Progress Report

July–December 2020
## Abbreviations and Acronyms

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<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>AF</td>
<td>Additional Financing</td>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<td>ASA</td>
<td>Advisory Services and Analytics</td>
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<td>BRA</td>
<td>Benadir Regional Administration</td>
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<td>CBS</td>
<td>Central Bank of Somalia</td>
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<td>CIP</td>
<td>Public Sector Capacity Injection Project</td>
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<td>COVID-19</td>
<td>Coronavirus Disease</td>
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<td>CPF</td>
<td>Country Partnership Framework</td>
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<td>CSO</td>
<td>Civil Society Organization</td>
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<td>CSSP</td>
<td>Somaliland Civil Service Strengthening Project</td>
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<td>CY</td>
<td>Calendar Year</td>
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<td>DFID</td>
<td>Department for International Development</td>
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<td>DLI</td>
<td>Disbursement-Linked Indicator</td>
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<td>DLR</td>
<td>Disbursement-Linked Result</td>
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<td>DP</td>
<td>Development Partner</td>
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<td>DRM/PFM</td>
<td>Domestic Revenue Mobilization and PFM Capacity Strengthening Project</td>
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<td>ESF</td>
<td>Environmental and Social Framework</td>
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<td>EU</td>
<td>European Union</td>
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<td>FCV</td>
<td>Fragility, Conflict, and Violence</td>
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<td>FGC</td>
<td>Financial Governance Committee</td>
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<td>FGS</td>
<td>Federal Government of Somalia</td>
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<td>FHW</td>
<td>Female Health Worker</td>
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<td>FM</td>
<td>Financial Management</td>
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<td>FMIS</td>
<td>Financial Management Information System</td>
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<td>FMS</td>
<td>Federal Member States</td>
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<td>GAVI</td>
<td>Global Alliance for Vaccines and Immunisation</td>
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<td>GBW</td>
<td>Gender-Based Violence</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GFF</td>
<td>Global Financing Facility</td>
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<td>HIPC</td>
<td>Heavily Indebted Poor Countries Initiative</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>IDP</td>
<td>Internally Displaced Person</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IFI</td>
<td>International Financial Institution</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>INGO</td>
<td>International Nongovernmental Organization</td>
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<td>IPRSP</td>
<td>Interim Poverty Reduction Strategy Paper</td>
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<tr>
<td>MDA</td>
<td>Ministries, Departments, and Agencies</td>
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<td>MoAI</td>
<td>Ministry of Agriculture and Irrigation</td>
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<td>MoCI</td>
<td>Ministry of Commerce and Industry</td>
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<td>MoECHE</td>
<td>Ministry of Education, Culture, and Higher Education</td>
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<td>MoF</td>
<td>Ministry of Finance</td>
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<td>MoHADM</td>
<td>Ministry of Humanitarian Affairs and Disaster Management</td>
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<td>MoLSA</td>
<td>Ministry of Labor and Social Affairs</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<td>MoPIED</td>
<td>Ministry of Planning, Investment, and Economic Development</td>
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<td>MPF</td>
<td>Multi-Partner Fund</td>
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<td>MSME</td>
<td>Micro, Small, and Medium Enterprise</td>
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<td>MTR</td>
<td>Mid-Term Review</td>
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<tr>
<td>NDP</td>
<td>National Development Plan</td>
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<td>NGO</td>
<td>Nongovernmental Organization</td>
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<td>NPS</td>
<td>New Partnership for Somalia</td>
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<td>PAC</td>
<td>Pre-Arrears Clearance</td>
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<td>PFM</td>
<td>Public Financial Management</td>
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<td>PIU</td>
<td>Project Implementation Unit</td>
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<td>PLR</td>
<td>Performance and Learning Review</td>
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<td>POM</td>
<td>Project Operations Manual</td>
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<td>PSS</td>
<td>Puntland State of Somalia</td>
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<td>RCRF</td>
<td>Recurrent Cost and Reform Financing Project</td>
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<td>SBCF</td>
<td>Somali Business Catalytic Fund</td>
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<tr>
<td>SCALD-UP</td>
<td>Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project</td>
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<td>SCORE</td>
<td>Somali Core Economic Institutions and Opportunities Program</td>
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<td>SDRF</td>
<td>Somalia Development and Reconstruction Facility</td>
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<td>SEAP</td>
<td>Somalia Electricity Access Project</td>
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<td>SEU</td>
<td>Somalia Economic Update</td>
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<td>SFF-LD</td>
<td>Special Financing Facility for Local Development</td>
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<td>SIF</td>
<td>Somali Infrastructure Fund (AfDB-administered)</td>
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<td>SMEF</td>
<td>Small and Medium Enterprise Facility</td>
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<tr>
<td>SME</td>
<td>Small and Medium-Sized Enterprise</td>
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<td>SMP</td>
<td>Staff-Monitored Program</td>
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<td>SUIPP</td>
<td>Somali Urban Investment Planning Project</td>
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<td>SURP</td>
<td>Somali Urban Resilience Project</td>
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<td>TA</td>
<td>Technical Assistance</td>
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<td>TAR</td>
<td>Turn Around Regime</td>
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<td>ToR</td>
<td>Terms of Reference</td>
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<td>UCS</td>
<td>Use of Country Systems</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
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<td>UNOPS</td>
<td>United Nations Office for Project Services</td>
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<td>WB</td>
<td>World Bank</td>
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<td>WBG</td>
<td>World Bank Group</td>
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<td>WFP</td>
<td>World Food Programme</td>
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Introduction

The Multi-Partner Fund (MPF) for Somalia has been the primary source of financing for the World Bank Group’s early reengagement in Somalia after more than two decades of disengagement.

Established in 2013, the MPF 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 triple crisis. The MPF is helping to double down on our knowledge work, enhancing risk management for our portfolio and informing the Bank pipeline.

This World Bank MPF Progress Report covers the period July to December 2020. It provides thematic and project-level updates and identifies the significant 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, IDA reengagement, and HIPC Decision Point, and support for Somalia’s sustained economic reforms towards Completion Point. The report also captures ongoing and upcoming learning and analytical activities, including the Urbanization Review, the Public Expenditure Review series, and outputs from the Knowledge for Results Fund.

The reporting period was dominated by efforts...
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).

To prepare for, and find agreement on, the modalities and timelines for conducting elections. At the end of the calendar year, no concrete way forward has been identified with a prolonged impasse looming, risking the sustaining of the development gains made over the last years. The international community, led by the United Nations and C6+, is continuing to urge the actors to come to a political agreement on the impasse. The international community, including the African Union and Intergovernmental Authority on Development (IGAD), continues to urge continued dialogue and meetings and stepping up pressures on both sides to continue dialogue and avoid violence. They appeal to both sides to adhere to the implementation plans for the September 17 agreement.

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 implement projects. The Bank’s implementation support teams continue to work with clients on their portfolios, and disbursements continue to finance project activities. Project Implementation Units (PIUs) continue to operate normally and remain adequately staffed. Several virtual implementation support, preparation, appraisal, and closing missions have been conducted in the past months.

The MPF portfolio finances 15 active projects. Of these, 10 are recipient-executed investment projects (two of which have closed during this reporting period) and five are analytical/advisory projects. The MPF provides financing worth US$323 million. The portfolio is co-financed with US$507.5 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$1.16 billion combined IDA and Trust Fund financing. As of December 31, 2020, donors had committed a total of US$524.9 million to the MPF, of which US$501.3 million had been paid in. Several MPF partners have renewed their commitment to the MPF by signing Administration Agreements over the last reporting period: European Union (15 million Euro), Sweden (70 million Swedish Kronor), Norway (7 million Norwegian Kroner), and Italy (1 million Euro).

The Effective, Accountable Government portfolio of the MPF financed 13 active projects. Of these, eight are recipient-executed investment projects and five are analytical/advisory projects. The MPF provides financing worth US$194.7 million. The portfolio is co-financed with US$278 million in IDA resources. It represents the largest portfolio within the MPF; many of the projects are closely interlinked. 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.

The Enabling Economic Growth portfolio financed five active projects, all of which are recipient-executed investment projects. The MPF provides financing worth US$48.7 million to this focus area. The portfolio is co-financed with US$179.5 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 in-

1. 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).
crease economic resilience as a basis for long-run poverty reduction and inclusive growth.

The Urban Infrastructure portfolio financed three active projects, all of which are recipient-executed investment projects. The MPF provides financing worth US$79.6 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 end of 2020 sees some MPF projects closing successfully and providing lessons and learning for the portfolio and pipeline: the Somali Core Economic Institutions and Opportunities (SCORE, P152241) Program, ICT Sector Support Program in Somalia (ICT, P152358), and the conclusion of the Urbanization Review. The SCORE and ICT teams are informing the scaling up through SCALED-UP based on the lessons and learning from two of the early MPF operations. The Urbanization Review team plans dissemination among key partners and the client, and the findings will continue to inform the Urban investment portfolio. The US$137.5 million Somalia Crisis Recovery Project (SCRP), a full IDA project, is taking forward the work done by SFF-LD, which also closed recently.

