**Federal Republic of Somalia**
**Ministry of Finance**
**Somalia Enhancing Public Resource Management Project**

**Terms of Reference (TOR)**
for Consulting Services to
**A Joint Assessment of Functional and Business Policies and Processes in Core Budget Execution Entities at both FGS and FMS Levels**

## 1. Background and Context

The project development objective (PDO) of the Somalia Enhancing Public Resource Management Project (SERP) is to strengthen accountability, transparency, and institutional capacity in public resource management across participating entities.[1] The project will provide US$75 million financing (US$60m IDA Grant + US$15m from Somalia Multi-Partner Fund 2) over the next five years (2023-2027). The project is expected to achieve the PDO through an innovative design to implement interdependent reforms in public resource management in an integrated manner, across the whole of Somalia. The project includes five components: (i) Public Financial Management (PFM); (ii) Domestic Revenue Mobilization (DRM); (iii) Public Sector Management (PSM); (iv) Integrated Governance Support; and (v) Project Management, Coordination, and Support in Delivery.

The expected key outcomes of the project include enhanced independent oversight of public finances, strengthened transparency in fiscal and procurement information, and improved capacity in public resource management and civil service administration. The project will further contribute to improved cash flow to health and education sectors for service delivery, improved citizen engagement in budgeting and citizen awareness in taxation laws and procedures, modernized and data driven tax administration, and enhanced availability of integrated data for decision making across PFM and DRM. The project core indicators and targets are available in the Project Appraisal Document.

The main aim of the PFM reforms has been to create a more reliable and efficient system that can better manage public resources, thus laying a solid foundation for sustainable economic development and enhanced public confidence in the government's financial management. The PFM systems of the Federal Government of Somalia have undergone significant reforms aimed at enhancing transparency, accountability, and overall financial management. The overall PFM reform objective 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"*.

Some of these reforms include the enactment of the Public Finance Management Act in 2019 and the adoption of related regulations in 2022, which have established a stronger legal and institutional framework. These frameworks are instrumental in guiding the systematic improvements across government financial operations, including the government priority reforms evident in the Public Financial Management Roadmap Action Plan (PFM-RAP) 2021–2024. This PFM RAP aims to enable the FGS to establish robust public financial management practices by

[1] The entities participating in this activity are the Federal Government of Somalia (FGS), Galmudug State of Somalia (GSS), Hirshabelle State of Somalia (HSS), Jubbaland State of Somalia (JSS), Puntland State of Somalia (PSS), and South West State of Somalia (SWSS).

2024, with a focus on increasing revenue, strengthening expenditure management, improving the intergovernmental fiscal framework, and enhancing relationships with external partners.

Significant strides have also been made in operational areas such as the implementation of the Somalia Financial Management Information System (SFMIS), which has greatly improved the efficiency of financial processes from budgeting to reporting. The system supports real-time financial monitoring and has been crucial in streamlining the government's financial operations.

The establishment of the Treasury Single Account (TSA) has centralized revenue management and expenditure controls, further enhancing financial governance. A Comprehensive Operating Procedures Manual (COPM) developed in 2018 introduced the establishment of general policies, procedures, and rules that all Ministries, Departments, and Agencies (MDAs) must follow for the efficient and effective management of public resources and funds. The COPM aims to align Public Financial Management (PFM) policies and procedures with the new PFM Act, ensuring consistency with internationally recognized standards and best practices.

However, despite these advancements, there remains a critical need for an ongoing assessment of functional and business policies and processes within core budget execution entities. The rapid developments and implementations have led to new operational landscapes that require regular reviews to identify any emerging gaps or inefficiencies.

This assessment aims to ensure that all business processes are aligned with the PFM legal framework and are functioning optimally to support the government's financial management objectives. This is particularly pertinent as the current PFM RAP requires updating to ensure it remains relevant and effective in guiding critical reforms in the post- HIPC environment and to align with the National Transformation Plan (NTP) for 2025- 2029.

