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# Preliminary Response to Allegations of Corruption.

July 23rd

# 2013

Preliminary response from the Central Bank of Somalia to allegations contained in the Report of the United Nations Monitoring Group on Somalia and Eritrea, published on 12 July 2013 and addressed to the United Nations Security Council.



23/07/2013

## **Foreword**

What follows is the Central Bank of Somalia's preliminary response to the allegations of corruption appearing in the Annual Report on Somalia issued by the United Nations Monitoring Group on Somalia and Eritrea on 12 July 2013 (the "Report").<sup>1</sup> The Central Bank rejects these allegations in the strongest possible terms, particularly as they relate to the financial administration of the current Governor of the Central Bank and the current Somali government as a whole. As shown below, had the Monitoring Group bothered to review the actual evidence concerning the current operations of the Central Bank, it would have learned that every single dollar flowing through the Central Bank is accounted for and was paid to an authorized government official or third party vendor for legitimate governmental purposes. To refute these allegations in the most comprehensive and transparent manner possible, the Central Bank is engaging its own team of attorneys and forensic accountants who have experience scrutinizing complex financial transactions. The results of this review will be published in due course.

In the Report, the Monitors level serious accusations of wrongdoing against the Central Bank of Somalia, its current Governor, Dr. Abdusalam Omer, and the current Federal Government of Somalia as a whole. The Monitors claim that the new Government has done nothing to change past systems from the TFG-era that had "undermined the State-building enterprise through misappropriation of public goods." (Report, at 7.) They conclude that "[d]espite the change in leadership in Mogadishu, the misappropriation of public resources continues in line with past practices." (Report, at 8.) They further contend that "some 80 percent of withdrawals from the Central Bank are made for private purposes and not for the running of Government," and they call the Central Bank nothing more than a "slush fund" supporting a fraudulent "patronage system." (Report, at 8; 155, at ¶ 7.) The Monitors accuse the current administration of having no control of financial processes in the country, claiming that they are incapable of changing a historically corrupt system.

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<sup>1</sup> Notably, while the Report was released to the Central Bank and the general public on 12 July 2013, it was leaked to Reuters as early as 1 July 2013. This led to a series of highly disparaging, one-sided press reports by Reuters and other news outlets based on selective excerpts from the Report dealing with the Central Bank. One of the members of the Monitoring Group, described as a "Finance Expert," is a former foreign affairs reporter with Reuters, which may explain how Reuters obtained its "scoop" on the Monitoring Group's baseless allegations of financial mismanagement.



The Monitors' allegations about the financial administration of the current Government are completely unfounded, unsubstantiated, defamatory, and reckless. There is not a single piece of evidence presented in the Report (or that otherwise exists) showing that the current administration has engaged in corruption or has allowed others to engage in corrupt activities. The allegations of prior corruption are also wildly overstated, plainly the product of extremely poor research and substandard investigative techniques.<sup>2</sup> In the few places where the Monitors actually attempt to substantiate their reckless accusations, they provide very little or no specificity about the timing of the misconduct that they suggest occurred; instead, they refer to broad time periods, for example "2010-2013," which has the obvious purpose of seeking to inculcate both the previous and current Somali administrations in wrongdoing. This is a very serious and sloppy error by the Monitors because they seek to discredit the sincere and effective efforts of the current administration by reference only to asserted misdeeds of the past. Indeed, the Report has unfortunately spawned numerous press reports building upon the false claim in the Report that there continues to be pervasive corruption in the financial management practices of the existing Government.<sup>3</sup>

#### A. PricewaterhouseCoopers Payments

According to the Monitors, smoking gun evidence supporting their broad and conclusory attacks on the current Somali Government is the alleged "fact" that no one can account for approximately \$12 million out of \$16.9 million transferred to the Central Bank of Somalia through PricewaterhouseCoopers ("PwC"). They contend that PwC, which was supposed to be a fiduciary agent ensuring that donor funds went to their intended recipients within Somalia, became nothing more than a "transfer agent that

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<sup>2</sup> The Central Bank is not aware whether the Monitoring Group engaged any outside consultants with experience or training in forensic accounting or investigation of complex financial matters to assist in preparation of the Report. The "experts" composing the Monitoring Group do not appear to have any such training or experience themselves. The two members of the Monitoring Group listed as "Finance Experts" are Jeanine Lee Brudenell and Dinesh Mahtani. A review of public records shows that Ms. Brudenell has a Bachelor's Degree in Psychology and Criminal Justice from the University of Saint Thomas and has spent most of her career as a police officer with the Minneapolis, Minnesota Police Department. Mr. Mahtani appears to be a foreign affairs journalist, previously working for Reuters and the Financial Times. He has a degree in Comparative Politics from the London School of Economics. Nowhere in the public record is it apparent how Ms. Brudenell or Mr. Mahtani has any relevant training or experience in forensic accounting. This may explain why the financial "investigation" undertaken by the Monitoring Group bears no resemblance to a professional forensic audit of financial transactions.

