



Summary Proceedings of the
Seminar on

**“GOOD GOVERNANCE,
LEADERSHIP AND
INSTITUTIONS BUILDING”**

for Senior Government
Officials of Somalia and South
Sudan

17-21 March 2014

Addis Ababa, Ethiopia

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I. BACKGROUND, AIM AND CONTENTS OF THE SEMINAR

1.1 Background

A seminar on good governance and the role of leadership and institutions for senior government officials of Somalia and South Sudan was held on 17-21 March 2014, in Addis Ababa.¹ The participants included Ministers and top level civil servants of the governments of Somalia and South Sudan. In particular, participants included representatives of the Ministries responsible for public Finance Management (PFM), the Public Accounts and Finance Committees of the national legislatures; and other Government agencies.

The seminar was conceived as a step to contribute to the institutional building processes in Somalia and South Sudan by way of supporting capacity building initiatives in promoting good governance. It was organized and facilitated by associates and consultants of the Horn Economic and Social Policy Institute (HESPI), in close collaboration with the governments of Somalia and South Sudan.

The principal objective of the seminar was to inspire senior government officials of Somalia and South Sudan to own a vision to enhance economic, social and political governance, and to implement sound public finance management, which is essential for recovery and sustainable development. In particular, the seminar was aimed at informing the participants of best practices of good governance and exposing them to the experiences of post-conflict countries that have practiced good governance.

As governments that are starting from “ground zero,” there are advantage to set up governance systems and procedures according to best international practices, and without hindrance from past distortions and historical baggage. The seminar created an opportunity for the participants to be informed and to brainstorm about the challenges and opportunities surrounding the institutional building processes in a post-conflict country. The expected end result of the seminar was to inform the participants about the imperative of instituting good governance systems in order to transition successfully from conflict to stability and recovery and to address the adverse characteristics of many post-conflict countries.

1.2 The Seminar Outline and Contents

The seminar was held in Ethiopia for about 27 participants, from South Sudan and Somalia, for 5 days. And it was interactive and participatory in order to ensure the participants full engagement and contribution to the role of leadership in good governance. The participants were expected to impart the skills learned to their associates and subordinates in their respective institutions.

¹ The seminar is sponsored, organized and facilitated by the Horn Economic and Social Policy Institute (HESPI).

The seminar focused on the key role of leadership and capable institutions in good governance, addressed the role of ethical leadership in post-conflict countries, and in state reconstruction. The presentations introduced the participants to a range of decisions that a new leadership must take when in transition from conflict to reconstruction and to establish a vision of economic and social recovery underpinned by moral priorities.

The ability to bring change and successful transition to stability and good governance is determined by whether leaders have a vision that frames and establishes priorities and agendas, and serves as the basis for national mobilization. Besides technical and administrative obligations to create good and accountable governance, effective leadership is based on moral compass and vision provided by enlightened orientation. Emphasis has to be laid on the imperative need for leaders to put the common good ahead of the interests of any individual, faction or sub-group of society.

The leadership of Somalia and South Sudan was urged to actively integrate sound financial practices and standards in the reconstruction of the state institutions. The authorities have the opportunity to build a capable state on ethical foundations that is committed to create and sustain peace, justice and equality. The seminar underscored the need for the leaders to inspire and provide direction to their communities; and to communicate a vision of development that could be translated to programs and practicable action.

The seminar included presentations on studies of recent leadership and good financial governance in post-conflict countries in the sub-region. Case studies of selected post-conflict countries that have successfully transitioned from conflict; including Ethiopia, Rwanda, and Uganda was presented. The case studies stressed the challenges these countries faced and the relevance of “lessons learned”. Key differences in the setting of each country, and the role played by capable leaders and institutions in the selected countries were debated by the participants, together with the resource people leading the discussions.

1.3 Seminar Approach

As shown in Annex I. The Seminar format was hands-on seminar and sessions were interactive in nature and participatory approaches were employed. Active participation aimed at increasing learning and ownership of the seminar outcome, and included presentations that were clear and relevant for the participating senior officials; panel and roundtable discussions were conducted; and participants were required to contribute to the synthesis of the Seminar results and outputs.

1.4 Recommendations on Governance and Leadership by the Seminar Participants

The participants deliberated on specific actions and measures that ought to be taken by the respective authorities, in association with the regional member countries of IGAD and

development partners at large, in order to build institutional capacity at the key public agencies and enhance economic and financial governance. The measures included:

- i. key actions to rebuild agencies in charge of public finance: revenue mobilization and expenditure management, in a post-conflict setting;
- ii. Effective aid coordination and management, and proper planning for reconstruction and development;
- iii. Actions and measures necessary to build proper checks and balances for financial management within government institutions; and
- iv. Actions required in building a capable state, including steps to strengthen the capacity of the relevant committees of national parliaments for enacting proper legislation and performing sound oversight of public finance management.

1.5 Outcomes

The seminar participants drew on lessons from the experiences of and challenges faced by the selected post conflict countries that have successfully implemented recovery and sound PFM. The participants debated through seminar breakout sessions and open discussions the role of effective leadership and the experience and skills acquired from the Seminar. They evaluated and assessed gaps in their current institutions to formulate better policies in the future; look into partitioning leadership and good governance. They examined the roles they would expect from the international community and in order to institute mechanisms to further strengthen partnering with the international community.

II. PRESENTATIONS

Presentation-1

THE ROLE OF LEADERSHIP IN PUBLIC FINANCIAL MANAGEMENT IN POST-CONFLICT COUNTRIES

by Lual Deng (PhD),
Executive Director, Ebony Centre

... A leader was defined as a person with certain qualities of personality and character, which are appropriate to the general situation and supported by a degree of relevant technical knowledge and experience, who is able to provide the necessary functions to guide a group towards the further realization of the purpose, while maintaining and building its unity as a team; doing all this in the right ratio or proportion with the contributions of other members of the team John Adair (2006: 16 – 17).

Three Qualities of Leadership were stressed to underpin PFM

Integrity:

Strict adherence to a moral code, reflected in a transparent honesty complete harmony in what one thinks, says, and does.

Political Morality/Ideals:

So far as it lies in a man's own power, his life will realize its best possibilities if it has three things: creative rather than possessive impulses, reverence for others, and respect for the fundamental impulse in himself.

Courage:

Transparent honesty is a quality of personality and character, which is usually manifested in courage. For instance, John F. Kennedy's book on Profiles in Courage describing the acts of bravery and integrity by eight United States senators is a powerful illustration of a transparent honesty.

Public Financial Management (PFM) basically deals with all aspects of resource mobilization and expenditure management in government. Collection of sufficient resources from the economy in an appropriate manner along with allocating and use of these resources efficiently and effectively constitute good financial management. Resource generation, resource allocation and expenditure management (resource utilization) are the essential components of a public financial management system.

Just as managing finances is a critical function of management in any organization, similarly public finance management is an essential part of the governance process. Public finance management includes resource mobilization, prioritization of program, the budgetary process, efficient management of resources and exercising controls. Rising aspirations of people are placing more demands on financial resources. At the same time, the emphasis of the citizenry is on value for money, thus making public finance management increasingly vital.

He emphasized that it is the leadership at all levels that is the intersection between PFM and the citizens' demand for the value for the money. You are all leaders; As far As the PFM system is concerned. Whether you are engaged in the gritty details of cash advance procedures or works on public policy at a broad level, your role remains critical to the PFM system as a whole, which entails leadership. As leaders, it is important to understand how various functions fit into a broader system of rules and regulations that govern the management of public resources, and what these functions are ultimately intended to achieve – Good Governance in the service of the citizenry.

He noted that PFM is a function of 3 Impulses: Possessive Impulse, the driver of corrupt tendencies; Creative Impulse, the driver of innovation and invention; and Fundamental Impulse; the driver of good leadership, effective governance, and prosperity.

Presentation-2
THE ROLE OF LEADERS IN STATE RECONSTRUCTION
by Costantinos B. Costantinos (PhD),
Professor of Public policy, Addis Ababa University

Notwithstanding the colonial legacy that is still taxing the continent, new faces and forces of vulnerability and poverty haunt the Africa region. Conflicts, corruption, disasters, poverty, and pandemics now threaten the region with a calamity unforeseen even during the Great African Famine of the 1980s. While many proposals for remedial action have been formulated, real commitment to positive and collaborative processes at continental and inter-regional level has always been limited. Mobilizing the action required has also remained a daunting challenge, as many practical and structural constraints militate against commitment to initiatives nationally and regionally.