The timing of this assessment is crucial, as it seeks to build upon past achievements, identify remaining challenges and gaps, and provide actionable solutions to further advance the PFM reform agenda at both the federal and member state levels. It reflects a commitment to continuous improvement and the evolution of PFM practices to meet the dynamic needs of Somalia's public finance landscape.

This joint assessment of functional and business policies and processes within core budget execution entities is also aligned with the World Bank Somalia FM Programmatic Advisory Services and Analytics (PASA). The FM PASA includes a component specifically designed to strengthen the internal audit function within the government's financial management system. Aligned with this, the World Bank's report presents key findings and recommendations to strengthen the internal audit function, which will be implemented under the SERP project.

The FGS Ministry of Finance (MoF) will hire a consulting firm (hereinafter referred to as "the Consultant") for the joint assessment of functional and business policies and processes in core budget execution entities. The Consultant will support the drafting of reengineered PFM business processes and an updated COPM. Including the development of tailored strategic, operational, and training plans.

## 2. Objective of the Assignment

The objective of this assignment is to strengthen PFM systems through a comprehensive joint assessment of functional and business policies and processes in the ministries of finance of both the Federal Government of Somalia (FGS) and five Federal Member States (FMS) (*12 entities incl. 6 Offices of the Accountants General/ Treasury Departments, and 6 Budget Departments).*

This assessment will first identify the gaps, overlaps and areas for improvement (per para a, section 3. below), document these, then provide recommendations for reengineering, including documenting reengineered PFM business processes to streamline workflows for budget execution, review and updating the COPM ensuring that these processes are aligned with the proposed enhancements to the PFM legal framework. The Consultant will also review the functional capabilities of existing Financial Management Information System (FMIS) solutions used by the FGS and the FMSs to identify the improvements needed to streamline the workflows automated through these systems.

Additionally, the Consultant will develop tailored strategic, operational, and training plans to optimize processes and enhance capabilities across these entities to meet the requirement of the proposed enhanced PFM business processes resulting from the assessment. This includes identifying and addressing capacity constraints, whether institutional, systemic, or skill-related, to enable each entity to perform effectively and meet the required standards.

## 3. **Scope of Activities**

The Consultant will work closely with the Ministries of Finance and other relevant government officials to conduct a detailed assessment of functional and business policies and processes within Budget Departments, Offices of the Accountants General/ Treasury Departments at the FGS and five FMSs to identify, develop and document reengineered PFM business processes, and updated COPM.

Additionally, the Consultant will develop strategic and operational plans for the implementation of these reengineered processes (including the improvements needed in existing FMIS platforms) as well as training plans.

More specifically, the Consultant shall perform the following tasks:

a. *Review current policies and procedures for budget execution:* Undertake a thorough review of the existing functional and business policies, processes, systems, and frameworks across core budget execution entities (Budget Departments, Offices of the Accountant General/ Treasury Departments). This will establish a clear baseline from which improvements can be measured. The review will include existing documents (e.g., assessment reports, action plans, manuals, requirements) part of previously completed activities and including assessment of functional and business policies and processes.

b. *Review current expenditure controls:* Assess budget execution controls within the budget (allotment and warrants) to payment processes to ensure effective funds allocation and utilization of resources, timeliness of fund flows, aligning expenditures with national development priorities and maintaining fiscal sustainability.

c. *Legislative review and gap analysis:* A comprehensive review of the PFM acts and their regulations will also be conducted, including internal control frameworks. This will include a gap analysis to identify where current PFM business practices diverge from legal requirements, with the aim of aligning operational practices with statutory obligations and/or indicating where legal frameworks can benefit from updates to meet the objectives of transparency, accountablity, efficiency and effectiveness of the PFM system in Somalia.

d. *Comparative framework analysis:* The firm will perform a comparative analysis of the PFM legal and internal control frameworks between the Federal Government of Somalia and the Federal Member States. This task is essential for identifying opportunities for legislative harmonization that can strengthen fiscal relations and enhance reporting systems.