Implementation of the World Bank’s new Environmental and Social Framework (ESF) for managing project risks, applicable to all projects starting after October 1, 2018, is well under way. To facilitate the IDA’s scale up of the portfolio, the Bank has reviewed the environmental and social risks in Somalia and is developing systems to meet the country’s unique requirements. Government ministries and PIUs with World Bank–funded projects have received both initial ESF training as well as one-on-one support on ESF from Bank technical staff, as needed.
This edition of the Progress Report features an interview with Puteri Watson, former Program Manager for the MPF and currently Senior Operations Officer in the Pakistan team. Starting with zero footprint on the ground, a small team, little analytical backing, and a US$20 million investment, the World Bank has been actively engaged in Somalia during a period of sustained political and institutional transition out of conflict. Puteri presents a personal view from Somalia and Pakistan, a first-person look into what that was like, the changes she has seen, and the lessons she is bringing to her current role in Pakistan. These are important lessons for the MPF going forward.

The MPF is weathering through the triple crisis with strong analytical work supporting the inclusive recovery and managing dynamic risks. The global COVID-19 pandemic reached Somalia by March 2020. The first case was confirmed on March 16, and by December 2020 there were 4,754 cases, with 130 confirmed dead. Timely data and evidence is critical to help monitor and mitigate the social and economic impacts of the crisis on the Somali people, especially the poor and most vulnerable. 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. To support the government to improve its public financial management and projects’ fiduciary systems, the Bank engaged with the government on several trainings and workshops targeting both active and pipeline operations and conduction strategic knowledge work on the inter-governmental institution building agenda around Public Financial Management.

In the coming years, the MPF will continue to look at enabling platforms and instruments to make sure that it is fit for purpose as a funding vehicle in the dynamic FCV context in Somalia.
Several key events have shaped the management of the Multi-Partner Fund (MPF) and the implementation of the projects in the reporting period of July to December 2020.

To ensure the MPF is fit for purpose in the changing context of international financial institutions’ (IFI) reengagement and Somalia’s National Development Plan (NDP), the MPF underwent a Mid-Term Review (MTR) in 2019. The review team evaluated the performance of the MPF thus far in achieving its objectives, the effectiveness and efficiency of the Fund, and the relevance of the Fund’s design in anticipation of reengagement IFIs. The findings of the MTR are being used to inform the World Bank Group’s Performance and Learning Review process and inform how additional International Development Association (IDA) resources can effectively be used the MPF to support the focus areas of the World Bank Group’s Country Partnership Framework.

In March 2020, the global COVID-19 pandemic reached Somalia. The first case was confirmed on March 16, and by December 2020 there were 4,754 cases, with 130 confirmed dead. The pandemic has placed Somalia’s limited public health system under extreme stress. The combined effects of the triple crisis have contributed to a contraction of the economy to the tune of 1.5 percent, compared with earlier projected growth rates of 3.2 percent. Movement-related restrictions reduced demand for goods and services, and exports have fallen substantially. The triple crisis continues to push more people into poverty and is adding to the challenges the country faces in emerging from conflict and fragility. In addition, the triple crisis is contributing to ongoing fiscal pressures.

The African Development Bank (AfDB) and IDA provided additional budget support to the Federal Government of Somalia (FGS) to support the government’s revised 2020 budget, which projected reduced domestic revenue and authorized FGS spending on a coordinated national response to the triple crisis, including on increased inter-governmen-
tal grants to the Federal Member States (FMS) and Somaliland. Nevertheless, expenditure pressures continue, and there are limited options for addressing liquidity challenges.

In the short-term, Somalia will be seeking net positive grant flows from IFIs to support its fiscal situation and obligations under the Heavily Indebted Poor Countries (HIPC) Initiative process.

The triple crisis demonstrates (i) the country’s extreme vulnerability to climate-related events; (ii) the importance of building resilience to avoid reversing development gains; and (iii) the need for flexible instruments that can respond to this unique characteristic of Somalia’s operating environment—that is, trying to do development in a context of protracted and repeated humanitarian crisis.

The MPF will continue to look at the instruments and enabling platforms that it has developed to make sure that it is fit for purpose as a funding vehicle to mitigate these impacts.

The HIPC Initiative has been serving as the overarching framework for Somalia to engage IFIs, official creditors, and other key partners on comprehensive debt relief and policies to promote poverty reduction and inclusive economic growth. The HIPC Initiative established a clear roadmap—with explicit goals, milestones, and reporting—for the authorities to build the economic management institutions needed for Somalia to emerge from fragility. It also created a structure for IFIs to coordinate their support for economic policy reforms.²

Somalia has significantly reduced its external debt through the HIPC process. In March 2020, when Somalia reached the HIPC Decision Point (Box 1 overleaf), it reduced its external debt by around 40 percent by clearing arrears to IFIs totaling US$806 million and through the agreement by the Paris Club of official creditors to cancel US$1.36 billion of Somalia’s bilateral debt.³ In the second half of 2020, the government signed debt restructuring agreements with Spain and the United States.

The government also reached out to non-Paris Club creditors, such as the Islamic Development Bank, the Arab Monetary Fund and the Arab Fund for Economic and Social Development (AFESD) at a meeting of the League of Arab States in early September 2020. Negotiations with the Kuwait Fund

2. See, for example, Table 5 of IDA and IMF, “Federal Republic of Somalia: Enhanced Heavily Indebted Poor Country Initiative—Decision Point Document” (March 2020).
**BOX 1**

**Heavily Indebted Poor Countries Initiative: Process for Somalia**

The Heavily Indebted Poor Countries (HIPC) Initiative was launched by the World Bank (WB) and International Monetary Fund (IMF) in 1996 as a comprehensive approach to reducing the external debt of poor countries. It aims to remove their debt overhang, establish a base to achieve debt sustainability, and provide a framework for channeling savings from debt relief towards poverty-reducing spending (IDA and IMF, 2003). To date, 36 countries have received the full amount of debt relief for which they were eligible under HIPC and the Multilateral Debt Relief Initiative (MDRI), amounting to approximately US$120 billion in assistance from bilateral and multilateral creditors. Poverty-reducing expenditures were 7.3 percent of GDP in 2017—almost four times as great as 1.9 percent of GDP allocated to debt-service payments (IDA and IMF, 2019).

Somalia reached the HIPC Decision Point in March 2020, when the IMF and WB Boards determined that Somalia had satisfied the eligibility requirements to receive assistance under the HIPC Initiative: unsustainable external debt, satisfactory track record of reform, adoption of a poverty reduction strategy (the Ninth National Development Plan [NDP9]), clearance of arrears to international financial institutions (IFIs), and agreement of appropriate Completion Point triggers (IDA and IMF, 2020).

Somalia is now in the HIPC Initiative’s Interim Period. Most creditors have committed to provide interim debt relief. The African Development Bank (AfDB) and WB are providing net positive flows through increased grants while Somalia services its outstanding debt to those institutions. During the Interim Period, a country must:

- **Maintain satisfactory macroeconomic performance:** In November 2020, the IMF Executive Board determined that Somalia’s performance under the program supported by the Extended Credit Facility had been broadly satisfactory (IMF 2020).
- **Implement its poverty reduction strategy:** The Federal Government of Somalia will publish Annual Progress Reports that describe implementation of NDP9. IMF and World Bank staff will submit Joint Staff Advisory Notes to their boards on each Annual Progress Report.
- **Satisfy the Completion Point triggers:** By the end of 2020, Somalia was making satisfactory progress on all triggers (IMF 2020).

### Steps in the HIPC Initiative Process

<table>
<thead>
<tr>
<th>Pre-Decision Point</th>
<th>Decision Point</th>
<th>Interim Period</th>
<th>Completion Point</th>
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<tr>
<td>Country builds</td>
<td>Determination of qualification, size, and triggers for debt relief</td>
<td>Country maintains reform track record (including social and structural reforms); Interim debt relief on voluntary basis</td>
<td>Delivery of permanent debt relief</td>
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<td>track record and</td>
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<tr>
<td>develops arrears</td>
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<tr>
<td>clearance strategy</td>
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At the Completion Point, all creditors provide irrevocable debt relief. Somalia will qualify for full cancellation of its outstanding debt to the AfDB and WB under the MDRI. It is anticipated that Paris Club and other official creditors will provide debt relief under initiatives beyond the HIPC Initiative. Most Paris Club creditors have canceled 100 percent of their claims to countries upon reaching the Completion Point.

There is no predetermined timetable for reaching the Completion Point—countries move through the HIPC process as they achieve the milestones required at each step. The timing will depend on the pace of Somalia’s reforms. IMF and World Bank staff’s baseline assumption is that it is feasible for Somalia to reach the Completion Point by March 2023 (IDA and IMF, 2020; IMF 2020).

for Development and AFESD are advancing. Talks were also ongoing with the International Fund for Agricultural Development around the modalities of a debt reprofiling. The authorities have requested legal and technical support from the African Legal Support Facility on debt restructuring.

