



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 15-Apr-2025 | Report No: PIDIC00204



BASIC INFORMATION

A. Basic Project Data

Project Beneficiary(ies)	Operation ID	Operation Name	
Somalia	P506857	Second Somalia Economic Resilience Development Policy Financing	
Region	Estimated Approval Date	Practice Area (Lead)	Financing Instrument
EASTERN AND SOUTHERN AFRICA	30-Jul-2025	Macroeconomics, Trade and Investment	Development Policy Financing (DPF)
Borrower(s)	Implementing Agency		
Federal Republic of Somalia	Ministry of Finance		

Proposed Development Objective(s)

To help Somalia promote economic resilience through more sustainable public finances and resilient private sector development.

Financing (US\$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)?	Yes
Is this project Private Capital Enabling (PCE)?	Yes

SUMMARY

Total Financing	75.00
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DETAILS

Total World Bank Group Financing	75.00
World Bank Lending	75.00

Decision

The review did authorize the preparation to continue



B. Introduction and Context

Country Context

1. **Decades of state fragmentation, fragility, and continued conflict have strained Somalia's development.** Economic capacity destroyed during the civil war starting in the 1990s have seen limited restoration. Security costs remain necessarily high while fiscal revenue collection is minimal. The public sector therefore has little fiscal space for investments that would generate economic growth and reduce poverty. And it is now working to build capacity to steer private sector dynamism towards creation of more and better jobs.
2. **Multiple and overlapping shocks have kept economic growth low, fueling fragility and poverty.** External shocks, complicated geopolitical situation, and domestic terrorist incidents have kept per capita GDP low. Between 2019 and 2024, economic growth rates averaged only 2.4 percent, compared with a population growth rate of 2.8 percent. Only one third of men and 12 percent of women are employed. In 2022, 54 percent of the Somali population lived below the national poverty line of US\$752 per person per year.¹ Climate change is making periodic droughts and floods more frequent and severe and is linked to Somalia's social and political vulnerabilities.
3. **Somalia continues to enhance its resilience by making strides in state-building, economic recovery, and inclusive and sustainable growth.** The Federal Government of Somalia (FGS) was established in 2012 and has implemented important state- and institution-building reforms, which culminated in achieving the Heavily Indebted Poor Countries (HIPC) Initiative Completion Point in December 2023. In March 2024, Somalia became a member of the East African Community (EAC), committing to harmonize its policies with EAC members to benefit from improved regional integration

Relationship to CPF

4. **The proposed operation supports the objectives of the World Bank's Country Partnership Framework (CPF) (FY24–FY28) (Report No. 187254-SO) and incentivizes progress in reaching IDA's Turnaround Allocation (TAA) milestones.** The proposed operation provides further impetus for state- and institution building reforms, needed to support transitioning of Somalia out of fragility. DPF Pillar A directly contributes to the CPF high-level outcome "macroeconomic stability and governance foundations." Pillar A is also fully aligned with the three focus areas of the TAA fragility mitigation driver "Strengthening institutions, sustaining economic reforms, and helping to build a stable political settlement". Pillar B contributes to two CPF pillars: "strengthen financial inclusion and growth," and "increase access to infrastructure, energy, and digital services."

C. Proposed Development Objective(s)

5. To help Somalia promote economic resilience through more sustainable public finances and resilient private sector development. The PDO will be achieved through implementation of the policy and institutional reforms supported by the two pillars of the DPF: (1) Pillar A: ensuring sustainable public finances; and (2) Pillar B: enabling resilient private sector development.

Key Results

¹ World Bank. 2024. Somalia Poverty and Equity Assessment. (Washington, D.C.: World Bank Group, 2024).



6. To promote sustainable public finances, this DPF is expected to increase the FGS's ability to collect income taxes and strengthen public expenditure transparency and accountability. To enable resilient private sector development, the DPF is expected to facilitate better access to microfinance, insurance products, and broadband connection, as well as support increased fisheries exports. To further strengthen resilience of private sector to climate change, the DPF is expected to expand investments in renewable sources of energy.