e. *Identifying inefficiencies and improvement areas:* The firm will analyze existing PFM business processes to pinpoint inefficiencies, gaps, and areas for improvement, in budget execution and internal control functions.

f. *Proposing legislative updates:* The firm will propose updates to the PFM legislative framework related to budget execution to support the harmonization of reporting requirements across entities and improve overall financial governance.

g. *Business process reengineering:* Detailed proposals for reengineering PFM business processes will be provided, including advice on the development and implementation of new processes to enhance efficiency and regulatory compliance.

h. *Reengineered business processes to include:* (a) Definition of all the needs to be met by the workflows; (b) Identification of each workflow identified to meet the needs; (c) Definition of how activities connect and the assignment of the roles and responsibilities for each (swimlane flow charts); (d) Instructions for each activity, including how the technology/SFMIS supports the activities; (e) Identification of gaps and improvement possibilities; (f) Definition of workflows and activities to fill gaps, how these connect, assignment of roles and responsibilities for each (swimlane flow charts), and instructions for each activity, including how the technology/SFMIS supports the activities.

i. *Developing customized and common plans:* Based on the findings from the assessments and analyses, the consulting firm will develop strategic, operational, and training plans customized for each budget execution entity and common training for harmonized approaches and to enhance collaboration and coordination among the different stakeholders and tiers of government in Somalia. These plans will guide the implementation of improvements through relevant adjustments in existing FMIS platforms.

j. Each strategic plan will be accompanied by a detailed implementation roadmap outlining the required steps, timelines, resources, and key milestones necessary for effective execution. The plans are to include cost & duration estimates for any updates or improvements to existing/new PFM functional and business processes.

k. *Training program development:* The consultant will conduct a needs competency assessment and develop a comprehensive training program and capacity building roadmap to build the capacities of the staff within budget execution entities, focusing on the management of reengineered processes and adaptation to regulatory changes.

l. *Stakeholder engagement:* Through consultations with stakeholders, the firm will gather input to validate proposed process enhancements. This engagement ensures that the reengineered processes are both practical and suitable for the specific institutional context.

m. *Regular progress updates:* Provide biweekly progress updates to the SERP Project Coordinator and PFM Reforms Advisor, detailing the current status, challenges, and actionable recommendations to guide PFM activities for core budget execution entities.

## 4. Methodology

The Consultant is expected to provide one or more teams to engage and coordinate with the relevant officials from the FGS and the FMSs in parallel to perform the tasks listed in the scope of this assignment.

The Consultant is expected to adopt extensive participatory and consultative approaches for all activities to ensure active involvement of related officials.

To achieve this, the consultant will utilize various methods and techniques such as stakeholder meetings, workshops, document reviews, system walkthroughs, inspection visits throughout Somalia, surveys, documentation, presentation and report writing, as well as live demo sessions to review the functional capabilities of existing FMIS platforms. These methods will enable the consultant to gather relevant information and input from the officials and ensure that their concerns and needs are taken into account in the project deliverables.

To ensure that the input provided by officials is incorporated into the project deliverables, the consultant will organize regular feedback sessions. The feedback sessions will enable officials to review the consultant's findings, recommendations, and project deliverables, and provide input to ensure that the deliverables meet their needs and expectations.

In the event that disagreements or conflicts arise during the project, the consultant will utilize a conflict resolution process that is fair and transparent. The consultant will ensure that officials are informed of any disagreements or conflicts as soon as possible, and provide an opportunity for officials to express their concerns and propose solutions. The consultant will also ensure that all parties involved in the conflict are treated with respect and that the conflict is resolved in a timely and efficient manner.

The Consultant should organize at least three consultative workshops in each location with relevant stakeholders in the beginning, at the middle and in the final stage of the assessment. It should have necessary interviews, direct conversations, questionnaire, field visits, discussion, survey, email, etc. to get information about the assigned tasks.