It is widely accepted that the achievement of peace, stability and development requires effective and legitimate states able to fulfill their responsibilities of providing basic social services and security to their citizens. While states have the central responsibility for insuring the security of their citizens and providing public services, states can also be a source of domestic and international insecurity. Such states are characterized by state fragility or collapse, which is manifested by violent disorder, conflict, lawlessness, and collapse of basic services. There is growing concern among politicians, development agencies and academicians about weak, fragile, or failing states. This concern has been mainly driven by the recognition that fragile states serve as a base for terrorist groups, organized crime and other international security threats. Concern over the inability of fragile states to provide services and security to citizens has been widely recognized.

Consensus on the solution to the problem of state fragility is state building. Successful state building will contribute to human security, and development. Thus, state building in fragile states is critically important though highly challenging endeavor. This challenge cannot be more obvious than in Africa. Somalia is the most fragile with some indices going as far as categorizing it as a failed state. South Sudan is the newest African state with the least developed state institutions. The lecture dwells on state fragility, failure and collapse and the roles of leadership in stemming state fragility, failure and collapse based on leadership principles and the best practices from nations that have emerged from crises. In addition, the roles of leadership in public finance management and development, implementation of national budgets and control of the economy to the benefit of the populace are discussed.

What is state failure?

The fundamental failure of the state to perform core functions necessary to meet the basic needs of its citizens characterizes a fragile state. Such states are incapable of ensuring basic security for their citizens and are unable to protect them from violence by maintaining the rule of law and justice.

Fragile states are also incapable of providing basic social services and economic opportunities to their citizens. The state also often lacks legitimacy and support from a significant amount of the population. The most severe form of state fragility is witnessed when all of these features are in play. Such a situation may lead to state collapse unless the state manages to ensure its legitimacy, provide the rule of law and justice and build its capabilities in delivering basic social services and infrastructure by establishing its income base. Since the end of the cold war, fragile states are considered to be a primary concern for global security as they are said to be ‘safe havens’ for terrorist groups. In addition, state fragility and collapse are among the most daunting challenges in reducing poverty, human suffering and achieving the Millennium Development Goals. There is also increasing concern about the negative social impact of fragile states such as civil wars, political instability, mass migration, organized transnational crime and trafficking in drugs, arms, and people.

It has become increasingly clear that capable and functioning states are crucial in ensuring global security and sustainable development. As such, state building aimed at strengthening the capacity of state institutions, improving the political will and post-conflict social cohesion is increasingly understood to be the solution to the problems of development, security, and good governance in many regions of the world including Africa. States are fragile when “state structures lack political will and/or capacity to provide the basic functions needed for poverty reduction, development and to safeguard the security and human rights of their populations”. A state with a well-developed political process for matching services to expectations and for generating compliance with state obligations – can be fragile if its organizational capabilities are extremely low, or its resource base extremely thin.

State building has thus become a leading priority and vehicle for sustainable peace building and development. The concern for building states that are more effective in Africa has grown out of the recognition that poverty and reaching the MDGs has remained most intractable in fragile, conflict-affected and post-conflict states. These circumstances have made state building a popular concept in development and security discourse. Policy making in fragile situations requires accurate, deep and timely knowledge of the situation on the ground. This is because incorporating the risks of state fragility and the challenges and prospects of state building into various policy considerations would shift the policies in fragile states from a curative approach to a preventive approach. Currently, academic research focuses on curative measures through peace building and stabilization operations undertaken in post-conflict situations rather than on state building which is more effective in building a resilient state.

Presentation-3
THE IMPERATIVE NEED OF ASSURING FINANCIAL INTEGRITY

By Ali I. Abdi (PhD)
Managing Director, HESPI

The current state of economic and financial governance in Somalia and South Sudan

- Prolonged conflicts and lack of effective governance institutions contribute to post-conflict countries being branded “failed states”.
- Any description of grave state fragility is often associated with the lack of capacity to ensure security and public services to population.
- Absence of Financial Integrity and Institutions is also another hall mark of post-conflict malaise.

International perceptions of the state of financial Integrity in Somalia and South Sudan

- Poor governance, corruption and misuse of public resources have become endemic in Somalia for most of its recent history and in South Sudan in its short history as an independent state,
- Poor Governance is generally acknowledged to have led to and fueled the crisis that has engulfed the two states and that breeds instability.
- Pervasive corruption and mismanagement have led international agencies that assess accountability and transparency in financial management to rate Somalia as the most corrupt in the world, every year since 2008, and South Sudan as the third most corrupt in 2013
- We should recognize that governance indicators are by nature poor where there is weak or no central authority and conflict zones

Special challenges of local institutions in a post-conflict setting

- Among the main legacies of most countries that experience prolonged conflict is a severely impaired administrative capability.
- Among the principal factors that critically impede restoration of effective local institutional capacity are the following:
 - Limited local administrative functions and human capital (impaired by prolonged conflict and loss of the most skilled personnel) and as result of disincentives attributable to low wages and poor working conditions.
 - Poor governance: Lack of sound public finance management, low government credibility and prevalence of misuse of public resources contribute to loss of legitimacy.
 - Damage and destruction of economic infrastructure impedes functioning of government and PFM in particular.
 - Lack of adequate coordination: Many post-conflict countries face challenges to address acute humanitarian needs and institution building, and are woefully

unprepared to receive multiple and conflicting offers of advice from donors and NGOs.

Enhancing capacity of local institutions

- Limited capacity of local institutions, in particular for financial management entities, is recognized as a key obstacle to significant progress in achieving stability and poverty reduction.
- A new course to quickly enhance human and institutional capacity in a sustainable manner is imperative, and cannot be pursued piece meal.
- Coordination and prioritization of the building of institutions, in a coherent and comprehensive program has to take place

There Should Be a Clear and Open Legal, Regulatory, and Administrative Framework for Fiscal Management.

- The collection, commitment, and use of public funds should be governed by comprehensive finance laws, regulations, and administrative procedures.
- Contractual arrangements between the government and public or private entities should be clear and publicly accessible.
- Government liabilities and assets management, including the granting of rights to use or exploit public assets, should have an explicit legal basis.

Clarity of Budget Execution

- The accounting system should provide a reliable basis for tracking revenues, commitments, payments, arrears, liabilities, and assets.
- A timely midyear report on budget developments should be presented to the legislature. More frequent updates (at least quarterly) should be published.
- Audited final accounts and audit reports should be presented to the legislature and published within a year.

Public Availability of Information

- Receipts from all major revenue sources, including resource-related activities and foreign assistance, should be separately identified in the annual budget presentation.
- The budget documentation should report fiscal position of sub national governments and the finances of public corporations.
- The public should be provided with comprehensive information on past, current, and projected fiscal activity.
- The budget documentation, final accounts, and other published fiscal reports should cover all budgetary and extra budgetary activities of the government.

Fiscal activities should be Subject to, Effective Internal Oversight, Assurance of Integrity, and Fiscal information should be externally scrutinized

Presentation-4

LEADERSHIP AND GOOD GOVERNANCE: THE EXPERIENCE OF RWANDA

by Thomas R, Kigabo (PhD)

Chief Economist at the National Bank of Rwanda

Sustained social economic development does not just happen; it must be consciously chosen as an objective by the country leadership and as an organizing principle of the country's politics; and it requires committed, credible and capable governments. Factor accumulation is not sufficient for sustained growth; good policies and sound institutions play an equally, if not more important role in building and sustaining the momentum for growth. Countries able to create and sustain good use of their resources may make up for a shortfall in natural endowments.

Background on governance and leadership

Governance refers to: traditions and institutions by which leadership and authority are exercised in a given country; situations whereby the institutions and traditions of governance ensure peace, growth and prosperity in a country; Participatory, accountable, and transparent process of running administration for tangible and relevant outcome.

Good governance includes: participatory, transparent, accountable and equitable institutions; and styles of governance that ensure (i) political, social and economic priorities are based on broad consensus in society; and (ii) the voices of the poorest and the most vulnerable are heard in decision-making in the allocation of development resources.

Leadership is defined in terms of the ability to inspire people to dream more, learn more, and do more and become more: a leader has to be a good example.

Another aspect in the debate on leadership is whether leaders are born or made. Contemporary thinking is that leadership is a learning process and that individuals can be coached and mentored on the art and skills of effective leadership.

The experience of Rwanda

Twenty years ago, Rwanda was considered a dead country following the 1994 genocide.

