

# THE MULTI-PARTNER FUND

## PROGRESS REPORT

JULY—DECEMBER 2021





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# ABBREVIATIONS AND ACRONYMS

<b>AF</b>	Additional Financing	<b>MSME</b>	Micro, Small, and Medium Enterprise
<b>AfDB</b>	African Development Bank	<b>MTR</b>	Mid-Term Review
<b>ASA</b>	Advisory Services and Analytics	<b>Norway</b>	Norwegian Ministry of Foreign Affairs
<b>BRA</b>	Benadir Regional Administration	<b>PFM</b>	Public Financial Management
<b>CIP</b>	Public Sector Capacity Injection Project	<b>PIU</b>	Project Implementation Unit
<b>CPF</b>	Country Partnership Framework	<b>PLR</b>	Performance and Learning Review
<b>CSSP</b>	Somaliland Civil Service Strengthening Project	<b>RCRF</b>	Recurrent Cost and Reform Financing Project
<b>Denmark</b>	Kingdom of Denmark, acting through the Ministry of Foreign Affairs	<b>SBCF</b>	Somali Business Catalytic Fund
<b>DRM/PFM</b>	Domestic Revenue Mobilization and PFM Capacity Strengthening Project	<b>SCALED-UP</b>	Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project
<b>ESF</b>	Environmental and Social Framework	<b>SCORE</b>	Somali Core Economic Institutions and Opportunities Program
<b>EU</b>	European Union	<b>SCRP</b>	Somalia Crisis Recovery Project
<b>FCV</b>	Fragility, Conflict, and Violence	<b>SDRF</b>	Somalia Development and Reconstruction Facility
<b>FGC</b>	Financial Governance Committee	<b>SEAP</b>	Somali Electricity Access Project
<b>FGS</b>	Federal Government of Somalia	<b>SEU</b>	Somalia Economic Update
<b>FHW</b>	Female Health Worker	<b>SFF-LD</b>	Special Financing Facility for Local Development
<b>FMIS</b>	Financial Management Information System	<b>SIF</b>	Somali Infrastructure Fund (AfDB-administered)
<b>FMS</b>	Federal Member States	<b>SMP</b>	Staff-Monitored Program
<b>FY</b>	Financial Year	<b>SUIPP</b>	Somali Urban Investment Planning Project
<b>GBV</b>	Gender-Based Violence	<b>SURP</b>	Somali Urban Resilience Project
<b>HIPC</b>	Heavily Indebted Poor Countries Initiative	<b>Sweden</b>	Sweden, represented by the Swedish International Development Cooperation Agency
<b>IDA</b>	International Development Association	<b>United Kingdom</b>	United Kingdom of Great Britain and Northern Ireland, acting through the Foreign, Commonwealth and Development Office (FCDO)
<b>IDP</b>	Internally Displaced Person	<b>United States</b>	United States Agency for International Development
<b>IFC</b>	International Finance Corporation	<b>WBG</b>	World Bank Group
<b>IFI</b>	International Financial Institution		
<b>IMF</b>	International Monetary Fund		
<b>MDA</b>	Ministries, Departments, and Agencies		

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The MPF is helping to double down on our knowledge work and enhancing risk management for our portfolio, in addition to informing the Bank pipeline and, in some instances, co-financing of IDA operations.

# INTRODUCTION

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The Multi-Partner Fund (MPF) for Somalia has been the primary source of financing for the World Bank Group's (WBG) early reengagement in Somalia after more than two decades of disengagement. The MPF was established in 2013, and since then has supported the process for normalizing Somalia's relations with international financial institutions (IFIs), while building and strengthening core government systems at both federal and state level.

In nonaccrual status since 1991, Somalia has not had access to regular development financing from IFIs, including the World Bank's International Development Association (IDA). Having cleared arrears and reached its Heavily Indebted Poor Countries Initiative (HIPC) Decision Point in March 2020, Somalia's development financing aims to support an ambitious agenda which is central to moving the country towards greater stability and more inclusive development. We are at a strategic moment for the MPF—the strategic alignment of the MPF and the growing IDA portfolio will help in building back better and recover from the impact of the crises facing Somalia. The MPF is helping to double down on our knowledge work and enhancing risk management for our portfolio, in addition to informing the Bank pipeline and, in some instances, co-financing of IDA operations.

This World Bank MPF Progress Report covers the period July to December 2021. It provides thematic and project-level updates and identifies the external events of the period that relate to the operating context of the MPF. The report captures achievements and challenges from the reporting period, including the operationalization of the Bank's Country Partnership Framework (CPF), IDA reengagement, and support for Somalia's sustained economic reforms towards Completion Point. The report also captures ongoing and upcoming learning and analytical activities.

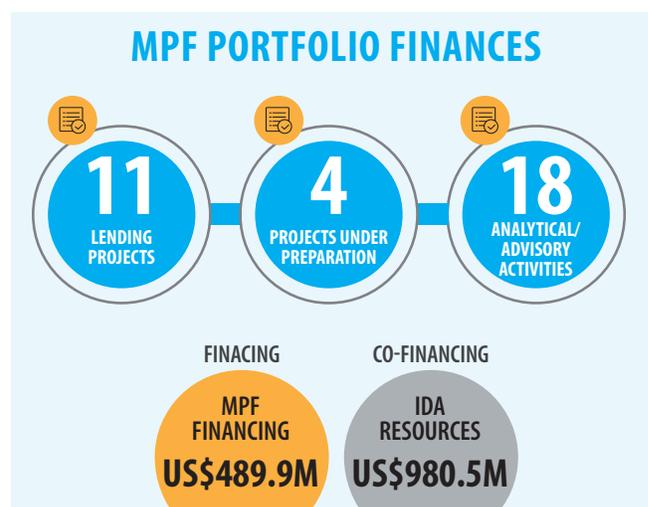
During the reporting period, the political landscape in Somalia has remained focused on the successful completion of the electoral process and a peaceful transition of power to enable further progress on development priorities, the debt relief process, and security sector reform. While the Upper House elections have been successfully completed, increasing the percentage of women to 26 percent, the elections of the Lower House have progressed slowly, with about 10 percent of seats filled by the end of 2021. Similar to the Upper House elections, female representation in the House of the People is projected to fall short by about 19 percent. The electoral process has been accompanied by discussions over the politicization of armed forces and has been further delayed, missing both the February 25 and March 31 deadlines. The international community remains committed to supporting peaceful elections as well as the security transition process to improve the volatile security environment. The African Union and the United Nations progressed on the future reconfigured African Union Mission in Somalia (AMISOM) in support of the Somalia Transition Plan. In October 2021, the International Court of Justice ruled in the maritime border dispute between Kenya and Somalia that there was no de facto maritime boundary, rejecting claims by Kenya. The court drew a boundary that kept some of the disputed area under Kenyan jurisdiction but still awarded significant parts of the disputed area to Somalia.

Somalia remains vulnerable to external shocks, putting recent investments and progress on resilience to a hard test. The 2022 Humanitarian Response Plan was launched on December 20, projecting 7.7 million people—more than half the population—in need of humanitarian assistance in 2022. To provide assistance to 5.5 million people targeted, the humanitarian partners appealed for close to US\$1.47 billion. The drought is a key driver of the humanitarian need which, by the

end of 2021, had already caused additional internal displacement. Addressing drivers of cyclical need, including climate change, requires sustainable and sustained investments in water, livelihoods, and basic social services across humanitarian, development, and peace actors.

Since the onset of the political impasse, implementation of ongoing Bank-financed operations has continued as government officials remain available and engaged. The Ministry of Finance and the sectoral ministries have maintained their technical capacity, are functioning, and are able to conduct policy/sectoral dialogue and to implement projects. The Bank's implementation support teams continue to work with clients on their projects, and disbursements continue to finance project activities. Project Implementation Units continue to operate normally and remain adequately staffed. Several virtual implementation support, preparation, appraisal, and closing missions have been conducted since October, during the ongoing pandemic. The international community, led by the United Nations and C6+,<sup>1</sup> continues to urge continued dialogue and meetings, and avoiding violence.

The MPF portfolio finances 11 lending projects, four projects currently under preparation, and 18 analytical/advisory activities. The MPF provides financing worth US\$489.9 million. The portfolio is co-financed with US\$980.5 million in IDA resources. With IDA complementing MPF financing, the portfolio is now demonstrating the advantages of blending multiple sources of financing to leverage a coordinated and pooled financing approach using country systems. The total active Bank portfolio at the end of the reporting period amounted to US\$1.64 billion combined IDA and Trust Fund financing. As of December 2021, donors had committed a total of US\$524.4 million to the MPF, of which US\$517.1 million had already been paid in.



In the reporting period, additional contributions totaling over US\$40 million have been received, based on the Administration Agreements signed with donors, including the European Union (Euro 2 million), Norway (NOK 100 million), Sweden (SEK 150 million), the United Kingdom (£7 million), and the United States (US\$1 million).

With regard to the call of funds, the reporting period also saw over US\$15 million in additional funds received from Denmark (US\$3 million), Norway (US\$2 million), Sweden (US\$5.5 million), the United Kingdom (US\$1.02 million), and the United States (US\$1 million).

During the reporting period, the MPF Consultative Group approved some investment projects to be financed by the MPF. These include (a) Somalia Recurrent Cost and Reform Financing Project (Phase III) which received Additional Financing (AF) for US\$32 million; (b) Enhancing Public Resource Management Project for US\$25 million; (c) Empowering Women through Education and Skills Project ('Rajo Kaaba') for US\$25 million; and (d) Urban Resilience Project (Phase II) which received AF of US\$21.58 million. The Somaliland Civil Service Strengthening Project II is now active and funded under the MPF for US\$4.85 million.

<sup>1</sup> The C6+, or Copenhagen Group, includes the ambassadors of Ethiopia, Italy, Sweden, the United Kingdom, the United States, the African Union (AU), the European Union (EU), and the Intergovernmental Authority on Development (IGAD).

Additional knowledge work, enhanced risk management, and policy dialogue was started for:

- The Climate Change Program.
- Capacity Building for Environmental, Social, and Security Risk Management in Development Interventions.
- Policy Notes for the new government.
- Financial System Initiative.
- Somalia Economic Update Edition 7.

The Effective, Accountable Government portfolio of the MPF financed 11 projects. Of these, six are recipient-executed investment projects and five are analytical/advisory activities (Table 1). The MPF provides financing worth US\$364.3 million. The portfolio is co-financed with US\$633 million in IDA resources. It represents the largest portfolio within the MPF; many of the projects are closely interlinked. The MPF built the platform for a key scale up of the portfolio in Human Development, approving US\$100 million for Health, US\$40 million for education, US\$175 million for the Baxnaano platform, and US\$115 million for combating the impact of the locust crisis. Under the CPF, the WBG is strengthening ongoing governance programs with a new focus on fiscal space and improving access to—and the quality of—key social services and resilience. This portfolio aligns with CPF Focus Area 1: Strengthening Institutions to Deliver Services.

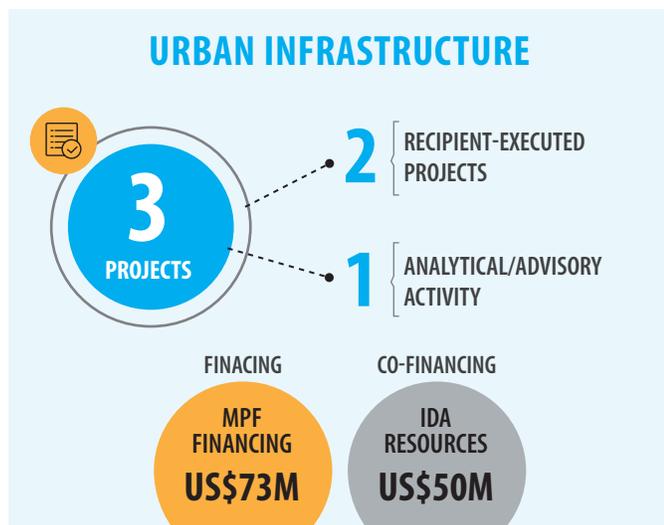


The Enabling Economic Growth portfolio financed five active projects. Three of these are recipient-executed investment projects, and two are Bank-executed analytical/advisory activities (Table 2). The MPF provides financing worth US\$52.6 million to this focus area. The portfolio is co-financed with US\$297.5 million in IDA resources. This portfolio aligns with the CPF under Focus Area 2: Restoring Economic Resilience and Opportunities, through which the WBG aims to increase economic resilience as a basis for long-run poverty reduction and inclusive growth.



The Urban Infrastructure portfolio financed three active projects. Two of these are recipient-executed investment projects, and one is a Bank-executed analytical/advisory activity (Table 3). The MPF provides financing worth US\$73 million. The portfolio is co-financed with US\$50 million in IDA resources. This portfolio aligns with the CPF under Focus Area 1: Strengthening Institutions to Deliver Services, specifically, Objective 1.4: Build the capacity of Somali municipalities for urban resilience.

The Bank produces a slew of Knowledge Products that document useful lessons or research. A report on ‘Somalia Public Financial Management (PFM) Assessment in Federal Member States’ was produced and used for policy dialogue. The design of future operational support to PFM will be largely influenced by the main findings of this assessment. The ‘Somali



Country Economic Memorandum: Towards an Inclusive Jobs Agenda' report utilizes available quantitative data, primary research conducted for the study, and builds on earlier work. The report considers both the structure of today's economy and the source of jobs, as well as potential future drivers of growth. Wave 2 of the 'Somalia: COVID-19 High Frequency Phone Survey', reaching 2,811 households, was conducted in January 2021—information about the HFPS is also available on a blog and a dashboard (for which a dedicated landing page

is expected to be ready in January 2022). The Federal Government of Somalia established its first national safety net program, the Baxnaano Program, in 2019 with support from IDA and, despite institutional challenges, political and economic fragility, the Program is delivering promising results. A discussion paper on Baxnaano deliberates the design and implementation experience of this Program.

The WBG commissions the MPF Monitoring Agent to provide periodic strategic risk reviews of emerging issues of institutional reform and state-building in Somalia. These reviews inform government and WBG strategy, portfolio management, and implementation. The WBG Somalia portfolio risks are rated high, even when compared to those for portfolios in other fragile and conflict-affected settings. There has been a new contract in place with the Monitoring Agent since September 14, 2021, and has been operational since October 15, 2021. New focus areas within the ambit of the Monitoring Agent include the environmental and social framework, procurement, and project management, among others.



The Bank established a Somalia Gender Equality Platform, with the support of the MPF, to deepen and strengthen strategic engagement on women's equal opportunities across operations and analytic initiatives. This platform will enable multiyear and multisector nonlending Technical Assistance using a programmatic platform, which will assist the WBG's engagement in Somalia by promoting gender equality and inclusion.

During the reporting period, the World Bank's Fragility, Conflict, and Violence (FCV) Group has provided support to further strengthen the FCV lens of the WBG's engagement in Somalia and across the Horn of Africa, moving forward. This has included the delivery of the WBG's first regional risk and resilience assessment (RRA) for the Horn of Africa—an internal analysis to strengthen the understanding amongst WBG operational teams of the regional and cross-border drivers and spillover impacts of FCV. The RRA included Somalia within its scope, and aims to inform the growing number of regional operations in the Bank's portfolio and as part of the Horn of Africa Initiative. Given the dynamic political economy context and FCV developments across the Horn, the World Bank is also continuing its partnership with the International Crisis Group for internal monitoring briefings, and has produced an internal dashboard to better understand FCV trends and spatial dynamics across the region.

The regional Horn of Africa RRA will also help inform the forthcoming new RRA for Somalia that will be developed in FY22–23, for which preparations began during the reporting period. In line with the WBG's FCV strategy and commitments under IDA19, the new Somalia RRA will further enhance the WBG's understanding of the structural drivers of fragility and sources of resilience, identify lessons learned and best practices from the portfolio, and propose recommendations to strengthen the WBG's strategic and operational engagement in the country moving forward. The RRA will also be informed by a note, currently under finalization, that highlights the key FCV lessons learned from the WBG's engagement in Somalia over the past decade. The forthcoming Somalia RRA process will include a consultative and participatory approach with a broad range of internal and external stakeholders to ensure the analysis benefits from the experiences and perspectives of a diverse group of international, regional, and local actors.

Work has also commenced on more systematically rolling out the use of the Geo-Enabling initiative for Monitoring and Supervision (GEMS) initiative across the Bank's growing portfolio in Somalia, as part of the ongoing efforts to strengthen portfolio monitoring, project supervision and implementation, M&E, and capacity building of government counterparts.



# PORTFOLIO OVERVIEW

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The Multi-Partner Fund (MPF) portfolio finances 11 lending projects, four projects currently under preparation, and 18 analytical/advisory activities. The MPF provides financing worth US\$489.9 million. The portfolio is co-financed with US\$980.5 million in International Development Association (IDA) resources. With IDA complementing MPF financing, the portfolio is now demonstrating the advantages of blending multiple sources of financing to leverage a coordinated and pooled financing approach using country systems. The total active Bank portfolio at the end of the reporting period amounted to US\$1.64 billion combined IDA and Trust Fund financing. As of December 2021, donors had committed a total of US\$524.4 million to the MPF, of which US\$517.1 million had already been paid in.

The MPF projects remain organized under three focus areas that target specific pillars of Somalia's National Development Plan: (a) Effective, Accountable Government strengthens institutions and financing for human capital delivery; (b) Enabling Economic Growth supports economic resilience and opportunities, through which the World Bank Group (WBG) aims to increase economic resilience as a basis for long-run poverty reduction and inclusive growth; and (c) Urban Infrastructure, which strengthens institutions to deliver services, specifically, building the capacity of Somali municipalities for urban resilience. In addition, from this edition onwards, the activities have been reorganized into three categories to better understand

the impact of the Bank's work (a) Investments projects; (b) Policy Dialogue and Analytical activities; and (c) Risk Management activities. Bank reports or publications prepared during the reporting period are given in the Knowledge Products subsection. The rest of this chapter provides an update of progress across these portfolios.

## EFFECTIVE, ACCOUNTABLE GOVERNMENT: STRENGTHENING INSTITUTIONS AND FINANCING FOR HUMAN CAPITAL DELIVERY

The Effective, Accountable Government portfolio of the MPF financed 11 projects. Of these, six are recipient-executed investment projects and five are analytical/advisory activities (Table 1). The MPF provides financing worth US\$364.3 million. The portfolio is co-financed with US\$633 million in IDA resources. It represents the largest portfolio within the MPF; many of the projects are closely interlinked. The MPF built the platform for a key scale up of the portfolio in Human Development, approving US\$100 million for Health, US\$40 million for education, US\$175 million for the Baxnaano platform, and US\$115 million for combating the impact of the locust crisis. Under the Country Partnership Framework (CPF), the WBG is strengthening ongoing governance programs with a new focus on fiscal space and improving access to—and the quality of—key social services and resilience. This portfolio aligns with CPF Focus Area 1: Strengthening Institutions to Deliver Services.<sup>2</sup>

<sup>2</sup> More specifically, it targets the first objectives of Focus Area 1: (1.1) Improve public finance management and institutional effectiveness; (1.2) Enhance domestic revenue mobilization and resource sharing; and (1.3) Establish basic delivery systems for more inclusive social services.