In the study and review process the FGS officials will assist in the coordination of activities with other governmental agencies on request of consultant.

## 5. Duration and Location

The assignment should commence as soon as possible, preferably in November 2024, and must have been completed by the end of April 2025 (within a period of six months). The assignment is expected entail approximately 6 person-months of input from five (5) key experts (international/national), as well as 4 person-months of input from two (2) non-key experts (national) with required qualifications to cover in-country assistance, coordination, reporting and presentations of the analysis and recommendations.

The Consultant team should include a team leader, and should collectively have expertise in the following areas: PFM (budget execution), PFM legislative reviews, public sector operations, and digital transformation/change management. Additionally, the team should include two non-key PFM experts.

## 6. Expected Deliverables and Outputs

The Consultant shall submit the following deliverables after the commencement of this assignment.

| Activities | Outputs | Expected completion date* |
| --- | --- | --- |
| Inception Report & Work Plan | Inception report and tentative work plan including understanding of the assignment, the methodology, key tools, and a detailed work plan with milestones and timelines to ensure timely delivery of all tasks. | Week 1 |
| Interim Report 1 | Review of existing functional and business processes, controls, systems, and frameworks across core budget execution entities, including a preliminary legislative review and gap analysis highlighting discrepancies between current practices and legal requirements. | Week 3 |
| Interim Report 2 | A comprehensive report comparing the PFM legal and internal control frameworks between FGS and FMSs, identifying inefficiencies and areas for improvement in budget execution. Include a summary of stakeholder consultations, detailing input received and implications for process enhancements. | Week 9 |
| Interim Report 3 | Detailed reengineered PFM business processes, including an updated Comprehensive Operating Procedures Manual (COPM), proposed legislative amendments aligned with these processes, and a legislative review identifying harmonization opportunities between FGS and FMSs. | Week 12 |
| Draft Terms of Reference (TORs) | Drafted Terms of Reference (TORs) including cost and duration estimates for implementing actionable recommendations to guide PFM activities for core budget execution entities. | Week 15 |
| Interim Report 4 | Drafts of customized strategic, operational, and training plans for each budget execution entity. Additionally, the firm must provide reports from validation workshops, including feedback from key stakeholders to ensure consensus on the findings and proposed process enhancements. | Week 18 |
| Presentation of Findings | Deliver a presentation of main assessment findings covering all activities listed under the scope of this assignment, including a draft implementation roadmap with outlined steps, timelines, resources, and key milestones for core budget execution entities. | Week 20 |
| Final Report | Final report including an executive summary and the latest versions of all reports produced under this task. Will also include finalized strategic, | Week 24 |

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| | operational and training plans for each budget execution entity. | |

(*) Expected submission dates are from the commencement date of this task.

## 7. Reporting

The Consultant shall report primarily to the Director General (DG) of the FGS Ministry of Finance (MoF) while coordinating with the Director Generals of the respective FMSs as needed. Reporting shall be done through the Project Coordinator and the PFM Reforms Advisor.

The DG/MoF (FGS) shall accept or reject the Consultant reports (rejection involving substantiation) not later than within fourteen business days from the receipt date in collaboration with related FMSs depending on the scope of the deliverable. The Consultant is expected to revise and resubmit relevant reports in case the DG requests revisions (on behalf of the FGS component heads or the FMSs), within ten business days after the receipt of comments. In case there is no MoF comment (from the FGS or FMSs) on the report within twenty-four days, the report will be considered as accepted.

The Consultant teams are responsible for the preparation of all deliverables listed above. The DG/MoF (FGS) will provide the resources listed below and coordinate all activities of related government officials from the FGS and all FMSs. The FMS officials will be involved in their parts of the assessment and provide comments on all consultant deliverables for possible improvements.

The PFM Reforms Advisor will consolidate these comments and share with the Consultant teams for revisions. Revised reports will be submitted to the related officials for final review and approval.