Impressive economic development

Since the second half of the 1980s: low level of economic development due to lack of good governance; economic policy failure and the instability of world coffee prices, the main export product before 1994. Situation has been aggravated by the 1994 genocide against Tutsi which has destroyed the whole system. In 1994, the economy shrank by 50 percent, the inflation rate rose to 64 percent and more than 78 percent of the population was plunged in poverty. Important socio economic gains have been achieved in Rwanda

between 1994 and 2014 and in some respects Rwanda constitutes a model of development in Africa; Rwanda's post-conflict experience in terms of economic recovery seems to be an extraordinary success; challenging post economic recovery models.

In Rwanda, high economic growth translated into a significant poverty reduction and decrease of inequality. Poverty reduced by 12 percent between 2006 and 2011 at national level. Rwanda is among countries in the world which have been improving facilities for doing business; in 2010, it was the best reformer in the world; and in 2013, at 52nd out of 185 countries, the first in East African region and the 3rd in Sub Saharan Africa after Mauritius and South Africa, as easiest economy to do business.

Role of leadership

The fundamental causes of this quick socio economic development in Rwanda are most likely the following: charismatic leadership, rich and positive ideology, strict political will, and Lessons from Rwandan history. This is rooted in the Rwandan Patriotic Front (RPF) ideology of victory, optimism, hard work and community empowerment as the future of the country has to be within the hands of Rwandans. The ruling party in Rwanda which stopped the 1994 genocide was created in 1987 with the objective of reunifying a broken country and builds a nation in which all Rwandans could live in dignity and freedom. To achieve this objective, the new leaders established accountable institutions, with acceptable level of predictability, to ensure good implementation of policies; to ensure that political, social and economic priorities are based on broad consensus in the country; and democratic, responsive, and accountable government both national and local. To efficiently respond to the needs of the population which is rural in majority, the government of Rwanda focused its effort on agriculture, food security, and rural development as a foundation of poverty reduction efforts and; human development focusing on education and health. A community based health insurance scheme was established in 2004 to ensure that citizens, regardless of their financial status access quality health care.

Practices that guarantee the participation of all citizens and transparency in management of public affairs have contributed to efficiency to solving community problems; creation of national self-confidence; and ownership of the development of the country by all Rwandans.

In 1997–98 consultative meetings were organized to discuss about the future of Rwanda, what the Rwandan society wants to become; how to construct a united and inclusive Rwandan society; and what transformations were needed to emerge from an unsatisfactory social and economic situation. On the basis of these discussions, the Vision 2020 project was developed as a high-level vision for Rwanda's future.

Economic policies: few examples

Increase in agricultural productivity to ensure food security and self-sufficiency. Girinka program (One cow per poor Family): inspired by the Rwandan culture and was set up to reduce child malnutrition rates, to increase household incomes of poor farmers, to improve soil fertility using the available manure. Ubudehe: traditional Rwandan practice and cultural value of working together to solve problems; and promoting citizens' collective action in partnership with a government committed to decentralization. Financial reforms to facilitate financial inclusion; in 2012: 72 percent of the adult population has access to financial services. The financial inclusion accelerated by the use of information technology.

Political and Institutional Reforms

The government of Rwanda invested in good governance, and an important administrative reform based on decentralization. This has greatly facilitated easy and quick access to public services for all Rwandans, especially those living in rural areas. Different institutions have been created: the National Commission for Reconciliation; the Rwanda Development Board: put in place measures and incentives for investment and business; and the National Commission to Fight against HIV/AIDs and malaria. Institutions aiming at fighting corruption have been created including the Ombudsman, which deals with personal wealth; the General Auditor's Office, which checks the management of public institutions, and the National Tender Board, which manages public procurement. These institutions as well as legal framework, mechanisms and processes put in place in Rwanda have contributed to make Rwanda the least corrupted country in Africa (International transparency, 2013).

Judicial Reforms

The International Criminal Tribunal for Rwanda (ICTR) was created 1994 targeting those who bear the greatest responsibility for the 1994 genocide. Individuals accused of "intermediate crimes" are tried in Rwandan courts and traditional justice in village assemblies called Gacaca, where witnesses, suspects, and victims give testimony during neighborhood meetings. An objective of Gacaca was to make reconciliation possible between victims of genocide and the perpetrators.

Economic Reforms Conducive to Targeted Growth

The privatization of state enterprises to create a market-oriented economy; reforming the tax system to improve government revenues; promote an appropriate monetary policy based on market forces to enable the National Bank of Rwanda to control inflation and increase the financing of the economy.

Fostering good governance for sustainable development

To increase accountability of the government both at national and local levels, different strategies were put in place including Imihigo, the performance based approach; Umwiherero, Government retreat where leaders meet in secluded place to reflect on issues affecting their community and identify solutions. During the retreat chaired by the President of the Republic different issues are discussed and strategies and resolutions agreed up on are adopted. Rwanda is among the best ranked by the World Bank in terms of good governance as indicated by the Worldwide Governance Indicator (WGI), which is a composite measure covering accountability, political stability and absence of violence, Government effectiveness, regulatory quality, and rule of law and control of corruption.

Presentation-5
THE ROLE OF THE INTERNATIONAL COMMUNITY IN POST CONFLICT
PUBLIC FINANCE INSTITUTION BUILDING

by Belay File (PhD),
Ethiopian Civil Service University

Features of Post conflict countries

- Post conflict countries face fiscal challenges: - a fall in GDP, and hence a reduced tax base;
- large extra fiscal needs during the conflict and also post-conflict requirements;
- Large movement of people from conflict areas to relatively peace zones – demanding assistance from government in terms of housing provision, social services and relocation.
- Building capacities in fiscal institutions is a basic building block in addressing some of the basic causes of the conflict and also to reestablish the fundamental institutions of economic governance.

Providing external funds in post-conflict countries: key issues to consider

- Knowledge of country case: although there are commonalities understanding diversity helps make aid effective.
- Knowledge of the nature of conflict and the role of international community in the conflict is important.
- Since rebuilding post conflict countries usually face sever fiscal challenges, there is usually an urgent need for expertise from donors in implementing fiscal modernization
- Build trust first: among people and ethnic groups. This helps set a framework for a peaceful reform as well as a system for its implementation.
- Get control over the expenditure process: the government has to meet the demands of implementing peace accords and initiating reconstruction. Include civil society in the discussion over fiscal system development: They may help to rally support against government corruption e.g. Liberia.
- Fix the revenue system and make sure that the taxes that are paid do actually go to government: the new automated receipts system in Liberia directly contributed to rapid increases in revenues. Taking a strong hand in customs management is a key to gaining the urgently needed tax revenues in post conflict countries. Encourage formalization of informal business activities to expand tax base: Provide reasonable tax rates, incentives for those in the formal sector.
- Build indigenous analytic ability and policy-making processes. Creating a macroeconomic unit or policy analysis unit in the Ministry of Finance is important to ensure that future policymaking does not rely solely on the advice of foreigners.
- Strengthen/develop national statistical and accounting systems: Donor assistance may be required in building the statistics.
- Sequencing donor funds in post conflict countries. Some common priorities can be fixing the expenditure management system so that donors provide financial

assistance through the government. Too broken or too corrupt public management system could repel donors.

- Strengthen the statistical system: governments need to plan current needs and future developments: fiscal policy analytical skills and policy making capacity need to be developed.
- Indigenize your post conflict- reform and growth process, as donors usually come up with conditionality; such as privatization, price deregulation, allow foreign banks/ foreign enterprises to operate in your economy so they can boost competition, free trade.

Aid effectiveness: Aid is effective only when the recipient nation develops its absorptive capacity: skilled manpower, developed institutions. Budget support versus donor/NGO managed funds?

Factors limiting the effectiveness of aid

- Tied aid: In the context of bilateral aid: recipients must spend part of the borrowed funds on goods and services from the donor country; resulting in higher import costs, purchase of inappropriate capital intensive technologies & development and use of skills inappropriate to local developing country conditions.
- Conditional aid: Donors impose conditions to be met by recipients to ensure that funds are used effectively.
- Problems with conditional aid include that the preferences of the government or population group are not considered, and policy prescriptions by donors may not be appropriate.
- Aid volatility and unpredictability makes it difficult for recipient governments to implement policies that depend on aid funds
- Aid substitutes rather than complements domestic resources; leading to not enough efforts to increase domestic revenues through taxation.
- Aid resources may not be allocated on the basis of the greatest need for poverty alleviation. Aid could be associated with corruption and could be mis-used by recipient countries.

