (section 4) that allows FMS to update the original budget with unanticipated funds.

FMS Website Management: It was noted that FMSs website management is very poor, and it has a technical deficiency. To improve the management of the websites, FMS were recommended to explore ways to enhance website's robustness and improve the accessibility of reports to avoid missing of the data while considering the standardization of reports to promote consistency and clarity in published reports.

Links for the FGS/FMS Publications
FGS
https://mof.gov.so/publications/2024-end-year-budget-performance-report

Suggestion for avoiding FMS Data Loss:
To avoid data loss, the FMS Budget, Revenue, and Treasury Departments should prioritize data security by implementing stringent measures to protect the fiscal data and government information. Additionally, these departments should proactively share the data with their FGS counterparts to establish a reliable backup system.
This collaborative approach will serve as a protective measure against data loss incidents, ensuring that essential financial data remains secure and readily accessible in the event of any unforeseen circumstances.

5. Discussion and Validation of the IGFFTC Annual Workplan for FY2025

The committee discussed extensively the planned activities in FY2025 to ensure that that they are in line with the strategic goals of and objectives and contribute to advancing fiscal reform initiatives. They also established a realistic timeline for each activity of the FY2025 work plan.
Finally, the IGFFTC validated unanimously the proposed intergovernmental activities in FY2025.

6. Discussion on PBC.95: Enhancing Budget Transparency Through Timely Publication of Key Budget Documents

During the discussion on Performance-Based Condition (PBC) 9.5, which focuses on enhancing budget transparency through the timely publication of key budget documents, Mr. Abdulkadir, the

RCRF Project Coordinator, provided a detailed explanation of this condition. Under this condition, the following documents are mandatory required from the FMS Ministries of Finance to publish on their respective websites:

1. Draft Appropriation Act for Fiscal Year 2026
2. Executive Budget Proposal
3. Enacted Budget
4. Citizen Budget

These documents play a crucial role in promoting transparency and accountability in the budgeting process. The Draft Appropriation Act outlines the proposed budget allocations for the upcoming fiscal year, while the Executive Budget Proposal provides insight into the government's financial priorities. The Enacted Budget signifies the finalized budget after legislative approval, while the Citizen Budget aims to present budget information in a simplified and accessible format for the general public.

Finally, the meeting acknowledged the critical need for technical assistance and tailored training for the Federal Member States (FMS) Budget Departments to enhance their capacity in preparing and publishing the aforementioned documents. **The Federal Budget Directorate will take the lead in providing this technical assistance and delivering the necessary training, in close collaboration with the SERP, PREMIS 2 and RCRF Projects.**

7. Discussion on the Proposed Amendments to the Grant Sharing Formula and Approval of the Revised Version of the Formula Document (amendment 1)

During the meeting, discussions centered around proposed amendments to the Grant Sharing Formula, culminating in the approval of Amendment 1 to the revised version of the formula document. The session began with an overview of the existing grant sharing formula, highlighting its key components and allocation methods.

Committee members engaged in an open dialogue to identify shortcomings in the current formula, delving into areas that necessitated modifications for enhanced efficacy. Proposed changes were thoroughly examined, with a particular focus on introducing additional indicators to bolster the ongoing fiscal reforms and strengthening intergovernmental fiscal relations among tires of the government.

Efforts were directed towards achieving consensus among committee members regarding the proposed amendments. The revised formula, now incorporating additional indicators, will be validated and endorsed through the established protocols to ensure alignment with the committee's collective vision and objectives.

Overall, the session underscored the committee's commitment to continuous improvement and strategic enhancements in the realm of grant allocation and distribution.

Lastly, **the IGFFTC agreed to postpone the endorsement** of the revised grant sharing formula to the next IGFFTC meeting (IGFFTC session 19).

8. Committee endorsement of the FMS/BRA self-assessment results

During the 18th IGFFTC Meeting, IGFF Secretariat and Advisors diligently evaluated the third self-assessment reports based on the FY2024 data, 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 endorsement.

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 evaluation of the third self-assessment reports

Table 1: FMS/BRA Ranking and Scoring as Per the Third Self-assessment Reports (Indicator 1)

States	Inland Revenue Variance Rate	Ranking	Scoring
Puntland	9.5%	1	16.67%
SouthWest	11%	1	16.67%
Galmudug	-9%	1	16.67%
Jubbaland	-3%	1	16.67%
BRA	12%	1	16.67%
Hirshabelle	4%	1	16.67%
			100%

Table 2: FMS/BRA Ranking and Scoring as Per the Third Self-assessment Reports (Indicator 2)

States	Parameter 2 (Calendar Scoring)	Ranking	Scoring
SouthWest	A	1	16.67%
Galmudug	A	1	16.67%
Jubbaland	A	1	16.67%
Hirshabelle	A	1	16.67%
BRA	A	1	16.67%