<sup>3</sup> See, e.g., *Exclusive: Somalia Central Bank a 'slush fund' for private payments - U.N.*, <http://www.reuters.com>, 1 July 2013; *U.N. Says Corruption Rampant in Somalia*, <http://online.wsj.com>, 17 July 2013.



could not assure accountability of funds once they reached the Government of Somalia.” (Report, at 8.) Curiously, the Monitors do not blame PwC for failing to honor their fiduciary duties to the Somali government and the donors, even though PwC was bound by a lengthy written contract that explicitly required them to “[e]nsure disbursed funds are used effectively and efficiently for purposes in which they are intended for,” among a litany of other broad fiduciary obligations. (See PwC Contract, Annex A, Description of Services, at 3.) Normally, one who has a fiduciary duty to complete a task is held responsible when the task is not completed. Not here.

Instead of looking to PwC to explain why they may have abandoned the fiduciary task spelled out in their contract and how, as a legal matter, they felt they were excused from their contractual responsibilities, the Monitors inexplicably single out and scapegoat Dr. Abdusalam Omer, calling him “key to these irregularities” concerning PwC. (Report, at 8.) However, the Monitors fail to mention that at the time of the transfers of the \$16.9 million through PwC, Dr. Omer held no formal position in the Somali government and, unlike PwC, had no responsibility whatsoever to account for the flow of donor funds. Moreover, the Monitors conveniently downplay precisely when the PwC payments occurred. The reality is that the PwC payments were made between 6 May 2011 through 15 April 2012, a full five months before President Hassan Sheikh Mohamud took power, and eleven months before Dr. Omer became Governor of the Central Bank. Nowhere do the Monitors explain how payments in 2011 and early 2012, which allegedly were mishandled, can possibly show corruption or wrongdoing by the current Somali government. Putting all of that aside, the Monitors did not even adequately investigate the \$16.9 million in payments made through the PwC mechanism. Had they done so, they would have easily seen that every single dollar can be accounted for, and that every single dollar went for a legitimate governmental purpose. A detailed tracing of the PwC payments is, and has been, available for inspection and review at the Central Bank.

B. The Central Bank is not a “Slush Fund”

The other alleged factual basis for the Monitors’ indictment of the current Somali financial management team is that “between September 2012 and April 2013, 72 percent of withdrawals [from the Central Bank] were made for private individuals.” (Report, at 155, ¶ 7.) As a result, according to the Monitors, the Central Bank remains a “slush fund” for corruption. (Report, at 155, ¶ 7.) However, in support of this broad assertion, the Monitors provide no specific evidentiary citation, and they refer only vaguely to unidentified “CBS records.” (Report, at 155, footnote 5.) There are, in fact, no Central Bank records that actually support this conclusion. The Monitors’ allegation, which again seeks to disparage the new Somali government, obscures the fact that the Governor of the Central Bank, Dr. Omer, was installed on

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13 February 2013, and thus the allegation covers only six weeks of his tenure. The Central Bank can say categorically that since 13 February 2013, every single dollar transferred out of the Central Bank has been paid to a government official or government vendor for legitimate governmental purposes, and pursuant to vouchers containing all appropriate authorizing signatures. Not one dollar has been paid from the Central Bank to a “private individual,” as the Monitors carelessly claim. The Central Bank’s review of its records for the period going back to September 2012 shows exactly the same thing. The Central Bank is willing to open its books to any objective auditor interested in confirming these facts.

In further “support” of their accusations about “private payments” from the Central Bank, the Monitors name two individuals (Shir Axmed Jumcaale and Colonel Abdiqaadir Moalin Nuur) whom they suggest are “private persons” responsible for misappropriating more than US\$25 million in public resources. ***First***, neither Mr. Jumcaale nor Colonel Nuur is a private person. Mr. Jumcaale is an authorized cashier in the Ministry of Finance, and Colonel Nuur serves as a cashier within the Ministry of Defense. ***Second***, the Monitors note that these two officials received more than US\$25 million in funds between 2010-2013, leaving the false impression that the current Somali government is somehow complicit with them in misappropriating large sums of public money. In reality, only US\$1.2 million has been transferred through Mr. Jumcaale, and ***nothing*** has been transferred through Colonel Nuur, since February 13, 2013, when the current administration of the Central Bank took charge. ***Third***, the Monitors provide absolutely no evidence indicating that distribution of government funds through these two public officials is corrupt or otherwise wrong. Central Bank records show that every dollar paid through Mr. Jumcaale and Colonel Nuur were properly signed for and authorized by the Ministries of Finance and Defense for the legitimate governmental purposes of administering payments to those ministries for salaries of military personnel and ministry staff, as well as for food, fuel, logistics and other vitally needed supplies for the Somali Army. Had the Monitors bothered to inquire further, they would have learned that each of these ministries carefully maintained ledgers tracking how all of the funds were distributed.

There is simply no basis for the Monitors’ conclusion that 72 percent of payments from the current administrators of the Central Bank went to private individuals, and their suggestion that this is the case is reckless and irresponsible.

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The Central Bank of Somalia, as any other public institution in Somalia, has not been operational during most of the civil war period. Beginning in early 2013, however, the newly elected President Hassan

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Sheikh Mohamud and Prime Minister Abdi Farah Shirdoon, including the cabinet, have taken the right steps to reform the country's public financial management institutions and their frameworks. Dr. Abdusalam Omer was appointed as the new Governor of the Central Bank of Somalia by the President on 13 January 2013 and assumed his role at the Bank on 13 February 2013.