Somalia has been making steady progress toward reaching the HIPC Completion Point (when it will receive irrevocable debt relief) despite a challenging environment related to the triple crisis of COVID-19, locust infestation, and floods. The FGS revised its 2020 budget in August to support a coordinated national response to the crises without violating commitments to avoid a cash deficit, accumulation of domestic arrears, or incur new debt. Spending priorities in the revised 2020 and 2021 budgets also reflected increased alignment of the Ninth National Development Plan (NDP9) which serves as Somalia’s poverty reduction strategy under the HIPC Initiative)—with the annual budget process.

In November 2020, the International Monetary Fund’s (IMF) Executive Board completed its first review of the program supported by the Extended Credit Facility, determining that Somalia’s performance had been broadly satisfactory.4

The IMF review also noted steady progress to achieve the HIPC Completion Point triggers. For example, the FGS and FMS reached an agreement to apply a single import tariff schedule at all ports, signifying an important step towards strengthening the emerging federation. The status of all Completion Point triggers as of November 2020 is reported in Appendix 4. While there is no deadline for reaching the HIPC Completion Point, staff of the IMF and World Bank continue to hold the baseline assumption that it is feasible for Somalia to reach the Completion Point by around March 2023 (that is, three years after reaching the Decision Point).

Impact of COVID-19 in Somalia

The coronavirus disease 2019 (COVID-19) pandemic and its effects on households create an urgent need for timely data and evidence to help monitor and mitigate the social and economic impacts of the crisis on the Somali people, especially the poor and most vulnerable, and inform an inclusive and resilient recovery.

Since the COVID-19 outbreak, employment opportunities and income from all sources has declined, resulting in increased joblessness and lower household income. Work activities in all sectors have been disrupted. COVID-19 has exacerbated hunger, poverty, and inequity.

Impact on the Private Sector

Somalia’s economy was predicted to contract by 1.5 percent in 2020, given the impact of the pandemic and damage to agricultural output from the locust infestation and floods. The private sector, which has been the main driver of economic growth and employment generation in Somalia, is being seriously affected by the pandemic through a number of channels including, but not limited to, increased business vulnerabilities, interruption of supply chains, decreased investment inflows, and diminished access to finance.

As outlined in the Health, Economic, and Social Impact of COVID-19 in Somalia assessment (prepared by the National Economic Council [NEC] of Somalia, October 2020), containment measures put in place by the Federal Government of Somalia (FGS)—including suspension of international and domestic flights, travel bans, ban of large public gatherings, and lockdowns—led to limited economic activity and reduced employment and incomes; the resulting decline in demand has contributed to further reduction in outputs and incomes. Informal workers and microenterprises, accounting for most of Somalia’s employment, face a disproportionate risk in this regard. Moreover, limited fiscal space, due to low rates of revenue collection by government, limits its ability to mount fiscal initiatives to protect Somali micro, small and medium enterprises (MSMEs) during this time and support economic resilience, but also to ensure a faster recovery.

The NEC assessment also finds that the spread of the virus has negatively affected the real economic sectors, particularly agriculture and services, which employ the largest share of the labor force, contributing significantly to the gross domestic product (GDP) and food security. The agricultural sector challenges include

(a) higher cost of production inputs destroying the production incentives and value chains; and
(b) reducing the contribution of this essential sector to the GDP, labor markets, exports, and food security.
To better understand the effect of the crisis on Somalia’s private sector, the World Bank Group (WBG) and United Nations Industrial Development Organization (UNIDO), with support from the Somali Ministry of Commerce and Industry and the Somali Chamber of Commerce, undertook a survey of businesses in the country in June and July 2020. The survey covered 550 formal businesses, including microenterprises, across five cities in the country: Baioda, Beledweyne, Bosaso, Kismayo, and Mogadishu. Box 2 summarizes the results of the first wave of the survey that was conducted in June-July 2020.

The Wave 2 COVID-19 Enterprise Survey collection is expected to be completed in January 2021, and the third round is expected around May-June 2021. In addition, the team is exploring funding opportunities to add additional rounds of the survey, and expand the coverage to include more cities across Somalia, increase the number of respondents, and also cover the informal sector. New data will help sharpen insights, track COVID-19 impacts on the Somali private sector over time, and inform WBG interventions in Somalia to support MSMEs to strengthen resilience and speed up economic recovery (for example, through Additional Financing for the SCALED-UP project currently under preparation, with expected Board delivery in Q4 2020).

**Impact on Poverty**

To monitor the socioeconomic impacts of the COVID-19 pandemic and inform policy responses and interventions, the World Bank designed and conducted a nationally representative Somali High-Frequency Phone Survey (SHFPS) of households. The survey covers relevant topics, including knowledge of COVID-19 and adoption of preventative behavior, economic activity and income sources, access to basic goods and services, exposure to shocks and coping mechanisms, and access to social assistance. (See Appendix 1 for more details.)

The first round of the SHFPS was conducted between June 18 and July 23, 2020, covering a sample of 2,811 households across all regions of Somalia.

The first wave of the survey, conducted in June-July 2020, found that COVID-19 has inflicted deep and widespread impacts on Somalia’s private sector, contracting sales and employment by about 30 percent and leaving most firms with liquidity challenges. About 45 percent of the formal businesses in Somalia temporarily suspended operations because of COVID-19 disruptions. The closure is particularly evident in Mogadishu, and in firms that engage in exports. A staggering 75 percent of firms experienced decline in sales in May-June compared to the levels in 2019. For an average firm, sales in May-June contracted by 32 percent compared to the levels in 2019.

The magnitude of the damage is visible from the financial woes facing the businesses, where about 90 percent have reported having liquidity and cash flow shortages; 90 percent of firms have delayed payments to their service providers and tax authorities. This could have implications for depth of the impact and the recovery process.

Firms took several adjustment measures to counter the impact of the shock, including changes to workforce. Close to 70 percent reduced working hours while 59 percent reduced wage. About 58 percent of the firms note reducing the number of permanent workers compared to the level in February, on average by 31 percent of their fulltime employees. Businesses have also adjusted products or delivery, and leveraged technology to minimize the impact. About 16 percent have adjusted their products or services to evolving demand, while 36 percent have adjusted ways of delivery; 51 percent have started or increased online business activity such as e-commerce.

While firms are relatively optimistic about the future, they face immediate real challenges. Almost all firms expect their sales and workforce to return to their normal levels in about three or four months, but about 75 percent expect to fall into arrears on their outstanding liabilities in the next six months. The depth and breadth of the impacts may call for a broader and inclusive assistance to businesses. As of June-July, only about 1 percent have received or expect to receive government support. Consistent with their immediate liquidity challenges, firms indicate delaying payment to service providers and tax authorities as their most desired support, followed by access to credit.

**Box 2**

**Somalia COVID-19 Enterprise Survey**

The first wave of the survey, conducted in June-July 2020, found that COVID-19 has inflicted deep and widespread impacts on Somalia’s private sector, contracting sales and employment by about 30 percent and leaving most firms with liquidity challenges. About 45 percent of the formal businesses in Somalia temporarily suspended operations because of COVID-19 disruptions. The closure is particularly evident in Mogadishu, and in firms that engage in exports. A staggering 75 percent of firms experienced decline in sales in May-June compared to the levels in 2019. For an average firm, sales in May-June contracted by 32 percent compared to the levels in 2019.

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and population type (urban, rural, internally displaced persons [IDPs], and nomads), drawn using a random digit dialing protocol. Sampling weights are computed to ensure representativeness at the national and state level, and by population type. The same households will be tracked over time. The second round of data collection was recently completed, and the initial findings are expected to be available soon.

This effort will improve our understanding of the effects of, and household responses to, the COVID-19 pandemic in near-real time. Data collection for the second round of the SHFPS was completed in February 2021, and the third round is expected around May-June 2021. In addition, the team has received funding from the Joint Data Center on Force Displacement, a partnership between the World Bank and the United Nations High Commissioner for Refugees (UNHCR), to conduct a parallel phone survey among displaced population. The survey will include two rounds of phone surveys in May and November 2021. Findings from this upcoming work are geared toward answering key policy questions about displacement in Somalia while comparing welfare of the displaced and the general populations.

The SHFPS reveals that the pandemic has disrupted regular work activities. Nearly 21 percent of Somalis had to stop their work activity following the outbreak of the COVID-19 pandemic. Work activities in the agricultural, energy, and professional services sectors have been most disrupted, whereas retail trade and the hospitality sector have been affected the least. Almost a third of household-run businesses were not operating in July 2020, and the average revenue from household-run businesses decreased by almost 50 percent. Moreover, 25 percent of households involved in farming or livestock activities had not been able to carry out their normal farming activities.

The disruption from COVID-19 affected household incomes from all sources; 78 percent of households reported some reduction in their income from wages. Moreover, both the frequency of remittances and amount received have decreased among 49 percent and 36 percent of households, respectively.