**Table 1. Overview of Projects: Effective, Accountable Government**

As of December 31, 2021 (in US\$ million)

	Projects	Budget	MPF		IDA	
			Grant	Disbursed	Grant	Disbursed
Investment	1. Public Sector Capacity Injection Project (CIP)	40.0	36.4	28.7		
	2. Somaliland Civil Service Strengthening Project (CSSP)	10.7	10.0	8.6		
	3. Domestic Revenue Mobilization and PFM Capacity Strengthening Project (DRM/PFM)	50.0	30.0	26.6	20.0	12.6
		16.0	14.8	14.8		
	4. Recurrent Cost and Reform Financing (RCRF) Project <sup>3</sup>	206.0	118.0	107.1	60.0	52.8
					68.0	22.4
	5. Somali Integrated Statistics and Economic Planning Capacity Building Project	25.0			25.0	2.9
	6. Improving Healthcare Services in Somalia Project ('Damal Caafimaad')	100.0			100.0	2.9
	7. Social Protection Engagement <sup>4</sup>	175.0			175.0	57.8
		115.0			115.0	57.8
Policy Dialogue and Analytics	8. Somalia Financial System Initiative	6.5				
	9. Somalia: Empowering Women through Education and Skills Project ('Rajo Kaaba')	50.0	20.0		30.0	
	10. Education in Somalia	40.0			40.0	
	11. Support to Financial Governance Policy Dialogue (FGC)	5.6	5.6	4.3		
	12. Trade	0.6	0.6	0.01		
Risk Management	13. Enhancing Governance Dialogue on Somalia	1.9	1.9	1.4		
	14. Health in Somalia <sup>5</sup>	374.0	125.0			
	15. Social Protection Engagement: Somalia Social Protection Support (ASA)	2.0	2.0	1.3		
	16. Somalia: Capacity-Building for Environmental, Social, and Security Risk Management in Development Interventions	0.5				
	<b>TOTAL</b>	<b>1,218.8</b>	<b>364.3</b>	<b>192.8</b>	<b>633.0</b>	<b>209.2</b>

<sup>3</sup> The financials for the RCRF have been split into three rows because the first phase of the project (first row) is now closed. Phase II of the project was restructured and scaled up with additional financing in 2018. The original grants for Phase II and the additional financing are grouped in the second row. RCRF III (third row), approved as an IDA-only grant of US\$68 million, complements RCRF II with an enhanced focus on intergovernmental fiscal federalism, citizen engagement, and service delivery.

<sup>4</sup> The financials for Social Protection Engagement have been divided into two rows. The first row is for the Safety Nets for Human Capital Project. The second row is for the Safety Nets for Locust Response Project.

<sup>5</sup> Additional Trust Fund resources amount to US\$249 million. This includes resources from the following Trust Funds: the Policy and Human Resources Development Fund (PHRD); and the Global Financing Facility (GFF).

## Investment Projects

The **Recurrent Cost and Reform Financing (RCRF) project** has enhanced focus on intergovernmental fiscal federalism, citizen engagement, and service delivery, and also introduced reform benchmarks for improved governance and service delivery at Federal Member State (FMS) level. RCRF II was approved as an IDA-only grant Additional Financing (AF) of US\$51 million; it is complemented by RCRF III (US\$68 million) which became effective on December 16, 2020. An AF of US\$68 million is currently under preparation and will provide continuity of recurrent cost financing beyond the lifetime of RCRF II into 2022 and 2023, providing a more predictable recurrent cost financing framework. It was only possible to prepare the new operation because of the existing RCRF II project, to which the MPF provides critical support. RCRF III will also contribute to COVID-19 response and recovery through scaled-up fiscal support to FMSs through fiscal transfers for education and health service delivery, scale-up of the ‘Marwo Caafimaad’ Female Health Worker Program and retraining for COVID-19 response.

The RCRF complements the **Capacity Injection Project (CIP)**, supporting the Federal Government of Somali (FGS) and Puntland State government. The CIP develops capacity for key cross-cutting government functions, thus strengthening policies and procedures for civil service management; strengthening policy management, coordination, and monitoring capabilities at the center of government. As a smaller subset but distinct element of the Series of Projects (SOP), the **Civil Service Strengthening Project (CSSP)** is designed to address the unique public administration challenges of Somaliland. Within the overall SOP financing mechanism, the CSSP complements the CIP (appraised at US\$40 million) supporting the FGS and Puntland in the first phase, and other member states in subsequent phases.

The **Somali Integrated Statistics and Economic Planning Capacity Building project** is also aimed at strengthening, and building the capacity of, the

National Statistical System and key official statistics-producing agencies in the collection, processing, and dissemination of poverty and selected macroeconomic data, which will help inform development policy and poverty reduction activities.

Additional financing for the restructured **Domestic Revenue Mobilization and Public Financial Management (DRM/PFM) Capacity Strengthening project** is expected to lead to strengthened capacity to formulate efficient tax policy, establishment of more efficient inland revenue tax administration organization and systems, and strengthened PFM and auditing systems. The closing date of the original project was extended by two years—from June 30, 2020, to June 30, 2022—to allow for the successful implementation of the project’s original and new activities. The changes will strengthen the overall development impact of the original project and better align the Bank assistance with the changing government priorities and country context.

The **Somalia Shock Responsive and Social Safety Nets** programmatic update consolidates the IDA-funded **Somalia Shock Responsive Safety Net for Human Capital Project (SNHCP) (‘Baxnaano’)** and **Somalia Shock Responsive Safety Net for Locust Response Project (SNLRP)**. (Details about the MPF-funded Advisory Services and Analytics (ASA) component, ‘Somalia Social Protection Support: Building Blocks towards a National Social Protection System’, are given on page 9.) The **SNHCP** is the umbrella project supporting the FGS to operationalize the national Social Protection Policy and develop a national social protection system in Somalia. Specifically, it supports the government-led cash transfer program, known as ‘Baxnaano’, with a focus on enhancing cash transfer linkages with the health and education sectors for enhanced human development outcomes. The **SNLRP**—developed in response to the impacts of the recent locust outbreak—operationalizes the shock responsive aspect of the SNHCP and provides emergency cash transfers to affected households. It is implemented using existing Baxnaano delivery arrangements.

The FGS has identified the development of a Unified Social Registry (USR) as a priority and a key instrument for advancing social protection support in Somalia, as well as one of the triggers for the completion point of the HIPC Initiative. This provides the impetus for engaging UN, humanitarian, and donor agencies to share beneficiary data to build the social registry.

The US\$100 million **Improving Healthcare Services in Somalia Project ('Damal Caafimaad')** is the first World Bank-financed IDA health project investment in Somalia's health sector in 30 years. An additional US\$7 million in project funds have been retained to contribute to achievement of the project's development objective in Somaliland, with specific activities and arrangements to be determined based on agreements between Somaliland and the FGS. The Damal Caafimaad project is expected to reach about 1.84 million beneficiaries and aims to support rapid expansion of essential health and nutrition services as well as intensive government capacity development in some of Somalia's most disadvantaged areas. The project incorporates lessons from the health program experience in the RCRF (Phases II and III) project and the Health ASA.

The **Somalia: Empowering Women through Education and Skills Project (Rajo Kaaba)** is a new project, as of now in the pipeline stage. It aims to Improve literacy, numeracy, and income-generating skills in targeted populations of women and to prepare selected women for leadership roles. Beneficiaries, though, will include not only girls and women (primarily from the most disadvantaged districts in Somalia), but disadvantaged boys and men (in some target districts) as well. Districts will be identified based on geographic balance across all FMSs. The project has received strong endorsement and commitment from the federal and state ministries of education and other participating and/or implementing entities, including the establishment of an inclusive federal and state project technical preparation task force.

### *Policy Dialogue and Analytics*

The **Somalia Financial System Initiative (FSI)**, to be implemented across Somalia, will support the national financial sector development agenda benefiting all of Somalia. The concept note and detailed plans are under discussion and expected to be finalized in the second half of FY22. The World Bank (WB) task team will closely coordinate the implementation of FSI with activities under other projects (for example, SCALED-UP) as appropriate. The aim of the FSI is to unlock international investment and correspondent banking relationships in Somalia by improving the integrity of the financial sector and ensuring that high standards of corporate governance, risk management, and compliance safeguarding against terrorist financing and illicit financial flows are met by participants (in both the public and private sectors).

The **Somalia Shock Responsive and Social Safety Nets program** includes (besides the two investments projects discussed on page 8) an ASA component as well—the MPF-funded **Somalia Social Protection Support: Building Blocks towards a National Social Protection System**. The ASA provides technical assistance support to achieve some of the key objectives of the SNHCP around institutional capacity building. ASA activities contributed to the establishment of social protection policy and governance structures; design of Baxnaano and its delivery systems, as well as the development of the USR as a broad platform to support shock response and coordination across social programs. The ASA (with co-funding from the Foreign Commonwealth and Development Office) also supported a Targeting Evaluation of the current community-based targeting approach by the SNHCP; and the development of a Discussion Paper on the experience of Baxnaano as a national safety net program operating in the context of fragility and prolonged humanitarian aid. It is also supporting the design of a Productive Safety Net intervention.

The **Enhancing Governance Dialogue on Somalia** platform has financed a report on ‘Somalia Public Financial Management (PFM) Assessment in Federal Member States’, used for policy dialogue with the FGS and FMSs; the main findings of this assessment influenced the design of future operational support to PFM. The report was recently disseminated to the MPF donors. Another paper has been drafted to propose possible options for a revenue-sharing agreement on trade-related taxes, the largest source of revenues. Further, Pension Technical Working Groups (TWGs) have been established in Somaliland and Puntland State, and significant progress has been made toward establishing of a pension TWG at the FGS level. The TWGs are affording venues for detailed discussions about implementation requirements with the government officials who are tasked with implementation, thereby building knowledge and capacity of those who will be the first managers and staff of the respective Pension Fund. The scope of the workstreams and other issues discussed is also showing the government counterparts the complexity of implementing the plan, which will lead

to more focused efforts and more resources devoted to the work in 2022.

The **Financial Governance Committee (FGC)** has provided technical advice and facilitated policy dialogue on a variety of financial governance issues and has made tangible progress over the past six months on a number of issues that are important for improving sound financial governance, including use of country systems, tuna licensing, oil and gas licensing, overflight fees, and various contracts and concessions. The ‘Financial Governance Report’ (FGR), published during this reporting period, identifies financial governance priorities for 2021–22 and highlights progress made in protecting fiscal reforms, natural resource management, concessions and contracts, and Central Bank governance and financial sector reforms. The FGC’s agenda for 2021–22 will include a strong cross-cutting effort to encourage stronger alignment between sectors and financial governance reform, and to promote fiscal sustainability.



The **Enhancing Governance Dialogue on Somalia** platform has financed a report on ‘Somalia Public Financial Management (PFM) Assessment in Federal Member States’, used for policy dialogue with the FGS and FMSs; the main findings of this assessment influenced the design of future operational support to PFM. The report was recently disseminated to the MPF donors. Another paper has been drafted to propose possible options for a revenue-sharing agreement on trade-related taxes, the largest source of revenues. Further, Pension Technical Working Groups (TWGs) have been established in Somaliland and Puntland State, and significant progress has been made toward establishing of a pension TWG at the FGS level. The TWGs are affording venues for detailed discussions about implementation requirements with the government officials who are tasked with implementation, thereby building knowledge and capacity of those who will be the first managers and staff of the respective Pension Fund. The scope of the workstreams and other issues discussed is also showing the government counterparts the complexity of implementing the plan, which will lead to more focused efforts and more resources devoted to the work in 2022.

The **Engagement in Somalia’s Health Sector** ASA has closely informed the development of the first WB-financed IDA health investment project in Somalia’s health sector in over 30 years. The US\$100 million ‘Improving Healthcare Services in Somalia Project’ (‘Damal Caafimaad’) became effective as of December 30, 2021, and will be implemented over four years, closing on May 30, 2025. It will deliver essential health and nutrition services and improve health service coverage and quality in some of Somalia’s most disadvantaged areas, as well as strengthen stewardship capacity of Ministries of Health. Around 10 percent of Somalia’s population, as well as internally displaced persons (IDPs) and nomads in the target regions, will benefit from the project activities. Project funds have also been retained to contribute to achievement of the project’s development objective in Somaliland, with specific activities and arrangements to be determined based on agreements between Somaliland and the FGS.

## **Knowledge Products**

### ***Report on ‘Somalia Public Financial Management (PFM) Assessment in Federal Member States’***

This report was produced by the Enhancing Governance Dialogue on Somalia project and used for developing policy dialogue. A PFM assessment in the FMSs was carried out during FY21. The main objective of the assessment was to obtain a baseline understanding of the performance strengths and weaknesses of the PFM systems and processes that are currently in place and formulate a prioritized set of recommendations. It was disseminated to donors, including the Foreign Commonwealth and Development Office.

### ***Somalia: COVID-19 High Frequency Phone Survey Wave 2***

In January 2021, Wave 2 of the Somalia High Frequency Phone Survey was administered, calling 2,811 households to see the impact of COVID-19 on people’s behavior and livelihood. The first Wave was conducted in June 2020. A high rate of cell phone ownership in Somalia, at 74 percent, improves quality of data from a survey of this kind, especially since it is a country where little data is available.

### ***Blog about the HFPS Wave 2***

This blog about the HFPS Survey Wave 2 breaks down the results of the survey, explaining its concepts and findings in easy terms. The blog—whose current article is titled ‘What resilient Somali residents are telling us about COVID-19 and economic recovery’—aims to talk about the very difficult and tough one-and-a-half years that the people of Somalia (the poor, well-to-do, middle-class and technocrats, alike) have gone through.

### ***Somali HFPS Dashboard***

This dashboard illustrates the findings of the Somali HFPS. It presents a visual depiction of how people’s lives are affected. A dedicated landing page is planned to be ready in January 2022.

### ***Somali Country Economic Memorandum: Towards an Inclusive Jobs Agenda***

The objective of the Somali Country Economic Memorandum (CEM) is to inform the economic policy dialogue and broader debate in Somalia regarding the types of reforms required to stimulate growth and job creation. The Somalia CEM applies and adapts the Jobs and Economic Transformation (JET) Framework. The JET framework has two pillars, one which considers job-creating private investments, and the second that concerns building the capabilities of workers. In the Somali context, efforts have been made to incorporate a gender and inclusion lens, given the particularly low levels of female labor force participation. The report has two special focus chapters on trade and integration and entrepreneurship, due to their importance to growth and jobs in the Somali economy. However, a detailed value chain analysis goes beyond the scope of this report. The report utilizes available quantitative data, primary research conducted for the study, and builds on earlier work. The report considers both the structure

of today's economy and the source of jobs, as well as potential future drivers of growth.

### ***Safety Net Program: Discussion Paper***

In 2019, with support from the International Development Association (IDA), the Federal Government of Somalia established its first national safety net program, the Baxnaano Program. Despite institutional challenges, political and economic fragility, the Program is delivering promising results. A discussion paper, titled 'From Protracted Humanitarian Relief to State-Led Social Safety Net System: Somalia Baxnaano Program', discusses the design and implementation experience of the Baxnaano Program to (a) understand the opportunities and challenges leading to the establishment of a national safety net program in a context of high fragility, insecurity, and protracted humanitarian relief interventions; (b) identify if and how the Program is supporting the vision to transition from protracted humanitarian response to longer-term safety net system; and (c) examines if and how the Program is supporting state building.



## ENABLING ECONOMIC GROWTH: SUPPORTING INCLUSIVE PRIVATE SECTOR-LED GROWTH

The Enabling Economic Growth portfolio financed five active projects. Three of these are recipient-executed investment projects, and two are Bank-executed analytical/advisory activities (Table 2). The MPF provides financing worth US\$52.6 million to this focus area. The portfolio is co-financed with US\$297.5 million in IDA resources. This portfolio aligns with the CPF under Focus Area 2: Restoring Economic Resilience and Opportunities, through which the WBG aims to increase economic resilience as a basis for long-run poverty reduction and inclusive growth.<sup>6</sup> Under the CPF, the WBG's aim is to support activities that increase access to finance and energy, such as new lending for small and medium-sized enterprises, particularly for women and youth; expanded access to electricity from renewable sources in targeted rural and peri-urban communities; and greater licensing and supervision capacity of the Central Bank, resulting in more secure financial services.

### Investment Projects

The **Somali Electricity Access Project (SEAP)** has strengthened the capacity of the client in terms of project coordination, procurement and financial management, and proactiveness on technical issues. The Bank team continues to provide support to manage associated risks. About 64 percent of the project funds have been disbursed (US\$3.27 million for the FGS and US\$1.29 million for Somaliland), compared with 31 percent in the last reporting period. The project is closing on June 30, 2022, and would require an extension of six or 12 months to enable completion of all activities and effective disbursement of funds.

The **Somalia Crisis Recovery Project (SCRCP)** has secured additional financing (AF) of US\$50 million under the Bank's newly established IDA Crisis Response Window to respond to an emerging food security crisis. The number of direct overall beneficiaries from the project as a result of this AF would be close to 2 million people, with a few more millions of indirect beneficiaries. The project's current disbursements are at US\$34.83 million, representing 18 percent of the total project allocation amount (as of December 2021).

**Table 2. Overview of Projects: Enabling Economic Growth**

As of December 31, 2021 (in US\$ million)

	Projects	Budget	MPF		IDA	
			Grant	Disbursed	Grant	Disbursed
Investment	1. Somali Electricity Access Project (SEAP)	7.2	7.2	4.2		
	2. Somali Urban Investment Planning Project (SUIPP)	8.6	8.6	8.6		
	3. Somalia Capacity Advancement, Livelihoods and Entrepreneurship through Digital Uplift Program (SCALED-UP)	101.0	33.0	5.4	68.0	8.5
	4. Crisis Recovery and Resilience: Somalia Crisis Recovery Project (SCRCP)	187.5			187.5	40.1
	5. Water for Agro-Pastoral Productivity and Resilience (or 'Biyooole')	42.0			42.0	10.2
Policy Dialogue and Analytics	6. Crisis Recovery and Resilience: Crisis Recovery Platform	2.0	2.0	0.8		
	7. Women Empowerment Platform	1.8	1.8			
	<b>TOTAL</b>	<b>350.1</b>	<b>52.6</b>	<b>19.0</b>	<b>297.5</b>	<b>58.8</b>

<sup>6</sup> More specifically, this portfolio targets the first three objectives of Focus Area 2: (2.1) Improve the business environment and lower barriers to entry; (2.2) Increase access to finance for inclusion and digital development; and (2.3) Increase access to renewable energy. A project on water and resilience is being financed through a PAC Grant under IDA targeting the fourth objective: (2.4) Increase access to water for rural resilience and productivity.

Despite the challenging environment, the **Water for Agro-Pastoral Productivity and Resilience, or 'Biyoole'**, project has been able to set the foundation for the provision of water to agro-pastoral communities in Somalia. Several actions have been taken to streamline and speed up the safeguards documents' clearing process. However, the Project Implementation Unit's capacity to prepare safeguards instruments is nascent and the Biyoole project is the first project of this scale undertaking construction in rural Somalia. As such, the time and the support required from WB Environment and Safeguards Specialists has been enormous. The length of documents and period for clearance have delayed implementation. Simplifying the clearing process will speed up implementation in the remaining time of the project. There was a new requirement to have a Security Risks Assessment (SRA) and SRA plan in Galmudug and South West states. Since this was unanticipated, an agile approach was taken, and the government was pragmatic in contracting Horn Risk Management to do the assessment. There was quick turnaround by the security firm and the report is currently being reviewed by the client.

On November 30, 2021, a US\$70 million (of which US\$20 million is from the MPF) AF project was declared effective for the **Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Program (SCALED-UP)**. The AF was combined with a restructuring and extended the project closing date by 30 months to December 31, 2025. The AF will aid the FGS in supporting resilient recovery of households and businesses affected by the COVID-19 pandemic. It will also scale up the parent project's activities to help the FGS provide such support by (a) expanding access to finance for viable micro, small, and medium enterprises; and (b) accelerating critical capacity-building initiatives needed to underpin resilient recovery, particularly among women and women-owned businesses. The AF project retains the same component structure as the parent project.

Activities under the original **Somali Urban Investment Planning Project (SUIPP)** were completed by December 2018 and the investments are currently being implemented under the Somalia Urban Resilience Project (SURP). The SUIPP AF (US\$3 million from the



German government through the MPF) builds on the findings of an urban assessment previously undertaken for Kismayo and Baidoa. The United Nations Office for Project Services has provided technical assistance for the design of priority urban investments. Currently, the project is fully disbursed, and all planned activities have been carried out. All feasibility studies, detailed engineering designs and bidding documents for prioritized road and drainage investments are already prepared and are ready to be financed under Phase II of SURP.