In their interactions with Ministry of Finance staff and other stakeholders, the Consultant is expected to be self-sufficient and maintain the highest level of professionalism.

## 8. Resources provided

The Consultant will be responsible for all arrangements related to office rental, logistics and accommodation, as well as making its own security arrangements, as appropriate, for the duration of the contract. The MoFs may provide an office for the Consultant's team, depending on the availability of office space.

The cost associated with the security arrangements must be made part of the financial proposal and shown as a separate line item. The Consultant will be solely responsible for developing, implementing and maintaining all necessary safety and security risk management measures to meet their duty of care obligations to their personnel, including any third parties they may engage for the delivery of the services.

The MoFs will provide access to the Ministry's building and subordinate organizations, as well as administrative support, meeting rooms, and a conference room, as well as available reference materials, reports, legislative and methodological documents, and other necessary assistance with the implementation of this assignment. The MoFs will also provide a large meeting room for the workshops to be organized with key stakeholders, and access to internet, and network resources, where necessary.

## 9. Restrictions

The Consultant will remain impartial and will not hold any material or immaterial interests in the functional and business process outputs, tailored strategic, operational and training plans resulting from this assignment. Additionally, the Consultant will not be eligible to participate in any future contracts for implementing the enhancements proposed based on these outputs or other solutions.

In addition to the standard conflict-of-interest restrictions specified in the consultancy contract, any tangible or intellectual output created under this contract will remain the property of the FGS MoF (and other relevant entities of the FMSs), who will make them available to the concerned development partners including the World Bank. The terms of reference and the correlated products are to be handled confidentially.

## 10. Qualification criteria

### Qualification requirements for the Consultant

The Consultant must meet the following minimum requirements:

1. At least seven (7) years of experience specializing in PFM systems, particularly in conducting thorough assessments and developing reengineered business processes within core budget execution entities and related capacity building for the government/MoF with relevant evidence.
2. Experience in institutional capacity building with large public sector PFM/ projects in different developing countries, as well as in transition economies and fragile and conflict-affected situations (FCS), will be an added advantage.
3. Experience in conducting legislative reviews and proposing updates to PFM frameworks, particularly in decentralized governmental systems. Familiarity with relevant laws, regulations, and international standards related to public financial management is essential.
4. At least two (2) successfully completed comparable projects in the areas specified in the assignment (developing reengineered PFM business processes in the public sector) over the past five (5) years with relevant evidence (e.g., contact details and operational acceptance certificates of successfully completed projects).
5. The Consultant team must be comprised of qualified key experts, with a demonstrated record of accomplishment in similar assignments within the last 5 years, including expertise in detailing functional and technical requirements suitable for inclusion in TORs and bidding documents, along with cost and duration estimates for reengineering processes.
6. The Consultant must provide sufficient and appropriate administrative support, including knowledge management, benchmarking, and reporting.
7. Fluency in English is required for all members of the team, in addition to excellent report-writing and human relations skills. Capability to develop a capacity-building curriculum to empower government officials to continue implementing and improving upon the joint assessment recommendations.
8. The Consulting firm should not have any past/ongoing legal issue with the Client.

### Qualification requirements for Key Experts

Considering the large scope of the assignment, the Consultant is expected to form an expert team consisting of a Team leader and a group of local and international consultants with relevant experience, or a consortium with other organizations / agencies and / or consulting firms. The experts must be highly qualified, have experience in providing consulting services, be able to work in a team, be competent in areas related to the assignment.

The necessary experience and capacity should be reflected in the CV's of the proposed team members. The Consultant cannot offer more than one person for a key expert position, and a team member cannot work on more than one position.

The members of the Consultant team should indicate their respective experience as indicated in the scope of work. In particular, experience in the relevant field and qualifications; experience in completing similar assignments with at least two relevant assignment references.

Below are the qualifications of the key experts.

Consider: The team must include one or more individuals that have the following experience and expertise.