The Governor has since that date embarked on a comprehensive reform program at the Central Bank with the sole intended outcome of reviving the Bank as a trusted public institution, building it on principles of efficiency and transparency. At all times, Governor Omer has had the interests of the Somali people at the forefront of all of the Bank's activities, recognizing the Bank's vital role in the economic recovery of the country. The Monitoring Group's Report seeks unfairly to tarnish the credibility of the Bank and the integrity of its new Governor, and it fails to credit the good faith and effective work that has been done by the Governor, and the new Somali government as a whole, to create credible, transparent financial institutions since they assumed power several months ago.

It is striking that the Monitors *never* once even approached Governor Omer for an interview or for documents relating to the matters they were investigating. This is notwithstanding that his name is mentioned 27 times in the Report, and allegations or insinuations of wrongdoing are made against him on at least 12 occasions. Indeed, there was no contact between Governor Omer and the Monitoring Group until Governor Omer learned of the Report and took the initiative of contacting Jarat Chopra, the Monitoring Group's Coordinator. By this time, however, the Report had already been drafted and released. As shown below, Governor Omer has conducted himself at all times with the highest integrity and as a faithful public servant.



**Central Bank of Somalia's Response to the UN Monitoring Group's  
Report, Annex 5.2: Public Financial Mismanagement and Corruption**

This is the Central Bank of Somalia's preliminary response to the key allegations in *Annex 5.2: "Public financial mismanagement and corruption,"* which is part of the United Nations Monitoring Group's Report on Somalia published on 12 July 2013. A more comprehensive response will be issued in the coming weeks after the Government's attorneys and forensic auditors complete their review.

**Allegation No. 1:** *"The new regime Cannot necessarily be faulted for the continuing patterns of corruption per se, but it can be held responsible for the appointment of individuals involved in past or present corruption."* (Report, at 154, ¶ 3.)

**Response:** The Monitors do not specify which individuals they contend were "involved in past or present corruption." If they are insinuating that Governor Abdusalam Omer is one such individual, the Central Bank of Somalia condemns this accusation in the strongest possible terms. These are serious and malicious charges, and libel of this nature is unacceptable to the Central Bank, the Somali Federal Government and the Somali people.

**Allegation No. 2:** *"Endemic in past and current administrations is the system of fadlan (please). According to this practice, private individuals . . . make requests to members of the leadership for private payments that cannot be resisted for personal or other reasons. The senior politician signs a note authorizing payment that is honored at the Ministry of Finance or the Central Bank directly."* (Report, at 155, ¶ 5.)

**Response:** The Monitors' abject disregard for actually visiting the Central Bank of Somalia and reviewing its withdrawal procedures leads to unfounded and obsolete statements such as these. Under no circumstances has the Central Bank of Somalia received or honored requests for the withdrawal of PwC funds or other funds from politicians or any other unauthorized individuals. The Central Bank of Somalia has a complete set of documents, forms, and guidance notices for the process of receiving and depositing funds, as well as for the process of withdrawals from the Single Treasury Account. These are all documented and are accessible for external audits for further review.

**Allegation No. 3:** *The Central Bank makes payments to "private individuals" to support the "fadlan system rather than as a financing mechanism for Government expenditures."* (Report, at 155, ¶¶ 6-7.)



**Response:** Again, under no circumstances has the Central Bank of Somalia received or honored requests for the withdrawal of PwC funds or other funds from politicians or any other unauthorized individuals. The Central Bank of Somalia has a complete set of documents, forms, and guidance notices for the process of receiving and depositing funds, as well as for the process of withdrawals from the Single Treasury Account. These are all documented and are accessible for external audits for further review.

**Allegation No. 4:** *“However, the line items of income and expenditure attributed to the functioning of Government by the Auditor-General bear no resemblance to the deposits and withdrawals at the CBS overwhelmingly for private individuals.”* (Report, at 157, ¶ 9.)

**Response:** The Central Bank of Somalia categorically refutes the notion of private individuals withdrawing Government funds held at the Bank. As to the issue regarding the line items and expenditures of the Government maintained by the Auditor-General, this is outside of the scope and mandate of the Bank.

**Allegation Nos. 5-8:**

*“The report found that between September, when the new government of President Hassan Sheikh Mohamud came to power, and April, almost three-quarters of withdrawals from the Central Bank were made for private individuals.”*

*“According to Central Bank accounts, a cashier at the Ministry of Finance, Ahir Axmed Jumcaale, was responsible for withdrawing the greatest amount of funds.”*

*“Between 2010 and 2013 Jumcaale withdrew \$20.5 million in his name, which was then used for individual payments under the patronage system by successive finance ministers or finance officials.”*

*“Colonel Abdiqaadir Moalin Nuur took out \$4.7 million between 2010 and 2013, the second largest amount of money, according to the report, which said there was no further explanation of the withdrawals.”*

**Response:** These statements demonstrate a lack of understanding and regard for the economic state of Somalia, and appear to be an effort to manufacture “evidence” of corruption where none exists. The Report fails to acknowledge that Somalia is a cash-based economy. All transactions and payments for goods, services and salaries, whether by the Government or ordinary citizens of Somalia, are executed in cash.