Puntland	A	1	16.67%
			100%

Table 3: FMS/BRA Ranking and Scoring as Per the Third Self-assessment Reports (Indicator 3)

States	Parameter 3 (Audit & Reporting) Scoring	Ranking	Scoring
SouthWest	A	1	17.40%
Galmudug	A	1	17.40%
Jubbaland	A	1	17.40%
Hirshabelle	A	1	17.40%
Puntland	A	1	17.40%
BRA	D	6	13.00%
			100%

9. Discussion & Refinement of the Policy Brief on the NCC Revenue Assignment Agreement in View with the Comments from IGFFTC, IFF, World bank and FGC Recommendations

During the 17th IGFFTC meeting in Nairobi, the IGFFTC members actively engaged in the discussions facilitated by Dr. Rekha, Workshop Facilitator from the Institute of Federalism, Fribourg University in Switzerland. In these discussions, the Policy Paper underwent further refinement and discussions based on the feedback from the committee and IFF.

The IGFFTC members reached a unanimous decision to incorporate and emphasize the following points in the policy paper:

I. Local government taxing power: in deliberations on the NCC Agreement, a consensus was reached that issues concerning local governments should fall under the jurisdiction of the respective Federal Member States. It was acknowledged that each local government possesses its own tax regulations that must be managed in accordance with their respective federal member states.
II. Formalizing Institutions of Intergovernmental relations and fiscal federalism
III. Adding a clause indicating that the existing agreements will be adhered to until the revenue assignment is implemented, and the national revenue authority and revenue allocation commission are established.
IV. The timeline for the policy paper operationalization will be adopted once the inter-ministerial finance forum endorsed the PP and the constitution is adopted.

At the 18th session of the IGFFTC, a presentation was delivered concerning the Financial Governance Committee's (FGC) Advisory Note on the IGFF Policy Paper. During the presentation, it was highlighted that the advisory note expressed support for the IGFFTC recommendations. The FGC recommended focusing on concurrent taxes (quick wins) as an initial step towards enhancing financial governance. To accomplish this, the committee advised the development of a clear implementation framework specifically for managing concurrent taxes.

Furthermore, the advisory note put forth various options for incorporating the policy options outlined in the IGFF Policy Paper into ongoing review process of the Somalia Provisional Constitution. This step signifies a significant move towards embedding the financial governance principles proposed in the policy paper into the constitutional framework, thereby laying a solid foundation for effective governance and financial management practices in Somalia.

IGFFTC reflections: while appreciating the FGC advisory note, the IGFFTC proposed the establishment of an effective sharing mechanism between the FGS and FMS regarding the implementation of the concurrent taxes and their collection process.

Validation of the IGFF Policy Paper

The validation of the revenue assignment policy paper took place the 18th IGFFTC meeting. It was confirmed that all IGFFTC members present at the meeting, with the exception of members from Jubbaland State, endorsed and validated the policy paper, acknowledging its significance in shaping revenue assignments agreements within the transitional governance framework.

The IGFFTC members from Jubaland expressed that they are not in a position to grant final approval for the validation of the policy paper. Efforts were made to persuade them to participate in the validation process, including a phone call to their Minister of Finance, who proposed a two-week delay and expressed hope that tensions between the highest leadership of the Federal Government and his State would ease. Ultimately, the policy paper was validated through a vote by the participating member states, with the exception of Jubaland.

The overall validation by the majority of IGFFTC members underscores the broad support for the proposed revenue assignment agreement outlined in the policy paper, signalling a step forward in advancing financial governance and cooperation between levels of government.

Way forward:

- **Submission to the FMF:** the validated revenue assignment policy, enhanced by integrating FGC recommendations and World Bank comments, will be presented to the Finance Ministers at their 23rd meeting for deliberations and endorsement.
- **Considering FGC recommendations:** engage the drafting constitution committee and consider these recommendations in the fiscal chapter of the constitution.

- **Establishment of a sharing mechanism for road tax revenues:** in the meantime, the IGFFTC will think of possible ways of road tax management and sharing mechanism
- Upcoming IGFFTC Meeting: the next IGFFTC meeting will be convened in Egypt in June 2025

10. Discussion and approval of the proposed amendments to the IGFFTC Terms of Reference (TOR).

During the 18th of the IGFFTC meeting in Nairobi, the committee members discussed and approved the proposed amendments to the IGFFTC Terms of Reference which accommodates the inclusion of the IGFF Secretariat role in coordinating local government activities and discussions that relate to financial governance and intergovernmental transfer and budget allocations to district governments.
The IGFFTC aims to enhance coordination, promote transparency, and strengthen financial management practices at the local level.