D. Concept Description

7. **The proposed operation is the second in a programmatic series of two operations to support economic resilience in Somalia.** The objective of Pillar A is to strengthen sustainability of public finances and ensure macroeconomic stability and fiscal space to support Somalia's large development needs in the context of high volatility to climate change and fragility, conflict, and violence. The objective of Pillar B is to enable economic resilience of the private sector through implementing structural reforms that enhance the environment for private sector-led growth and create conditions for job creation. The reforms supported in this operation build on the reforms anchored in the HIPC initiative and supported by DPFs approved in 2020–2023.²

8. **This DPF series promotes sustainable public finances to increase the fiscal space needed to foster economic growth and poverty reduction.** Implementation of the income tax legislation is expected to mobilize more domestic revenues in support of country's significant development needs. The Collaboration Framework Agreement between FGS and FMS Offices of Auditor General (OAGs) harmonizes legislation and audit reporting of both levels of OAGs, coordinate joint audits between FGS and FMS OAGs, support information sharing, capacity building, stakeholder engagement, and conflict resolution.

9. **To enable resilient private sector development and thus support climate adaptation and mitigation, the DPF includes reforms in key sectors of the economy.** Bringing micro-finance institutions and insurance operators under regulatory supervision should build confidence in them and improve their ability to attract investors, raise funds, expand business to new customers and new products and services. Putting in place seafood safety standards and the Fisheries Competent Authority would encourage further investment in fisheries, including processing and trade, particularly in high-value products for new export markets. Incentivizing investments in renewable energy generation will improve access to cheaper and greener electricity, supporting economic growth and job creation. Implementing reforms to expand access to international broadband capacity will enhance transparency, predictability, and investor confidence, bridging the digital divide.

E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

10. **No prior actions are likely to have significant negative poverty and social impacts.** Changes to the income tax legislation will have a limited impact on poverty given the very low rates of employment, especially wage employment. The Electricity Sector Least Cost Power Generation and Transmission Development Plan is designed to encourage more efficient electricity generation and may reduce prices faced by end-users. However, even if prices increase in the future, there will be little impact on poverty due to lower access to electricity among poorer households and limited reported expenditure.

² The Somalia Reform and Reengagement DPF (P171570) and Supplemental Financing (P174064) and the Somalia Inclusive Growth and Development DPF series (P174089 and P179307).



Environmental, Forests, and Other Natural Resource Aspects

11. **No prior actions are likely to have significant adverse environmental costs.** While large-scale renewable projects offer opportunities for sustainable resource management and environmental protection, they risk disrupting ecosystems and causing deforestation for infrastructure development if not carefully planned. The new requirement for investors to conduct environment and impact assessments under DPF 1 could help mitigate some of these risks. The operation is consistent with Somalia's Nationally Determined Contribution (NDC). In the latest NDC, revised in 2023, Somalia has, contingent on international support, reiterated its commitment to 30 percent emission reductions against the business-as-usual scenario by 2030. On adaptation, the Somali government aims to enhance adaptive capacity, strengthen resilience, and reduce vulnerability to climate change through mainstreaming climate adaptation into sustainable development. The operation contributes to the NDC by supporting the government in the provision of enabling environment for meeting sector-specific adaptation indicators, including targets 2.3.1 ('Smart Agriculture, Livestock, and Land Use'), 2.3.2 ('Climate Smart Fisheries'), and 2.3.4 ('Climate Proofed Infrastructure, Built Environment, Transport, and Energy'). The operation is aligned with the goals of the Paris Agreement on adaptation. Initial due diligence shows that the prior actions are likely to have only negligible impacts on greenhouse gas (GHG) emissions and are unlikely to have any adverse effect on the country's GHG emission targets.

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APPROVAL

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