Aid versus trade debate

Three different perspectives: trade, not aid; trade and aid; aid for trade. Trade, not aid: development should be based on an expansion of international trade and increasing exports of LDCs.

Trade and Aid: International trade and an export orientation are indispensable to growth and development, but not enough by themselves in the case of LDCs. Foreign aid has not failed. Many of its weaknesses (tied aid, conditional aid, lack of coordination, volatility) are the responsibility of donors and there is pressure to correct these problems. Foreign Aid is necessary for post-conflict countries for debt relief purposes. Aid helps countries reduce their debt burden and releases resources that can be used for poverty reduction and economic growth and development

Aid for trade:

Consensus among development economists: In order to benefit from international trade, LDCs must have the institutional capacity to increase their exports. A portion of aid should be used to support the development of institutions that improve a country's abilities to export

Institutional constraints to trade: high transport costs due to poor transport networks, limited access to credit, poor power supplies, high administrative costs.

Presentation-6
BUILDING PUBLIC FINANCE INSTITUTIONAL CAPACITY: THE
EXPERIENCE OF UGANDA

by John-Mary Kauzya (PhD),
Adviser on Governance Systems and Institutions, at UN, New York

Critical functions of political leadership in a post-conflict

Restoring trust in government; ensuring a shared understanding of the reality, hard tasks & the challenges confronting the nation and the hardship that must be faced in order for these challenges to be overcome; mobilizing people's voice and mind to design, agree a national vision & strategy that provides a guiding framework & rationale for reconstructing capacities for public administration; sustaining development-oriented leadership and nurturing future leaders for the country; providing a framework for managing diversity and inclusiveness in public administration; and resource mobilization for start up, survival, & sustainability of public administration reconstruction

Resource mobilization reconstruction

- Reconstructing Public Administration is very Costly
- Funds and human resource lacking
- Self reliance VS External Aid

Public Finance Institutions as Part of the Framework for Resource Mobilization

- Foreign dominated Banking Sector at independence
- State owned Financial Institutions: To own or not to own still remains the question
- Bad policies, militarized implementation Bad leadership, poor governance and decline of capacity of Finance Institutions

Revamping the Banking sector and institutions, after 1986

If the government was to continue receiving foreign aid, there were some "performance benchmarks" to which it had to strive to adhere. Such benchmarks included the following: liberalization of the interest rate market, closure of failing banks, creation of Non-Performing Assets and Recovery Trust (NPART), liberalization of the foreign exchange market, development of new legal and regulatory framework for the banking sector, assigning the privatization of Uganda Development Bank to the Privatization Unit and engaging a privatization advisor to handle the privatization, and implementation of internationally accepted standards in banking.

As already stated above, no donor or development partner would like to put their funding in a country whose financial and banking sector is in chaos. These performance benchmarks were aimed at remedying the chaos in the banking sector that was inherited by the NRM government.

Micro-finance institutions: Accessing financial services to the poor

- Not availing some form of financial service to the majority of the population is a serious lacuna; Uganda has been striving through micro finance institutions to address this issue; Government, donors, and other development partners have made rapid progress. The micro finance industry functioned with constraints including :(lack of legal recognition, weak institutional capacity, inadequate and unsustainable sources of funding. These constraints were behind microfinance industry being uncompetitive, inefficient, and bedevilled with failure).
- When in 1997 the government formulated the Poverty Eradication Action Plan (PEAP) the development of micro finance institutions and services became part of the efforts for poverty eradication.

Enhancing financial inclusion and harnessing innovation

Uganda is advancing in developing capacities for financial institutional capacities for people-centered development especially if the programs for micro-finance institutions are reinforced to ensure that the common man and woman are not left behind by the modern formal commercial banking. Bank of Uganda has realized that innovations are happening in the banking industry which need to be harnessed to advance the capacities for service provision. To serve the whole population measures for financial inclusion are being explored and developed along the lines of financial literacy, financial innovation, financial consumer protection and financial services data measurement. These are already included in the Strategic Plan of Bank of Uganda 2012-2017. This is a critical point in terms developing financial institutional capacity for people-centered development.

Concluding Remarks: Leadership and Governance Aspects

There are indications that the management of the banking sector is letting through huge amounts of funds which get lost through corruption. Such observations point to a situation where there is a big difference between institutional structures and behavior whereby the institutional laws and regulations are in place but the behavior of individuals in such institutions does not follow the laws and regulations.

Presentation-7
BUILDING PUBLIC FINANCE INSTITUTIONAL CAPACITY: THE
EXPERIENCE OF ETHIOPIA

by Haile Meleket Tekle Giorgis,
Former Minister of Capacity Building, Ethiopia

Capacity is the ability of people, organizations and society as a whole to manage their affairs successfully. Capacity building is developing the knowledge and competence of individuals and organizations; developing systems of organizations; and changing and strengthening institutional frameworks in the form of formal policies and laws and/or other informal norms.

Key Principles for Capacity Building (Cairo Consensus Statement)

It should not be an afterthought; it is strategic for the achievement of development results; domestic leadership is essential; existing capacities should be the backbone of any CB initiative and must not be undermined; systematic learning on what works and doesn't is key to improved capacity; supply-driven technical cooperation rarely builds sustainable capacity; and capacity development is a top priority for countries affected by fragility.

Putting Key Principles into Practice

Country leadership and ownership is central to capacity building ; design and sequencing should fit specific country circumstances, rather than reflect standard or imported solutions; institutional, organizational and individual levels of capacity building, including managerial and technical aspects, should all be considered; and donor support should be provided in a coherent, coordinated and programmatic manner.

Capacity Building in Ethiopia

In 1991-94 reforms included political, Economic and Social, decentralization, market economy promotion. In 1994-onwards Civil Service Reform was implemented. In 2000 onwards a national capacity building strategy was designed and adopted; fifteen programs identified and ministry of capacity building established.

Capacity Building Programmes in Ethiopia included higher education reform, technical and vocational training, engineering , construction sector, civil society , private sector , textile sector, financial sector, civil service reform, district level decentralization, information and communication technology, justice system reform, tax system reform, and urban management

- **The civil service reform program** included human mesource management, expenditure management and control, service delivery and quality of service, top management systems and ethics

- **The Expenditure management and control Sub-program.** To create an efficient, effective, accountable and transparent financial management system that will contribute to the economic development effort of the nation. expenditure management and control including legal framework, planning reform, budget reform, accounts, cash management , internal audit, financial information system, procurement and property management
- **The legal frameworks reforms** included developing a comprehensive legal framework for the entire financial system; financial administration proclamation, regulations and directives were issued; and improvement on the laws has been continual
- **Expenditure planning included** ddeveloping a medium term planning system; public investment program was introduced and developed into public expenditure program; and public expenditure program system was integrated with strategic planning.
- **Budget reforms were:** rorientation of budgeting to objectives and strategic plans, and review of budget classification; introduction of budget calendar and in year review of the budget, cost centre budgeting; new budget structure introduced; budget information system developed and implemented; and program budgeting introduced.
- **Accounts reforms were:** improving the accounting and reporting system; clearing account back logs; developing new chart of accounts; backlogs clearing; and introducing double entry accounting system.
- **Cash management reforms included:** review the cash management system; introduce payment mechanisms and cash flow forecasting; reduce the number of bank accounts and adhere to timely bank reconciliations; new cash management and disbursement system was introduced; study conducted in single treasury account; commitment control and liquidity management; and number of bank accounts reduced through zero balance
- **Internal audit included** reorganize internal audit services in public bodies; develop internal audit manual and train staff; independent audit units established in public bodies and the relationship with Ministry of Finance and Economic Development established; internal audit manuals and guidelines developed, staff trained; and internal audit standards developed.
- **Financial Management Information Systems (IFMIS) were:** review and upgrade the budget, disbursement and Accounts system and upgrade; introduce IFMIS for all components of PFM; and **IBEX** was introduced and implemented;
- **Property management included** introduce a comprehensive system and guidance on the management of fixed assets and stocks; property administration manual was developed and implemented; and stock management manual was developed and implemented.
- **Procurement reforms were:** develop legal and institutional framework for procurement; train staff on procurement laws and directives; procurement Proclamation, regulations, directives and manuals; trained staff in procurement all over the country; and reorganized the procurement units in public bodies and established a regulatory agency.

- **Tax and customs reforms were** improve the legal and policy framework; restructure and improve performance; improve revenue mobilization; improve human resource management; revenue collecting bodies were reorganized and merged; new laws introduced; revenue increased seven fold; and tax payer education introduced.