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The above-mentioned individuals are employed by the Ministry of Finance and Ministry of Defense as senior officers. These individuals are legally designated as cashiers at their respective Ministries. They were, and in the case of Mr. Jumcaale, remain, lawful persons authorized to withdraw funds from the Single Treasury Account in their official capacities for their respective ministries. The Ministry of Defense's Colonel Abdiqadir Moalin Nuur and his staff are among those mentioned and were at the time responsible for delivering salaries, food, fuel, logistics and other vitally needed supplies to the brave men and women in uniform. The other individual is Shire Axmed Jumcaale. He is not only the duly designated cashier for the Ministry of Finance, but is also the Director of the Treasury Unit (Agaasimaha Waaxda Maamulka Lacagta) at the Ministry. The Minister of Finance recently renewed Mr. Jumcaale's mandate on 14 July 2013. The official documents that provided Mr. Jumcaale and Colonel Nuur with the authority to withdraw funds from the Single Treasury Account are available at the Central Bank for review.

Construing these Government employees as "private individuals" who were wrongly misappropriating millions of dollars of state funds, and implying that they have been involved in corruption, is deplorable and causes irreparable damage to the reputation of these Government employees, their standing in their communities and the institutions in which they work.

**Allegation No. 9:** *"Sporadic and uneven payments to Members of Parliament are an indistinguishable combination of donor stipends and fadlan payments."* (Report, at 157, ¶ 12.)

**Response:** Since President Hassan Sheikh Mohamud took office, no member of Parliament has had his or her salary paid sporadically, unevenly, or in a delayed manner. All members of Parliament have a dedicated account at the Central Bank of Somalia, and between September 2012 and June 2013, all payments to the MP's have been paid out promptly by the Bank. This is a clear example indicative of the UN Monitoring Group's unwillingness to engage with the anyone who has the authority to provide accurate information, including the Central Bank, Parliament or Ministry of Finance, and their refusal to perform the necessary fact checks and due diligence in composing their Report.

**Allegation No. 10:** *"The CBS does not function as any organ of Government subject to policy decisions or oversight from integrity institutions and Parliament. This is further exacerbated since members of the Board of the CBS are not currently in place and able to authorize decisions, which are left to the will of the present Governor, Abdusalam Omer, appointed on 13 January 2013."* (Report, at 158, ¶ 13.)

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**Response:** On the note of public oversight of the Central Bank of Somalia, the Governor of the Bank has had a very close working relationship with the Federal Parliament and specifically with the Parliamentary Sub-Committee for Financial Affairs, and he has appeared at the Sub-Committee to answer questions from the Members of Parliament in an open and transparent manner. There have been as many as 10 meetings between the Governor and individual members of the Sub-Committee since Governor Omer took office five months ago. The Central Bank of Somalia is resolute in continuing its very close working relationship with the Federal Parliament.

The term of the previous Board of the Central Bank expired prior to when Dr. Omer was appointed Governor on 13 February 2013. The decision to appoint a new Board rests with the President and the Council of Ministers of the Federal Republic of Somalia. The necessary information to appoint Board members was sent, and discussions between the President and Prime Minister are in the final stages to formally appoint the Board.

**Allegation No. 11:** *“He had earlier served as the Chief of Staff in the Executive Office of the mayor of the District of Columbia government, Washington D.C., but had been forced to resign following an investigation by the Inspector General into his role in fundraising activities in the Executive Office.”* (Report, at 159, ¶ 17.)

**Response:** Under no circumstance has Dr. Omer been convicted or found guilty of any corruption or mismanagement-related offences in any jurisdiction in which he has lived or in any capacity. For the Monitoring Group to assert that Dr. Omer was forced to resign is a false allegation, which undermines the validity of the Report and the Monitoring Group’s stated commitment to transparency, accountability, and integrity.

Dr. Omer was investigated and cleared of allegations that he may have engaged in prohibited activity in violation of provisions of the District of Columbia Personnel Manual Standards Of Conduct. After a thorough investigation by the Office of Campaign Finance—District of Columbia Board of Elections and Ethics, under DOCKET NO.: CF 2002-13, the following conclusions were reached:

Upon OCF’s evaluation of the material amassed in this inquiry, it was decided that the parameters of this inquiry extended solely to the DPM employee conduct regulations. **There was not any credible evidence that the respondent committed any violations of the District of Columbia Campaign Finance Reform and Conflict of Interest Act of 1974 (the**



Act), as amended, D.C. Official Code §§1-1101.01 et seq. (2001 Edition).

Any alleged violation of the Act by the respondent would be predicated upon the premises that respondent realized personal gain through official conduct, engaged in any activity subject to the reporting requirements and contribution limitations of the Act, or used District government resources for campaign related activities.<sup>2</sup> See D.C. Official Code §1-1106.01. Additionally, fines may be assessed for any violation of the Act. OCF's review did not reveal any such activity.

In order for the investigation to take its course and to allow for the continuation of the effective running of the Executive Office of the Mayor, Dr. Omer took the right step of voluntarily resigning from his post as the Chief of Staff. The conclusion of that investigation was clear, and it fully exonerated Dr. Omer of wrongdoing of any sort. Significantly, Dr. Omer later returned to work for the same employer in February 2007. He was hired as Chief Business Officer for the District of Columbia Public Schools, and he was a key member of the senior leadership team entrusted to restore the public's confidence in what had been a troubled school system.