11. Discussion and validation of the proposed tax audit strategy

At the 18th session of the (IGFFTC), the Federal Government of Somalia (FGS) Revenue Directorate, particularly the Large and Medium Taxpayers Office (LMTO) Office, presented the Tax Audit Strategy proposal for deliberation and review by the committee members. Following an extensive discussion, **the IGFFTC thoroughly examined the proposed strategy, made adjustments based on committee recommendations, and reached a unanimous decision to approve the Tax Audit Strategy.**

12. Agreements reached and documents approved at the 18th IGFFTC Meeting in Nairobi

The following agreements were reached at the 18th IGFFTC Meeting was successfully concluded in Nairobi on 12th April 2025:

1. Validation of the Revenue Assignment Policy Paper by the IGFFTC
2. Approval of the amendments to the IGFFTC Terms of Reference (TOR)
3. Validation of the FMS/BRA Self-Assessment results for FY2024
4. Approval of the Tax Audit Strategy proposed by the FGS Revenue Directorate

13. Agreed Action Points

S/N	Agreed Point	Responsibility
1	FMS Citizen budget shall be released and published online by August 10, 2025	FGS/FMS Budget Departments
2	FMS Ministries of Finance to explore ways to enhance website's robustness and data security while enhancing the accessibility of reports. This initiative aims to prevent data loss and ensure seamless access to information	FGS/FMS Budget Departments
3	The revised grant sharing formula shall be discussed further and endorsed at the next IGFFTC meeting (session 19).	IGFFTC
4	The IGFFTC shall develop an implementation framework and a robust sharing mechanism for the revenue generated from the concurrent taxes	IGFFTC (R&D Sub-Committee)
5	The IGFFTC to come up with concrete road tax management system and sharing mechanism between states	IGFFTC- Revenue Sub-Committee
6	The validated FMS/BRA self-assessment results by the IGFFTC shall be endorsed by the Finance Ministers at their 23rd FMFF meeting.	IGFFC Secretariat/RCRF Coordinator
7	The Federal Budget Directorate shall provide technical assistance and tailored training for FMS Budget Departments to enhance their capacity in preparing and publishing the required documents under the PBC 9.5	FGS Budget Directorate

14. Annexes

Annex 1: List of Participants

S/N	Name of Participant	Title	Entity
1	Feisal Mohamed Hashi	DG-Revenue/ IGFFTC Chair	MOF-FGS
2	Abdulkadir Suleiman Mohamed	RCRF Coordinator	MOF-FGS
3	Abdikarim Mohamed Hussein	Deputy Budget Director	MOF-FGS
4	Abdiwahid Ahmed Guled	Head of Intergovernmental	MOF-FGS
5	Omar Salad Hassan	Head of Cash Management	OAG-FGS
6	Ilyas Elmi Ahmed	Financial Reporting Officer	OAG-FGS
7	Fatuma Mahad Abdullahi	Head of LMTO Office	MOF-FGS
8	Ahmed Hagi Abdullahi	Senior Advisor Fiscal Federalism	MOF-FGS
9	Abdiwahab Omar Jama	IGFF-TC Secretariat	MOF-FGS

10	Abdisamad Abdullai Mohamed	IGFF-TC Secretariat	MOF-FGS
11	Ahmed Muktar Ali	IGFF Consultant	MOF-FGS
12	Ali Adan Hassan	RCRF Program Officer	MOF-FGS
13	Abdullahi Salah Mudey	Director General	MOF-HSS
14	Mohamed Osman Mohamed	Revenue Director	MOF-HSS
15	Abdikarem Abdullahi Mire	Budget Preparation Officer	MOF-HSS
16	Hashim Mohamed Ahmed	Treasury Officer	MOF-HSS
17	Nor Omar Shalle	Director General	MOF-JSS
18	Shafi Abdi Ali	Revenue Director	MOF-JSS
19	Faisal Mudey Hassan	EAFS Director	MOF-JSS
20	Yusuf Abdi Abdullahi	Budget Director	MOF-JSS
21	Abdiaziz Mo'alim Hussein	Budget Director	MOF-SWSS
22	Abdiwahid Hussein Hassan	Customs Director	MOF-SWSS
23	Abdullahi Abdinur Mohamed	Revenue Director	MOF-SWSS
24	Abdullahi Dahir Hussein	DRM Advisor	MOF-SWSS
25	Nor Osman Kaarshe	DG Admin and Finance	BRA
26	Abdirahman Omar Ahmed	Finance Director	BRA
27	Mahad Dahir Afrah	Head of Budget Department	BRA
28	Hamdi Ali Nur	Treasury Director	BRA
29	Abukar Muhudin Ali	Acting DG / Treasury Director	MOF-GSS
30	Abdiaziz Mohamud Hussein	Revenue Director	MOF-GSS
31	Mohamud Ibrahim Adan	Budget Director	MOF-GSS
32	Abdiaziz Mohamed Omar	Treasury officer	MOF-GSS
33	Abshir Mohamed Abshir	PFM Lead	PREMIS2
34	Abdullaahi Sagaray	PFM Advisor	PREMIS2

Annex 2: Photos

Figure 1: IGFFTC Validation Session of the Revenue Assignment Policy Paper