Finally, COVID-19 has exacerbated food security. Many Somalis lack access to basic goods and services, especially vulnerable populations such as IDPs, nomads, and rural residents. Deep-rooted poverty is primarily responsible for limited access to staple food items and health services, although COVID-19 may have rendered goods less accessible through supply reductions or price increases, especially in urban areas. Moreover, the SHFPS shows high level of hunger: 32 percent of households reported having an adult not having eaten for an entire day. The hunger was even more prevalent among nomads (42 percent) and rural households (37 percent).

Impact on Awareness and Assistance

The SHFS shows that by July 2020, the awareness of the COVID-19 disease, associated symptoms, and main preventive measures is high. Despite widespread awareness, adoption of COVID-19 preventative behavior is less common, especially when it comes to wearing masks in public spaces.

Satisfaction with the government’s response to the COVID-19 pandemic was generally high in July 2020. Yet, Somali households considered the pandemic a serious financial and health threat, as well as a source of political concern.

In addition, many households have been affected by several shocks during the COVID-19 pandemic, including economic shocks, food insecurity, and natural disasters. The prevalence of humanitarian assistance is low, while the main source of relief—family assistance—is falling due to reduced economic activity.
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. In nonaccrual status since 1991, Somalia has not had access to regular development support from international financial institutions (IFIs), including the World Bank’s (WB) International Development Association (IDA). Established in 2013, the MPF has catalyzed the normalization of relations with IFIs, while building and testing core government systems at both federal and state level. After reaching HIPC Decision Point in March, IDA grants amounting to US$485.5 million have been programmed for Somalia, of which US$118 million scaled up existing MPF projects, US$100 million were delivered as budget support, and US$177.5 million supported the response to the various crises Somalia faces in 2020. The MPF enabled, coordinated, and integrated the delivery of these IDA funds among key partners and the government.

The MPF remains the primary channel through which international donors are building and using country systems in Somalia. By building and using Somalia’s country systems, the MPF has strengthened government ownership of the fund, capacity to manage development funds, as well as government accountability for results. This approach has yielded a deeper understanding of how systems in Somalia work, how they can be improved, and how international partners can better target their support. It has also started to yield a better understanding of the evolving role of the state at different levels in Somalia. Most importantly, the MPF, and the donors that have contributed to it, have brought the Somali authorities back to the forefront of the development of the country.

The Somalia Development Reconstruction Facility (SDRF) serves as the governance structure for the MPF. The SDRF was established as the central platform for development partnership between the government and the international community,
through which the Federal Government of Somalia (FGS), the Federal Member States (FMS), and Benadir Regional Administration (BRA) can engage with partners. The use of the SDRF as the Fund’s governance structure is designed to strengthen country ownership of decision making, improve alignment with national priorities, and enhance coordination with other partners, notably the two other funds administered by the United Nations (UN) and African Development Bank (AfDB) under the same arrangement. The ongoing aid coordination discussions will be critical to ensuring that MPF funds are effectively coordinated with other sources of funding, including bilateral programming and the government’s own increasing revenue.

The MPF portfolio finances 15 active projects. Of these, 10 are recipient-executed investment projects (two of which have closed during this reporting period) and five are analytical/advisory projects. The MPF provides financing worth US$323 million. The portfolio is co-financed with US$507.5 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$1.16 billion combined IDA and Trust Fund financing.

Phase I of the MPF Knowledge Fund (or K4R), and the Somali Core Economic Institutions and Opportunities (SCORE) Program (P152241), successfully closed during this reporting period; the teams have prepared notes on the lessons learned from the projects (Box 3 and Box 6, respectively). The ICT team is preparing lessons learnt for wider distribution and is scaling up the digital sector investments through SCALED-UP (Box 7). The Urbanization Review team plans dissemination among key partners and the client, and the findings will continue to inform the Urban investment portfolio (Box 9).

In this reporting period, Somalia finds itself facing a triple crisis. The COVID-19 global pandemic, devastating flooding, and a new infestation of desert locusts are combining to interrupt the country’s growth trajectory. Some project objectives have, therefore, been modified or realigned to address these current shocks facing the country.

The MPF projects remain organized under three portfolios that target specific pillars of Somalia’s National Development Plan (NDP): (a) Effective, Accountable Government; (b) Enabling Economic Growth; and (c) Urban Infrastructure. The rest of this chapter provides an update of progress across these three portfolios.

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6. The US$112-million SURP II was endorsed by the SDRF Steering Committee on July 10, 2019, approved by the IDA Board of Directors on December 9, 2019, and declared effective on February 24, 2020. It has been included in this edition of the Progress Report.

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Effective, Accountable Government

The Effective, Accountable Government portfolio financed 13 active projects. Of these, eight are recipient-executed investment projects and five are analytical/advisory projects. The MPF provides financing worth US$194.7 million. The portfolio is co-financed with US$278 million in IDA resources. It represents the largest portfolio within the MPF; many of the projects are closely interlinked (Table 1).

Under the Country (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 MPF has invested in key Public Financial Management (PFM) systems, bringing about increased capacity, transparency, and sustained reforms as well as a strong technical collaboration between the Federal Ministry of Finance and the Ministries of Finance in the FMS. These investments are providing the foundations for WBG engagement in other sectors, which rely on strengthened country systems for recipient execution, while catalyzing Somalia’s progress towards IFI normalization and debt relief through the Heavily Indebted Poor Countries (HIPC) Initiative.

Working through country systems is improving federal and subnational governance and intergovernmental relations, as illustrated in the quality and ambition of the policy environment and fiduciary control. The shift towards greater transparency and accountability was demonstrated by the Federal Ministry of Finance’s website (as reported in the previous reporting period), which includes information on all government revenue and expenditure data reported under the Financial Management Information System (FMIS).

The Effective, Accountable Government portfolio demonstrates that constructive inter-governmental relations are possible in the midst of an evolving political climate when framed around a solid technical agenda. The Recurrent Cost and Reform Financing (RCRF) is a national program which supports the FGS and, through inter-governmental transfers, all FMS. It does not include Somaliland for now. The first phase of RCRF is closed. Phase II of the project (RCRF II) was restructured and scaled up with additional financing in 2018. RCRF III, approved as an IDA-only grant of US$68 million and effective as of December 16, 2020, complements RCRF II with an enhanced focus on inter-governmental fiscal federalism, citizen engagement, and service delivery.

RCRF III 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 in such a short time as a result of the existing RCRF II operation, to which the MPF provides critical support. The overall approach to RCRF III is one of continuity with RCRF II, but with additional measures.
RCRF III will also contribute to COVID-19 response and recovery through scaled-up fiscal support to FMS through fiscal transfers for education and health service delivery and scale-up of the Marwo Caafimaad Female Health Worker (FHW) Program and retraining for COVID-19 response.

RCRF continues to provide a ‘baseline’ level of input-based financing of the FGS civil service wage bill. This financing supports the timely payment of civil service salaries over the five-year period (US$33.9 million in total) through the advance-replenishment model of payroll financing already successfully established. During 2020 there is US$7 million of baseline financing available to the FGS, at the same level as in 2019, and down from US$8 million in 2018.

Financing for the FGS’ Capacity Injection Mechanism (CIM) recruits (recruited through the support provided by the World Bank’s Capacity Injection Project [CIP]) will continue. Financing totaled US$6.6 million over the three-year additional financing period. This financing is set to decline from US$2.6 million in 2019 and 2020, to US$1.4 million in 2021. Over the remaining project period, the FGS will, therefore, be taking responsibility for either co-financing an increasing share of the CIM payroll or scaling back expenditure on the program.

Affected by COVID-19 related limitations, the FGS has made mixed progress on implementation of the 2020 RCRF reform benchmarks, or ‘Disbursement-Linked Indicators (DLIs), in 2020. A report regarding progress on the 2020 DLIs has been submitted by the Office of the Auditor General (Independent Verification Agent) for Bank review and was cleared by the World Bank.9

Inter-governmental fiscal coordination between the FGS and FMS has continued during 2020 despite the COVID-19 pandemic. In place of face-to-face meetings, for the first time, the FGs and FMS undertook virtual meetings of the Finance Ministers’
Fiscal Forum (FMFF). The first face-to-face FMFF since COVID-19 pandemic took place on August 10-12, 2020 in Mogadishu, at which a policy paper was presented and endorsed.

The RCRF education component made mixed progress in the second half of 2020, due to COVID-19 related restrictions, political tensions between the FGS and FMS Ministries of Education, and changes in the management of the Ministry of Education, Culture, and Higher Education (MoECHE). After several delays in 2020 teacher salary payments, the underlying reasons for delays were successfully resolved, and teacher salaries in all FMS were paid up to December 2020. In addition to financing salaries of eligible teachers, the project financed the salaries of eligible nonteaching education workers, including of the newly recruited regional and district education officers, regional education accountants, and supervisors in Galmudug, Hirshabelle, Jubbaland, and Puntland. The FGS and FMS adopted an agreement clarifying roles and responsibilities in the administration of harmonized national exams, as well as common curriculum framework and syllabus for basic education.