**Allegation No. 12:** *“Following the establishment of the FMA, Abdusalam Omer became the TFG counterpart and the responsible individual for fulfilling the TFG's obligations. One of these obligations was to provide reports to PwC that ensured the TFG would spend funds in accordance with donor instructions prior to disbursement. However, after two initial reports in 2010, Abdusalam refused to provide further reports. In addition, in collaboration with Sharif Hassan, he began to renegotiate implementation of the terms of reference to the PwC, excluding all activities except the sole function of transferring funds to the TFG. In this way, a fiduciary agent was reduced to a transfer agency. PwC thereafter either transferred funds based on instructions of the donor and Abdusalam Omer, or in some cases spent funds directly.”* (Report, at 159, ¶ 18.)

**Response:** Dr. Omer was not at any time designated the “TFG counterpart” to the management of the PwC account, nor did he have any contractual responsibilities or obligations to furnish reports to PwC. Although it was not his obligation to provide reports, Dr. Omer did not refuse at any point to furnish any reports to PwC. The above statement is based on an interview the Monitoring Group conducted with a gentleman by the name of Mr. Abdirahman Warsame in Nairobi on 28 May 2013. Mr. Warsame is the head of Eagle Enterprise and was the authorized and contracted representative in Mogadishu for PwC to complete the exact tasks the Monitoring Group is falsely alleging Dr. Omer had responsibility for.



In the interest of clarity, Dr. Omer has not at any point either sought or negotiated the exclusion of PwC from exercising any activity in their contract with the Ministry of Finance. Dr. Omer simply did not have the authority to do so. Curiously, the Monitoring Group attaches only a small portion of the PwC contract to its Report, omitting the sections of the contract that specifically impose a fiduciary duty upon PwC, and no one else, to ensure that donor funds reached their intended beneficiaries.

Specifically, Annex A of the PwC contract, which nowhere appears in the Report, states that PwC “are expected to provide the following services:”

1. “Ensure disbursed funds are used effectively and efficiently for purposes in which they are intended for”
2. “develop an acceptable and efficient fund disbursement and reimbursement process that will be timely”
3. “set up and monitor bank accounts”
4. “tracking of flow and usage of funds”
5. “Preparing adequate documentation and justification for reimbursement of expenditures pre-financed by the development partners”
6. “Setting the procedures for review and approval of all reimbursement requests, with a covering note recommending/not recommending payment.”
7. “Review the budget for these expenditures”
8. “Determination of all the financial flows for the supported activities”
9. “Establishment of a system for accurate and timely financial reports”
10. “Establishment of an internal control system”
11. “Timely disbursement of funds to beneficiaries”

The PwC contract further provides that “any amendment of this Contract will not be effective unless agreed in writing and signed by both parties.” (Contract, Annex B, Terms of Business, at 4.)

Inexplicably, the Monitors suggest that Dr. Omer somehow narrowed the scope of the PwC mandate, from one of general fiduciary to mere payment agent, but they cannot point to any signed, written amendment to the contract that actually allowed for such a reduction in PwC’s scope. Nor do the Monitors explain how it is Dr. Omer could possibly have had the power unilaterally to alter the contract. Indeed, the contract states that actions under the contract may only be taken by the authorized representatives specified in the contract, (Contract, § 1.7), and nowhere is Dr. Omer listed as an authorized representative. Thus, any statements by Dr. Omer to narrow the scope of PwC’s work



(which never were made) would have had no legal force in any event. The fact remains that PwC, not Dr. Omer, had a broad fiduciary responsibility to ensure that donor funds were properly spent. To the extent there was any breakdown in the flow of funds through PwC, PwC must answer for it.

**Allegation No. 13:** *“The procedure for transfers entailed, first, authorization from the donor and Abdusalam Omer, who had the contractual responsibility on behalf of the Ministry of Finance to ensure the transmission of funds from PwC through to their deposit in the CBS.”* (Report, at 160, ¶ 21.)

**Response:** Dr. Omer has never authorized a single payment to be transmitted to the Central Bank of Somalia from PwC. The only items Dr. Omer ever signed for with regard to the PwC account were PwC management fees charged in connection with PwC’s fiduciary management of Government funds. As to everything else, requests for the release of funds were made by the Prime Minister or the Minister of Finance, which were then processed and transferred by PwC to the remittance agent (hawala), who then transported the money to the Central Bank, where officials from the Bank, Ministry of Finance, the PwC representative in Mogadishu (Eagle Enterprise), and the Accountant General signed a declaration of receipt of funds. All of this occurred months or years before Dr. Omer became Governor of the Central Bank. At no point in the process was responsibility delegated to Dr. Omer. Significantly, at the time in question, Dr. Omer was working merely as an adviser based in Nairobi, not Mogadishu.