**K1 – Project Manager/ Team Leader** (International Expert; 6 person-months)

1. An advanced university degree (M.Sc. or higher) in public finance, public policy, or accountancy, or equivalent professional experience, is required. The candidate must also be registered and an active member of a relevant professional body.
2. At least ten (10) years of demonstrated PFM reform experience, with experience overseeing change management processes and training preferably in countries with transitional economies and fragile and conflict-affected situations (FCS).
3. In-depth knowledge and experience in budgeting, fiscal management, and public sector financial systems, including developing and implementing business process improvement initiatives.
4. Knowledge and experience in the review of PFM functional and business processes preparation of detailed requirements and cost/duration estimates for reengineering processes.
5. Substantial leadership and project management expertise. Proven ability to communicate project issues with high-ranking government officials and diverse cultures, and to resolve key issues quickly, will be essential.
6. At least two (2) successfully completed contracts on similar tasks over the past five (5) years.
7. Fluency in English, and excellent writing and communication skills. Knowledge of Somali language will be a plus.

**K2 – Budget Execution Expert** (International Expert; providing 6 person-months of input)

1. University degree in public finance, accounting/ financial management, public administration, or other related fields. Advanced university degree (M.Sc. or higher) will be an advantage.
2. At least seven (7) years of professional experience in public financial management, budget preparation, accounting and reporting or a closely related field, preferably in countries with transitional economies and fragile and conflict-affected situations (FCS).

3. Deep understanding and appreciation of the role of the budget department and office of the accountant general/treasury departments within the confines of the Ministries of finance budget execution entities.
4. At least two (2) successfully completed contracts on similar tasks over the past five (5) years.
5. Fluency in English, and excellent writing and communication skills. Knowledge of Somali language is a plus.

**K3 – PFM Legal Expert** (International/National Expert; providing 4 person-months of input)

1. University degree in Law, preferably with a specialization in financial law, public administration law, or a related field.
2. At least five (5) years of relevant legal experience, with a significant portion dedicated to PFM, government finance law, or related areas in the public sector, preferably in countries with transitional economies and fragile and conflict-affected situations (FCS).
3. Knowledge and experience in conducting legislative reviews and proposing updates to PFM frameworks, particularly in decentralized governmental systems.
4. At least two (2) successfully completed contracts on similar tasks over the past five (5) years.
5. Fluency in English, and excellent writing and communication skills. Knowledge of Somali language is a plus.

**K4 – Public Sector Expert** (International/National Expert; providing 4 person-months of input)

1. University degree in social sciences, with a bias in Human Resource Management capacity development, or other related fields. Advanced university degree (M.Sc. or higher) will be an advantage.
2. At least three (3) years of relevant experience in public sector reform and design and development of capacity development/ training programs in the public sector.
3. Knowledge and experience in organizational review and development. Also capable of preparing tailored strategic and operational plans for public sector institutions.
4. At least two (2) successfully completed contract on similar tasks over the past five (5) years.
5. Fluency in English, and excellent writing and communication skills. Knowledge of Somali language is a plus.

**K5 – Digital Transformation/Change Management specialist** (International Expert; 3 person-months)

1. University degree in public administration, human resource management, organization design, business process reengineering, or other related fields. Advanced university degree (M.Sc. or higher) will be an advantage.
2. At least five (5) years of relevant experience in the assessment, design and implementation of digital transformation programs and change management activities in the public sector, preferably in countries with transitional economies and fragile and conflict-affected situations (FCS).

3. Knowledge and experience in the review of automation of business processes, change management plans, and preparation of digital transformation roadmaps and action plans.
4. At least two (2) successfully completed contracts on similar tasks over the past five (5) years.
5. Fluency in English, and excellent writing and communication skills. Knowledge of Somali language is a plus.

*The financial and technical proposal should be phased over the duration of the assignment according to the proposed methodology and approach and activity schedule to achieve the deliverables.*