Delays to the procurement of the Health Technical Partner (HTP) in the first half of 2020 meant that the FHW program was starting slower than anticipated. Negotiations with the first-ranked consultancy firm took place in November-December 2020, and the contract is expected to be signed in March 2021. In the meantime, the Ministry of Health proceeded with the selection of more than 500 new FHWs and FHSs in all FMSs and BRA and the master training of trainers. The training and deployment of new FHWs are planned for April-June 2021.

A new RCRF III component—Citizen engagement and feedback—supports the designing and use of tools to advance transparency and generate citizen feedback mechanisms up to the facilities level (for selected locations). It also will support the learning and evaluation of the possible most impactful tools. A policy note on citizen engagement was prepared and several options for piloting are being explored.

The Capacity Injection Project (CIP), supporting the Federal Government and Puntland State government, 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; and project management and coordination. Capacity injection (of core staffing capacity into key government Ministries, Departments, and Agencies [MDAs] through the government’s CIM) in this program focuses on advisory, managerial, and technical staff to fill urgent capacity gaps identified by the government.

Contracts for CIM staff in the FGS and Puntland State of Somalia (PSS) have been renewed to run from January to December 2021. CIM salaries continue to be funded by the RCRF project.

The technical assistance (TA) to the FGS School of Management and Public Administration (SOMPA) to design and deliver training programs for civil servants and develop a curriculum is ongoing. The Kenya School of Government (KSG) is providing this TA through a twinning arrangement. A draft National Training Policy and a Training Needs Assessment Report has been submitted to the Bank for review. The PSS is finalizing the procurement of a similar TA (KSG).

In addition, progress is ongoing in the areas of civil service management subsidiary legislation, pay and grading policy and system, public sector pension reform, HR audit and payroll cleaning, Human Resources Management Information System (HRMIS) design and implementation, biometric attendance system, and public sector reform strategy.

Both FGS and PSS have completed and validated the code of conduct for their respective civil
services. The documents have also been translated into Somali language for wider comprehension. In the FGS, the code is part of the civil service procedures and regulations that have been developed. In Puntland, procedures and regulations for this policy have been approved by the Cabinet and rolled out to civil servants.

An Executive Leadership Program has been included in training programs, in both the FGS and PSS, to be delivered through the twinning program with the KSG.

Policy planning, M&E, and Statistics units have been established in targeted institutions, and the Office of the Prime Minister (OPM) and the Ministry of Planning, Economic Development and International Cooperation (MoPEDIC) are jointly coordinating delivery of flagship programs.

The **Civil Service Strengthening Project (CSSP)** aims to roll-out targeted capacity and organizational reforms in specific MDAs of Somaliland; it also supports opening regional offices of the Civil Service Commission. As a smaller subset but distinct element of the Series of Projects (SOP), this project is designed to address the unique public administration challenges of Somaliland. Within the overall SOP financing mechanism, this project 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 Government of Somaliland (GoSL) has conducted the first payroll audit and used the new payroll list for payroll cleaning; the cleaned payroll records are being uploaded in the recently activated SLFMIS payroll module. The government has also
recently completed a sample-based attendance assessment (results are being compiled). The GoSL is also currently procuring TA for development and deployment of the HRMIS in two phases. The Civil Service Law has been revised to cover additional institutions in the public service.

The GoSL is currently evaluating the Expressions of Interest for the TA on Pay and Grading. The Bank has advised the GoSL to ensure that the TA includes development of an implementation plan that addresses inter-related issues. The GoSL and the Bank have had intensive discussions on the pension policy and the draft Bill. The drafts are currently going through the government review and validation process before being submitted to the Cabinet for approval.

Reorganization of 18 MDAs has been undertaken to support improvements in the organization structure, redistribute mandates, and provide vision and mission of the organizations as well as the staffing structures, numbers, and personnel mix. New staffing plans from the reorganization will provide efficient control over institutions and optimize usage of resources. Organizational review of another eight MDAs is planned under the project. The GoSL has requested for additional World Bank support in conducting organizational reviews for all remaining MDAs. Options for this support will be considered in the design of CSSP II.

In the Civil Service Talent Management Program (TMP), 27 TMP positions (35 percent female) have been filled. The GoSL is currently finalizing the re-
The CSSP has supported the development of a national M&E framework, and M&E guidelines have been developed. TA is being provided to the Ministry of Planning to develop a National Planning Policy. A draft bill is also being developed.

Following the assessment of the existing policy management capacities of the Office of the President (OoP), an action plan for strengthening this function has been developed; procurement of TA to support this activity will begin once policy and legal staff attached to the cabinet secretariat office are recruited. The OoP is yet to advertise these positions.

The status of Performance-Based Conditions (PBCs, formerly known as Disbursement-Linked Indicators), is: PBC 1 (Share of civil servants with verified and completed personnel records in central HR personnel database of satisfactory quality) is pending full achievement; PBC 2 (Payroll audits to identify and control weaknesses and “ghost workers”) has been achieved and the Bank has sent a confirmation of achievement of the PBC letter to the GoSL. Disbursements of funds upon achievement of this PBC will be made once the GoSL achieves the required eligible expenditure program, or EEP (salaries and allowances for TMP staff); PBC 3 and PBC 4—the Office of the Auditor General has concluded the verification of achievement of PBC 3 (Number of improved HR procedures approved by the Public Sector Reform Steering Committee and submitted to the Cabinet) and PBC 4 (newly established or reorganized HR units in targeted MDAs adequately staffed) and the GoSL has submitted the verification report to the Bank for review; and PBC 5 (TMP manual) has been achieved and verified, and funds disbursed against achievement.

The Domestic Revenue Mobilization and Public Financial Management (DRM/PFM) Capacity Strengthening project aims at strengthening systems of DRM/PFM domestic revenue mobilization, expenditure control, and accountability in the FGS, PSS, and Somaliland. Though there was a modification to the Project Development Objective to explicitly include the DRM support, and activities are consistent with the original project activities overall, the components were realigned and reduced from six to four. The closing date of the original project has been 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 World Bank assistance with the changing government priorities and country context.

The project restructuring and AF is expected to achieve results which include 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 project is also expected to contribute to the higher level development objectives of enhanced revenues and more efficient and accountable government spending.

Tax policy trainings supported by the Bank in collaboration with the International Monetary Fund (IMF) (in the FGS), and the Department for International Development (DFID) (in Somaliland), have helped enhance skillsets through ‘learning by doing’ and enabled the preparation of revenue performance analysis reports, revenue forecasts, and assessment of the impact of the COVID-19 pandemic on revenues. Additionally, the FGS Tax Policy Unit (TPU) has been able to engage FMS staff in the tax policy trainings, which contributes to skill development, inter-governmental fiscal coordination, and national tax system harmonization. In this context, 15 potential trainers have been identified from the FGS, PSS, and Jubbaland State of Somalia (JSS) for training, adopting ‘Train the Trainer’ methodology. Such an approach is expected to contribute to sustainability, internalizing the capacity-building process, better mitigating the COVID-19 pandemic-generated risks and, more importantly, contribute to the harmonization agenda for national tax system development.

For improving systems for inland revenue administration, the FGS and PSS have successfully concluded dialogue and agreed to source one service provider to design the Somalia Fit-for-Purpose tax administration system (ITAS). Following up, the joint procurement committee has pursued the procurement process that is at advanced stages, in spite of the COVID-19 challenges. A contract was signed with KPMG to design the system, and later support its procurement and quality assurance.

In Somaliland, the government has made good progress in procuring the services of a consulting firm to carry out needs assessment for the development and implementation of an integrated revenue automation system/integrated tax administration systems. Regarding the Large and Medium Taxpayer Office (LMTO), 17 staff members have been deployed in the FGS; it is now functional and has enhanced service delivery. The three states have also made good progress on the taxpayer identification number (TIN).

Work in the FGS, Puntland, and Somaliland to strengthen their budget execution, accounting, and reporting and auditing systems is progressing well, but at varying degrees. However, in the FGS, the annual audit of the government financial statements for the year ended December 2019 as well as the projects’ audits was delayed due to a late start as a result of the COVID pandemic and late selection of a TA firm. These have, however, now been successfully completed and published in the OAG’s website. Despite its approval by both houses of Parliament, the Audit Bill is yet to be signed by the President.
Most of the planned activities are progressing well in Puntland also, with support from embedded TAs, and all previous agreed actions have been actioned. In Somaliland, the project continues to support the OAG with TAs who have ensured that the office is able to perform its function adequately.

The number of candidates that have passed the certificate level from the start of the PFM Staff Professionalization certificate Program now number over 166, including women. Most of these candidates have been successfully deployed in various PFM institutions in the FGS, Puntland, and Somaliland governments.

