

ANNEX A: DECLARATION BY THE INITIAL MEMBERS OF THE JOINT FINANCIAL MANAGEMENT BOARD AT THE LONDON CONFERENCE

Establishing the Joint Financial Management Board (hereafter “the Board” or “the JFMB”) is a positive response to the spirit and letter of commitments already entered into by the Transitional Federal Government (TFG) and members of the international community.

On 9 September 2011 in Nairobi, the Heads of State and Government of the East African Community (EAC), the Inter-Governmental Authority on Development (IGAD) and the Republic of South Sudan solemnly declared in paragraph xi (12) of the Joint Declaration of ‘The summit on the Horn of Africa crisis: Ending drought emergencies: A Commitment to Sustainable Solutions’ to undertake: “the formation of a Joint TFG-Donor Financial Management Board, to manage all financial resources provided to the TFG from both internal and external sources.”

On 30 September 2011 in Copenhagen, the International Contact Group (ICG) recommended in the Final Communiqué: “The establishment of a Joint TFG-Donor Financial Management Board as recommended by the Horn of Africa Summit in September 2011.”

Currently, the initial members of the JFMB are the Transitional Federal Government (TFG) of Somalia, or any future successor government of Somalia; the United Kingdom; the French Republic; the European Union; and the World Bank. It is the expectation of the members that the Board will be expanded to include other donors before it is formally established.

Initial members agree the following:

Aims:

- The Board aims to eliminate the diversion of revenues generated from national assets and received in external assistance.
- The Board aims to maximise the productive use in the public interest of revenues generated both by Somalia’s national assets and received in external development assistance.
- The Board also aims to provide accountability and transparency on where and how Somali revenues and donor funds are spent.

Objectives:

- To establish a joint Board with key donor and Somali membership for the purpose of increasing mutual accountability and transparency; and an operational level with the task of forging joint structures with international and Somali counterparts at critical points in the TFG financial environment.

Principles of engagement:

- The Board will seek accountability from Somali public finance institutions for public revenues and expenditures. Simultaneously the Board will seek greater transparency and accountability from international donors and implementing agencies for aid commitments and more effective and efficient implementation of aid.
- The Board should have access to full information concerning financial flows both from internal revenue streams and for external assistance.
- The Board is intended to be a temporary body, the need for which will diminish as Somali public finance institutions become strong enough to manage public finances and prevent diversion.
- The mandate of the Board will be further defined in discussion between the TFG and development partners. A progress review will take place at the end of the mandate.
- The Board is intended to strengthen the ability of Somali public finance institutions to manage Somali public finances and to monitor donor funds.
- The operations of the Board should be, to the extent practical, within Somalia.
- The Board should enhance the sovereignty of the Somali state by building trust between the Somali authorities and international community.

Scope of the Board:

- Internal revenue includes domestic financial flows that are or should be characterized as public resources, including what are or should be national or public assets.
- External assistance includes all donor funds sent to or intended for Somalia whether multilateral or bilateral and whether given to an institution or individual holder of public office.

Establishment:

The President, Prime Minister and Minister of Finance of the TFG will initially represent the TFG on the JFMB. The head of state, head of government and minister of finance or equivalent of any future successor government of Somalia will represent that government on the JFMB. Additional TFG or Somali government representatives may be added under processes established by the JFMB.

The admission of new members will be guided by the standards of accountability and transparency of the prospective member, and the JFMB will establish relevant criteria for the purpose.

Operational Level:

The Board will be supported by an operational level structure. International and Somali counterparts will be identified and appointed for support at critical financial points.

Funding Mechanism:

- Initially, costs of the JFMB will be borne by individual members of the JFMB.
- It is the intention of the parties that as the Somali government maximizes revenues, the running costs of the Board will at some point be shared between international members of the Board and the Somali government.

Next Steps:

Agreement will be reached on the following areas in discussions between development partners and the TFG post conference:

- The Board is intended to operate with the Executive wing of Government but a clear and transparent relationship with the Somali Parliament and all statutory created bodies will be important. The exact nature of that relationship and reporting requirements will be agreed, including whether the JFMB will require Somali legislation.
- The final composition of Board membership.
- The Board will be established by agreed Terms of Reference which will set out in detail the scope and nature of the decision-making to be carried out by the Board and its operational level.
- The Board will function according to agreed Rules of Procedure that ensure sustained engagement by both donors and TFG on transparency/accountability issues.
- Issues that will be included in the Terms of Reference and Rules of Procedure include, but are not limited to:
 - Chairmanship;
 - Frequency and location of meetings, definition of quorum for discussion and decision making;
 - Scope of decision making powers, criteria for decision making and basis of agreements;
 - Staffing issues;
 - Relationships with implementing partners and other donors;
 - Nature of engagement in revenue flows (e.g. single treasury account), expenditure supervision (e.g. cash management committee with joint signatory required), procurement;
 - Security arrangements.
- The Board will take time to become fully operational and will need to take an incremental approach. The sequencing of this approach will need to be agreed between members.