### *Policy Dialogue and Analytics*

The **Crisis Recovery Platform** will strengthen core priorities on resilience and crisis recovery. This project aims to support the establishment of a new national coordination agenda across the Somalia government for recovery and resilience activities in response to climactic-driven disasters. It will make recommendations on more effective ways the government can organize itself to better respond to compounding crises and to include more coherent and aligned communication on response requirements with development partners through the (new) Aid Coordination Architecture.

In addition, it aims to strengthen the institutional, systems, and policy-related aspects of government-led preparedness and early warning in Somalia, enabling more informed, coordinated, and transparent decisions on disaster risk management.

Established in June 2021, the **Somalia Women’s Empowerment Platform** (also known as the Somalia Gender Platform) is a multiyear and multisectoral initiative that aims to assist the WBG’s engagement in Somalia by promoting gender equality and inclusion of those left behind more broadly. It aims to deepen and strengthen strategic engagement on women’s equal opportunities across operations and analytic initiatives. During the reporting period, the Platform organized and delivered technical training for WB teams on, among others, Bank requirements for the integration of gender into Bank-supported operations, how to meaningfully narrow pervasive gender gaps in country, and how to address gender-based violence through Development Policy Loans. The team also provided targeted technical support to key operations such as the AF for the Water for Agro-Pastoral Productivity and Resilience II (“Biyoolle II”), and is exploring opportunities to deepen



integration of innovative training and support for female health workers in partnership with the WB Health team. Similarly, the Platform is working with the SURP II team to explore opportunities to expand women's employment opportunities through training and skills development under the project. Meanwhile, outside the Bank, the Platform is currently exploring modalities to develop or adapt relevant training for government partners on increasing attention to, and integration of, gender priorities in Bank-financed operations as well as mainstreaming further women empowerment opportunities across the portfolio. (More information on the Somalia Women's Empowerment Platform is given on page 32.)

## URBAN INFRASTRUCTURE: STRENGTHENING RESILIENCE

The Urban Infrastructure portfolio financed three active projects. Two of these are recipient-executed investment projects, and one is a Bank-executed analytical/advisory activity (Table 3). The MPF provides financing worth US\$73 million. The portfolio is co-financed with US\$50 million in IDA resources. This portfolio aligns with the CPF under Focus Area 1: Strengthening Institutions to Deliver Services, specifically, Objective 1.4: Build the capacity of Somali municipalities for urban resilience.

## Investment Projects

All the civil works have been completed under the **Somali Urban Resilience Project (SURP)**, which closed on September 30, 2021. The Project Implementation Units of Garowe and Mogadishu are currently working to complete the outstanding disbursements by the end of the grace period, which is till January 31, 2022. The five-year SURP Phase II builds on the ongoing SUIPP and SURP—both of which are delivered through local governments and have proven effective. Since the SUIPP AF has already expanded project preparation support to Kismayo and Baidoa, SURP II is scaling up infrastructure support and investments in Mogadishu, Garowe, Kismayo, and Baidoa, as well as laying the groundwork for expansion to cities in the states of Galmudug and Hirshabelle.

## Policy Dialogue and Analytics

The **Urbanization Platform** is a policy dialogue forum which finances the ongoing Somalia Cities Initiative. The discussions/coordination are ongoing; two city profiles (Beledweyne and Bosaso) have been prepared; two city-level coordination platforms for Mogadishu and Baidoa have been formed.

**Table 3. Overview of Projects: Urban Infrastructure**

As of December 31, 2021 (in US\$ million)

	Projects	Budget	MPF		IDA	
			Grant	Disbursed	Grant	Disbursed
Investment	1. Somalia Urban Resilience and Recovery Project (SURP) <sup>7</sup>	9.0	9.0	9.0		
		112.0	62.0	6.2	50.0	3.4
Policy Dialogue and Analytics	2. Urbanization Platform	2.0	2.0	0.4		
	<b>TOTAL</b>	<b>123.0</b>	<b>73.0</b>	<b>15.6</b>	<b>50.0</b>	<b>3.4</b>

<sup>7</sup> The financials for SURP are divided into two rows. The first row has the figures for Phase I and the second row has the figures for Phase II.



# ENHANCED RISK MANAGEMENT

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The World Bank Group (WBG) corporate portfolio analysis continues to indicate a high level of performance of the Somalia portfolio. Much of this success can be attributed to the client in working with task teams and the fiduciary teams, adapting WBG process to the context, as well as providing ongoing support to the implementing units. Working through country systems with recipient-executed investments, the preferred modality for WBG operations globally, bears challenges in Somalia, especially as the Bank's portfolio diversifies and decentralizes. This way of working has required the government to rapidly develop systems and processes in line with WBG requirements. It has also required the government to rapidly build its capacities to execute projects along the fiduciary standards required in WBG operations.

Somalia remains among the most complex fragility, conflict, and violence (FCV) contexts in which the World Bank (WB) is engaged. Having cleared arrears and reached its Heavily Indebted Poor Countries Initiative (HIPC) Decision Point in March 2020, Somalia's development financing aims to support an ambitious agenda which is central to moving the country towards greater stability and more inclusive development—underscoring the importance of building resilience and the need for flexible instruments to respond to Somalia's unique operating environment.

The strategic alignment of the Multi-Partner Fund (MPF) and the growing International Development Association (IDA) portfolio will help in building back better and recover from the impact of the crises facing Somalia. The MPF and IDA portfolios (a) leverage each other's

strengths to use resources effectively, efficiently and equitably; (b) maximize impact for Somalia's sustained economic reforms; (c) and offer innovative approaches to institution building and inclusive growth in Somalia. The WB's ability to rapidly adapt and tailor the management of MPF and core IDA financing is one of its fundamental strengths.

The complex political dynamics and the worsening socioeconomic situation—exacerbated by political instability, renewed violence, rising insecurity, and the combined effects of the COVID-19 pandemic and the triple crises (locust infestation, flood, and droughts)—in Somalia continue to affect MPF operations. Implementation challenges, delays due to travel restrictions on freight operations and services globally, and restrictions on movement and interaction have disrupted operations.

The scale-up of the MPF portfolio is being supported through enhanced risk management and development of a comprehensive strategy to manage those risks (fiduciary, Environmental and Social Framework, security risk management, and so on) across the portfolio, especially due to the pandemic and staff inability to travel to Somalia. Travel restrictions also reduce the ability of the client and project beneficiaries to receive and absorb technical assistance. Security risks need to continue to be carefully managed with enhanced measures. Intensive capacity-building efforts and resource allocation are required at Federal government and Federal Member State (FMS) level towards development of a risk management approach for due diligence, supervision, and implementation support for all projects. The Bank has

emphasized building client capacity through targeted training to improve government understanding of, and ability to manage, these risks.

The COVID-19 pandemic has added to an already complex environment with additional uncertainties and complexities and introduces additional shocks to the WB portfolio in Somalia. The governments have imposed several restrictions, such as social distancing, movement restrictions, and travel restrictions. The portfolio has, to an extent, been designed with resilience against such factors, that is, most have foreseen difficult access, communications, and closures due to security restrictions. The MPF has also contracted additional service providers to support risk management for portfolio delivery, including enhanced supervision support, the Monitoring Agent, and the Professional Services contract.

Exposure for the WBG is higher in financial terms; the rapid increase in financing comes without commensurate developments in the strength of government systems. Government activity has increased significantly: Federal Government of Somalia (FGS) expenditures multiplied by a factor of six since 2013, indicating increased activity across government. In addition, there has been a formalization of FMSs and significant growth there also, albeit from a smaller base. This combined with increased government transfers to FMSs that have weaker systems and certain heightened risks. At the outset, however, this is a portfolio that has proven adept at managing risk and delivering results amidst difficult circumstances.

The COVID-19 pandemic has forced people across the globe to define, sometimes virtually overnight, different ways of communicating and doing business. Uncertainty, national and international restrictions, and the need to ensure safety precautions in the wake of the pandemic have necessitated innovative changes in approach. To support teams to maintain real-time and continuous project implementation monitoring and supervision, the MPF will explore the options through the innovative use of technology, such as satellite imagery, use of

artificial intelligence for remote supervision or predictive analytics, and building up of client digital capacity. Several innovative pilots across the Bank attest to the efficacy of such technologies in dealing with the ‘new normal’. Some other options available to the teams are risk-based supervision system; cloud-based data collections and monitoring and evaluation systems for tracking results; and safe cloud storage for client progress reporting and review by task teams.

Addressing these challenges has also required the WBG to think innovatively and creatively about doing business in a unique context—balancing stringent oversight with flexibility and agility. The portfolio has increased in size, diversified in scope, and become more complex in the reporting period. New sectors and new geographic areas require the MPF to introduce operational support to client counterparts. New government counterparts at municipal level, and subnational disbursement and delivery modalities, require the MPF to adapt its operational approaches. This includes risk management approaches, differentiated fund flows, and an increased focus on environmental and social safeguards. Scaling up projects gradually helps teams to understand risks and enables the teams to build matching capacity on an ongoing basis. Operational lessons are being drawn from the Bank’s portfolio in Somalia, which are potentially applicable to the wider Bank engagement in contexts affected by FCV.

## FINANCIAL MANAGEMENT

### *Background*

The WB Financial Management (FM) function has dual objectives that are closely intertwined—support recipient countries improve their financial management performance and capacity while encouraging public disclosure and transparency as well as provide reasonable assurance on the use of financing proceeds. Sound public financial management (PFM) remains central in ensuring accountability and efficiency in the management of public resources and is an essential underpinning to improve governance and fight corruption, more importantly in Somalia’s FCV context.

In Somalia, the FM function is fully aligned to country systems across all the operations; it continues to be an integral part of the development process and the country's institutional strengthening efforts. At the FGS and FMS level, the FM staff collaborate with the External Assistance Fiduciary Section (EAFS) under the respective Offices of the Accountant General/Treasury, Budget Directorates, Offices of the Auditor General and Civil Service Commissions to help strengthen their FM capacities. In accordance with the Bank's operational policies and procedures, the FM team continues to work with counterpart partner institutions to design financial management and disbursement arrangements, supervise and support the performance of the operations at FGS, Somaliland and FMSs. The FM support spans across the current portfolio consisting of 17 active projects with commitments of over US\$1.17 billion, 11 pipeline projects with estimated commitments of US\$0.427 billion implemented through country systems by government institutions, private sector vendors, United Nations agencies, and international nongovernmental organizations.

### **Strengthening Portfolio Financial Management Integrity**

During the period, the team participated in the Country Management Unit–led Country Portfolio Performance Review (CPPR) to which key action points were agreed. The team continues to focus on helping counterpart PFM institutions develop sound financial systems and practices across the portfolio. Efforts are dedicated towards strengthening PFM systems with emphasis on (a) legal framework; (b) planning and budgeting; (c) banking and funds' flow arrangements; (d) systems risk-based internal controls frameworks; (e) accountability processes and procedures; (f) fiscal and financial reporting; (g) external audit and oversight; and (h) PFM/FM staffing. From the various FM reviews during the period—financial management implementation support review missions, quarterly Interim unaudited Financial Management Reports (IFRs), external audit by the Office of the Auditor General, CPPR—the WB

FM team, jointly with government counterparts, has identified the pertinent FM/fiduciary risks and attendant mitigation measures (Table 4).

### **Risk-Based Approach**

Risk-based approaches are adopted in identifying and assessing country, implementing entities, and project-specific FM risks. To effectively identify and manage potential risks that may affect the implementation of effective PFM/Fiduciary arrangements, country PFM assessments (country, implementing entities, sector specific, and project level) are undertaken in good time to inform the design of implementation arrangements. The PFM assessments contribute to key decisions on the intensity of preparation and implementation support and inform the development of PFM systems development and mitigation strategies to address key weaknesses and risks. In conducting the assessments, key consideration is given to the need to design sustainable fiduciary oversight and PFM capacity development. This is done by gathering principal information to facilitate design of appropriate contextual frameworks and design, scalable response, speed, and effective monitoring of operations and risks. The PFM/Fiduciary risks are assessed at the beginning of each project and progressively monitored and updated throughout the project cycle as part of the projects' implementation support. The FM risk model has a qualitative focus and takes into consideration principles embodied in internationally recognized 'best fit' practices. Specific project implementation support missions for each of the projects are undertaken at least once every six months, to which the findings and risk ratings contribute to PFM implementation support reports, *aides-memoire*, and Implementation Status Reports (ISRs)—all of which are shared with the client and development partners. The projects' financial management arrangements and risks are periodically updated and monitored through the WB FM system through which IFRs and annual audited financial statements are electronically submitted. Key innovative FM/fiduciary interventions integrated into the project designs are summarized in Box 1.

**Table 4. OFM/Fiduciary Risks and Proposed Mitigation Measures**

FM/Fiduciary Risks	Proposed Mitigation Measures
High potential implementation fraud risks	<ul style="list-style-type: none"> <li>• Use of third-party monitoring agents and corporate procured platforms to facilitate file-based supervision beyond areas of corporate security limitations.</li> <li>• Elevated implementation support supervision, collaboration with the internal audit function to mitigate limited travels in the wake of COVID-19 travel restrictions.</li> <li>• Multilayered controls at the country, portfolio, and project levels to help ensure funds are used for the purposes intended, and to build country systems through a learning-by-doing approach appropriate to the country context.</li> <li>• Further consolidating and extending the External Assistance Fiduciary Section (EAFS) fiduciary financial management (FM) role to the Project Implementation Units (PIUs).</li> </ul>
Banking arrangements, AML/CTF and funds flow	<ul style="list-style-type: none"> <li>• The bulk of the payments are processed through direct payments modality to mitigate risks of holding excessive funds in Designated Accounts (DA) held in-country.</li> <li>• Disbursements from the Designated Accounts to FMSs' Projects Accounts disbursed on imprest/replenishment modalities.</li> <li>• Frequent monitoring and revision of DA ceiling.</li> <li>• World Bank (WB) continues to invest in PFM and financial sector reforms to accelerate normalization of international financial institutions' relations and facilitate commercial banking correspondent relations.</li> <li>• IDA, with the support of the multidonor Trust Fund, continue to apply a robust, layered approach to project oversight, including funds flow.</li> </ul>
Weak FM/PFM capacities (Supreme Audit Institutions [SAIs], Accountant General)	<ul style="list-style-type: none"> <li>• Centralized financial management function (within the Office of the Accountant General).</li> <li>• PFM education and training with priority to FM staff working in the centralized FM fiduciary units (EAFS).</li> <li>• On-the-job capacity building arrangements for the Office of the Auditor General (SAIs) through twinning arrangements with other SAIs and regional audit firms in the public sector space.</li> <li>• Joint fiduciary training sessions for the PIUs and EAFS units.</li> </ul>
Emerging government policies: Operation expenses, travel policy	<ul style="list-style-type: none"> <li>• 100 percent prior review—operational costs by FM team, progressively strengthening the FM controls frameworks—Project Operations Manuals, and Governmentwide Comprehensive Operations and Accounting Procedures Manual (COPAM).</li> </ul>
Assets management and traceability	<ul style="list-style-type: none"> <li>• Integration of fixed assets as part of quarterly Interim unaudited Financial Reports.</li> <li>• Joint periodic physical verification between the WB FM teams, Office of the Accountant General and Auditor General.</li> </ul>

### FM/Fiduciary Engagement Model

A pragmatic approach combining a Short-Term Financial Management Consultant (STC) providing support to the PFM/Fiduciary team in the Bank has been deployed. The team is further supported through a team of STCs deployed through a third-party platform to facilitate effective 'on the ground' PFM/Fiduciary support to the client teams beyond areas of Bank corporate security limitations. In the wake of the COVID-19 pandemic, the third-party platform has shifted to hybrid implementation support leveraging on technology, with the recent virtual review concluded early December 2021. The next review is planned for March/April 2022. The team interfaces with the third-party Monitoring Agent majorly, focusing on verification of outputs to

which reviews from the financial performance are comprehensively reconciled with the findings of the monitoring agent. Joint Bank/government/Monitoring Agent forums will be strengthened to ensure provision of timely implementation support/monitoring feedback to the government teams.

### Next Steps

In the next six months, the FM team will be focusing on the following key activities:

- Finalization and transmission to government of the November-December 2021 FM implementation support review mission reports as well as implementation of FM-related recommendations emerging from the recently concluded CPPR.

### Box 1. Key Interventions Integrated into Project Designs

- Performance-based conditions integrated in the CBS component under the Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project (SCALED-UP) additional financing aimed at (a) fostering CBS financial independence and transparency; (b) strengthening the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CTF) operational framework including e-KYC; (c) extending CBS corresponding banking arrangements to mitigate overdependence on single channels; and (d) extension of CBS services and operational systems to FMSs.
  - Govetech initiative supported by SCALED-UP to automate documents' management within the Office of the Accountant General and External Assistance Fiduciary Section (EAFS) units. The Electronic Documents Management System (E-DMS) is supporting full automation and controls of essential security documents, planning, and cash management as well as IFMIS data analytics business intelligence to support management decision making.
  - Under the Domestic Revenue Mobilization and PFM Capacity Strengthening Project (DRM/PFM) and in line with the International Monetary Fund program, integration of WB projects' FM function into the governmentwide PFM systems (IFMIS) and controls including integrated fiscal reporting (government and projects). The WB quarterly Interim unaudited Financial Management Reports are generated from the government IFMIS at FGS, Puntland, and Somaliland.
  - Collaboration between the financial management team and the newly established internal audit function under the DRM/PFM project. This approach provides hands-on training opportunities to integrate the government internal audit function (risk-based systems audit) as part of the project risk management. This approach has successfully been piloted in Puntland with quality internal audit reports prepared for three projects with agreement to scale-up and replicate the arrangement in the other regions.
  - Mainstreaming the critical PFM/ICT (IFMIS) staffing with the Capacity Injection Modality (CIM) implemented under the Capacity Injection Project. The CIM-aligned salaries for the EAFS staff in Puntland and FGS are co-financed by government revenue/RCRF project.
- FM assessments and design of FM arrangements for the 11 pipelines' operations under preparation and delivery to the Board within the financial year.
  - Accelerate the consolidation and extension of the EAFS FM role and reorganization of PFM/FM technical assistance to the PIUs at FGS, FMSs, and Somaliland.
  - Provide technical FM review contributions to the pay and grading outputs currently in preparation through the Somaliland Civil Service Strengthening Project and Capacity Injection Project to be approved through a cabinet ordinance.<sup>8</sup>
  - Support government review and update the EAFS Manual and COPAM to address gaps on operations expenditures and travel policies at FGS, FMSs, and Somaliland.
  - Initiate consultation and discussions on the delivery of 'Use of Country Systems' paper<sup>9</sup> based on the Somalia experience.

## MONITORING AGENT

### Portfolio Risk Profile

Portfolio exposure and residual risks of engagement in Somalia have increased year-on-year. WB risk ratings for Somalia projects are high, particularly so for fiduciary risks. Managing the Somalia portfolio risk requires deliberate and sustained efforts, both on behalf of the WB teams and of governments.

Financial exposure is higher with rapid increases in financing. Portfolio commitments have increased quickly, and substantial investments are expected to continue. WBG financing implemented by Somali governments is expanding and foreseen to expand further, with new commitments of US\$921 million have been made since January 2020, which accounts for more than 70 percent of the total commitments since WB reengagement with Somalia in 2013.

<sup>8</sup> Provides clarity on mandates, vision, mission, functions, accountabilities, structures, staff complements, and establishment ceilings of each MDA including EAFS units.

<sup>9</sup> The paper is proposed for delivery before the end of June 2023.

The growth in financing outpaces developments of the strength of government systems. In addition, there is increased complexity: federal transfers to member states, that have weaker systems, are increasing and the portfolio continues significant expansion beyond the administrative sector.