Why was it successful depended on context, ownership, purpose and strategy

Context included societal: political, cultural, economic; administrative: administrative structure, bureaucratic culture, legacy procedures; and necessary conditions: trust, need, help, and urgency.

Ownership was promoted through the share holders: Federal and Regional governments, the reform programme was led by the Prime Minister, and the role of donors was minimal in the design and implementation

The purpose of the reform was Policy driven: strengthen PFM to support regionalization; technique driven: plateaus not summits, and introduction of basic system of financial management.

The Strategy was based on: reform tasks, recognize, improve, change, sustain. Recognize: understanding and respecting what exists. Improve: update the existing system. Change: if the improvement does not bring desired results. Sustain: put in place the infrastructure to sustain the implemented change

Presentation-7
TECHNICAL ASSISTANCE TO POST CONFLICT COUNTRIES

by Gashaw Tsegaye
Research Fellow, HESPI

Key economic challenges of Post conflict countries?

Macroeconomic instability, fragmented markets, limited access to credit, reduced confidence, depleted human capital, increased illegal economic activity, debilitated economic institutions

Why is macroeconomic stabilization Necessary?

To reduce volatility and encourage growth. Achieving this condition requires: Developing a national budget, generating revenue, creating a transparent system of public expenditure, and preventing predatory actors from controlling the country's resource; a framework of economic laws and regulations that govern budgetary processes, central bank operations, international trade, domestic commerce, and economic governance institutions; implementing monetary stability through independent central bank, assessing current and past monetary conditions, including the state of the money supply and inflation, currency use, budget deficits, and debt.

Technical assistance should underscore building state capacity and ensure host nation ownership. Unless state ownership is not centered and eventual state capacity building targeted, whatever comes in as a technical assistance will remain unsustainable. Issues in building ownership and capacity: understanding the local context; fostering ownership; inclusivity and impartiality and allocating early resources for “quick impact”. International actors may have to do the bulk of the heavy lifting in the initial phases. The importance of using host nation resources: To build host nation capacity and To promote state legitimacy through programs that are internally promulgated rather than externally imposed.

Potential technical assistance providers are multilateral organizations; bilateral donors; regional groups; private sector actors & Individuals; NGOs; Think tanks; the diaspora and others

COUNTRY EXPERIENCES:

Rwanda 2000–08

Rwanda required some time to rebuild and create the institutions, including the national statistical organizations (NSOs) to facilitate absorption of technical assistance. The most critical constraints were resources—both financial and human. Conflicts had diverted funding and undermined the ability to recruit, train, equip, and retain skilled personnel. Rwanda had not been able to develop frameworks and organizations that help to

institutionalize the accumulated knowledge. It received a sizable amount of technical assistance to help rebuild the destroyed statistical capacity.

Some of the Key Statistical Achievements of Rwanda included: adoption of the international methodologies; creation of the National Institute of Statistics of Rwanda in 2006; publication of a detailed financial management manual and approval of a chart of accounts in 2007; introduction of a quarterly publication of a producer price index (PPI); work in progress.

Risks to the quality and sustainability of official macroeconomic statistics: Rwanda were: inadequate resources to generate and maintain source data and undertake coordinating activities; heavy reliance on external financing for statistical activities; limited coordination among the data-producing institutions and with data users

Somalia

Somalia's economy is characterized by Low resource mobilization and poor planning. Money transfer agencies and microfinance schemes constitute the major financial institutions. The Central bank acts more as a treasury to the government. The financial sector is also highly dollarized. The UN agencies preliminary assessment of the capacity of the statistical system in Somalia in the first quarter of 2012 revealed that these activities are uncoordinated, incoherent, incomplete and unpredictable.

The country faces severe lack of basic economic and social statistics. The statistical system is very weak, and no comprehensive household income and expenditure survey has been conducted for a very long time. Somalia's economy is largely dominated by the informal sector. The economy is based on international trade networks controlled by a small group of wealthy businessmen. Remittances are estimated to provide up to 40 per cent of household income. There is a very weak Statistical System. For instance, the first population census carried out in 1975 was not published, except for an analytical report produced in 1984; and a national demographic survey was carried out in 1980-81, but was not fully processed. A census was conducted in 1985-86, but was not published as there were doubts on its accuracy. There is lack of statistical institutions that function properly and sustainably in Somalia.

South Sudan

South Sudan's economy is characterized by weak institutional and human capacities, limited baseline information and statistics and one of the worst social development indicators. Real GDP growth is estimated to contract by -27 percent in fiscal year 2011/12, owing to the shutdown of the oil pipelines. There are over 22 banks, of which 16 are locally owned; over 83 foreign exchange bureaus; over 15 microfinance institutions.

South Sudan received technical assistance in planning, budget execution, taxation, customs and internal audit provided by UNDP, USAID, WB, JICA, DFID, the Government of Norway and AfDB. UNDP and Government of Norway-technical support

in planning; AfDB-planned support in customs, taxation, and procurement; JICA trains customs officials.

The Role of the Diaspora a case in the Ethiopian Commodity Exchange (ECX)

The Ethiopia Commodity Exchange (ECX) envisions creating a new marketplace that serves all market actors: farmers, traders, exporters, consumers etc. ECX assures all commodity market players the security they need in the market through providing a secure and reliable End-to-End system for handling, grading, and storing commodities, matching offers and bids for commodity transactions, and a risk-free payment and goods delivery system to settle transactions, while serving all fairly and efficiently. The founder and first director of the ECX was a Diaspora based expert. Leaders of post conflict countries need to be contented that individuals can make a difference. And recognize the potential within and overseas.

Concluding Remarks

Post conflict countries share not the same but similar challenges in PFM. They require huge technical Support. But the technical assistance should be evaluated in terms of building state capacity and host nation ownership. A broader view of technical assistance sources should be instilled. The Diaspora can play significant role in the reconstruction processes.

III. RECOMMENDATIONS ON GOVERNANCE AND LEADERSHIP BY THE SEMINAR PARTICIPANTS

A. Background

1. The principal objective of the seminar on good governance, leadership and institutions has been to inspire senior government officials of Somalia and South Sudan to enhance economic, social and political governance, and to implement sound public finance management, which is essential for recovery and sustainable economic development.
2. Somalia and the South Sudan were ranked in the international perceptions indices of corruption (by Transparency International) as the most corrupt and the fifth most corrupt countries in the world in 2013, respectively, among 177 countries.
3. The seminar created an opportunity for the participants to be informed about the challenges and opportunities surrounding the institutional building processes in post-conflict countries and their own countries specifically.
4. The presentations focused on the key role of ethical leaders and capable institutions to bring change and successful transition to stability, which requires leaders with a vision that serves as the basis for national mobilization for the common good and ahead of the interests of any individual, faction or sub-group.
5. The seminar was aimed at informing the participants of case studies of effective leadership and best practices of good governance, and exposing them to the experiences of selected post-conflict countries including Ethiopia, Rwanda, and Uganda and the deliberations stressed the challenges these countries faced and the role played by leaders and institutions.
6. The presentations underscored that leaders should commit to build a capable state that creates and sustains peace, justice and equality, and should inspire and communicate a vision of development that could be translated to programs and practicable action.
7. The participants discussed the challenges and opportunities facing Somalia and South Sudan in building good governance and accountable and transparent use of public resources. In particular, the presentations emphasized the advantages these countries have, including abundant resources, vibrant private sector and the large Diaspora that could assist technically and financially in enhancing integrity.

B. Key findings and recommendations drawn

8. The participants deliberated on specific actions and measures that ought to be taken to build institutional capacity at the key public agencies in charge of revenue mobilization and expenditure management. The participants also addressed the key measures needed to strengthen accountability, integrity and transparency in public

finance management by Ministries, Departments, and public Agencies (MDAs), by external auditors, and by national legislatures.