**Allegation Nos. 14-15:**

*“In the accounts of the CBS, there are no deposits listed as coming from PwC. Rather, there are undefined deposits by the Ministry of Finance. By tracking the date and the amount of the PwC transfers, and checking receipts and slips provided by the CBS to PwC against CBS records, the Monitoring Group identified six deposits amounting to 4,852,235 USD. It was unable to trace 12,072,231 USD as having been deposited in the CBS (see annex 5.2.b.i.iv). While PwC received confirmation receipt letters signed by Hagi and Osman indicating the date and amount received, as well as deposits slips from the CBS for the other fourteen transfers there are no corresponding deposits in the CBS.”*

*“However, in the accounts of the CBS there is no record for this amount on this date, or any other date that month. The Monitoring Group considered whether the deposit might have been made in smaller increments over time, but has been informed that this would have been impossible, and the CBS would have been obliged to generate individual deposit slips for each transaction.*

(Report, at 160-61, ¶¶ 23-24)



**Response:** Historical Central Bank records from the time period in question (2011 and early 2012) indicate that, at the time the PwC deposits were being made, some of the funds transfers were not listed as PwC funds. The Central Bank relies on deposit instructions received from the Accountant General and the Ministry of Finance, who control and make decisions on the depositing of funds to the Government's Single Treasury Account, as well as inform the Central Bank concerning the origins of funds. The records show that the Central Bank received all of the \$16.9 million from PwC, and all of it is readily accounted for. **There is not \$12,072,231 missing from the Bank.** In the majority of instances, the Accountant General had not immediately prepared the necessary paper work to deposit the funds in the Single Treasury Account; therefore, the majority of the PwC transfers were held in a Holding Account by the Central Bank awaiting instructions from the Accountant General. Once those instructions were ultimately received, the PwC funds were transferred directly to the Single Treasury Account.

Contrary to the Monitors' allegation, **Annex A** to this Response shows in detail the receipt by the Central Bank of **all** of the PwC funds through the Holding Account and the Single Treasury Account. **Annex A** includes all duly signed deposit vouchers with respect to the PwC fund transfers. The Central Bank also has detailed reports of how every dollar of the PwC funds was spent, which are available for review and inspection by any objective-minded outside auditor.

In regard to the allegation that it is impossible on the part of the Central Bank to create separate deposit slips for each transaction from the Holding Account to the Single Treasury Account, all of the separate deposit slips are provided in the attached **Annex A**.

**Allegation No. 16:** *"On 28 October 2009, Abdusalam Omer authorized the payment of 50,000 USD . . . which was deposited into his personal account the same day."* (Report, at 161, ¶ 27.)

**Response:** The US\$50,000 payment was authorized by the Prime Minister and Minister of Finance. The suggestion that Dr. Omer retained all of these funds is inaccurate. As indicated in the Minister of Finance's 27 October 2009 letter, just US\$10,000 of these funds were used to cover administrative expenses of Dr. Omer for his work as a Ministry adviser, and the remainder went to cover administrative costs of the Prime Minister's office, including a bereavement payment to the family of a deceased minister of the TFG government.



**Allegation No. 17:** “The same day, Abdusalam Omer authorized 400,000 USD to be transferred to Daljir Trading & General Services for food and subsistence supplies to security forces.” (Report, at 161, ¶ 28.)

**Response:** Dr. Omer has never authorized the above-mentioned payment, nor did he have any authorization capacity for payments to any individual, entity or authority on behalf of the Ministry of Finance or anyone else. The only (very limited) exception was when he would sign to approve the management fees of PwC, the details of which were already agreed to by the responsible officials within the Ministry of Finance and PwC.

**Allegation No. 18:** “The Redirection of these funds to Daljir Trading had been permitted by PwC on reassurances from Abdusalam Omer that the remainder of Libyan and Rwandan funds already dispersed would be paid to MPs in a timely manner.” (Report, at 162, ¶ 30.)

**Response:** At no time did Dr. Omer have authority, or seek to exercise authority, to provide “reassurances” to PwC about any payment. All payment authorizations to PwC came from the Prime Minister or the Minister of Finance. To the extent US\$300,000 went to Daljir Trading, it would have been based on an authorization from the Prime Minister or Minister of Finance to cover food and subsistence supplies for the Somali military. This occurred in 2009 and 2010, and thus has absolutely nothing to do with the current Government.

**Allegation No. 19:** “On 3 March 2011, Abdusalam Omer duly approved the [Ernst & Young] audit, while he was being paid by the project as the PFM Senior Advisor, a clear conflict of interest.” (Report, at 163, ¶ 33.)

**Response:** This allegation betrays a complete lack of understanding of the PFM process and basic auditing procedures. At no time did Dr. Omer have authority, or seek to exercise authority, to approve the Ernst & Young audit. Ernst & Young was auditing a funding facility made available through the African Development Bank. Accordingly, any auditing of the facility would have to be reviewed and approved solely by the African Development Bank’s procurement officer (and his superiors) and the Deputy Finance Minister.

**Allegation No. 20:** “In May 2013, the Somalia Parliamentary Finance Committee completed its budget review of the last quarter of 2012. It determined that between October and December 2012, there was a



total of 10.3 million USD spent by PwC on the FSG. Out of this amount, 2.3 million USD could not be accounted for.” (Report, at 164, ¶ 37).