The COVID-19 pandemic has affected implementation of some project activities, and adjustments will need to be made to minimize the impact of the pandemic on the smooth implementation of the project. To address these challenges, the Bank team has been guiding the client on the need for the Project to adopt and increase reliance on online technologies to support project implementation.

**Engagement in Somalia’s health sector**, through an advisory services and analytics (ASA) project, closed successfully during the reporting period. It aimed to catalyze improved health and nutrition outcomes through strengthening government institutions and mobilizing private sector actors, focusing on analytic work and capacity development. The ASA took a ‘menu of options’ approach and explored health service delivery models and demand side factors impacting health service utilization.

A joint consultancy with co-funding from GAVI, GFF, and UNICEF is currently under way through a firm called Philanthropy Advisors. The assignment has been completed and two reports generated—one for Somalia and another one for Somaliland. The recommendations of the report have been instrumental in the design of the ‘Improving Health Services Project (Damal Caafimaad)’—the flagship Somalia Health project that seeks to support the government to provide services to its people. Under this ASA, the team completed “a situational assessment of birth spacing and reproductive health interventions” which revealed key gaps in the availability and demand for modern contraception in Somalia. The findings of the report provide good background for the new project under design by the WB and other partners, particularly the DFID.

The ASA supported a joint landscaping analysis of the pharmaceutical sector in Somalia in partnership with the DFID. The consultancy was awarded in Quarter 3 of 2020; the findings will inform the design of one of the components of a new project which seeks to expand coverage of essential packages of health services to underserved populations—in this case, the specific focus will be on availability of essential medicines. The analysis is also expected to highlight gaps in policy, legal, and regulatory frameworks for the pharmaceutical sector and make recommendations for reforms.

The ASA has contributed, with support from the
GFF, to the development of an enhanced partner coordination framework in the country for the development of Somalia’s investment case since Somalia became a member of the GFF in May 2019. The process has successfully brought Somaliland to the table—an agreement has been made to have a separate Somaliland coordination platform that feeds into a national framework. This is expected to enhance the coordination of health services in Somalia and Somaliland, and to bring more efficiency and equity in resource allocation. The Health ASA and the close collaboration with RCRF further inform the design of the scaled up health engagement in Somalia.

The concept of a contract management unit within the MoH has also been approved with the purpose of contracting providers to deliver an Essential Package of Health Services (EPHS) on behalf of the government. The implementation is expected as soon as the new health project is approved. The team is currently providing support to the government to review the EPHS and to undertake costing. A draft costed EPHS has been developed and shared with partners for validation. The costing exercise has been completed and EPHS finalized, and is ready for the next steps of contracting.

The COVID-19 pandemic has disrupted operations with most of the planned consultations on the ground in Somalia canceled. The focus of the counterpart has also shifted away from what was planned under this program towards COVID-19.

The Enhancing Governance Dialogue on Somalia project aims to improve policy dialogue and coordination necessary for reform progress, achievement of governance projects’ objectives and governance integration in sectoral operations.

Following increased engagement with the team in charge of anti-corruption in the Ministry of Justice, a presentation was made on the lessons of the fight against corruption all over the world to MPF donors and UN agencies in October 2020, along with recommendations on what the priorities should be in the Somalia context. This is among the first steps to facilitating thought leadership by convening stakeholders (government and partners) and supporting discussions on some critical economic governance issues, including engagement with MPF donors and Pillar Working Groups.

After extensive discussions on the future role of the state in Somalia after the Heavily Indebted Poor Countries (HIPC) decision point, a new paper on social contract in Somalia was launched. This paper will be ready early 2021 and disseminated among donors to reflect on programming and approaches.

A synthesis note was prepared to assess the risks and opportunities to reach think-tanks in Somalia and key civil service organizations to disseminate published World Bank documents and then shape (possibly) the discussion in Somalia.

The project also supports targeted just-in-time reviews, engagement and support to the client and promotion of knowledge transfer to Somali institutions, including providing technical experts for a limited number of themes.

During the reporting period, 10 full team meetings were organized to share information and updates on the various governance-led projects and programs. Such events are, de facto, held every two weeks and have led to more collaboration between the various teams. This will strengthen governance teams’ coordination, and outreach to Country Management Unit and Global Practices.

Phase 1 of the MPF Knowledge Fund (Somalia Knowledge for Results, or K4R) has successfully closed. Its analytical products informed strategies, programs, and policies in light of the current shocks facing the country (COVID-19, floods, and locust infestation). Among the main activities that concluded were the implementation, scale-up, and completion of the Somalia High Frequency Surveys (SHFSs),
Wave 1 and Wave 2, which provided critical data for comprehensive poverty analysis and related socioeconomic indicators to shed light on the underlying poverty and vulnerability conditions across the country. The SHFSs data has continued to underpin analytical work, policy dialogue and reforms, and development interventions. The Somali poverty profile 2017, Somali Poverty and Vulnerability Assessment 2019, a report titled Improving Access to Jobs for the Poor and Vulnerable in Somalia, and ‘Analysis for Somalia Interim Poverty Reduction Strategy Paper—NDP9’ have been completed.

The project has highlighted the need to provide further capacity support to government authorities and fill existing data gaps in the next three years. In this regard, implementation of a US$25-million IDA project, Somali Integrated Statistics and Economic Planning Capacity Building, which was approved by the Board in the previous reporting period, is already under way. The project is aimed at strengthening the national statistical system in the collection, processing, and dissemination of poverty and selected macroeconomic data to inform development policy and poverty reduction activities across the country.


The Public Expenditure Reviews (PERs) supported prudent fiscal policy and management to enhance service delivery. Five PER modules were completed, internally reviewed, and findings shared in different forums with government authorities, development partners, and other stakeholders. Of these, Moving the Federalism Agenda Forward was virtually disseminated in July 2020.

10. The report highlighted Somalia’s ‘triple crisis’—the COVID-19 global pandemic, the devastating floods, and desert locust infestation which combined to interrupt the country’s growth trajectory.
The Somalia Knowledge Fund has achieved its development objective to leverage development impact of domestic policies and development partner interventions through knowledge work, and collecting and compiling key socioeconomic statistics. This has continued to support strategic planning, policy dialogue and reforms, inform development interventions, and promote basic accountability at both federal and subnational levels. The analytical products, specifically Somalia Economic Updates, Public Expenditure Reviews, Fiscal Federalism, and growth studies, are a foundational base for reform progress and technical assistance.

The Fund provided the foundation for knowledge agenda in Somalia. The data and the analytics have been used to guide the WBG’s policy dialogue and engagement; it has informed development partners’ activities; and has guided the policies and development strategies that have set Somalia on the path to the HIPC Decision Point. Moreover, policy reforms are now being anchored on evidence-based analytical and sector-based work generated from outputs of the Somalia knowledge Fund.

SHFSs Wave 1 and Wave 2 implemented under Pillar 1 provided critical data on poverty and other key socioeconomic indicators. After more than 25 years of conflict, the knowledge gap in Somalia was extensive. In the absence of representative household surveys not much was known about Somali population, particularly the extent of poverty and vulnerability. This lack of vital information posed a threat to the design and implementation of policies and programs needed to support poverty reduction, economic resilience, and development.

The SHFSs filled many critical data gaps, from poverty estimates to providing household consumption daily per capita baseline for estimating GDP components. The data shed light on the vulnerabilities of Somali households in a country facing recurrent shocks.

Somalia’s political economy and governance poses a challenge in the design and imple-
As in the previous edition of the MPF Progress report, an integrated Somalia Shock Responsive and Social Safety Nets programmatic update is presented in this reporting period as well. It 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), as well as the MPF-funded Somalia Social Protection Support: Building Blocks towards a National Social Protection System (which is an ASA).

Nationwide data production including methodology, design of data collection instruments, data analysis and presentation, harmonization and data sharing requires consensus and commitment among partners early in the process; clear objectives of activities and roles; and putting in place memorandums of understanding.

Other lessons learnt:
- Embedded technical assistance in the program helped to improve the weak institutional capacity and supplemented timely delivery of outputs.
- Filling the knowledge gap cannot be a development partners’ initiative alone. Working with government agencies is key.
- Use of third-party vendors helped to inject capacity to beneficiaries.
- The cooperation of both private and public knowledge service providers in Somalia provides a rich spectrum of opportunities. Working with universities and think tanks can open new sources of knowledge. The Knowledge Fund could incorporate academic institutions and nongovernmental organizations to collaborate and to fill the knowledge gap. This will promote and strengthen the competencies of local institutions in knowledge work and knowledge management.

As in the previous edition of the MPF Progress report, an integrated Somalia Shock Responsive and Social Safety Nets programmatic update is presented in this reporting period as well. It 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), as well as the MPF-funded Somalia Social Protection Support: Building Blocks towards a National Social Protection System (which is an ASA).