Different fiduciary risks are becoming more prevalent with the expansion of the portfolio. The procurement, contracting, and contract management processes for works and for service delivery are becoming increasingly complex.

Procurement challenges are heightened as projects grow larger and more complex, complicated by difficulties in verifying business information, track records, financial assets, and ownership. This includes foreseen contracting for service delivery in the health sector, decentralized delivery and financing models in the education sector, and investments in infrastructure scale-up.

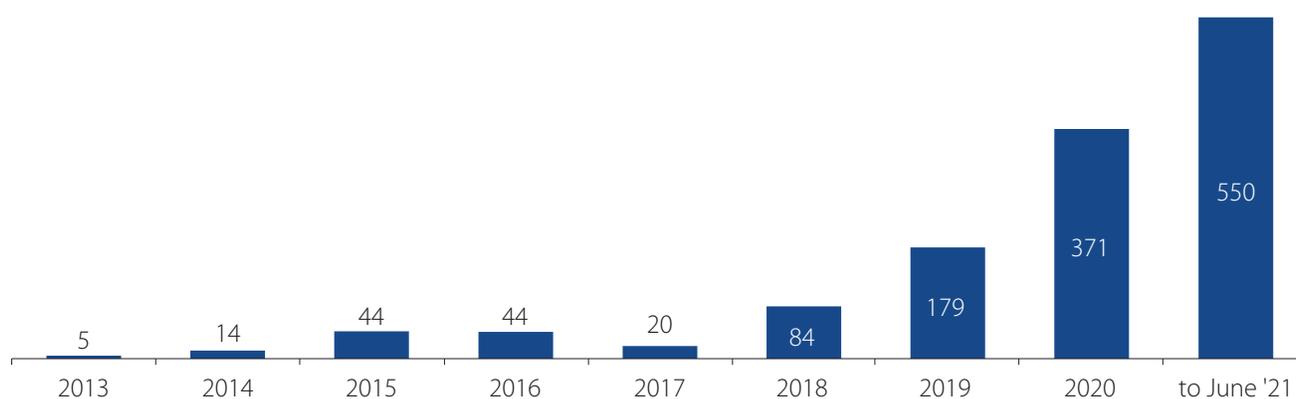
Environmental and social risks are becoming more proximate, as investments in infrastructure and service delivery expand. Increased environmental risks go beyond those related to infrastructure investments, with investments in health service delivery presenting issues of pollution prevention and management for medical waste, for example. Increasing social risks include physical

and economic displacement through land acquisition or temporary use, labor and working conditions including health and safety, child labor, labor influx, and gender-based violence (GBV) and sexual exploitation and abuse (SEA), exclusion of disadvantaged and vulnerable groups, increased social tension, and security risks for stakeholders including project workers and the community. Management of environmental and social risks is complicated by a lack of functioning regulatory environment and limited awareness of stakeholders. Governments' capabilities to manage these risks are being built in parallel with capital investments.

The ongoing COVID-19 pandemic has heightened certain risks and continues to warrant extra caution. While government- and WB-led fiduciary risk mitigation measures continue through COVID-sensitive approaches, ongoing travel restrictions may slow or negatively impact the quality of policy dialogue and restrict technical support modalities, impacting the quality of project implementation.

The political impasse continued throughout the reporting period. At the outset, projects are designed to compensate for many institutional challenges such as lack of predictable policy, regulatory frameworks, bureaucratic capacities, as well as codified knowledge, data and reliable information. Some program objectives

**Figure 1. Somalia Portfolio—Government Implemented New Commitments**  
(US\$ million)



Source: World Bank Project Papers, website.



Medical waste at Benadir Regional Hospital. (Photo courtesy: Abyrint)

nevertheless require political decision-making capability. Variations of political impasse have, over the years, delayed important actions, for example, law making and setting new directions.

Yet much of program activity continues unaffected by political impasse. Day-to-day collegial efforts continue within government, even in potentially politically sensitive areas such as fiscal federalism. A challenge is that response options for the WB can be more constrained than for other types of risk. The default risk management option for the WB in Somalia is often to strengthen capabilities to enable governments to manage mitigation measures and emerging risks.

Experience to-date demonstrates that the portfolio is adept at managing risk and delivering results amidst difficult circumstances. Continued deliberate risk management efforts are necessary to maintain this track record.

### *Risk Management Role of the Monitoring Agent*

The WB continues to engage Abyrint as the Third-party Monitoring Agent to provide an additional and third-party layer of monitoring and assurance ensuring that funds executed by Somali authorities are utilized for the purposes specified. Abyrint is also responsible for monitoring the development of capacity within recipient organizations and agencies and advising on capacity-building needs. Risk management activities include:

- Review strategic developments and identify and anticipate key institutional capacity gaps.
- Monitor recurrent costs managed fully on-country PFM systems and to assess governments’ adherence to RCRF Project participation requirements.
- Undertake project specific performance reviews directed at emerging issues and provide practical recommendations.
- Provide advisory support for WB-led capacity-building activities.

**Strategic risk reviews** of emerging issues of institutional reform and state building in Somalia are performed by the Third-party Monitoring Agent. These inform government and WB strategy, contribute to the WB's capability to adapt and tailor approaches, and inform the WB and governments on project performance. Reviews include assessment of progress of government actions to achieve targeted reforms.

**Transaction level financial monitoring** is employed for 100 percent of WBG financing to recurrent costs of the federal and state governments that are executed fully through the use of country systems. These costs include over 10,000 monthly salary payments for civil servants, and health and education sector workforces across the country. The monitoring of these flows enables both preventative and detective risk management to lower fiduciary risks and enable the safe and reliable salary support that enables government operations as well as social sector service delivery. WBG support to government to rebuild and strengthen core state functions is bolstered

through insight into the performance of country PFM systems, gained through the monitoring.

**Project implementation reviews** are undertaken to target emerging risks and to contribute to enhanced project implementation. These reviews identify risks and inform change actions, including the identification, articulation, and dissemination of best practices across the portfolio. Work is undertaken on-site with government officials and includes engagement with stakeholders. Insight gained is consolidated to produce fact-based analyses and recommended actions, including targeted capacity-building support to governments.

**Select advisory support to WB-led capacity building activities** have been undertaken by Abyrint to assist governments in the design and implementation of approaches to better facilitate delivery of WB-financed project activities, while laying foundations for sustainable on-country systems management. The support spanned topics such as environmental and social risks to PFM risks.



*The Abyrint team engaging with Project-Affected Persons in Mogadishu. (Photo courtesy: Abyrint)*

It also took the form of practical shoulder-to-shoulder work to improve the governments' capacity to plan and implement development projects on-country systems. The effectiveness of governments' implementation of the WBG Environmental and Social Framework (ESF) is integrated across the risk management activities. The ESF presents substantial challenges to implementing agencies, typified by legal frameworks that remain weak and very limited regulatory capabilities, which leaves much to be compensated through project-specific arrangements. There is growing experience in the application of the ESF across the portfolio. Monitoring Agent activities inform the WBG and governments on the quality of environmental and social risk management and on how to meet the challenges ahead, both under WBG projects as well as more broadly.

During the period covered by this progress report, Abyrint supported the joint public financial management (PFM) assessment of administrations of the FMSs by leveraging detailed understanding of systems and performance data collected and curated through monitoring. Transaction monitoring expanded to incorporate review of all payments to newly launched personnel cadres in the social sector, which are now activated across all FMSs. Continuous feedback from detailed transaction level monitoring informs on performance and identifies targets for system reforms. A project-specific review was undertaken of the operations of the micro, small, and medium enterprise financing facility that is being supported through the Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project. The review focused on the integrity of the facility, the effectiveness of its operations, including approaches to environmental and social risk management, and looked to inform decision making on further developing the facility. Advisory support to WB-led capacity building was undertaken through the development of Human Resources performance management policies and practices for project implementation teams and the approach is now being piloted. The WB has also engaged the Monitoring Agent to provide probity

advisory services directed at assuring the quality of procurement processes, reducing contestability, and building on government team capabilities through working shoulder-to-shoulder with government officials and Project Implementation Units.

## PROCUREMENT

### *Procurement Capacity Development*

The Bank has continued providing procurement training to build the capacity of the local staff. Due to the COVID-19 pandemic, the training delivery has been conducted virtually. During the period, the Bank conducted Contract Management training for the Somalia Urban Resilience Project Phase II (SURP II). The Bank has continued to support the projects procurement staff in the country to build their capacity through informal guidance/reviews, telephone calls, WhatsApp, WebEx, and other online exchanges. The Bank is finalizing a Concept Note that is aimed at addressing existing procurement capacity challenges under the Somalia portfolio. The draft concept is now under discussion with the Country Management Unit for implementation. In the proposed project for Enhancing Public Resource Management (SERP) which is under preparation, a subcomponent is being proposed to support capacity building of (PFM) staff.

Also, the WB is in the process of establishing a universal Hands-On Expanded Implementation Support (HEIS) arrangement for all Bank-funded projects in Somalia. HEIS will allow the task team to provide procurement assistance beyond the normal implementation support, thus helping the Borrower carry out project procurement more effectively and efficiently. HEIS will mitigate the inherent procurement risks caused by capacity limitations. HEIS will assist in the following areas:

- Drafting procurement documents.
- Identifying strengths and weaknesses of bids/proposals.
- Observing dialogues and negotiations with bidders/consultants.
- Drafting contract documents as may be required.

### *Procurement Integrity*

To sustain improvement in financial integrity in WB-funded projects, the Bank has continued creating awareness among the government, private sector, and other stakeholders on key issues regarding integrity, procurement and financial management. The awareness is being emphasized during the virtual project Implementation Support Missions. The Bank has started Involving ‘Probity Advisors’ where appropriate during the client procurement process. This has already been piloted in the on-going recruitment under SURP II where the probity advisor was involved in the shortlisting process of the consultant firms. The involvement of probity advisors will ensure that the appropriate procedures and scrutiny are in place to maintain the client integrity of the procurement process.

### *Procurement Reforms*

The Bank assisted the FGS in developing guidelines on emergency procurement. The next support required is supporting the FGS in the dissemination of the guidelines to make the officers in the procuring entities understand the procedures to facilitate management of emergency procurement. In the proposed SERP, this support has been included. Other procurement reforms proposed under the SERP include support to the FGS in the establishment of the Public Procurement Authority, support to the National Tender Board in Somaliland, support to Somaliland and FGS in the finalization and dissemination of Procurement Manual and Procurement Bidding Documents, and support to the development of procurement portals (including provision of recurrent subscription fee).

## **ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT**

The long-term goal for Environmental and Social Risk Management (ESRM) is to (a) slowly transition from traditional reliance on United Nations agencies and third-party implementation partners, to government structures and local consultants and experts; and (b)

scaffold Environmental and Social Framework (ESF) and wider ESRM capacity building that allows focus on local capacity. The secondment of environmental and social specialists across 18 projects in the Somalia portfolio has meant the evolution of a nascent corps of sustainability experts dispersed in various sectors across different parts of the country. In addition, expanding country knowledge is not only relevant for ESF management but instrumental to inform project design choices in general. The WB has conducted a successful five-day training for 50 environmental and social specialists from across Somalia, who have been trained on the precepts and practices of the ESF.

A recently-approved task, the ‘Somalia: Capacity-Building for Environmental, Social, and Security Risk Management in Development Interventions in Somalia’ aims to develop ESF/ESRM country capacity through multipronged efforts. The task will support analytics on select thematic areas to fill in the knowledge gaps in the existing policy, legal, and institutional framework for addressing environmental and social risks and impacts and related implementation capacity, as well as the application of ESF standards in the Somalia context. The outcome will be individual background papers which may also include template tools which can be adjusted for project purposes.

Given that ESF challenges in Somalia are as much environmental as they are social in terms of their genesis, and thus need diagnosis for further support and development, the output of these analytical pieces will be integrated social and environment documents covering approaches to manage land, labor, and grievance redress mechanisms. For labor, this would be occupational health and safety. For land, this might include land tenure, land use types, sensitive ecological areas, and so on. Other focus areas will be climate change, security risk assessment and management, labor standards, and intrahousehold management of natural resource-based assets, among others.

## Box 2. GEMS: Enhancing Remote Monitoring and Supervision

The Geo-Enabling initiative for Monitoring and Supervision (GEMS) was launched by the World Bank's Fragility, Conflict, and Violence (FCV) Group to systematically enhance monitoring and evaluation (M&E) as well as supervision and third-party monitoring (TPM) in FCV settings. This is achieved by building capacity among clients, partners, and Bank teams on the ground, to leverage field-appropriate, low-cost and open-source technology for digital real-time data collection and analysis.

Using GEMS allows operations to create customized digital M&E systems to enhance the transparency and accountability of implementation across the project cycle. At the same time, GEMS provides platforms for remote supervision, real-time risk monitoring, and portfolio mapping for coordination across projects and partners. By November 2021, GEMS had been deployed in over 85 countries, supporting close to 700 lending projects and training more than 5,000 government staff. GEMS is also being adopted by the African Development Bank and other donors.

Somalia is a priority country for GEMS implementation, in alignment with the FCV Strategy (Implementation Measure 2) and the GEMS-based IDA-19 Policy Commitment, which will continue to be tracked during IDA-20. To date, the team has built the capacity of 86 Project Implementation Unit (PIU) staff from seven projects in using the GEMS method for customized project M&E, including Environmental and Social Framework (ESF) aspects (training in 2019 in Garowe, Hargeisa, and Mogadishu). It has since been used by the Somalia Water for Agro-Pastoral Project, and the Somalia Urban Resilience Project (SURP). Specifically, the SURP team used GEMS to monitor road construction progress and map all the roads in Garowe. In 2020, the project team also used the tools to assess the damage caused by floods in Mogadishu (see image excerpts below), out of which a costed concept note was developed and shared with the WBG.

Lessons learned from GEMS deployment include a high demand for real-time monitoring and remote supervision solutions by clients and Bank teams (including enhancing TPM) and the need for local ownership in the Country Team and, particularly, by the government. In this regard, GEMS aims to provide a public good for enhanced digital monitoring, based on local skills and the use of cost-free open-source tools, which can be scaled beyond WBG-funded projects.



*The GEMS tool was used to assess the damage caused by floods in Mogadishu in 2020. (Photo collage courtesy: BenardMitto/World Bank)*

Going forward, the team will focus on (a) training project teams, government agencies PIUs, and Bank staff in the GEMS method for flexible use; (b) deploying a portfolio-wide project mapping and supervision tool, with ESF/ESS components; and (c) supporting operations and the ESF teams with customized real-time monitoring and spatial analysis solutions. The GEMS team has a local Focal Point for the AECE2 Country Management Unit in Nairobi and is available to onboard a technical specialist for Somalia if funding can be provided.

The aim of the GEMS initiative in Somalia is to ensure that all relevant development interventions, including E&S issues, can be systematically monitored remotely and in real-time, via locally-owned and sustainable digital platforms.

This activity will build on the capacity building visioning paper for how capacity should be built for ESF/ESRM with the FGS and FMSs, with the Office of the Prime Minister and sectoral ministries, for both ESF implementation capacity building as well as more general ESRM capacity leading to sustainable development interventions.

There will be close collaboration with projects where there is strong focus and budget allocation to capacity building and existing works from other partners—the aim is to identify the appropriate institutional seating for developing ESF capacity in the sectoral ministries. The initial concept is to have four ESF-supporting units to be domiciled at the ministries of Economy and National Planning; Social Development; Infrastructure; and Production.

Security risks internal to projects require analysis and management under the FCV strategy, the ESF, and other operational policies. There is therefore a need for a coherent security due diligence approach for Somalia. The longer-term aim is to build security risk management capacity.

Academic and private sector institutions/firms in Somalia (for general ESF/ESRM training) and in the region (for special topics) that might be critical for inclusion in building local capacity for delivering capacity building workshops will also be identified. The goal is to create a learning hub in Somalia through a partnership or contract with a local service provider. This core learning hub will play a key role in supporting the government with project preparation and implementation, as well as fostering longer-term institutional learning and systems development for the project.

## **WOMEN'S SAFETY AND RISK MANAGEMENT**

### *GBV/SEAH Risk Management in Somalia*

Gender-based violence (GBV) is one of the most common forms of violence globally, and thus a critical development challenge. As such, Bank-supported

projects in Somalia (as elsewhere) may exacerbate the risks of sexual exploitation and abuse (SEA), workplace sexual harassment (SH), and other forms of GBV such as intimate partner violence. Since 2017, the Somalia portfolio has been intensifying its attention to addressing these risks and expanding prevention and response measures across the portfolio to manage them. Key measures include improved assessment and identification of risks of sexual exploitation and abuse, sexual harassment (SEAH) and other forms of GBV during project preparation, to better understand the key risks Bank-supported projects present, and also to integrate into projects the appropriate prevention, mitigation, and response measures to address them. Assessment of client capacity to manage those risks, and development of more comprehensive Prevention and Response Action Plans for how risks will be managed throughout the project's life cycle, are also critical elements of this approach.

Critical mitigation measures include, among others, development of Codes of Conduct (COC) for all project workers, development of grievance mechanisms that have specific reporting and response protocols for survivors of GBV/SEAH, identification of GBV services providers to enable referral and timely, confidential, and survivor-centered care for survivors of project-induced GBV/SEAH, and hiring of GBV specialists by Project Implementation Teams to provide technical expertise to clients for the implementation and monitoring of all GBV/SEAH prevention and mitigation measures.

Progress to date includes:

- Nine projects assessed with moderate to high risks of SEAH have developed comprehensive GBV/SEAH Prevention and Response Action Plans.
- Government-led Project Implementation Teams have hired a pool of six GBV specialists (five in total and one nominated Focal point) supporting the risk mitigation works for projects under different line ministries, including for health, education, water, civil service, urban and crisis recovery projects.



- CoCs with specific prohibitions against SEAH, including sexual misconduct against anyone under the age of 18, have been approved under the Recurrent Cost Reform Financing (RCRF) Project, to be signed by all civil servants supported under the project. This CoC has since been shared with other projects for adoption.
- Thus far, 125 project workers have been trained on the COCs and GBV/SEAH risk management measures more generally across the RCRF, Somalia Crisis Recovery Project (SCRCP), and SURP II projects. As other projects are in their initial implementation and preparation phases, training on GBV/SEAH risk management measures will be conducted once project workers have been hired.
- Communications materials that highlight key provisions of the CoC and reporting options for any survivors have been developed and displayed, for example, stand-up banners on the CoC for the RCRF project at each FMS and FGS Ministry of Finance office with contact details to report grievances. SURP II has placed billboards with GBV/SEAH messages in the project locations as well printed posters with information on where to report incidents, translated into Somali.
- The Somalia GBV subcluster in 2021 shared the updated GBV referral pathway for five regions in Somalia, which was disseminated to all GBV specialists supported under Bank-financed operations.
- The SCRCP has resulted in direct engagement and training of project-supported contractors: out of 20 contractors trained on the CoC, 13 have already signed it. All 13 contractors have subsequently trained their workers, totaling 195 project workers trained under the project.
- GBV specialists across line ministries have formed a WhatsApp group for Somalia GBV/SEAH risk management, where specialists can share their progress, challenges, troubleshoot issues, as well as share experiences on breaking barriers and buy-in within their projects. The group is in its initial stages, hoping to lead to a strong Somalia GBV risk management team across Bank-supported operations.

### *The Somalia Women's Empowerment Platform*

The WB established the Somalia Women's Empowerment Platform (also known as the Somalia Gender Platform) in June 2021 in an effort to deepen and strengthen strategic engagement on women's equal opportunities across operations and analytic initiatives. The Gender Platform is a multiyear and multisectoral initiative that aims to assist the WBG's engagement in Somalia by promoting gender equality and inclusion of those left behind more broadly. It does so by increasing technical support to operations, conducting frontier research, identifying innovative interventions, expanding policy dialogue, and sharing knowledge across government and relevant development partners.