**Response:** All funds from the PwC fund, including the above-mentioned US\$2.3 million, are readily accounted for. The total US\$10.3 million was never transferred to the Central Bank or any other organ of the Somali federal government. These funds were in support of the government and administered by PwC. (See below table for more details). This is a gross misinterpretation of the finance Sub-Committee parliamentary report to support certain allegations and to create mistrust between the Somali Government and the donor community. The parliamentary report is available for examination. These allegations are evident of the lack of due diligence, amateurish investigative methods, and an irresponsible rush to judgment exhibited by the Monitoring Group.

The following Table summarizes the use of PwC funds for the period October 2012 through December 2012. Additional detail is provided in **Annex B** to this Response.

Expenditures by PwC between: October to December 2012		
Items	Donor	Amount (USD)
<b>Receipts from Donors</b>		10,320,395.00
<b>Interest</b>		129,479.11
<b>Funds Available for use</b>		10,449,874.11
<b>Expenditure</b>		
<b>Ministry of Information (Salaries and Consultancy Fees)</b>	USA	55,799.25
Stipends from security forces	USA	1,844,600.00
Digital satellite service fees (Radio Broadcasting)	USA	2,000.00
TFG Ministry of Finance Advisors fees, allowance and office expenses	AfDB	30,325.00
Broadband Internet Access fees	USA	15,676.68
Mogadishu Facilities Rehabilitation project	DANIDA	46,560.00
Mogadishu Media House Project	UNSOA	5,203.20
FMA Fees (PwC Fee)		177,237.37



Transfer Charges (Hawala charges)		79,768.00
Bank Charges		224.18
<b>Total Expenditure</b>		<b>2,257,393.68</b>
<b>Fund Balance</b>		<b>8,192,480.43</b>
		Source: PwC

**Allegation Nos. 21-22:**

*“The PwC mechanism and the AFDB project represented the development of this phenomenon in the context of PFM. The individuals involved abused development concepts of local ownership and capacity-building in order to access resources. It is paradoxical that efforts to achieve financial accountability became vehicles for corruption”*

*“In particular, on the Somali side, the very individuals involved in capturing the PwC mechanism and AFDB project undermined Somali political support for the JFMB and instead proposed a Financial Integrity Authority. In a familiar pattern, it comprised, amongst others, three PFM Consultants, the Minister of Finance and the Governor of the Central Bank, who would, in addition to other functions, coordinate donor funds. It argued:*

*As UN and private agencies have been used as conduit and manager of most of the external assistance granted to Somalia in the past twenty years, and the nascent country institutions have been completely by passed, these decisions have led to emasculation of the Somali Ministry of Finance and Central Bank.*

(Report, at 164-65, ¶¶ 38, 40.)

**Response:** Dr. Omer was the coordinator of the AFDB project and he was responsible for ensuring that activities were carried out by the implementing partners (HESPI) and Ministry of Finance. Dr. Omer takes full responsibility for the oversight of the implementation of these activities. A mid-term audit of the AFDB project was conducted by Ernst & Young resulting in an unqualified audit opinion. The audit report was accepted by the Ministry of Finance and AfDB and is available to the public. An end of programme audit was recently conducted, which also provided an unqualified audit opinion.

The project achievements of the above AfDB support programme for rebuilding PFM in Somalia included:

- Production of the first Budget since 20 years in 2011 and then again 2012.



- Drafting of both the Central Bank Act and the Financial Institutions Act, both approved by Parliament and implemented by the Central Bank.
- Provision of training to over 50 mid-level financial managers, who are currently working for the Government.

It is unprofessional for the Monitoring Group to assert any wrongdoing on the part of Dr. Omer with regard to the PwC mechanism without appropriate evidence. It is unprincipled conduct by the Monitoring Group to imply without any supporting evidence that Dr. Omer abused development concepts such as local ownership and capacity building in order to enrich himself. The concepts of local ownership and capacity building have been a central thread of the reform program and the rebuilding of the Central Bank since Dr. Omer's appointment at the Bank.

Important as programs by the UN, Donors and NGOs are to the Somali public welfare; they can do more to enhance the capacity of the Federal Governments institutions, which is critically important in increasing political credibility with the Somali people.

**Allegation No. 23:** *“The appointment on the 13 January 2013 of Abdusalam Omer as the Governor of the CBS in the FSG coincided with the introduction of a new initiative from the Government of Norway. A Special Financing Facility (SFF) would be administered by Norway, which would be 30 million USD as the stated shortfall of the Somali budget 2013. Donor funds would be pooled in an international account and lump sums would be transferred to a government account controlled by the Ministry of Finance to pay for recurrent and capital costs. In its conception, it was effectively the recreation of the PwC mechanism, not as the FMA but again as a transfer agent.”* (Report, at 165, ¶ 41.)

**Response:** The Special Financing Facility developed and proposed to the Somali Government by the Government of Norway is an initiative warmly welcomed by the CBS. The well-crafted facility will lend much support to the Somali Government and make up the shortfall of the 2013 budget. This mechanism is similar to the ones extended to the Afghanistan and Palestinian Authorities. The latter encountered the same predicaments as the Somali Government, when faced with a serious fiscal situation due to a budget shortfall and the mechanism proved to be successful.