This will enable a comprehensive view of the portfolio, as the projects very much reinforce and mutually support each other: the SNHCP is the parent project, with the ASA providing TA support to achieve some of its key objectives around institutional capacity building, and the SNLRP operationalizing its shock-responsive feature.
The **Somalia Shock Responsive Safety Net for Human Capital Project (SNHCP)** (‘Baxnaano’) serves as 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’, which means ‘uplifting’ in Somali. The President of the FGS formally launched the Baxnaano program on April 18, 2020. This formal launch has raised the profile of, and support for, cash transfers, with the government identifying this as the key instrument for addressing chronic poverty and shocks, as demonstrated by the development of the SNLRP, approved by the World Bank Board on June 29, 2020.

With a view toward longer-term development, the SNHCP also supports efforts by the FGS to strengthen institutional resilience and establish the basic delivery systems of a national and shock responsive safety net system, which could support rapid identification of potential beneficiaries in times of shocks and enhance coordination across social programs.

The **Somalia Shock Responsive Safety Net for Locust Response Project (SNLRP)** operationalizes the shock responsive aspect of the SNHCP, developed in response to the impacts of the recent locust outbreak. It aims to provide emergency cash transfers to locust-affected households for a period of six months. It will be implemented through existing SNHCP/Baxnaano arrangements.

The MPF-funded **Somalia Social Protection Support: Building Blocks towards a National Social Protection System** (which is an ASA) supported the development of the SNHCP, and now supports its implementation by providing TA. Specifically, TA support under the design of the SNHCP fell under the commitment for ASA Component 2, ‘Concept paper: Design of a scalable social safety net program’. The COVID-19 pandemic has caused
implementation challenges and delays due to travel restrictions and the need to shift to mobile money payments. Under the ASA, the WB will continue to closely monitor and provide TA to expedite payment delivery.

The ‘Social Protection Policy Implementation Framework’—funded by Italian Development Cooperation, and developed with TA support from UNICEF, WFP, and ILO, with input from World Bank (via the ASA) and other DPs—to facilitate the operationalization of the National SP Policy was endorsed by the FGS in November 2020. This provides the policy and strategic framework necessary for the activities of the ASA, SNHCP, and SNLRP. The FGS’ commitment to the social protection and human capital agenda, as reflected in the NDP9, facilitates an enabling environment for longer-term government-led predictable and reliable safety net systems in the country.

The FGS has identified the development of the social registry as a priority and a key instrument for advancing social protection support in Somalia, as well as one of the triggers for the HIPC Initiative Completion Point. This provides the impetus for engaging UN, humanitarian, and donor agencies to share beneficiary data, using the soon-to-be finalized Common Registry Form, to build the social registry.

The SNHCP provides predictable and nutrition-linked cash transfers to chronically poor and vulnerable households (HHs) with children under five years of age in rural areas underserved by humanitarian interventions to help them meet their immediate consumption gaps and protect against food insecurity and malnutrition risks. The geographic targeting has been concluded following in-depth consultations with FMS and district authorities, and 880 villages from 21 districts across Somalia have been selected.

As of December 2020, the WFP has registered 156,543 HHs, of which 110,084 HHs have been verified and enrolled in the program, and 73,478 HHs have received their third quarterly payment (each HH receives US$60 per quarter). The full caseload of 200,000 HHs is expected to be reached by June 2021.

In addition to the cash transfers provided under the SNHCP, the SNLRP provides emergency cash transfers to poor and vulnerable HHs whose livelihoods depend on activities related to agriculture or livestock either as subsistence farmers or as farm laborers that have been impacted by the locust outbreak.

Selected beneficiaries will receive a temporary cash assistance for a total of six months, with HHs already benefiting from Baxnaano and residing in locust-affected areas receiving a temporary top-up of US$40 per household per month for six months, in addition to their regular benefit of US$20 per household per month, while HHs that are not regular Baxnaano beneficiaries will be paid US$60 per household per month for six months.

The geographical targeting is near completion with 45 locust impacted districts. Village selection is also near completion with 698 villages identified and endorsed by state-level counterparts of the MoLSA and local authorities thus far, of which 159 are SNHCP/Baxnaano villages and 539 are new villages. The SNLRP caseload has also been increased to 100,950 HHs from a planned 100,000 HHs, in order to support the additional HHs affected by the locust infestation.

As of December 2020, a total of 35,108 HHs have received their first quarterly payment (US$180 per household per quarter), of which 10,354 HHs are SNHCP/Baxnaano beneficiary HHs and 24,754 HHs are nonregular Baxnaano beneficiary HHs affected by the locust infestation. The full caseload is expected to be reached by mid 2021.

The objective is to build capacity of the FGS/MoL-
SA to gradually take over direct implementation of the Baxnaano program and lay the foundations for a more comprehensive SP system in Somalia. As such, ASA activities contribute to the SP policy and governance structures; TA contributes to the design of the national cash transfer program and delivery systems, targeting methodology/systems, and unified social registry under Baxnaano; and capacity-building activities.

The institutional and governance capacity of the FGS/MoLSA are limited, albeit growing. The PIU is fully established and is actively engaging with the FMS and other stakeholders and is increasingly building institutional knowledge and capacity on project implementation from learning-by-doing.

A new US$25-million IDA project, Somali Integrated Statistics and Economic Planning Capacity Building, was prepared and approved by the Board on June 30, 2020. The project is aimed at strengthening the national statistical system in the collection, processing, and dissemination of poverty and selected macroeconomic data to inform development policy and poverty reduction activities across the country.

It will provide support to key official statistics-producing agencies to strengthen the capacity of the country’s National Statistical System (NSS) to collect data for poverty and macroeconomic monitoring (for instance, national accounts, GDP/sector growth, inflation, and key administrative data).

In addition, it will also support ICT infrastructure (in headquarters and field offices and selected key federal level MDAs) by providing computers, laptops, and related IT networking equipment. This will improve the administrative data compilation and dissemination process, enhance information access to the public, and make best use of information technology channels and storage systems.
The project will also strengthen capacity for project planning and budgeting, management, coordination, as well as monitoring and evaluation activities, through the provision of technical advisory services, training, operating costs, and the acquisition of goods.

COVID-19 has affected the client’s ability to implement project activities according to plan. Travel restrictions reduce the ability of the client and project beneficiaries to receive and absorb technical assistance. For example, according to participant feedback, online workshops to build capacity were not as effective as face-to-face workshops. Activities such as preparation of institutional development plans are also facing delays.

The Financial Governance Committee (FGC) plays an important role in assisting the FGS and the international community to strengthen governance within the public financial institutions in Somalia. It offers a forum for frank and confidential discussions and provides independent nonbinding advice in certain areas as required and where expertise is available. From July through December 2020, the FGC met four times, in July, September, November, and December.

The FGC international delegates held informal Financial Governance Forums (FGFs) around FGC meetings. The informal FGFs provide the donor community with the opportunity to receive regular updates and hold discussions on issues arising from FGC meetings. During this reporting period, two informal FGFs were held in July and September.

During this reporting period, the FGC published its annual Financial Governance Report. The report assesses the progress made by the FGS in strengthening financial governance over the period July 2019 to June 2020. It sets out the financial governance priorities the FGC believes need to be addressed in the coming year to strengthen state-building efforts and capitalize on this year’s achievement of IFI arrears clearance and the HIPC Decision Point.

The FGC has also closely followed the developments around the Oil and Gas Licensing Round and has engaged with the Ministry of Petroleum. During this period, the FGC emphasized the need for legal requirements to be complied with before launching the licensing round. This includes both adherence to the Procurement Act and the commitment made to the IMF not to sign any Production Sharing Agreements (PSAs) before the adoption of the Extractives Industries Taxation Act, and ensure compliance with the Act.

The FGC has continued to provide oversight to the renegotiation of the port concession contract, which was concluded during this reporting period. This support included review of the renegotiated agreement and advice on how to approach the final discussions.

Support was also provided on the preparations to retender the Passports contract, during which both the Minister of Internal Security and the Director General of Immigration attended the FGC. As a result, external lawyers funded by the EU reviewed the legal aspects of the contract, to ensure that the interests of FGS were adequately protected. The FGC also provided support for the retendering of security sector rations contracts. As a result, rations tenders for the Somali National Army, Somali Police Force, National Intelligence and Security Agency (NISA), and Prisons were issued at the end of 2020.

The FGC also supports oversight and transparency of asset recovery. The Central Bank of Somalia (CBS) continues to pursue accounts in the United Kingdom and Italy. Progress at the beginning of the reporting period was made regarding recovery of GBP 2.5 million; however, discussions had stalled by the end. The CBS has been briefing the FGC on the impact COVID-19 has had on the Money Transfer Businesses (MTB), financial sector, and mitigating measures.
Box 4
Improving Access to Jobs for the Poor and Vulnerable in Somalia

A new report on Improving Access to Jobs for the Poor and Vulnerable in Somalia examines the profile of Somali household workers, and identifies job characteristics and constraints for creating more and inclusive jobs. The study also evaluates youth employment, patterns of school-to-work transitions, and how well the Somali educational system prepares young people for the job market.