9. Developing effective public sector leadership with a vision of the future and people-centered development programs is fundamental in implementing institutional reforms. Transforming the beliefs, attitudes and behaviors of political leaders and civil servants is essential for institution building
10. In post-conflict countries, comprehensive country-owned institutional development is necessary; piece meal and uncoordinated institutional development often falls short.
11. The financial integrity institutions need to have a holistic sight of the impact of interventions on the national policy directions and priorities while keeping a sufficient degree of distinction of duties at institutional and individual levels.
12. The participants underscored the gap that both countries have in terms of diversifying public revenue sources. For instance, South Sudan is over reliant on oil revenues and the subsequent budget stress and national income volatility when shortfalls occur in oil receipts is untenable.
13. The two countries are deficient in their national statistical data quality and credibility. The financial Integrity institutions need to strengthen data collection, management and exchange, and make available data readily accessible to users.
14. The imperative need for donor policies scrutiny was underscored. Although there are aid management units within the Ministries of Finance and Economic Planning, they have not been empowered in terms of human resources and hence have limited capacities in scrutinizing donor policies' compatibility with national policy priorities.
15. Attraction of donor support requires credible institutions that enhance the level of confidence and trust of donors. It came out from the discussions that donor led institution building alone is not viable, instead strengthening institutions with local efforts and based on accountability, transparency and integrity is required.
16. Informal sector businesses are prevalent in both countries. Somalia leads the African continent in telecom services penetration, remarkable progress in microfinance and money transfer services and is a huge recipient of remittances. The participants observed a huge potential, particularly for Somalia, to raise government tax and non-tax revenues by incentivizing the informal sector to formalize their businesses.
17. The participants recommended that Ministry of Finance and Economic Planning should play a lead in control and oversight of budget operations. Direct access of Central Banks' overdraft facilities should be discouraged and managed in such way as not to endanger macroeconomic stability.
18. Enhancing the independence and security of central banks and Auditor Generals was emphasized to attain good economic and financial governance.

3.1 Matrix of Findings and Recommendation

Issues	Matrix of Issues and Priority Measures		
	Ministries, Departments and Agencies	Auditors	Parliaments/Legislators
1. Challenges of PFM	<ul style="list-style-type: none"> ▪ Overreliance on few public revenues sources ▪ Limitation in promoting merit based job recruitment and assignment ▪ Limited job rotation and less interest from the employees side to accept transfers. ▪ Limitation in Central Banks independence and autonomy to conduct monetary policy ▪ Less managed overdraft facilities of the Central Bank to the government 	<ul style="list-style-type: none"> ▪ Auditors’ Independence ▪ Limitation in skilled manpower to conduct up to the standard audits ▪ Inefficient internal audit procedures ▪ Limitations in the follow-up of audit recommendations ▪ Strangulation by executive 	<ul style="list-style-type: none"> ▪ Weak laws ▪ Weak know-how of parliament ▪ Lack of independent legislature ▪ Weak in processing audit reports
2. Opportunities of PFM	<ul style="list-style-type: none"> ▪ Merit-based recruitment, job transfer and assignment ▪ Independent and functional public service commission required ▪ Natural resource mapping and hence avoid underutilization of them. 	<ul style="list-style-type: none"> ▪ Cooperation with regional and global audit institutions ▪ Youthful skilled staff ▪ Clear plans and operational plans 	<ul style="list-style-type: none"> ▪ Building staff capacity of public accounts, economic and finance committees ▪ Training the relevant committee members
3. Measures to enhance Accountability	<ul style="list-style-type: none"> ▪ Building effective aid coordination units ▪ Building public confidence, legitimacy and trust by demonstrating accountability at all levels ▪ Segregation of duties among Ministries , Departments, and Agencies ▪ Ministers should focus on strategic decision making at formulation of policies, strategies and other guiding tools. ▪ Institute and adhere to periodic performance evaluations ▪ Make use of the outputs from the evaluations in taking corrective measures ▪ Individual ministries should be the ones to recommend tax exemptions instead of the ministry of finance and economic planning. ▪ Boost the skills and expertise of internal auditors 	<ul style="list-style-type: none"> ▪ Build public confidence ▪ Conduct forensic and performance Audits ▪ Publish Audit reports ▪ Disseminate Audit reports ▪ The Auditor General should have clear mandate and independence. ▪ Reduce Auditors turn over to maintain institutional memories ▪ Boost the skills and expertise of External Auditors 	<ul style="list-style-type: none"> ▪ Setting rules, procedures and policies in the spirit of promoting accountability ▪ Build public confidence ▪ Clear recruitment laws ▪ Recommendations should be the final task of the Auditor General; and other government organs should take over the enforcement.

Issues	Matrix of Issues and Priority Measures		
	Ministries, Departments and Agencies	Auditors	Parliaments/Legislators
4. Measures to enhance Transparency	<ul style="list-style-type: none"> ▪ Extensive civic education programs and publicize budget plans and executions ▪ Periodic and comparative reporting ▪ Promote budget integrity ▪ Insulate professionalism from politics ▪ Promote multiple taxation 	<ul style="list-style-type: none"> ▪ Government to publish revenue outcomes ▪ Insist on competitive bidding in public procurements ▪ Publicize External Audit results ▪ Ensure the security of Auditors 	<ul style="list-style-type: none"> ▪ Independent Revenue Authority to be established ▪ Improve taxation policies: Avoid flat exemptions ▪ Discourage corruption in revenue administration by collection through the banking system. ▪ Insulate professionalism from politics ▪ Synchronize public policy with budget execution
5. Measures to strength integrity	<ul style="list-style-type: none"> ▪ Strengthening internal auditing ▪ Mapping out assets of MDAs ▪ Construct clear organizational structure ▪ Reporting and publishing budget activities for transparency ▪ Promote public hearings on budget planning and execution. ▪ Scrutinize donor policy. 	<ul style="list-style-type: none"> ▪ Strengthening external performance and forensic auditing ▪ Punish abuses and reward success 	<ul style="list-style-type: none"> ▪ Strengthen internal auditing ▪ Report and publish budget activities for transparency ▪ Promote bottom up budget formulation and ensure consistency with the constitution.

3.2 Concluding Remarks of the South Sudan Delegates

Lessons learned

- Sustainable socio-economic development does not happen by chance. It must be planned and its objectives carefully selected.
- Centrality of leadership in state/ nation building and socio-economic development. A leader must have: integrity, morality, courage, vision, inspirational, exemplary, and attributes
- Citizens from all walks of life are in consensus on the history and state of South Sudan.
- Ethnic conflict and competition is an outcome of unfair access to opportunities.
- Conflict in South Sudan is over access to and control over resources.
- The state of affairs in Somalia notwithstanding, the fact that its budget is based on a resource envelop on only \$200 million is shocking given that South Sudan's annual budget is no less than \$2 billion.
- Evaluation of the dependence on foreign technical and financial assistance.
- Danger of the emergence of a parallel "government" by the NGOs, for the NGOs.
- Participation of citizens in decision making and development process is important.
- Educational curriculum to include patriotism and integrity.
- Corruption is expected of government officials and therefore tolerated by the citizenry.
- Think tanks are asserts to state/nation building and socio-economic development.
- Importance of functional public institutions for stability, service delivery and socio-economic development.
- Translation of plans to actual deliverables is hampered by budget indiscipline.
- Importance of mapping of natural resources as the basis for economic development.
- Capacity building/development has to be based on existing practices.
- Experiences of others can be useful lessons when customized.
- The informal sector needs encouragement.
- A scheme can be designed to attract skills in the Diaspora.
- There should be clear regulatory framework for public financial management.

To Do List

- Involve think tanks and academia in decision making processes.
- Design programs for Diaspora attraction.
- Advise action on planned key developmental icons like transport infrastructure, energy and food security.
- Recommend comprehensive public service reform.
- Brief the economic task force.

3.3 Concluding Remarks of the Somali Delegates

- First, I would like to thank the Horn Economic and Social Policy Institute (HESPI) for an inspiring and uplifting seminar. As a post-conflict country, this seminar on good governance and the role of leadership and institutional building is very important for us, as we strive to find out a working model that would guide us in the reconstruction of the state of Somalia.
- The seminar emphasized the role of visionary leaders that put the common interest before any other narrower interest, which is very critical for any post-conflict country like Somalia which has had a history of misappropriation of resources, nepotism, and favoritism. The examples, of Ato Meles Zenawi and Paul Kagame of Ethiopia and of Rwanda, provided how visionary leaders implemented a reform programs and national agendas after a period of instability in both countries and genocide in the case of Rwanda.
- In the cases of Somalia and South Sudan our challenges to construct a peaceful, stable, and equitable society are identical but with different circumstances, yet the tools to mitigate those challenges are similar that we need to cultivate visionary leaders at the different levels of the system, and to build credible institutions that are transparent, accountable, and with high level of integrity. To do this, the seminar explored various models, ideas and experiences. In the case of Somalia, we presented how we undertook a holistic public financial management reform agenda with our international partners, along with capacity improvement initiatives that cut across all government institutions with partnership from the large private networks.
- The issue of capacity improvement along with civil service reform is very important to us, and we underscored how the Ethiopian experience successfully implemented a country-owned country-led capacity development or improvement programs. We believe that the tremendous change that we see in Addis-Ababa today is a dividend of that initiative.
- Somalia has a vibrant market system along with abundance of social and natural resources that will be critical in the post-conflict reconstruction. Yet, the question is how best to utilize these resources in a manner that benefits everybody. We deliberated the functions of the legislature and external auditors in ensuring that resources and managed in manner that is consistent with public interest.
- The role of the budget formulation and budget discipline is very important for both Somalia and South Sudan, and particularly in Somalia has been in the international press for the wrong reasons. External scrutiny is very important to have respectable institutions. This involves development of responsible government policies, legal frameworks that are inclusive.
- For a post-conflict Somalia, it becomes apparent, in how to mitigate the role of international partners in institutional development. The experience of Rwanda comes to mind, how a small country with fractured social system and scarce resources can implement institutional development agendas that are country-owned and country-led. I believe, Somalia with its largest coastal area in Africa, rich and abundant agricultural land, livestock, fishery, vibrant entrepreneurial spirit, active Diaspora that brings \$1.3 billion dollars on annual bases, with proven yet

unexploited abundant natural resources including oil and natural gas can undertake similar comprehensive country-owned institutional development programs.