It is important to stress that the SFF mechanism does not contradict, but rather enhances the substantial Public Financial Management support in progress by IFI's and major bilateral donors (such as the AfDB support in the budget formulation and the long-term assistance from the IMF and the World Bank to the Central Bank and the Ministry of Finance).

**Allegation No. 24:** *“In a second version of the 13 February 2013 and a third version of 10 April 2013, the Central Bank was designated to control the government SFF account. To reinforce the role of the CBS, the recently established President's Policy Unit prepared a proposal to the SFF, dated 9 April 2013, describing the IT, electronic transfer and reporting capabilities of the CBS, none of which exists.*

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*Indeed, Abdusalam Omer's own proposal, dated 13 February 2013, which he circulated to donors, sought support to establish these capabilities.” (Report, at 165, ¶ 42.)*

**Response:** On 25 March 2013, the Central Bank completed the purchase and implementation of a biometric payroll system, which was in line with the Bank's policy of transparency and accountability. The Bank's staff was enrolled to this payroll system and salaries were paid out at the end of that month. Following the successful implementation of the payroll system, the Bank is confident that it can meet the needs of the SFF programme and administer payroll for all civil servants.

The Somali National Broadcaster (Radio Muqdisho) visited the Bank when the staff had completed the roll-out of the payroll system. Below is the news coverage:

(<http://radiomuqdisho.net/bankiga-dhexe-ee-soomaaliya-oo-la-hormariyey-islamarkaana-howlgaliyey-barro-internet-oo-ay-bulshadu-kala-xiriiri-karaan-sawirro/>)

**Allegation No. 25:** *“The Monitoring Group understands that Salaam Africa bank is an enterprise of Ali Ahmed Nur Jimale, 44 designated by the Security Council for targeted measures. By September 2012, Salaam bank had established investment branches in Mogadishu providing loans against collateral to the growing number of businesses in the city. It was subsequently licensed by Abdusalam Omer after he assumed the office of Governor of the CBS. However, the licensing of banks by the CBS can only be done by the Board of the CBS, which was not in place, and not by the Governor.” (Report, at 166, ¶ 43.)*

**Response:** The current Governor of the Central Bank of Somalia has not issued any formal license to any bank in Somalia, including Salaam Africa bank. Since the appointment of Governor Omer, the Central Bank has issued two provincial licenses to (Amal group and African Trust) financial institutions meeting the regulation requirements for banks. Full licenses will be granted to these institutions upon the review and approval of the Board of Directors of the Bank. The Central Bank and its Governor deny in the strongest terms that a license was issued to Salaam Africa Bank. As of this writing, there are no records of Salaam Africa Bank applying for a provisional license or a full license from the Central Bank of Somalia.

Again, this displays a disturbing lack of regard for the accuracy of information published in the Monitoring Group's Report, putting the integrity of the entire Report into question.



### CONCLUSION

The UN Monitoring Group did not perform their due diligence in investigating the facts and, in many respects, did not follow professional investigative practices, which are typically employed to ensure that an investigation reaches unbiased conclusions. Rather, they opted to base their report on hearsay and assertions without the support of documented evidence that could have been provided by the Central Bank upon request.

Annex 5.2 of the Report paints a false picture of an institution that is plagued by corruption, with the purpose of discrediting the Central Bank of Somalia. The Report cites and creates doubt surrounding the excellent initiative by the Government of Norway to support the Somali Government through direct budgetary support in the form of salaries for civil servants. This ensues in hindering any effort to promote Somali government ownership and accountability as well as the capacity building of Somalia's financial institutions. The Central Bank is adamant to be an efficient partner in all other forthcoming agreements of external aid to the Government and shall conduct its operations transparently and professionally in accordance with all laws.

Under the leadership of Governor Abdusalam Omer, below is a brief summary of the Central Bank's progress to date:

- Published its first Annual Report in over twenty years.
- Published its first quarterly and bi-annual reports in twenty years.
- Installed a sophisticated payroll system for the payment of employees.
- Initiated and drafted a 5-year strategic planning process covering the period of 2013-2018. This was completed despite the scarce resources of the Bank.
- IT upgrades of the Bank including reviving the Bank's Swift capabilities, allowing the Bank to conduct its business overseas and with its corresponding Banks.
- Recruited professionals to join the Bank including two senior economists.

Dr. Omer is an outstanding citizen of both Somalia and the United States who has devoted himself to many charitable endeavors. Equally important is the work he carried out in his professional capacity in several multilateral organizations, including the United Nations. From providing vital IT infrastructure

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including bringing internet connection to universities in Somalia to the creation of the Civil Society Center in Mogadishu, whereby communities found a common place discuss ideas, issues and gain access to a free library. Dr. Omer also led the establishment of the Institute of Administration in the University of Hargeisa as well as steering the upgrade of the Puntland Community College to the Puntland State University in Garowe. With his current leadership of the Central Bank of Somalia, Dr. Omer continues his dedication to serving the needs of the Somali people.

Finally, the Central Bank of Somalia is requesting that the SRSG conduct an independent audit of this Report and its alleged findings. The Central Bank demands that the U.N. Monitoring Group retract the unfounded allegations against both the Central Bank and its Governor, issue a formal apology, and cease and desist from making any further false allegations.