For the first six months of the engagement, the platform has conducted grounding analytical work for the WB's engagement on gender, as well as provided targeted technical support to Bank-supported operations. As aligned across the three main pillars of the Platform, work achieved in the first six months of the Platform includes the following.

**Deepening the integration of gender into WB operations in Somalia:** During the reporting period, the Somalia Gender Platform organized and delivered technical training for WB teams on Bank requirements for the integration of gender into Bank-supported operations and how to meaningfully narrow pervasive gender gaps in the country. The Somalia Platform also co-organized a regional session in December 2021 on how to address GBV through Development Policy Loans. The team has also provided targeted technical support to key operations, such as the Additional Financing for the Water for Agro-Pastoral Productivity and Resilience II ('Biyoole II'), and is exploring opportunities to deepen integration of innovative training and support for female health workers in partnership with the WB Health Team. The Platform is similarly working with the SURP II team to explore opportunities to expand women's employment opportunities through training and skills development under the project.

Additional technical training for Bank teams are currently under preparation. Meanwhile, outside the Bank, the



Platform is currently exploring modalities to develop or adapt relevant training for government partners on increasing attention to, and integration of, gender priorities in Bank-financed operations.

**Analytical work:** In partnership with the Gender Innovation Lab, the Gender Platform organized and led innovative qualitative research on women's entrepreneurship to inform the 'Somalia Country Economic Memorandum: Towards an Inclusive Agenda', launched in June 2021. Using a gender and inclusion lens, this research collected stories from entrepreneurs working in the livestock and dairy, fisheries, and retail and trade sectors in Hobyo, Bosaso, Burao, Hargeisa, and Mogadishu about the challenges women entrepreneurs face. Across sectors, critical factors holding women back include lack of networks, cultural perceptions, a restrictive legal framework, and lack of access to land and finance. The Bank is now leveraging findings from the Country Economic Memorandum as a platform for engagement with government and civil society on how to address these constraints to foster growth and to create more inclusive and higher quality jobs.

In anticipation of the formation of a new government following the current electoral period, the Gender Platform also supported the preparation of a dedicated Gender Policy Note for inclusion in a series of Policy Notes developed by the Bank to highlight critical issues that the incoming government will need to address. This Gender Policy outlines critical gender interventions needed to address the stark and persistent gender gaps that impede human capital development, peacebuilding, and sustainable and inclusive growth.

The Platform also finalized a Gender Portfolio Review intended to review WB performance in addressing and advancing gender priorities in Bank-supported investments. Key findings highlight generally strong performance of Bank operations in the integration of attention to gender across analytics, gender-targeted actions, and inclusion of dedicated gender-related indicators in project design. At the same time, the Review noted a need for additional support in advancing attention to gender beyond the provision of practical gender needs (for example, access to resources, services or institutions) to include, as well as attention to and investment in interventions that address more strategic gender interests, that is, those that challenge gender divisions and men's and women's position in Somali society more broadly.

**Stakeholder Roundtable on 'Women's Socioeconomic Empowerment':** In June 2021, the Platform hosted a consultative workshop on women's socioeconomic empowerment, convening key Somali stakeholders from government—including regional administrations—civil society organizations, local and international nongovernmental organizations, youth groups, and women in the private sector including female entrepreneurs. Building on these efforts and informed by the workshop, the Platform will work to establish an advisory board with external partners and stakeholders to enable a platform for regular policy dialogue and engagement with critical actors and to strengthen collaboration and coordination across relevant partners.



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# MPF FINANCIALS

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As of December 31, 2021, donors had committed a total of US\$574.8 million to the MPF, of which US\$542.9 million had been paid in. US\$476.6 million has been committed for (a) signed project grants (US\$407.1 million); (b) preparation, supervision, and monitoring of endorsed MPF pipeline and active projects (US\$45.8 million); and (c) trust fund management and administration (US\$23.7 million). This financial overview does not include funds from IDA.

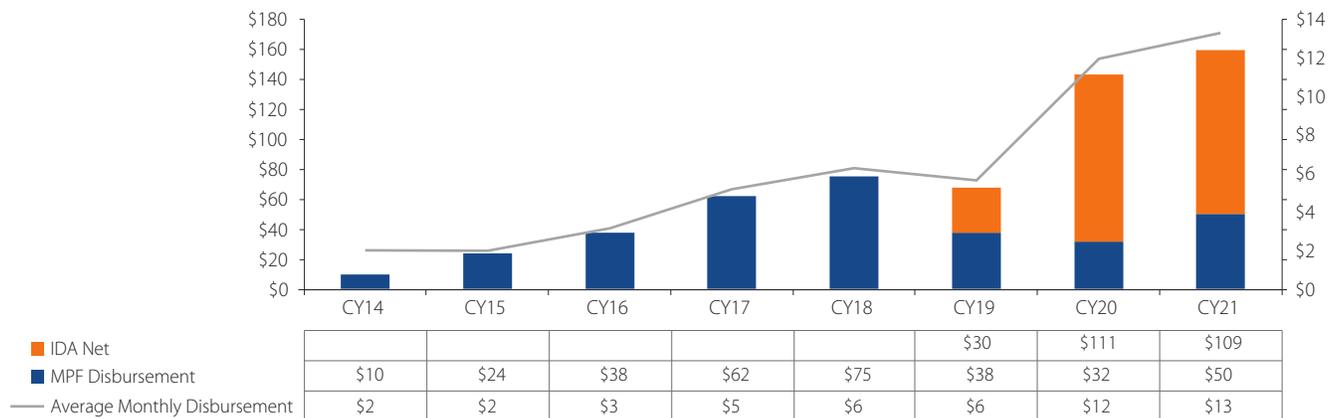
The MPF has disbursed a total of US\$365.6 million, representing 67 percent of paid-in contributions. A majority of the disbursements have been for project grants (US\$309.8 million, 84 percent). Of these grants, most have been recipient-executed (US\$265.4 million, 86 percent) and implemented by Somali authorities. In addition to grants, funds have been disbursed for management and administration (US\$21.6 million, 6 percent) and preparation, supervision, and monitoring by WBG teams (US\$34.2 million, 9 percent).



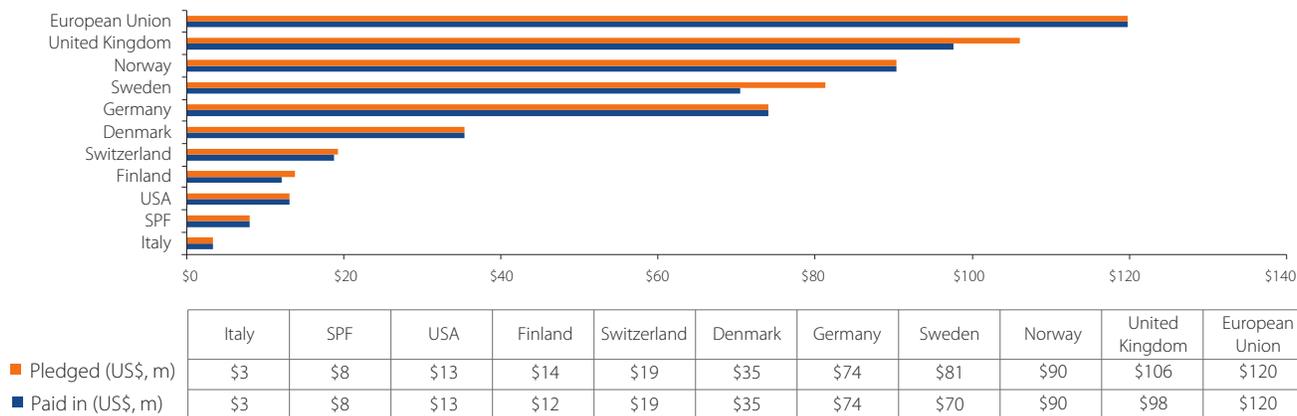
**Table 5. MPF Financial Overview***As of December 31, 2021 (in US\$ million)*

<b>Contributions</b>		<b>574.8</b>
Paid in		542.9
Unpaid		21.6
Investment income		10.4
<b>Commitments</b>		<b>476.6</b>
<b>Management and administration</b>		<b>23.7</b>
MPF administration	11.7	
HQ central fee	12.0	
<b>Preparation, supervision, monitoring</b>		<b>45.8</b>
Project preparation and supervision	19.8	
Monitoring agent	26.0	
<b>Project grants</b>		<b>407.1</b>
BE grants	31.0	
BE on behalf grants	22.5	
RE grants	353.6	
<b>Appraised but not signed</b>		<b>28.5</b>
<b>Disbursements</b>		<b>365.6</b>
<b>Management and administration</b>		<b>21.6</b>
MPF administration	9.6	
HQ central fee	12.0	
<b>Preparation, supervision, monitoring</b>		<b>34.2</b>
Project preparation and supervision	18.5	
Monitoring agent	15.7	
<b>Project grants</b>		<b>309.8</b>
BE grants	21.9	
BE on behalf grants	22.5	
RE grants	265.4	
<b>Unallocated cash balance (Paid in—Commitments)</b>		<b>66.3</b>

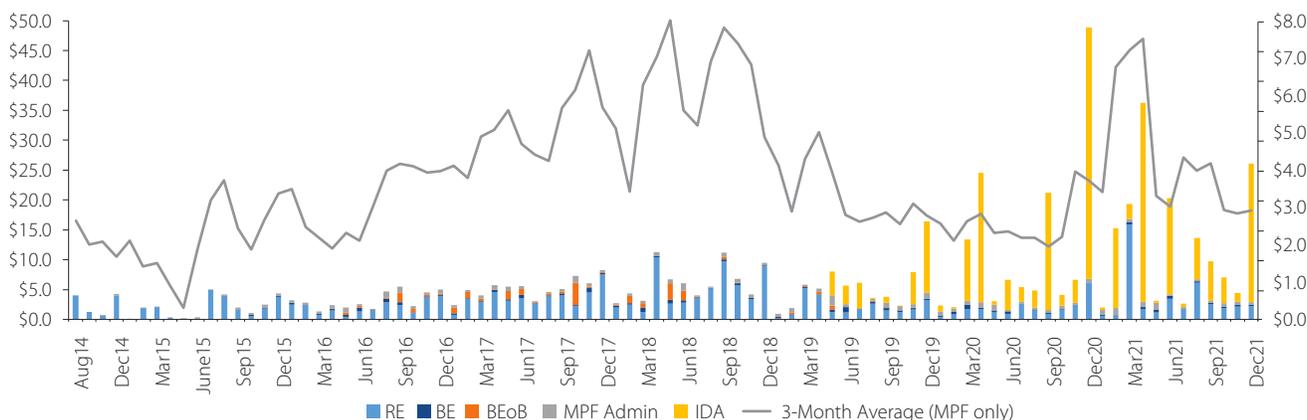
**Figure 2. Total and Average Monthly Disbursements (MPF and IDA) (US\$ million)**



**Figure 3. Pledged vs. Paid-In Contributions to the MPF (US\$ million)**



**Figure 4. MPF and IDA Disbursements (by Type and Month) (US\$ million)<sup>10</sup>**



<sup>10</sup> This figure excludes DPO disbursements.

*Tacbadana Tanaada.*



# LOOKING AHEAD

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Somalia's turnaround, though fraught with challenges, has made considerable progress over the last eight years. International experience highlights that 'turnarounds' in fragility, conflict, and violence (FCV) contexts are nonlinear, cyclical, and may be prolonged over an extended period. Somalia is no exception. The 2020/21 political impasse is following the breakthrough agreement on the Provisional Constitution that ushered in a new Federal Parliament and the establishment of the Federal Government of Somalia (FGS) in 2012. The FGS and Federal Parliament have seen two transitions of power since 2012 as well as the emergence of four new Federal Member States (FMS).

Continued, albeit slower, progress has been made, which illustrates the capacity of Somalia's nascent federal arrangement to manage political confrontation; nonetheless, important challenges and fragility remain. Though progress has been made on key fronts, it has not been linear and still faces significant challenges. Until arrangements are embedded in a final Constitution which enjoys the political support of all Somalis, including in Somaliland, and the ratification of Parliament, Somalia's political institutions will remain contested.

On the other hand, Somali authorities continue to reach major milestones with the support of the Multi-Partner Fund (MPF) and its development partners. The MPF will continue to support the integration of the MPF portfolio into the wider International Development Association (IDA) engagement, and find complementarities as well as scale up opportunities.

Support towards the implementation of the Bank's Somalia program has been based on engagement

through the Somalia MPF, the exceptional IDA Pre-Arrears Clearance Grants (PACGs) and, over the last year, full reengagement under IDA19. Early foundational investments under the MPF and PACG have been crucial to promoting institutional reforms, strengthening governance and accountability, building government capacity, and beginning to address the structural drivers of fragility in Somalia. Reengagement under IDA19, including through the Turn Around Allocation (TAA), builds on the progress made and seeks to employ a 'people-centered approach' by investing in human capital development and strengthening service delivery to reach the most vulnerable communities, while continuing essential governance and institution-building support.

This has been significant to address barriers to opportunity and development in Somalia, strengthen trust between citizens and the state, and contribute to the broader goal of fostering peace and stability. This support has led to a significant growth in the World Bank (WB's) portfolio, which now stands at US\$1.19 billion, including an IDA19 allocation of US\$885 million. The WB is updating the Turnaround Regime to continue supporting the positive trajectory of Somalia despite recent setbacks and the political impasse.

Progress during this reporting period illustrates growing confidence in Somalia's ability to absorb increasing levels of development financing, on budget, and using country systems. The integration of the WB MPF and IDA portfolios, and continuing to build on lessons from the MPF, remain as important as the continuous strategic alignment of the various instruments for economic development and inclusive growth in Somalia.

Over the past year, Somalia has had a protracted and tenuous election period. Despite progress towards elections, the political crisis continues with tensions between Federal Government of Somalia (FGS) and Federal Member States (FMSs) as well as persistent influence of clan relationships.

The Upper House elections restarted in early August 2021 and concluded in October with all 54 slots filled. The elections to the Lower House (which has 275 Members of Parliament) restarted in November, with a new deadline of December 24, 2021. The Presidential elections are not likely to take place before early 2022, almost a whole year after President Mohamed Farmaajo's mandate expired in February 2021. The FGS has been urged to accelerate the country's elections to avoid further delays and to ensure electoral support from the international community. The WB has concerns over delays which affect project pipelines, implementation, and disbursements.

The Performance and Learning Review (PLR) has been discussed with Bank Management. It is expected that it will be circulated to the Board in early Q4, along with the Additional Financing operations for the Somalia drought response.

The MPF will continue to support and strengthen institutions for service delivery and build resilience and opportunities in the economic space. The PLR will help guide the delivery of more resources in MPF focus areas, set the stage for, or enable, larger investments through IDA, and manage risks—fiduciary, environmental, and social—and government capacity to manage risks. Discussions during a planned MPF retreat with the Consultative Group will further advance the integration of IDA and MPF resources and approaches.

Building in the MPF-supported joint public financial management (PFM) assessment, the Bank team will engage MPF donors on a strategic discussion around longer term PFM support to the FGS and FMS. The MPF has been a critical partner in supporting this important agenda, and discussion during the next reporting period

will focus on a second phase of the Bank support to the entire Somalia PFM system.

The pipeline for FY22 will push for greater regional integration, and focus on drought response to build economic and social resilience. Additional Financing will be important to strengthen the systems at the core, and build the capacity of government.

The International Monetary Fund (IMF) has commenced the second and third review of the Extended Credit Facility (ECF). A two-stage approach is being adopted. The first stage of the ECF review will take place in February and March 2022, and will focus on program reforms and conditionalities. The second stage of the review will require having a newly elected government in place to confirm commitment to the program as well as financing assurances from development partners. Staying on track with an IMF program is one of the requirements of the Heavily Indebted Poor Countries (HIPC) initiative, which Somalia is participating in, to address high levels of indebtedness.

Commendable progress has been made in completing a substantive number of HIPC Completion Point (CP) triggers. Examples of HIPC CP triggers that can be considered complete include the publication of audited financial accounts; the ratification of the United Nations Convention Against Corruption; the publication of debt bulletins; an agreement reached in the education sector concerning the roles and responsibilities of the FGS and the FMS; the agreement of a framework for a joint national health strategy; and the publication of the *Somalia Annual Fact Book*.

The remainder of the HIPC CP triggers focus on the enactment of critical laws. Laws that require enactment include the Extractive Industry Income Tax Law, the Data Privacy Law (needed to establish a national social registry as a functional platform that supports registration and determination of potential eligibility for social programs), and the Electricity Act. Following the enactment of the Company Act in 2019, regulations

**Table 6. Lending Projects' Details**

S. No.	Project ID	Project Name	Commitments (US\$ million)
<b>National</b>			
1	P174889	Somalia Inclusive Growth DPO Series	50.0
2	P176679	Additional Financing: Somalia Urban Resilience Project (Phase II)	41.5
3	P176898	Somalia Empowering Women through Education and Skills Project ('Rajo Kaaba')	30.0
4	P177298	Somalia Enhancing Public Resource Management Project	25.0
5	P177900	Additional Financing: Somalia Recurrent Cost and Reform Financing Project (Phase III)	60.0
6	P178886	Additional Financing: Somalia COVID-19 Emergency Vaccination Project	103.2
7	P178730	Additional Financing: Shock Responsive Safety Net for Human Capital Project	100.0
<b>Regional</b>			
1	P173119	Somalia: Horn of Africa Infrastructure Integration Project	63.0
2	P174867	Horn of Africa: Groundwater for Resilience	30.0
3	P176517	De-risking, Inclusion, and Value Enhancement of Pastoral Economies in the Horn of Africa	70.0
4	P174175	Horn of Africa Regional Integration for Sustainable Energy Supply*	60.0

**Note:**

\* The regional IDA grant of US\$50 million and a Trust Fund from a clean cooking fund of US\$10 million are expected to serve four countries on a 'first-come, first-served' basis.

should be issued to allow for minority shareholder protection. Appendix 2 shows the progress in reaching all HIPC CP triggers.

Somalia remains vulnerable to external shocks, putting recent investments and progress on resilience to a hard test. The 2022 Humanitarian Response Plan was launched on December 20, projecting 7.7 million people—more than half the population—in need of humanitarian assistance in 2022. To provide assistance to 5.5 million people targeted, the humanitarian partners appealed for close to US\$1.47 billion. The drought is a key driver of the humanitarian need which, by the end of 2021, had already caused additional internal displacement. Addressing drivers of cyclical need, including climate change, requires sustainable and sustained investments in water, livelihoods, and basic social services across humanitarian, development, and peace actors.

In 2021, the United Nations (UN) in Somalia initiated reforms of the Somalia Multi-Partner Trust Fund, drawing on lessons learned since the establishment of the Somalia Development and Reconstruction Facility (SDRF) in 2014. The reforms include a strengthened Fund Secretariat, development of a new investment and resource

mobilization strategy for 2022–25 in consultation with stakeholders, and revision of the Fund's Terms of Reference (ToR). Notable changes include rebranding of the fund to the UN Somalia Joint Fund (SJF), extension of the Fund by one year to December 31, 2025, to align with the UN Cooperation Framework (UNCF), a new earmarking policy, and changes to the decision-making process for program approval and fund allocation. Pending approval of the revised ToR, these changes will come into effect.

The SJF's overarching mission is to provide critical investments to support the implementation of Somalia's National Development Plan, through the UNCF. The SJF will leverage pooled funding to promote integrated UN approaches and joint programming across the strategic priorities of the UNCF. The SJF will develop a new programmatic pipeline in 2022 and will prioritize (a) high priority, high quality joint programs that make specific and concrete contributions to UNCF outcomes and One UN approaches; (b) facilitate evidence-based strategic dialogue with stakeholders that informs new programming and alignment between development actors; and (c) increase flexibility of, and interlinkages between, UN programs. In its programmatic focus,

the SJF will strengthen analyses, approaches, and results fostering impact on gender equality and women empowerment, leaving no-one behind, social contract and legitimacy, capacity sharing and exit strategies, prevention of corruption, and environment and climate security.

