

function; contribute to the IMF Somalia Country Fund for capacity development; ensure continuity of the Financial Governance Committee-FGC (an important safeguard measure for this operation), as well as CSO call for proposal aimed at boosting vertical accountability on fiscal and financial affairs of public interest.

The latter intervention is also an attempts to implement one of recommendations emanating from an evaluation of EU state building contracts 2012-18, which underscores the importance of strengthening the role of civil society in the implementation of SRBCs, and more broadly in discussing and making more transparent the choices made by the legislative and executive powers.

In terms of **advancing political settlements required to advance the constitutional review process (output 1.1)**, the focus of the operation will be on institutionalising inter-governmental fiscal arrangements, which currently are partial, based on ad hoc arrangements and often subject to politicisation.

In particular, VT benchmarks will focus on **advancing a rule-based intergovernmental transfers system** that limits ad hoc allocations and ensures a degree of predictability in financing core functions at state level. By supporting a more equitable distribution of resources across the federation, it is expected that activities supported under this output will also contribute to much needed trust-building that is at the root of any viable political settlement.

Other benchmarks will focus on the **harmonisation of the customs regime** across Somalia, including the implementation of a national tariff schedule across the three major Somali ports. With customs representing the single largest source of revenue in Somalia, a settlement in this area will equally be critical to advance the constitutional review process, given the important political ramifications of proceeding with a unified customs administration in Somalia.

With regards to **supporting Somali authorities to take on greater responsibility for service delivery(output 1.3) in the education sector**, the action will support key institutional reforms for financing the education policy at both federal and states' levels and, more generally, building a viable education system in Somalia. The VT indicators will tackle **foundational aspects of the education system**, with a view to improve Somalia's education outcomes. Benchmarks and policy dialogue will focus on supporting a national initiative for **hiring and training new teachers**; updating the **policy framework for teacher management** (including aspects related to recruitment, deployment, certification of proficiency standards, pre and in-service professional development, supervision and performance management); and developing a national school financing policy (including aspects pertaining to accountability mechanisms and role of non-state actors in funding education service delivery).

In order to **strengthen the overall framework for financial governance (output 1.3)**, the operation seeks to **elevate policy dialogue and reward accelerated progress on urgent PFM/DRM reforms** in the following areas:

- **Wage-bill controls and payroll integrity and governance**, a critical area for ensuring fiscal discipline and overall sustainability of public finances
- Greater **transparency in the award of tax exemptions** to ascertain the fiscal policy rationale and ensuring tax expenditures are minimised so as not to undermine the MoF's DRM efforts

Additional technical areas that may be the subject of policy dialogue with the authorities include greater enforcement of existing PFM systems and regulation at subnational level, and coordination and cooperation between federal and state-level external audit offices as a way to strengthen financial accountability.

### 3.3 Mainstreaming

#### **Environmental Protection & Climate Change**

**Outcomes of the SEA screening** The Strategic Environmental Assessment (SEA) screening concluded that no further action was required

#### **Gender equality and empowerment of women and girls**

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that this action will contribute to building a gender responsive education system to promote gender equality by reducing the gender gap in schooling and enrolling. ., Gender equality and empowerment of women and girls, and the wider trajectory of/commitment to fundamental values, will feature as part of the political level discussions in the context of Article 8 dialogue between the EUD and Somali Authorities.