- The people of Somalia, regardless of whether in the North or the South are tired of meaningless conflicts, and are ready for visionary leaders with a higher purpose. Uncoordinated, unrelated, and sometimes parallel projects that may overlap and contradictory to each other are prevalent in Somalia. We learned how to say no to these well intentioned initiatives and run country-owned strategies.
- The topics presented were timely and important for post-conflict Somalia. The theoretical models of what constitutes a visionary leadership, how to construct effective, ethical, accountable, and transparent national institutions were inspiring and highly informative. The Somali delegates should put this information into usage in both the letter and spirit and become visionary leaders and institute accountable and transparent systems in their institutions. We should pass this information and recommendations, to our colleagues, friends, and even the top leaders.
- What can we take away from here is to speed up the PFM reform, and capacity development initiative. Educate our legislature to undertake their mandate and strengthen our external supervisory functions. Finally, the government should be closer to its people in services delivery, particularly in security so that the government institutions can earn legitimacy in the eyes of the average Somali.

ANNEXES

Annex-1 Seminar Programme

Monday, 17 March 2014

8:00 - 9:30

Registration

9:30 - 10:30

OFFICAL OPENING SESSION

Chairperson: Ambassador Peter Robleh (PhD), HESPI Board Chairman

Opening Statements:

10:30 - 10:45

Coffee Break and Group Photograph

TOPIC: WHY LEADERSHIP AND GOOD GOVERNANCE MATTER

10:45 - 12:30

Session-1: The Role of Leadership in Public Financial Management in Post-Conflict Countries

Chairperson: Amb. Assefa Samuel, Representative of ACBF

Presenter: Lual Deng (PhD), Executive Director, Ebony Centre Discussion

12:30 - 14:00

Lunch

14:00 - 15:30

Session-2: Role of Leaders in State Reconstruction

Chairperson: Thomas R. Kigabo, (PhD). Chief Economist at the National Bank of Rwanda

Presenter: Costantinos B. Costantinos (PhD). Professor of Public policy, Addis Ababa University, Ethiopia Discussion

15:30 - 15:45

Coffee Break

15:45 – 17:30

Session-3: Financial Governance FGS and RSS –self assessment

Chairperson: Hon. Mary Jervase Yak. Deputy Minister, Ministry of Finance, Investment, commerce and economic Planning, RSS.

Presentations: Amb. Stephen Wondu, Auditor General, RSS; and Abdirizak, Hassan (PhD), Ministry of Finance, FGS

19:00 – 21:00

Reception hosted by HESPI

Tuesday Wednesday, 18 March 2014

TOPIC: GOOD GOVERNANCE, LEADERSHIP AND INSTITUTION BUILDING

9:00 - 10:30

Session 4: The Imperative Need of Assuring Financial Integrity in Public Resources Management in Post-Conflict Countries.

Chairperson: Haile Meleket Tekle Giorgis

Presenter: Ali Abdi

Discussion

10:30 - 10:45

Coffee Break

10: 45- 12:30

Session 5: Leadership and Good Governance: The experience of Rwanda

Chairperson: Ali Abdi

Presenter: Thomas R, Kigabo (PhD). Chief Economist at the National Bank of Rwanda

Discussion

12:30 - 14:00	Lunch
14:00 - 15:30	<p>Session 6: The Role of the International Community in Post Conflict Public Finance Institution Building Chairperson: Costantinos B. Costantinos, Professor of Public policy, Presenter: Belay File (PhD) Discussion</p>
15:30 - 15:45	Coffee Break
15:45 – 17:30	<p>Session 7: Technical Aspects of Building Institutions in the Context of a Post-Conflict Reconstruction Chairperson: Belay File (PhD). Ethiopian Civil Service University Presenter: Costantinos B. Costantinos (PhD). Professor of Public policy, Addis Ababa University Ethiopia Discussion</p>

Wednesday, 19 March 2014

TOPIC: BREAKOUT SESSIONS ON INSTITUTIONAL BUILDING IN SOMALIA AND SOUTH SUDAN

9:00	<p>Session 8: Simultaneous Breakout Sessions Session 8(a): Challenges and prospects of Public Resources Management in Somalia and South Sudan Session 8(b): Institutionalizing accountability, integrity and Transparency in PFM: Priority measures by Ministries, Departments, and external scrutiny by Auditors and Legislatures.</p>
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12:30 – 14:00	Lunch
14:30 - 15:30	<p>Session 9: Presentation of the outputs of the Breakout Sessions 8 (a and b) Group Discussion Leaders: 8(a), 8(b) [TBA] Chairperson: Lual Deng (PhD) Presenters: Group (a) Rapporteur, Groups (b) Rapporteur Discussion</p>

Thursday, 20 March 2014

TOPIC: REBUILDING INSTITUTIONAL CAPACITY: LESSONS FROM SUCCESSFUL POST-CONFLICT COUNTRIES AND THE WAY FORWARD

9:00 - 10:30	<p>Session 11: Building Public Finance Institutional Capacity: The Experience of Uganda: Chairperson: Haile Melekot Tekle Giorgis, Former Minister, Ethiopia Presenter: John-Mary Kauzya (PhD), Adviser on Governance Systems and Institutions, Division for Public Economics and Public Administration at UN, New York Discussion</p>
10:30 - 10:45	Coffee Break
10:45 - 12:30	<p>Session 12: Building Public Finance Institutional Capacity: The Experience of Ethiopia: Chairperson: Haile Kebret (PhD), HESPI Presenter: Haile Melekot Tekle Giorgis, Former Minister of Capacity Building, Ethiopia Discussion</p>

12:30 - 14:00	Lunch
14:00 - 15:30	Session 13: Provision of Training and Technical Assistance to post conflict countries Chairperson: Haile Kebret (PhD), HESPI Presenter: Gashaw Tsegaye, HESPI Discussion
15:30 - 15:45	Coffee Break
15:45 – 17:30	Session 14: Public Finance Institution Building in Somalia and South Sudan. The way forward= Chairperson: John-Mary Kauzya (PhD) Presenters: Representatives of the participating Countries.