The SJF seeks to reinvigorate its collaboration with other financing instruments in Somalia, including the funds managed by the WB and the African Development Bank as envisioned at their inception. The new strategy aims to strengthen the strategic portfolio dialogue on areas of complementarity and collaboration with the MPF and the Somalia Infrastructure Fund as well as analysis and learning across the SDRF funding windows to enhance reach and impact.

The SJF will continue to rely on the government-led aid architecture of the SDRF for coordination and information-sharing purposes. As an interim measure, aimed at increasing the operational efficiency of the Fund as the new strategy is operationalized, decisions on program approval and fund allocation will not require formal approval through the aid architecture. The UN will revisit this arrangement in the second half of 2022 in consultation with stakeholders.

Christoph Oberlack has recently taken up the United Nations–World Bank (UN–WB) Liaison position for Somalia, previously held by Sarah Cramer. He will provide technical and strategic liaison support across the UN and WB. Christoph will support the implementation of use of country systems, platforms, and frameworks and will support the analytical and operational partnership between the UN and WB.



The Theory of Change, Results Framework, and Communications and Visibility Plan (2022–24) are currently being finalized after initial discussions with donor technical teams in late 2021. They will be adopted once they have been reviewed and endorsed by the MPF Consultative Group.

The WBG commissions periodic strategic risk reviews of emerging issues of institutional reform and state-building in Somalia. These reviews by Abyrint, the MPF Monitoring Agent (whose contract has been renewed), inform government and WBG strategy, portfolio management, and implementation. The Monitoring Agent also provides risk management support on the MPF's main areas of risk, including transaction level monitoring and advisory support to project implementation.

Insight gained is consolidated to produce fact-based analyses and recommended actions to the WBG, as well as targeted capacity-building support to government. Experience to-date demonstrates that the portfolio is adept at managing elevated risks and delivering results amidst difficult and dynamic circumstances. Continued deliberate risk management is necessary to maintain this track record.

The MPF-financed Somali Electricity Access Project (SEAP) will be supported by a new US\$150 million project from IDA, approved by the WB Board on December 8, 2021 (Somali Electricity Sector Recovery Project, P173088). SEAP has strengthened the capacity of the client in terms of project coordination, procurement and financial management, and proactiveness on technical issues. The Bank team continues to provide support to manage associated risks. About 64 percent of the project funds have been disbursed (US\$3.27 million for the FGS and US\$1.29 million for Somaliland), compared with 31 percent in the last reporting period.

Trade in Somalia—which could be a strong positive force for economic growth—is not serving its full potential as an engine of growth. In the past few decades, Somalia's trade has been weak and played a limited role as a source

of growth. Somalia has been confronted by several key challenges, mostly its narrow economic base marked by poor economic diversification and vulnerability to external shocks. Identifying the constraints that are hampering the integration of Somalia into the multilateral trading system and the identification of concrete policy actions to be implemented for the mainstreaming of trade issues will lead to diversification and economic development strategies. This objective can be summarized into three broader objectives: (a) promoting economic diversification and broadening the export base; (b) supporting the World Trade Organization's accession and regional integration; and (c) enhancing the institutional capacity of the Ministry of Commerce and Industry, and other ministries and agencies associated with trade.

In support of efforts to deepen and strengthen strategic engagement on women's equal opportunities across operations and analytic initiatives, the Bank established a Somalia Gender Equality Platform with the support of the MPF. The objective of this Platform is to provide strategic support on gender issues to help define key operational, technical, and analytical priorities for engagement under the Country Partnership Framework. This platform will enable multiyear and multisector nonlending Technical Assistance using a programmatic platform, which will assist the WBG's engagement in Somalia by promoting gender equality and inclusion of those left behind more broadly. Grant financing will support improving technical support on gender to operations, conducting frontier research, identifying and financing innovative interventions, and expanding policy dialogues and knowledge sharing across government and relevant development partners.

The MPF will continue to support inclusive and robust economic recovery from the major impacts of COVID-19, the triple crises, and climate-related shocks, alongside the IDA portfolio. The MPF will support efforts to (a) deepen the understanding of COVID-19 impacts; and (b) deliver TA/capacity building to design effective COVID-19 responses for Somalia. The incidence of

COVID-19 in Somalia has hastened the need to introduce technologies and tools to support remote supervision, as well as to put into place alternative ways to gather stakeholder input and feedback. These concerns were already present with the inability to travel to insecure regions in Somalia. However, the COVID-19 pandemic has elevated the discussion and provided additional resources to test new approaches.

As of March 2, 2022, there have been 26,351 confirmed cases of COVID-19, with 1,348 deaths reported in the country since the pandemic began, and a case fatality ratio of 5.12 percent. The districts reporting the highest incidence of COVID-19 cases are Hargeisa and Medina, with a weekly incidence rate of 0.1 percent and 0.4 percent per 100,000 population, respectively. Preventive measures in place in the country include physical or social distancing, quarantining, temperature checks upon entering public buildings, ventilation of indoor spaces, covering coughs and sneezes, handwashing, and keeping unwashed hands away from the face. The use of face masks or coverings has been recommended in public settings to minimize the risk of transmissions. Travel in/out of the country is permitted if vaccinated.

The Government of Somalia aims to vaccinate 70 percent of its population free of cost. There are 2,947,338 million doses of vaccines available for utilization in Somalia. To date, 1,871,867 COVID-19 vaccine doses have been administered in Somalia. In the last weeks, COVID vaccine uptake slowed due to routine immunization of polio and measles, and electoral processes, taking place at the same time, resulting in shortage of human resources in some states. A total of 948,933 individuals have been fully vaccinated—which are individuals who have received the second doses of AstraZeneca and Sinopharm and one dose of the Johnson and Johnson vaccine. A total of 922,934 individuals have been partially vaccinated, those who have received their first dose of the AstraZeneca and Sinopharm vaccine. In terms of gender, of those vaccinated, 40 percent are female, 60 percent are male.

Under the COVID Vaccines Access (COVAX) Facility, 300,000 doses of AstraZeneca were received in March 2021 and additional doses were donated from China (200,000 doses of Sinopharm), Russia (2,500 doses of Sputnik), and France (108,000 of AstraZeneca). Under the COVAX facility, Somalia expects to receive additional doses of vaccines to cover 20 percent of the population by mid-2022, as per the global commitment of COVAX. This 20 percent coverage under COVAX will cover the first and second stage priority population to be vaccinated which, for phase 1, includes healthcare workers, border patrol staff, police, municipal workers, and teachers; phase 2 includes people with co-morbidities and elderly people over 50 years of age. According to the states; micro plan, at least 20–30 percent of internally displaced persons—9,976 nomads and 3,159 registered refugees—have been targeted for vaccination.

Current Bank support to Somalia for the COVID-19 response efforts centers around the Somalia COVID-19 Emergency Vaccination Project (P176956) for US\$45 million approved on September 28, 2021, and expected to be declared effective by March 26, 2022. The project aims to support the Federal Republic of Somalia to acquire and deploy COVID-19 vaccines and to strengthen national immunization capacity. The project will also play a central role in financing the country's vaccination campaign with other partners, WHO, and UNICEF, providing primarily technical support and funding. The project expects to process additional financing of potentially US\$58.2 million. This amount consists of financing resources of US\$5.2 million from IDA made available in late 2021 and US\$3 million from the Health Emergency Response Preparedness Trust Fund. The latest developments from February 2022 indicate additional resources being made available to priority countries to further support COVID response and vaccination efforts, which includes Somalia, with an indicative envelope of US\$50 million. The continued gaps/needs areas that can be further supported with this additional financing include strengthening the health system cooling

capacity to receive, store, and deploy vaccines; properly equipping points of entry with more equipment such as PPE [personal protective equipment] testing kits; social mobilization efforts to educate health workers and community members about COVID-19, including the benefits of the vaccination program to address concerns over vaccine hesitancy and improve vaccine uptake; and setting up more mobile clinics and outreach campaigns.

The team has been actively engaged in monitoring and analyzing the impacts of COVID-19 on the Somali economy at a macro, enterprise, and household level. In parallel, the WB is actively supporting the FGS to help design and implement COVID response and recovery operations. MPF-financed COVID support to understand the situation better in Somalia includes many initiatives such as: COVID-19 economic monitoring to facilitate an understanding of the transmission channels of COVID on the Somali economy; COVID-19 High-Frequency Phone Survey to monitor the socioeconomic impacts of the pandemic and improve the understanding of the effects of, and household responses to, the pandemic in near-real time which would, in turn, inform policy responses and interventions; COVID-19 Enterprise Survey to better understand the economic impacts of the pandemic on Somali businesses and inform the design of the interventions to counter the effects of the pandemic on the private sector.<sup>11</sup>

Providing enhanced implementation support and supervision will be important to ensure high quality delivery of the operations for the beneficiaries in this high-risk context. Due to the COVID-19 restrictions, teams will continue to rely on enhanced supervision and monitoring arrangements.

The MPF has helped bring government systems back into play, increase government ownership, and

enabled harmonization of policy dialogue. However, areas for improvement remain. Some among these are: responding with more flexibility to the dynamic and difficult operating context; having a more collaborative approach, for instance, in expectation management and donor involvement; linking more explicitly to the political processes—supporting broader macro dialogues with financing; better portfolio risk management and knowledge management; and aggregating monitoring and evaluation of project level outputs to outcome level results across portfolios.

Going forward, the MPF will continue to aim to support and deliver an integrated IDA-MPF portfolio, with a focus on:

- **Enhanced policy dialogue platforms** to link the analytical work closely to the investment pipeline beyond the Bank and inform client decision making.
- **Robust knowledge work** to catch up on 30 years' absence of core Bank analytical products and inform investments and sector reforms.
- **Integrated risk sensitive portfolio delivery** in a high-risk context with professional services, enhanced fiduciary risk management/Monitoring Agent, a security platform for client engagement, enhanced ESF capacity, and so on.
- **Pooling funds for greater impact** and testing concepts to take to scale: co-mingle donor and IDA resources for greater aid coordination and influencing the IDA portfolio.

The end of this reporting period has seen the MPF continue to provide a platform for expanding the government's ability to engage in the development of the country. As the portfolio moves beyond core economic institutions and further into service delivery, the MPF continues to lay the foundations for sustainable poverty reduction and economic development.

<sup>11</sup> Please refer to the MPF Progress Report, July–December 2020 edition, for a detailed coverage of these initiatives.



# APPENDIXES

## Appendix 1. MPF Monitoring Framework: 2019–2021

### (A) MPF Operational Performance

(As of December 31, 2021)

Quality of Operations		Target	Status		
Disbursements	Total MPF disbursements to date (US\$ million)	–	365.6		
	Total disbursements by calendar year (US\$ million)	–	2014	MPF 10.3	IDA –
			2015	24.4	–
			2016	38.1	–
			2017	62.5	–
2018			75.5	–	
2019			37.8	29.9	
2020			32.0	111.0 <sup>12</sup>	
2021	50.4	109.0			
	Commitment ratio of paid-in donor contributions	–	88%		
	Disbursement ratio of signed project grants <sup>13</sup> a. Including RCRF b. Excluding RCRF	–	a. 76% b. 64%		
Timeliness	Average # of months from SDRF endorsement to first disbursement	<4 months	5.9		
Portfolio quality	% of active operations rated moderately satisfactory or higher	90%	100%		
World Bank Management			Target	Status	
Consultation	% of MPF projects that have been consulted with relevant Working Groups during design		100%	100%	
	# of total MPF Consultative Group meetings		6	8	
Donor Engagement			Target	Status	
Limited preferencing	% of MPF contributions preferenced by donors		<30%	26%	
Pledge predictability	Donor payments on schedule (% of total funds paid according to Administration Agreement schedule)		100%	100%	
Cross-Cutting Issues			Target	Status	
Gender mainstreaming	Gender considerations integrated into MPF portfolio (% of MPF projects with World Bank gender flag) <sup>14</sup>		NA	75%	
Capacity building	% of active projects with a capacity development component		100%	100%	
Conflict sensitivity	% of MPF projects that utilize conflict analysis to inform project management, going beyond basic World Bank requirements for project preparations		50%	100%	

<sup>12</sup> This excludes the DPO in CY20.

<sup>13</sup> This is only for the MPF.

<sup>14</sup> MPF projects and analytic activities are reviewed and assessed by the World Bank to systematically consider and address gender inequalities in (a) the underlying analysis; (b) the actions proposed; and/or (c) monitoring and evaluation arrangements. If a positive response is recorded in at least one of these three dimensions, the operation is flagged as gender-informed.

**(B) MPF Results***(As of December 31, 2021)*

CPF Objectives	Focus Area 1: Strengthening Institutions to Deliver Services	Baseline		2019	2020	2021	Data Source
<b>Cross-cutting</b>	1. Government demonstrates progress on key reforms and benchmarks, as demonstrated by achievement of RCRF disbursement-linked indicators (DLIs) (cumulative)	–	Target	7	8	12	RCRF reporting after March and August reviews of DLIs. In addition to #s, narrative to be provided about specific DLIs
		–	Actual	5 of 7 DLIs met by deadlines	Cumulative total: 10 5 of 10 DLIs for 2020 met by deadlines	Cumulative total: 13 DLIs for 2021 met with some delays <sup>15</sup>	
<b>Objective 1.1: Improve public finance management and institutional effectiveness</b>	2. FGS demonstrates improved PFM control and accountability, as evidenced by: i) Increased % of appropriated expenditures processed through the commitment system ii) Increased % of payments made directly to vendors	i) 25% ii) 25%	Target	i) 30% ii) 30%	i) 40% ii) 40%	i) 50% ii) 50%	DRM/PFM reporting
			Actual	i) 73.83% ii) 48.83% <sup>16</sup>	i) 100% <sup>17</sup> ii) 75% <sup>18</sup>	Not yet reported	
<b>Objective 1.2: Enhance domestic revenue mobilization and resource sharing</b>	3. Revenue 'instruments' <sup>19</sup> (both tax and nontax) with basic 'processes' <sup>20</sup> automated (cumulative)	0	Target	1	2	4	DRM/PFM reporting using FGS MoF Tax codes and Tax administration system in place
			Actual	0	0	2 <sup>21</sup>	

<sup>15</sup> The FGS has met 13 disbursement-linked results (DLRs) out of 21 DLRs that were cumulatively scheduled for 2021. An intergovernmental technical committee adopted customs modernization roadmap and action plan and agreed on common goods classification; the FGS MoF approved functional specifications for the new customs IT system; tax identification number (TIN) and TCC are mandatory when bidding for government contracts and valid TIN required to have invoice paid; Somalia financial management information system (SFMIS) incorporates: (a) End-of-day balances of all treasury single account (TSA) accounts, and (b) monthly balances of all MDA accounts held at the Central Bank of Somalia (CBS); all government payments for salaries, transfers, and capital expenditures are executed as payments to Bank accounts directly to vendors, with the exception of: petty cash, travel advances, security sector, and contingency; FGS and FMS Finance Ministers agreed on principles to guide FGS transfer allocations to FMS/BRA, which were reflected in draft 2022 FGS budget; FGS fiscal transfers execution rate to FMS was greater than the outturn rate for domestic revenues in FY2020; proficiency testing of teachers was conducted in all eligible FMS/BRA establishing minimum competency level of teachers. Two more DLRs are likely met and are pending independent verification: FGS MoF approved new business processes for key revenue streams; fiscal transfer allocations in draft 2022 FGS budget reflect policy paper principles.

<sup>16</sup> Increased % of appropriated expenditures processed through the commitment system (81.68 percent) less baseline of 25 percent, over the previous year.

<sup>17</sup> Based on last assessment on June 30, 2020, provided in project implementation status report on Feb 9, 2021.

<sup>18</sup> Based on last assessment on December 31, 2020, provided in project implementation status report on Feb 9, 2021.

<sup>19</sup> For purposes of this indicator, the instruments include: corporate income tax; personal income tax; excise tax; simple broad-based consumption tax; simple GST or VAT based consumption tax; registration tax; property tax; stamp duty; tax on remittances; telecommunications taxes; road tax (including vehicle licenses and drivers' permits); business licenses; telecom licenses; and off-shore fishing licenses.

<sup>20</sup> For purposes of this indicator, the processes to be included in computing the indicator include: (a) registration; (b) declaration/filing and assessment; (c) taxpayer payment and accounting; and (d) debt collection.

<sup>21</sup> The FGS and PSS are working on the design for a 'fit-for-purpose' ITAS and are preparing the joint request for bidding for development and implementation, with significant delays in completing the design of the ITAS and related procurement of a vendor to implement ITAS. In the meantime, the FGS has used the Financial Management Information System for automating two (registration and payment) revenue related key processes. The PSS has also adopted the same strategy and automated registration and partly payment. Such registration and payment is across the customs and inland revenue instruments.

CPF Objectives	Focus Area 1: Strengthening Institutions to Deliver Services	Baseline		2019	2020	2021	Data Source
<b>Objective 1.2: Enhance domestic revenue mobilization and resource sharing</b>	4. Improved fiscal relations between the FGS and FMS, as evidenced by: i) Intergovernmental meetings <sup>22</sup> and knowledge products lead to concrete decisions being made on fiscal federalism issues (yes/no) ii) Annual increase of intergovernmental transfers from FGS to FMS and BRA	i) Yes ii) US\$29.9 million (2018)	Target	i) Yes ii) 15%	i) Yes ii) 30%	i) Yes ii) 45%	(i) Qualitative reporting from RCRF, K4R, FGC, Oil and Gas, Education, Health; and (ii) RCRF reporting using MoF records
			Actual	i) Yes <sup>23</sup> ii) 81% (US\$27.3 million)	i) Yes <sup>24</sup> ii) 118% (US\$59.7 million)	i) Yes <sup>25</sup> ii) -47% (US\$31.6 million)	
<b>Objective 1.3: Improve delivery of systems for inclusive social services</b>	5. Expanded access to healthcare in Benadir, Galmudug, and Puntland, as evidenced by: i) # of female healthcare workers in place with MPF support ii) # of women and children visited by female healthcare workers annually with MPF support	i) 0 ii) 0	Target	i) 400 ii) 100,000	i) 400 ii) 150,000	i) 400 ii) 150,000	Health ASA/RCRF
			Actual	Delayed	i) 354 ii) Reporting delayed	i) 886 <sup>26</sup> ii) Reporting delayed	
	6. Improved supervision in education sector, as demonstrated by: i) # of teachers who have undergone proficiency testing on numeracy and classroom pedagogy in selected FMS ii) # of school supervision visits by education authorities from FGS and FMS Ministries of Education	i) 0 ii) 0	Target	i) 300 teachers in BRA tested ii) 100 (PSS and BRA)	i) 1,200 teachers in at least 2 eligible FMS tested ii) 300 in 2 eligible FMS	i) 1,500 teachers in at least 2 eligible FMS tested ii) 300 in 2 eligible FMS	Education ASA
			Actual	i) 897 ii) 300	i) 1,816 teachers in BRA, HSS, JSS, SWS, GSS ii) 1,554 in BRA, HSS, JSS, SWS, GSS, PSS	i) 1,816 teachers in BRA, HSS, JSS, SWS, GSS <sup>27</sup> ii) 1,554 in BRA, HSS, JSS, SWS, GSS, PSS	

<sup>22</sup> Only intergovernmental meetings supported through MPF projects will be tracked.

<sup>23</sup> In 2019, a meeting of finance ministers was held in Addis Ababa in September; an Inter-Governmental Fiscal Federalism Committee (IGFCC) meeting together with a full Finance Ministers' Fiscal Forum (FMFF) meeting was held in Kampala in November; a follow-on IGFCC/FMFF was held in Kismayo in December. Joint commitments made from finance ministers to reinvigorate regular intergovernmental fiscal forum meetings, approval of the Inter-Governmental Fiscal Transfers Policy Paper (an RCRF reform benchmark or 'DLI'); and advances on the fiscal inputs to the Constitutional drafting process.