Friday, 21 March 2014

9:00 – 10:30	Session 15: Leadership, Institutions and Good Governance: the Way Forward Chairperson: Ambassador Peter Robleh, HESPI Presenters: Representatives of participating countries and HESPI Discussion
10:30 - 10:45	Coffee Break
10:45 - 12:30	Session 16: Closing Session Chairperson: Ambassador Peter Robleh, HESPI Concluding Statements: Representatives of HESP

Annex-2 Bios of Presenters and Chairperson

- Ali I. Abdi (PhD)**
Managing Director,
HESPI
- Dr. Ali I. Abdi is Managing Director the Horn Economic and Social Policy Institute (HESPI), since 2007. He worked for many years at the IMF, in Africa, Middle east and Western Hemisphere. He worked as a Senior Resident Representative in Ethiopia, and in Tanzania; and as Advisor in the African Department. He holds a PhD in economics from Washington University.
- Belay File (PhD)**
Assistant Professor
Department of
Development
Economics, Ethiopian
Civil Service University
- Dr. Belay File is Assistant Professor at the Department of Development Economics, Ethiopian Civil Service University. He worked as an enterprise development consultant for the World Bank; as an enterprise consultant for the ILO East African regional office, and as a consultant on revenue potential and gap Analysis for the Somali region. He was director of policy, planning and research in the Ministry of urban development and construction, FDRE. He has a PhD in Economics from ISS-Erasmus University Rotterdam in the Netherlands.
- Costantinos B. Costantinos (PhD)**
Professor of Public
Policy, School of
Graduate Studies, Addis
Ababa University
- Dr. Costantinos B. Costantinos is a Professor of Public Policy, School of Graduate Studies, Addis Ababa University. He worked with the United Nations as Senior Policy Adviser on poverty & Sustainable Development in New York, South Africa, Nigeria, Zimbabwe and Malawi. Costantinos also served as chairperson of the African Union Board on the Convention to Prevent and Combat Corruption. He serves as chair of nine NGOs. He has published extensively on public administration, public policy and institutional reforms. He has a PhD and MBA, Century, University of California. Post-doctoral research, Harvard Post Graduate School of Education and Development economics course, University of Oxford.
- Mr. GashawTsegaye**
Research Fellow, HESPI
Addis Ababa
- Mr. GashawTsegaye is a Research Fellow at HESPI. He worked for the Ethiopian Civil Service University as lecturer and Head of the Department of Development Economics. He also taught Economics at the University of Gondar, St. Mary's University college on a fulltime basis and a few others as part-timer. Besides, he worked as project coordinator for the Amhara Women Entrepreneurs Association and as a private business consultant. He did a six-months Internship at the International Labor Organization H/Q, Geneva. His Study includes a Masters Degree in International and Development Economics from HTW-Berlin University of Applied Sciences.
- Mr. Haile MeleketTekleGiorgis**
Consultant in Public
Finance and Public
Sector Management
- Mr. Haile Meleket Tekle Giorgis has a long and distinguished career of public service in Ethiopia. His former positions include: Minister of Capacity Building, Minister of state for National Defense; Vice Minister of Finance; Head of the Relied and Rehabilitation Bureau of the Addis Ababa Regional Administration; and Department Head of Ethiopian Management Institute. He has been a consultant since 2007 working with AfDB and UN agencies among others. He has a post graduate degree and also attended Harvard University for a year in public administration.

Mr. Jalal Abdel-Latif
Team Leader for
Politics and Humans
Security Cluster in the
Capacity Development
Division at UNECA
Addis Ababa

Mr. Jalal Abdel-Latif is currently the Team Leader for Politics and Humans Security Cluster in the Capacity Development Division at the United Nations Economic Commission for Africa. Mr. Jalal has 25+ years of professional experience that includes in the areas of research, grant making, project design and enhancing the capacities of local government and civil society organizations. He worked with UNDP and the World Bank Sudan office, served as the coordinator for all the consultative process that led to the production of the Sudan Joint Assessment (JAM) Report and the establishment of the two Sudan Multi Donor Trust Fund (MDTF). As member of Sudan MDTF (2007) he was responsible for designing over \$15 million grant funds supporting local governments and communities. He has been instrumental in the design of Somaliland Community Driven & Recovery Development. He earned his Master's in African Studies and School of Urban Planning at UCLA

**John-Mary Kauzya
(PhD)**
Chief of Public
Administration Capacity
Branch,

Dr. John-Mary Kauzya is Chief of Public Administration Capacity Branch, Department of Economic and Social Affairs, United Nations HQs. His prior experiences include: Inter-regional Adviser in Governance Institutions and Systems in the same Branch; Taught at the Makerere University in Uganda; Deputy Director of the Uganda Management Institute; provided consultancies for strengthening governance and public administration capacities in various countries of Africa and elsewhere. He holds a PhD in Law from the University of Paris 1 Pantheon Sorbonne specializing in Public Administration and Management. Post-graduate studies at the University of Grenoble III in France, the Liverpool Institute of Public Administration and Management in UK, the International Institute of Public Administration in France, and the Administrative Staff College of Nigeria.

Lual Deng (PhD)
Managing Director
Ebony Strategic Studies
Center in Juba

Dr. Lual Deng is the Managing Director of the Ebony strategic studies Center in Juba. He has extensive experience in Southern Sudanese PFM Institutional building. He has worked as an economic and financial advisor in South Sudan, as a staff member and Division Chief for Environment and Social Policy at the African Development Bank, and as a Consultant for the World Bank and numerous UN agencies. He was Minister of state for Finance for the Union National Government, and Minister of Petroleum. His education includes a PhD in Development Economics from the University of Wisconsin.

**Ambassador Peter
Robleh (PhD)**
Chairperson of the
Board of Directors of
the Horn Economic and
Social Policy Institute

Amb. Dr. Peter Robleh is the Chairperson of the Board of Directors of the Horn Economic and Social Policy Institute. Dr. Robleh was a Senior Advisor on international trade at the United Nations Economic Commission for Africa (UNECA) in Addis Ababa (2002-11). He was Ambassador of Ethiopia to the EU (1993-2001); UN staff member for over a decade in Western Asia, and Associate Professor at California state university, USA. He has extensive experience in economic and socio-political developments in the Horn of Africa sub-region. He holds a PhD in Economics.

**Thomas R. Kigabo
(PhD)**
Chief Economist and
Director General,
Monetary Policy and
Research, National
Bank of Rwanda

Dr. Thomas R. Kigabo is Chief Economist and Director General of Monetary Policy and Research at the National Bank of Rwanda, since 2007. He is Chief negotiator of Rwanda; East African Community monetary Union protocol, since June 2010; Board chair person, Institute of Policy Analysis and Research in Rwanda since 2010 ; Rector of the Independent University of Kigali (ULK) and Senior lecturer, Academic years 2005 and 2006; Director in charge of academic affairs at the Independent University of Kigali (ULK), (1998 to 2002; Chairperson of the Economic subcommittee of the Monetary Affairs Committee of East African Community since 2009. His study includes a PhD in Economics. He has done number of consultancy works related to governance, leadership and institution building in Rwanda

Annex-3 List of Participants

Delegates from Somalia

Name	Title	Organization
Mr. Mohamed Abdulkadir Nur	Director General	Ministry of Education
Mr. Ali Ga'al Gabow	Director General	Ministry of Land and Air Transportation
Mr. Abdullahi Mohamed Ali	Acting Director General	Ministry of Ports and Marine Transport
Mr. Abdirazak Mohamed Abukar	Deputy Accountant General,	Office of the Accountant General
Mr. Ahmed Hassan Farah	Communication Director	Office of the Prime Minister
Mr. Abdirizak Said Hassan (PhD)	Head of FMU, SFF	Ministry of Finance
Ms. Nafiso Dahir Shoble	Head of Secretariat, PFM Coordination	Ministry of Finance
Mr. Ahmed Ali Hassan	Head of International Trade	Ministry of Trade and Commerce
Ms. Zahra Ahmed Hassan	Officer	Treasury Unit
Mr. Hassan Moalin Isgowe	Deputy Director	Civil Service Commission

Delegates from South Sudan

Name	Title	Organization
Hon. Mary Jervase Yak	Deputy Minister	Ministry of Finance, Investment, commerce and economic Planning,
Hon. Tulio O. Ayehu	Government Chief	Whip, NLA
Hon. Onyoti Adigo Nyikwec	Minority Leader	NLA
Amb. Stephen Wonda	Auditor General	RSS
Mr. Gabriel Alaak Garang	Secretary for Finance and Economic Affairs Secretariat	SPLM National Secretarial
Hon. Pascal Bandindi	Member of the Committee on Economy, Development, and Finance (EDF)	National legislative Assembly (NLA)
Hon. Mary Kiden	Member of EDF	NLA
Mr. Joseph Hassen Daniel	Ag. Undersecretary for Investment	Ministry of Finance Commerce, Investment and Economic Planning
Mr. Jaden Tongun Emilio	Undersecretary Animal Resources and Fisheries	Ministry of Agriculture, Forestry, Tourism, Animal Resources and Fisheries Animal Resources and Fishery
Mr. Paul Riak Luigi	D/G, Administration and Finance,	Ministry of Finance, Investment, Commerce and Economic Planning
Mr. Angelo John Andruga	D/G, Taxation Directorate,	Ministry of Finance, Investment, Commerce and Economic Planning
Mr. Jashinto Genye	Executive Director	Centre for Alternative Development (CEfAD)
Prof. Isaac Cuir Riak	Vice Chancellor – Upper Nile	University of Bahr el-Ghazal
Prof. Abraham Matoc	Principal	University of Rumbek
Mr. Marial Mabeny Bawuor	Director for Research	Bank of South Sudan