<sup>24</sup> In 2020, Finance Ministers' Fiscal Forum (FMFF) held online on April 25, May 2, June 7, and July 6; and in a face-to-face meeting in Mogadishu on August 12, where a policy note on the fiscal transfer formula was endorsed.

<sup>25</sup> The Intergovernmental Fiscal Secretariat has visited all FMS to hold technical discussions on a draft fiscal transfer formula with a detailed review of pros and cons of the formula implementation for each state, which were discussed at the Inter-Governmental Fiscal Federalism Technical Committee (IGFF-TC) meeting in Nairobi on October 3-6, 2021. The FGS and the FMS Ministries of Education, through an intergovernmental coordination meeting, signed a Memorandum of Understanding on a collaboration framework and agreed to form a National Examination and Curriculum Board, a key HIPC milestone related to social sectors. The Financial Reporting Unit (FRU) and the Technical Working Group (TWG) of FGS and FMS budget and treasury units supported by the WB held a workshop in Garowe between June 5 and 15, 2021. The objective was to finalize the harmonization of budget classification/chart of accounts and standardization of reporting formats to allow the FGS to produce a consolidated budget document and aggregated fiscal outturns in FY2022. The Garowe workshop was successful in terms of harmonizing the CoA to six-digit level. The FRU and the TWG completed harmonization of the unified economic classification (up to six-digit coding for revenues and expenses) aligned with the GFS 2014, as well as other budget classification segments (organization, fund, location, program, function). The work was based on a policy document signed by the Minister for Finance on Feb 28, 2021. The next step is the adjustment of existing FMS solutions to use new unified BC/CoA and reporting formats, so that the 2022 budget can be executed accordingly.

<sup>26</sup> 340 female health workers (FHWs) and 19 FHSs were recruited in Puntland, Galmudug, and BRA in 2020. An additional 546 FHWs and 39 FHSs have been recruited and trained in all eligible FMS and BRA in 2021. The FHWs have supported COVID-19 response by visiting households to provide education and contact tracing.

<sup>27</sup> The program is moving from a paper-based system to a digital-based collection system primarily through the ODK platforms, where mobile phones will be mainstreamed for data collection, decision making, and capacity building. Integration of such data, wherever needed, will be done with the Health Management

CPF Objectives	Focus Area 1: Strengthening Institutions to Deliver Services	Baseline		2019	2020	2021	Data Source
<b>Objective 1.4: Build the capacity of Somali municipalities for urban resilience</b>	7. Municipalities demonstrate improved capacity for urban resilience, as evidenced by: i) Kilometers of road rehabilitated (cumulative) ii) People with access to improved roads <sup>28</sup> within a 500-meter range (number, % female, % IDPs)	i) 0 ii) 0	Target	i) 0 ii) 0	i) 4.9 km ii) 0	i) 12.1 km ii) 2,000	SURP Narrative will also include qualitative reporting gathered towards the end of the project on improved access to services
			Actual	i) 0 ii) 0	i) 10.96 km ii) 0	i) 12.3 km <sup>29</sup> ii) 148,800 <sup>30</sup>	
CPF Objectives	Focus Area 2: Restoring Economic Resilience and Opportunities	Baseline		2019	2020	2021	Data Source
<b>Objective 2.1: Improve business environment and lower barriers to entry</b>	8. Access to inclusive finance improved and used to generate job growth as demonstrated by: i) Value of loans from the MSME Financing Facility (US\$ million) <sup>31</sup> (% women-owned) ii) Jobs created by firms that access the MSME Financing Facility (% women)	i) 0 ii) 0	Target	i) 0 ii) 0	i) 2 (30%) ii) 200 (30%)	i) 8 (30%) ii) 650 (30%)	SCALED-UP
			Actual	To be assessed in 2020 <sup>32</sup>	i) 2.4 (6.5%) <sup>33</sup> ii) Not yet assessed	i) 3.3 (15% # / 5% value) ii) Indicator dropped <sup>34</sup>	
<b>Objective 2.2: Access to finance to increase inclusion and digital development opportunities</b>	9. Supervisory capacity of the Central Bank of Somalia strengthened as demonstrated by publication of reports on financial institution examinations and cases of supervisory actions on the CBS website	i) No ii) No	Target	No	Yes	Yes	SCALED-UP
			Actual	No	No	No <sup>35</sup>	
	10. Digital ID Authority established and operational	No	Target	No	No	Yes	SCALED-UP Targets on digital ID enrollment will be included later
			Actual	No	No	Yes <sup>36</sup>	
<b>Objective 2.3: Increase access to renewable energy</b>	11. Access to renewable energy enabled, as demonstrated by: i) Number of people provided with new or improved energy service (at least 30% female) ii) Number of energy sector studies completed iii) Renewable energy generation capacity deployed (MW)	i) 0 ii) 0 iii) 0	Target	i) 11,390 (30%) ii) 0 iii) 0	i) 30,753 (30%) ii) 1 iii) 0.10	i) 71,757 (30%) ii) 3 iii) 0.15	SEAP Narrative reporting will also include qualitative data gathered towards the end of the project on improved access to energy services
			Actual	To be assessed from 2020	i) 6,430 (50%) ii) 0 iii) 0	i) 6,430 (50%) ii) 4 iii) 0.006 <sup>37</sup>	

<sup>28</sup> Only referring to rehabilitated roads financed by a WBG-assisted project.

<sup>29</sup> In Mogadishu, 11 roads were constructed covering 7.4 km. In Garowe, four roads were rehabilitated covering a total distance of 4.93 km.

<sup>30</sup> Breakdown by location: 140,800 in Mogadishu (50 percent female, 19 percent IDP, 81 percent host communities); 8,000 in Garowe (50 percent female, 25 percent IDP, 75 percent host communities). The actual number of people benefitting from the improved roads far exceeds the original target, which was overly conservative. A greater understanding of the scope for beneficiaries was gained over the course of the project.

<sup>31</sup> The MSME Financing Facility is designed to provide financial intermediary financing (FIF) to private financial institutions to issue subloans to micro, small, and medium enterprises (MSMEs) in underserved economic segments, with an emphasis on female-owned businesses. Once a track record is established, the MSME Financing Facility should be able to crowd-in investment capital from private sector sources.

<sup>32</sup> The inclusive finance indicators will not be assessed until 2020 as this was the start-up year for the MSME Financing Facility. For a detailed update on the recently approved SCALED-UP project, please see the associated project brief.

<sup>33</sup> First disbursement issued at the end of June 2020. Of the total 120 loans made, 20 (or 17 percent), were for women-owned enterprises. Women beneficiaries participated mainly in the micro window with lower amounts.

<sup>34</sup> Indicator dropped during restructuring due to attribution challenges and the need to streamline the total number of project-level indicators. However, Gargaara is planning to develop a more comprehensive framework that would go beyond that of SCALED-UP, which would likely include a jobs' indicator.

<sup>35</sup> Indicator replaced with new indicators linked to performance-based conditions at the project level. MPF-level framework will be revised in the next iteration of the progress report.

<sup>36</sup> Legal framework governing the implementation of the digital ID body/system has been passed by the Parliament, assented to by the President, and effective.

<sup>37</sup> About 1,286 systems have been installed, averaging 5W each (total of 6,430 Watts).

## Appendix 2. Status of HIPC Completion Point Triggers

HIPC Completion Point Trigger	Progress
At least one year of implementation of NDP9—Somalia's Poverty Reduction Strategy (PRS).	Implementation of the National Development Plan 9 (NDP9) is under way, although it has been affected by multiple challenges. Some progress has been made across the four NDP9 pillars, including social, economic, security, and governance policies. However, the COVID-19 pandemic and lower-than-expected funding have slowed its implementation in 2021. The 2022 budget has allocated funding to continue implementing the activities that received funding in the 2021 budget.
<b>Public Financial and Expenditure Management</b>	
Publish at least two years of the audited financial accounts of the Federal Government of Somalia.	The Office of the Auditor General published the 2019 accounts in December 2020. The audit of 2020 FGS financial statements was published in November 2021.
Issue regulations to implement the Public Financial Management Act's provisions on debt, public investment, and natural resource revenue management.	Regulations covering debt and natural resource revenue management have been drafted and are currently under review. Regulations on public investment management are planned to be drafted and incorporated into the PFM regulations by June 2022.
<b>Domestic Revenue Mobilization</b>	
Adopt and apply a single import duty tariff schedule at all ports in the Federal Republic of Somalia (to also foster greater trade integration).	FGS and FMSs reached agreement on the single tariff and the need to use a common valuation approach. The development of a minimum book value schedule to be used across the main ports is under way with its implementation anticipated to start in 2022 at key ports.
<b>Governance, Anticorruption, and Natural Resource Management</b>	
Enact the Extractive Industry Income Tax (EIIT) Law.	Cabinet approved the EIIT Bill in December 2020 and submitted it to Parliament. As soon as the new Parliament is elected, Cabinet will resubmit the bill.
Ratify the 'United Nations Convention Against Corruption' (UNCAC).	The UNCAC was ratified by the Somali Parliament and assented by the President in December 2020. <a href="#">UNODC reports</a> that it received instruments of ratification on August 11, 2021.
<b>Debt Management</b>	
Publish at least four consecutive quarterly reports outlining the outstanding stock of general government debt; monthly debt-service projections for 12 months ahead; annual principal payment projections (for at least the next five years); and key portfolio risk indicators (including proportion of debt falling due in the next 12 months; proportion of variable rate debt; and projected debt service-to-revenues and debt service-to-exports for the next five years).	The Ministry of Finance is making progress to improve debt reporting. Debt bulletins were published covering <a href="#">Q4 2020</a> , as well as <a href="#">Q1</a> and <a href="#">Q2</a> of 2021. Information has been included on the outstanding stock and composition of debt liabilities and financial assets and, where they exist, loan guarantees and other contingent liabilities, including their currency denomination, maturity, and interest rate structure.

HIPC Completion Point Trigger	Progress
<b>Social Sectors</b>	
Establish a national unified social registry (USR) as a functional platform that supports registration and determination of potential eligibility for social programs.	The authorities are establishing a USR with support from the World Bank, the World Food Program (WFP) and UNICEF. The USR design and development of the platform and infrastructure are progressing well. However, the development of the data protection and data privacy Law and operational guidelines are lagging and need to advance before the WFP can transfer its data on cash transfer recipients to the government and enable the USR to become fully operational.
FGS and FMS Ministers of Education adopt an agreement defining their respective roles and responsibilities on curriculum and examinations.	On July 14, 2021, the FGS and FMS MoEs including Puntland finalized and officially signed the revised draft education cooperation MoU at the intergovernmental meeting held in Garowe. A permanent intergovernmental forum for education has been formalized. Key agreements reached include the formation of national examination, certification, and curriculum boards. An interim committee to develop the criteria for selection of the board members was also established.
FGS and FMS Ministers of Health adopt a joint national health sector strategy.	FGS and FMS ministers have agreed on a framework for a joint national health strategy.
<b>Growth/structural</b>	
Enact the Electricity Act and issue supporting regulations to facilitate private sector investment in the energy sector.	The draft Somalia Electricity Bill was subject to consultations and was endorsed by Cabinet and submitted to the Parliament in December 2020. As soon as the new Parliament is elected, Cabinet will resubmit the Bill.
Issue Company Act implementing regulations on minority shareholder protection to encourage private sector investment.	The Minister of Commerce and Industries (MoCI) issued regulations under the Company Act in January 2021 that establish the Office of the Registrar of Companies, govern the formation of new companies, and set standards for transparency of companies' operations.  However, these regulations do not contain provisions on protecting minority interests as the MoCI had received legal guidance that this would require an update on the Company Act itself and cannot be covered through the issuance of new regulations.
<b>Statistical Capacity</b>	
Publish at least two editions of the Somalia Annual Fact Book.	The first edition of the fact book, <i>Facts and Figures 2018</i> , was published in July 2020. The 2019 edition was published in December 2020.

## Appendix 3. Status of Reform Benchmarks/Disbursement-Linked Indicators

### (A) RCRF II Disbursement Status

(As of December 31, 2021)

Disbursement-Linked Indicators	Status	Disbursement
<b>DLI 1: Strengthen customs administration as per the customs reform action plan</b>		
DLR 1.1. Customs modernization roadmap and action plan tabled, discussed and adopted at intergovernmental technical committee, including agreement on common goods classification (by August 2019).	Met, disbursed.	SDR 1,025,000 (US\$1,410,994)
DLR 1.2. Implementation of interim IT system at Mogadishu, Bosaso and Kismayo ports, including common goods classification, customs practices and procedures and valuation of goods (by August 2020).	Not likely to be met on time before RCRF II closes. The MoF requested the reallocation of the DLR amount to other components.	SDR 1,025,000
DLR 1.3. Functional specifications for the new customs IT system developed and approved by FGS MoF (by February 2021).	Met, disbursed on June 16, 2021.	SDR 1,023,850 (US\$1,474,026)
<b>DLI 2: Strengthen tax administration systems and staffing</b>		
DLR 2.1. TIN and TCC mandatory when bidding for government contracts and valid TIN required to have invoice paid (by March 2019).	Met, disbursed.	SDR 1,025,000 (US\$1,410,994)
DLR 2.2. Review existing business processes 'as-is' and new business processes developed and approved by FGS for the following revenue streams (sales tax, excise duty, road tax, stamp duty, registration tax (fees and levies) (by February 2020).	Met and claimed in December 2021, but not yet disbursed.	SDR 1,025,000
DLR 2.3. Targeted automation for collection of sales tax, excise duty, road tax, stamp duty, and registration tax deployed (by August 2020).	Not likely to be met on time before RCRF II closes. The MoF requested the reallocation of the DLR amount to other components.	SDR 1,025,000
<b>DLI 3: Strengthen cash management and treasury single account (TSA)</b>		
DLR 3.1. Somalia financial management information system (SFMIS) incorporates: (a) End-of-day balances of all TSA accounts; and (b) monthly balances of all MDA accounts held at the CBS (by March 2019).	Met, disbursed.	SDR 1,025,000 (US\$1,410,994)
DLR 3.2. SFMIS incorporates: (a) end-of-day reconciled balances of all government accounts for revenue and expenditure; and (b) all outstanding commitments made (by February 2020).	Expected in February 2022—90 percent of transactions are made automatically; the rest 10 percent completed manually. Full automation expected by end-February 2022.	SDR 1,025,000
DLR 3.3. SFMIS incorporates cash forecasting model, to inform management about commitments, available balances and expected revenues with regular monthly management reports produced by the Accountant General through SFMIS (by February 2021).	Expected in February 2022 (to be verified in March 2022).	SDR 1,025,000
<b>DLI 4: Strengthen payment process for operational expenditures</b>		
DLR 4.1. Reduce cash advances to MDAs for nonsalary recurrent costs from 56.4 percent baseline at end-March 2018 to 26.4 percent [value-based] (by March 2019).	Met, disbursed.	SDR 1,025,000 (US\$1,410,994)
DLR 4.2. Reduce cash advances to MDAs for nonsalary recurrent costs from 56.4 percent baseline at end-March 2018 to 16.4 percent [value-based] (by February 2020).	Met, disbursed	SDR 1,025,000 (US\$1,409,918)

Disbursement-Linked Indicators	Status	Disbursement
DLR 4.3. All government payments for salaries, transfers and capital expenditures to be executed as payments to Bank accounts directly to vendors, with the exception of: petty cash, travel advances, security sector, and contingency (per Appropriation Act) (by February 2021).	Met, disbursed on June 16, 2022	SDR 1,025,000 (US\$1,475,590)
<b>DLI 5: Strengthen intergovernmental fiscal policy framework</b>		
DLR 5.1. Policy paper outlining policy framework for intergovernmental fiscal transfers agreed at Finance Ministers Fiscal Forum covering: Budget timetable, reporting, accountability and disbursement conditions (by March 2019).	Met, disbursed.	SDR 1,025,000 (US\$1,409,918)
DLR 5.2. Draft Policy paper including: (a) principles to guide FGS transfer allocations to FMS/BRA; (b) comparative analysis, reflecting regional context; and (c) long-term views, tabled at Finance Ministers Fiscal Forum (by August 2020).	Met, disbursed on March 5, 2021	SDR 1,025,000 (US\$1,464,581)
DLR 5.3. Fiscal transfer allocations in draft 2021 FGS budget reflect policy paper principles (by August 2021).	Met, and claimed in December 2021, but not yet disbursed	SDR 1,025,000
<b>DLI 6: Strengthen FGS transfers to FMS</b>		
DLR 6.1. FGS fiscal transfers execution rate to FMS equal to or greater than the outturn rate for domestic revenues (Year 1) (by August 2019).	Missed.	0
DLR 6.2. FGS fiscal transfers execution rate to FMS equal to or greater than the outturn rate for domestic revenues (Year 2) (by August 2020).	Met, disbursed on March 5, 2021.	SDR 1,025,000 (US\$1,464,581)
DLR 6.3. FGS fiscal transfers execution rate to FMS equal to or greater than the outturn rate for domestic revenues (Year 3) (by August 2021).	Missed.	0
<b>DLI 7: Strengthen teacher proficiency testing</b>		
DLR 7.1. Teacher proficiency test piloted in at least one eligible FMS/BRA, establishing minimum competency level of teachers (Year 1) (by August 2019).	Met, disbursed.	SDR 1,025,000 (US\$1,410,994)
DLR 7.2. Proficiency testing of teachers conducted in at least two eligible FMS/BRA as an annual exercise, establishing minimum competency level of teachers (Year 2) (by August 2020).	Met, disbursed on March 5, 2021.	SDR 1,025,000 (US\$1,464,581)
DLR 7.3. Proficiency testing of teachers conducted in at least three eligible FMS/BRA as an annual exercise, establishing minimum competency level of teachers (Year 3) (by August 2021).	Met, disbursed on June 16, 2021.	SDR 1,000,000 (US\$1,439,690)
<b>Disbursement-Linked Indicators added in March 2022</b>		
<b>DLI 8: Reforming civil service legislation</b>		
DLR 8.1: The Cabinet has endorsed the First Set of Administrative Regulations for the Civil Service Bill.	Met, disbursed	US\$2,000,000
DLR 8.2.1: The Federal Parliament has enacted a civil service law.	Not likely till March 2022. Depends on Parliament elections.	US\$1,000,000
DLR 8.2.2: The Cabinet has endorsed the Second Set of Administrative Regulations for the Civil Service Bill.	Met, verified and confirmed by WB, not yet disbursed.	US\$500,000
DLR 8.3.1: The MoLSA has issued two quarterly reports covering all Non-Security MDAs on status and applicability of the new Civil Service Law and its Administrative Regulations.	Due in December 2021. Reports on Administrative Regulations are expected by March 2022. Reports on Civil service Law will not be available.	US\$500,000

Disbursement-Linked Indicators	Status	Disbursement
DLR 8.3.2: The Cabinet has endorsed the Organizational Ordinance.	Due in December 2021. Update is expected in March 2022. Dependent on Pay and Grading.	US\$500,000
<b>DLI 9: Monitoring staff attendance with biometrics</b>		
DLR 9.1: One Non-Security Ministry has implemented biometric attendance monitoring systems.	Met, verified and confirmed by WB, not yet disbursed.	US\$500,000
DLR 9.2.1: Fifteen Non-Security Ministries have implemented biometric attendance monitoring systems (implementation will include links with the payroll, performance, and disciplinary systems).	Due in December 2021. Expected in March 2022. Integration with the payroll is a challenge, but can still be addressed.	US\$1,000,000
DLR 9.2.2: The NCSC has adopted an action plan based on the lessons learned during the year for implementation of the system and its integration with the payroll, performance, and disciplinary system across all Non-Security Ministries of the Recipient.	Due in December 2021. Expected in March 2022.	US\$500,000
<b>DLI 10: Promoting opportunities for women in the recipient's civil service and leadership</b>		
DLR 10.1: The NCSC has issued guidelines: (a) documenting the number of women in various grade levels in the Recipient's civil service; (b) detailing measures to attain 30 percent ratio of women in senior leadership positions; and (c) prescribing annual progress reporting requirements on gender representation in the Recipient's civil service.	Met, disbursed	US\$1,000,000
DLR 10.2: The NCSC has published an annual report covering, inter alia: (a) the number of women in various grade levels, including senior leadership positions, in the Recipient's civil service; (b) the progress achieved as per the measures prescribed and goals set forth in NCSC gender-related guidelines; and (c) an action plan for the next reporting period to eventually achieve the 30 percent ratio of women in senior leadership positions by December 2024.	Due in December 2021. The draft report has been submitted. The final report is expected in March 2022.	US\$500,000
<b>DLI 11: Reforming civil service pay and grading</b>		
DLR 11.1: The Cabinet has approved a pay and grade reform as per the technical analysis carried out under the Project.	Due in December 2021. Expected in March 2022.	US\$500,000
DLR 11.2: The Cabinet has approved a plan for transitioning Capacity Injection Modality staff and other donor-financed positions into the new pay and grading system.	Due in December 2021. Expected in March 2022.	US\$500,000
<b>DLI 12: Reforming pensions policy and administration</b>		
DLR 12.1: The Cabinet has (a) approved a pension policy; and (b) submitted a draft pension law to the Parliament.	Met, disbursed.	US\$2,000,000
DLR 12.2: The Recipient has adopted pension regulations.	Due in April 2021. Not likely. Requires Parliament approval.	US\$1,000,000
DLR 12.3.1: The Recipient has retired, granted pensions, and started paying them as of January 1, 2022, to all civil servants at, or above, the mandatory pension age.	Due in December 2021. Not likely to be met by June 2022, the project closing date.	US\$500,000
DLR 12.3.2: The MoF has established a pension fund department.	Due in December 2021. Not likely to be met by June 2022, the project closing date.	US\$500,000
<b>DLI 13: Improving wage bill management and transparency</b>		
DLR 13.1: The Cabinet has approved an action plan to improve the transparency and management of a reduced nonformal wage bill.	Due in December 2021. Expected in March 2022.	US\$1,500,000

Disbursement-Linked Indicators	Status	Disbursement
<b>DLI 14: Harmonizing CoA and reliable and timely consolidated fiscal reports</b>		
DLR 14.1: The MoF has: (a) issued a policy prescribing: (i) the harmonization of the budget codes and chart of accounts; (ii) the standardization of reporting formats, collection and consolidation of budget data; and (iii) generation of financial/budget reports; as well as (b) established a dedicated financial reporting unit to implement the foregoing policy.	Met, disbursed.	US\$1,000,000
DLR 14.2: The MoF's newly established financial reporting unit has developed and adopted: (a) a harmonized/unified budget classification/chart of accounts; (b) control mechanisms to manage the expansion of the unified chart of accounts in line with the requirements of the MDAs at federal, state and local government-levels; and (c) standard reporting formats to collect and consolidate budget results from the SFMIS platforms and/or other financial management information systems at federal and state levels.	Met, verified and confirmed by WB, not yet disbursed.	US\$1,000,000
DLR 14.3.1: The Recipient has (a) prepared the budget for Fiscal Year 2022 using the new unified chart of accounts ("CoA"); and (b) has issued instructions for the use of the new CoA in the SFMIS as well as other financial management information platforms at federal and state levels for the planned budget execution of Fiscal Year 2022.	Due in December 2021. Not likely to be met by June 2022, the project closing date.	US\$250,000
DLR 14.3.2: The MoF has published monthly fiscal reports using the new CoA and reporting formats in the financial management information system platforms of the Recipient and FMSs starting from January 1, 2022.	Due in December 2021. Not likely to be met by June 2022, the project closing date.	US\$250,000
<b>DLI 15: Enhancing health service delivery systems</b>		
DLR 15.1: The MoH has issued instructions to use the mobile phone infrastructure for improved delivery and performance management of the Marwo Caafimaad Program.	Met, disbursed.	US\$1,000,000
DLR 15.2: The MoH has piloted data gathering from, and training of, female health workers ("FHW") and female health supervisors ("FHS") in at least two (2) FMSs or one FMS and BRA.	Met, verified and confirmed by WB, not yet disbursed.	US\$1,000,000
DLR 15.3.1: The MoH and the FMOHs have recruited, trained, and deployed at least 700 FHW/FHS.	Due in December 2021. Likely met. Report expected in March 2022.	US\$250,000
DLR 15.3.2: (a) At least 300 FHW/FHS have reported their activities, on at least fortnightly basis for the last one month, using mobiles/tablets; and (b) an additional 300 FHW/FHS have reported their activity on a daily basis for the last one month using mobiles/tablets.	Due in December 2021. Likely met. Report expected in March 2022.	US\$250,000
DLR 15.3.3: The MoH has reached out to at least 500 pregnant women using mobile phones.	Due in December 2021. Likely met. Report expected in March 2022.	US\$250,000
DLR 15.3.4: The MoH has: (a) conducted a stocktaking exercise on the lessons learned from the roll-out of the ICT-based data gathering, beneficiary engagement and training of FHW/FHS; and (b) approved an action plan for calendar year 2022 to further strengthen and broaden the ICT-based data gathering, beneficiary engagement and training of FHW and FHS.	Due in December 2021. Report expected in March 2022.	US\$250,000

**KEY:**

- DLR either cannot be achieved, or the delay in achievement is impacting negatively on achievement of future results under the DLI.
- DLR is likely to be achieved, but with delay.
- DLR on track for being achieved on time.
- DLR has been substantively achieved (subject to verification).

**Note:** DLI = Disbursement-Linked Indicator; DLR = Disbursement-Linked Result; PBC: Performance-Based Conditions.

**(B) RCRF III Performance-Based Conditions' Disbursement Status***(As of September 14, 2021)*

Performance-Based Conditions	Timeline/Status	Amount
<b>PBC 1: Strengthen customs administration as per the customs reform action plan</b>		<b>US\$1,250,000</b>
PBC 1.1: The MoF has developed and operationalized the new IT system, as well as its manuals of procedures.	By end of June 2022 .	US\$1,000,000
PBC 1.2: The MoF has completed a simplified functional review of FGS customs to better allocate human resources in customs.	By end of June 2023.	US\$250,000
<b>PBC 2: Strengthen payment process for operational expenditures</b>		<b>US\$1,250,000</b>
PBC 2.1: The MoF has: (a) completed a business process review for FGS' payment; and (b) prepared/issued a business process review report including the processing of fiscal transfers and education and health sector payments.	By end of November 2022.	US\$1,000,000
PBC 2.2: The MoF has approved comprehensive procedures aligned with the business process review for following areas: (i) planning and budgeting; (ii) internal controls; and (iii) accounting procedures.	By end of November 2023.	US\$250,000
<b>PBC 3: Strengthen intergovernmental fiscal policy framework</b>		<b>US\$1,250,000</b>
PBC 3.1: The FGS' FY 2022 budget provides for appropriations for FGS' fiscal transfers to FMS/BRA as per an intergovernmentally agreed formula.	By end of June 2022.	US\$1,000,000
PBC 3.2: The FGS' FY 2023 budget provides for appropriations for FGS' fiscal transfers to FMS/BRA as per an inter-governmentally agreed formula.	By end of June 2023.	US\$250,000
<b>PBC 4: Strengthen FGS transfers to FMS</b>		<b>US\$1,250,000</b>
PBC 4.1: The FGS' fiscal transfers execution rate for the first half of FY 2022 to FMS/ BRA is equal to, or greater than, the outturn rate for FGS' domestic revenues.	By end of November 2022.	US\$1,000,000
PBC 4.2: The FGS' fiscal transfers execution rate for the first half of FY 2023 to FMS/ BRA is equal to, or greater than, the outturn rate for FGS' domestic revenues.	By end of November 2023.	US\$250,000
<b>Performance-Based Conditions</b>		<b>Amount</b>
PBC 5.1: The FGS has: (a) enacted a pension law; (b) adopted regulations on pensions for civil servants (including those guiding collection); and (c) established a pension secretariat with the participation of tall relevant MDAs.	By end of June 2022.	US\$1,000,000
PBC 5.2: The FGS has established, staffed, and operationalized a pension unit within six months from the commencement of pension collections.	By end of November 2023.	US\$250,000
<b>PBC 6: Strengthen FMS resource management systems for service delivery</b>		<b>US\$5,580,000</b>
PBC 6.1: The FMSs have: (a) signed Service Delivery Transfer Agreements with the FGS, including costed COVID-19 measures, for an aggregate amount equal to the Allocated Amount of this PBC equivalent; and (b) approved budgetary appropriations for FY 2020 allocating a net budgetary increase for their respective MoH equal to the amount of the respective Service Delivery Transfer Agreements.	Met, disbursed.	US\$2,500,000
PBC 6.2: The FMSs have: (a) signed with the FGS an updated Service Delivery Transfer Agreements (2021); and (b) approved budgetary appropriations for FY 2021 allocating a net aggregate budgetary increase for education and health sectors equal to the aggregated Allocated Amounts for PBCs #6.2.; #6.3; #8.1; and #8.2.	By end of June 2021. Likely to be claimed in March 2022.	US\$600,000
PBC 6.3: The FMSs have: (a) issued their respective implementation and financial reports on the use of federal (service) transfers covering FY 2020 and the first half of FY 2021 in line with provisions Service Delivery Transfer Agreements demonstrating release of funds to MoHs and MoEs; and (b) submitted the same to the MoF.	By end of November 2021. Likely to be claimed in March 2022.	US\$600,000
PBC 6.4: The FMSs have: (a) signed with the FGS an updated Service Delivery Transfer Agreements (2022); and (b) approved budgetary appropriations for FY 2022 allocating a net aggregate budgetary increase for education and health sectors equal to the aggregated Allocated Amounts for PBCs #6.4.; #6.5; and #7.2.	By end of June 2022.	US\$750,000

Performance-Based Conditions	Timeline/Status	Amount
PBC 6.5: The FMSs have: (a) issued their respective implementation and financial reports on the use of federal (service) transfers covering FY 2021 and the first half of FY 2022 in line with provisions Service Delivery Transfer Agreements demonstrating release of funds to MoHs and MoEs; and (b) submitted the same to the MoF.	By end of November 2022.	US\$750,000
PBC 6.6: The FMS have: (a) signed with FGS an updated Service Delivery Transfer Agreements (2023); and (b) approved budgetary appropriations for FY 2023 allocating a net aggregate budgetary increase for education and health sectors equal to the aggregated Allocated Amounts for PBCs #6.6.; #7.4 and #8.5.	By end of June 2023.	US\$380,000
<b>PBC 7: Strengthen education service delivery</b>		<b>US\$3,080,000</b>
PBC 7.1: Each FMS has adopted a Performance-Based School Grants policy.	By end of November 2021. Likely to be claimed in March 2022.	US\$600,000
PBC 7.2: Each FMS has: (a) maintained a Performance- Based School Grants policy for the financing of recurrent costs; and (b) approved aggregate FY 2022 budgetary appropriations for MoEs' Performance-Based School Grants equal to half the aggregated Allocated Amounts for PBCs #6.4.; #6.5; #7.2; #7.3; #8.3; and #8.4.	By end of June 2022.	US\$950,000
PBC 7.3: All payroll supported schools in the FMS with signed Performance-Based School Grants Agreements have received annual Performance-Based School Grants in a timely manner, as per the signed agreements.	By end of November 2022.	US\$950,000
PBC 7.4: Each FMS has (a) maintained a Performance-Based School Grant policy for the financing of recurrent costs; and (b) approved aggregate FY 2023 budgetary appropriations for MoEs' Performance-Based School Grants equal to half the aggregated Allocated Amounts for PBCs #6.6.; #7.4 and #8.5.	By end of June 2023 .	US\$580,000
<b>PBC 8: Strengthen health service delivery</b>		<b>US\$3,080,000</b>
PBC 8.1: The FMSs have: (a) adopted annual community health service delivery plans, including infectious disease measures for FY 2021; and (b) approved MoHs' FY 2021 budgetary appropriations for community health service delivery for an amount equal to half the aggregated Allocated Amounts for PBCs #6.2; #6.3; #8.1 and #8.2.	By end of June 2021. Likely to be claimed in March 2022.	US\$600,000
PBC 8.2: The FMSs have executed the community health service delivery plans for FY 2021 in a timely manner, as per the signed Service Delivery Transfer Agreements.	By end of November 2021. Likely to be claimed in June 2022.	US\$600,000
PBC 8.3: The FMSs have: (a) adopted annual community health service delivery plans, including infectious disease measures for FY 2022; and (b) approved MoHs' FY 2022 budgetary appropriations for community health service delivery for an amount equal to half the aggregated Allocated Amounts for PBCs #6.4; #6.5; #7.2; #7.3; #8.3 and #8.4.	By end of June 2022.	US\$750,000
PBC 8.4: The FMSs have executed the community health service delivery plans for FY 2022 in a timely manner, as per the signed Service Deliver Transfer Agreements.	By end of November 2022.	US\$750,000
PBC 8.5: The FMSs have (a) adopted annual community health service delivery plans, including infectious disease measures for FY 2023; and (b) approved MoHs' FY 2023 budgetary appropriations for community health service delivery for an amount equal to half the aggregated Allocated Amounts for PBCs #6.6.; #7.4 and #8.5.	By end of June 2023.	US\$380,000

**KEY:**

- DLR either cannot be achieved, or the delay in achievement is impacting negatively on achievement of future results under the DLI.
- DLR is likely to be achieved, but with delay.
- DLR on track for being achieved on time.
- DLR has been substantially achieved (subject to verification).

**Note:** DLI = Disbursement-Linked Indicator; DLR = Disbursement-Linked Result; PBC: Performance-Based Conditions.

## (C) Matrix of SCALED-UP Performance-Based Conditions

Performance-Based Conditions (PBCs) <sup>38</sup>	Results <sup>39</sup>				
	June 2021	December 2021	June 2022	December 2022	June 2023
<p><b>PBC 1:</b> Strengthened governance and financial reporting of the CBS to enable capitalization.</p>	<p><b>PBC 1.1:</b> (a) The CBS Board has (i) established an Audit Committee of the CBS Board; and (ii) formulated a plan, with the external auditors, setting out actions to resolve the recurring audit qualification for FY19 and beyond. (b) The CBS Governor has approved and caused to be audited and published the FY19 financial statements on the CBS website.</p>	<p><b>PBC 1.2:</b> (a) The CBS Board has: (i) resolved outstanding recommendations (those contributing to financial statements qualification) and completed all outstanding external audits from prior years; and (ii) established quarterly reporting to the Audit Committee on the execution of its audit plan, status of recommendations (including external audit recommendations), and key activities. (b) The CBS Governor has approved and caused to be audited and published the FY20 financial statements on the CBS website.</p>	<p><b>PBC 1.3:</b> (a) The CBS Board has approved, and the recipient's Cabinet has endorsed, the draft CBS Act Amendment Bill to (i) remove the requirement for the MoF to issue directives to the CBS in exceptional circumstances; (ii) specify the CBS' authorized capital share, (iii) include provisions on the authority and functions of the Audit Committee; and (iv) strengthen the provisions on external and internal audit procedures. (b) The CBS Board, FGS MoF, and the recipient's Cabinet have approved a credible CIP. (c) The CBS Governor has approved and caused to be audited and published the FY21 financial statements on the CBS website.</p>	<p><b>PBC 1.4:</b> The Minister of Finance has submitted the draft CBS Act Amendment Bill to the Parliament for approval.</p>	<p><b>PBC 1.5:</b> (a) The CBS Amendment Act has been published in the Government Gazette and enacted into law. (b) The FGS MoF has made an initial capitalization payment (nominal capital) to the CBS (in line with the approved CIP).</p>

<sup>38</sup> The timeframes indicated in this table are indicative and the achievement of Performance-Based Conditions is not time-bound.

<sup>39</sup> As the FGS is still in the process of hiring an independent verification agent, progress has not yet been verified against these indicators.

Performance-Based Conditions (PBCs)	Results				
	June 2021	December 2021	June 2022	December 2022	June 2023
<p><b>PBC 2:</b> Activation of critical institutional systems within CBS to enable corresponding banking arrangements.</p>	<p><b>PBC 2.1:</b> The CBS ICT Directorate in consultation with user departments has issued a report, approved by the CBS Governor, setting out the proof of concept, implementation roadmap, and timelines outlining all the scoped CBS systems (modules) earmarked for implementation at the FGS and FMS.</p>	<p><b>PBC 2.2:</b> The CBS ICT Directorate in consultation with user departments has implemented 50 percent of the validated scope and the corresponding system functionalities (modules) have been fully activated and operationalized.</p>	<p><b>PBC 2.3:</b> (a) The CBS ICT Directorate in consultation with user departments has (i) implemented 75 percent of the validated scope and the corresponding system functionalities (modules) have been fully activated and operationalized; and (ii) extended CBS operations to 2 out of the 5 FMS. (b) The CBS Governor has (i) established 2 additional active corresponding arrangements for the CBS; and (ii) extended CBS operations to 3 out of the 5 FMS.</p>	<p><b>PBC 2.4:</b> (a) The CBS ICT Directorate has (i) implemented 100 percent of the validated scope, with the corresponding system functionalities (modules) having been fully activated and operationalized; and (ii) extended CBS operations to more than 50 percent of the FMS. (b) The CBS Governor has established 3 additional active corresponding banking arrangements and CBS operations are sustained across 4 out of the 5 FMS.</p>	

Performance-Based Conditions (PBCs)	Results				
	June 2021	December 2021	June 2022	December 2022	June 2023
<p><b>PBC 3:</b></p> <p>Improved CBS supervisory oversight, capacity building, and staff reorganization into a more effective structure to tackle financial integrity and de-risking.</p>	<p><b>PBC 3.1:</b></p> <p>The CBS Board has approved the staffing reorganization scheme.</p>	<p><b>PBC 3.2:</b></p> <p>(a) The CBS has initiated its staffing reorganization scheme in accordance with HR guidelines.</p> <p>(b) The CBS Board has approved and operationalized the e-KYC draft regulations and risk-based supervision (RBS) methodology of ML/FT risks in FIs.</p>	<p><b>PBC 3.3:</b></p> <p>(a) The CBS has fully implemented the staffing reorganization scheme and 50 percent of the CBS staff positions outlined in the staffing reorganization scheme have been recruited on merit and, in accordance with HR guidelines, are trained and actively providing services.</p> <p>(b) The CBS ICT Directorate in consultation with user departments and PFIs has operationalized CVS enabling e-KYC protocols and 2 licensed FIs have been connected by the CBS.</p> <p>(c) The CBS senior management has approved examination reports completed by staff for 40 percent of the FIs examined using RBS approaches covering ML/FT risks, matters requiring immediate action have been communicated to FIs for implementation, and the CBS has published in the Financial Stability Report the nonconfidential aggregate information on the nature and number of matters requiring immediate action issued to all FIs.</p>	<p><b>PBC 3.4:</b></p> <p>(a) 100 percent of all the CBS staff positions outlined in the staffing reorganization scheme have been recruited on merit in accordance with HR guidelines, trained, and actively providing services.</p> <p>(b) The CBS ICT Directorate in consultation with user departments and PFIs has verified 50 percent of customers with transaction accounts using CVS/e-KYC.</p> <p>(c) The CBS senior management has approved examination reports completed by staff for 50 percent of the FIs examined using RBS approaches covering ML/FT risks, and matters requiring immediate action have been communicated to FIs for implementation.</p>	

Note: The CBS staffing reorganization scheme including the CIP will have due regard to rightsizing of personnel and nonpersonnel expenses to ensure consolidation of the CBS fiscal position and sustainability of reorganization intervention.

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