With only a little over half (55 percent) of the working-age population employed or actively seeking employment, labor force participation is limited in Somalia and lower than in many other countries in Sub-Saharan Africa or countries affected by fragility, conflict, and violence.

The other half of the working-age population is neither working nor looking for work and thus considered economically inactive.

Having a large proportion of economically inactive people can dampen prospects for economic growth since part of the potential workforce is neither producing goods and services nor developing skills in the labor market. An elevated prevalence of inactivity can also reduce household welfare since nonworking members of the household cannot contribute to household income and often have to be supported by other household members. In Somalia, each person actively engaged in the labor mar-

Figure 1. Active labor force participation is low and unequal in Somalia

Source: Authors’ calculations based on the SHFS 2017–18.
ket has three people to support.

Not all Somalis of working age participate in the labor force equally and economic participation is particularly low among women and youth. Only 43 percent of Somali women actively engage in the labor market compared with 67 percent of men.

Relative to other countries in Sub-Saharan Africa, Somalia not only records the lowest participation rates for women, but also the largest disparities in participation between men and women.

Somali youth are also more likely to be economically inactive by not working or seeking work. Only 40 percent of youth (those aged 15–24) actively engage in the labor market compared with about 60 percent of adults (those aged 25–64).

Limited and unequal labor force participation means that much of Somalia’s economic potential remains untapped. Half of the inactive youth are not enrolled in school, which slows down their human capital formation from two fronts.

Such young people are neither gaining experience in the labor market and earning an income from work, nor are they improving their education and skills in the education system. Their nonparticipation in the education system and labor market lowers their present and future employment and earnings prospects, trapping many in poverty.

Their nonparticipation—along with inadequate infrastructure and a poor business environment—may also deter foreign investments in Somalia due to the perceived diminished productivity of the workforce.

Somalia has an enormous reservoir of underutilized labor supply, stemming from a lack of decent and productive work. A relaxed definition of unemployment—which is better suited for a highly informal economy such as Somalia’s in which a number of economic activities are seasonal and many people cannot afford to be unemployed—reveals considerable hidden unemployment. Relaxing the definition of unemployment to include persons who did not actively look for a job more than triples the unemployment rate to an estimated 16 percent. In addition, there is a less visible lack of decent employment among the employed. Among people who are engaged in employment, many want to work more hours than what is currently on offer. Almost 20 percent of employed Somalis expressed interest in working additional hours regardless of actual hours worked.

With half of Somalia’s working-age population not in the labor force, almost one-fourth of employed workers underemployed, and under 10 percent unemployed, the full potential of people is not being realized. Effective policies and strategies for poverty and vulnerability reduction in Somalia must, at their core, not only focus on generating more jobs, but also on generating better jobs, increasing the employability of workers, and providing social protection.

Economic growth is a necessary condition for creating more job opportunities to support the existing supply of labor. For Somalia, jobs are largely concentrated in the services sector for urban dwellers and internally displaced persons (IDPs), in the agricultural sector for nomads, and in a combination of both for rural dwellers. Supporting employment-creating growth requires attracting investment in labor-intensive industries including retail, restaurants and hotels, and agriculture. In addition, increasing financial inclusion can support the creation of self-employment. Providing microcredit schemes, reducing the barriers to entry, and creating a more favorable business environment can provide jobs while the economy works its way to creating more steady employment.

*continued on next page*
Improving the business environment to attract investment and promoting the development of the modern wage sector is needed to generate better jobs in the long run. Addressing impediments to investments such as insecurity, unreliable and costly infrastructure, lack of access to finance, or lack of effective regulation could improve the prospects of firm growth. A more developed modern wage sector could help provide higher wages and better returns to education, thereby encouraging higher educational attainment. Moreover, developing technical and business skills through education and technical training programs can help increase the employability of the population, but focusing on skills—demanded by firms and needed for productive employment—will be crucial. Facilitating access and quality improvements in training opportunities could be considered as possible policy interventions, while continued efforts to ensure universal access to primary and secondary education are also needed. Finally, policies are needed to address labor market inefficiencies such as skills mismatch and search frictions, which can lead to prolonged periods of unemployment, noncompetitive wages and benefits, as well as stunted productivity growth.

Figure 2. Labor underutilization is substantial in Somalia

Note: Reference population is the active population for unemployment and the employed population for underemployment. The denominator for the strict definition of unemployed is the labor force. The denominator for the relaxed definition is the sum of labor force and persons who are out of work but not actively seeking for a job because they are discouraged.

Source: Authors’ calculations based on the SHFS 2017–18.
# Table 1. Overview of Projects: Effective, Accountable Government Portfolio

*As of December 31, 2020 (in US$ million)*

<table>
<thead>
<tr>
<th>Projects</th>
<th>Objectives</th>
<th>Budget</th>
<th>MPF Grants</th>
<th>MPF Disbursements</th>
<th>IDA Grants</th>
<th>IDA Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Recurrent Cost and Reform Financing (RCRF) Project(^{11})</td>
<td>Support the FGS and eligible FMS to strengthen resource management systems, the inter-governmental fiscal framework, and service delivery systems in health and education.</td>
<td>16.0</td>
<td>14.8</td>
<td>14.8</td>
<td>206.0</td>
<td>88.0</td>
</tr>
<tr>
<td>2. Domestic Revenue Mobilization and PFM Capacity Strengthening Project (DRM/PFM)</td>
<td>Strengthen systems of domestic revenue mobilization, expenditure control, and accountability in the FGS, Puntland State of Somalia, and Somaliland.</td>
<td>50.0</td>
<td>30.0</td>
<td>24.1</td>
<td>20.0</td>
<td>5.6</td>
</tr>
<tr>
<td>3. Public Sector Capacity Injection Project (CIP)</td>
<td>Enable the government to fill critical capacity gaps in the civil service and strengthen capacity of key ministries and agencies to perform core government functions.</td>
<td>40.0</td>
<td>34.4</td>
<td>25.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Somaliland Civil Service Strengthening Project (CSSP)</td>
<td>Strengthen the human resource and policy management functions of selected line ministries and central agencies.</td>
<td>10.7</td>
<td>10.7</td>
<td>7.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Somali Integrated Statistics and Economic Planning Capacity Building Project</td>
<td>Strengthen the national statistical system in the collation, processing, and dissemination of poverty and selected macroeconomic data to inform development policy and poverty reduction activities.</td>
<td>25.0</td>
<td>25.0</td>
<td>0.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^{11}\) 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 inter-governmental fiscal federalism, citizen engagement, and service delivery.
### Table 1 (contd). Overview of Projects: Effective, Accountable Government Portfolio

As of December 31, 2020 (in US$ million)

<table>
<thead>
<tr>
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<th>IDA Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Support to Financial Governance Policy Dialogue (FGC)</td>
<td>Provide technical advice and facilitate policy dialogue to strengthen transparency and accountability in the areas of strategic public procurement and concessions, asset recovery, and other selected areas of financial governance.</td>
<td>6.1</td>
<td>6.1</td>
<td>3.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. MPF Knowledge Fund (K4R)</td>
<td>(a) Enhance the development impact of domestic policies and development partner interventions through better knowledge of socioeconomic realities and political economy constraints; (b) promote basic accountability through better information on public resources; and (c) revitalize the strategic planning process, through tailored support to regions and stakeholder engagement.</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Engagement in Somalia’s Health Sector</td>
<td>Identify opportunities for the World Bank to catalyze improved health and nutrition outcomes in conflict-impacted Somalia through strengthened government institutions and mobilization of private sector actors.</td>
<td>1.5</td>
<td>1.5</td>
<td>0.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Table 1 (contd). Overview of Projects:
Effective, Accountable Government Portfolio

_As of December 31, 2020 (in US$ million)_

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<th>IDA Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. Social Protection Engagement</td>
<td>(i) Somalia Social Protection Support (ASA)— Building Blocks towards a National Social Protection System: Support the Government of Somalia to develop key building blocks of a national Social Protection System, and support the design of a scalable social safety net program.</td>
<td>2.0</td>
<td>2.0</td>
<td>0.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(ii) Safety Nets for Human Capital: Provide cash transfers to targeted poor and vulnerable households and establish the key building blocks of a national shock-responsive safety net system.</td>
<td></td>
<td></td>
<td></td>
<td>65.0</td>
<td>50.6</td>
</tr>
<tr>
<td></td>
<td>(iii) Safety Nets for Locust Response Project: Protect food security and livelihoods of poor and vulnerable households affected by the locust outbreak.</td>
<td></td>
<td></td>
<td></td>
<td>40.0</td>
<td>7.7</td>
</tr>
<tr>
<td>10. Enhancing Government Dialogue on Somalia</td>
<td>Improve policy dialogue and coordination necessary for reform progress, achievement of governance projects’ objectives, and governance integration in sectoral operations.</td>
<td>1.2</td>
<td>1.2</td>
<td>0.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>364.5</strong></td>
<td><strong>194.7</strong></td>
<td><strong>171.1</strong></td>
<td><strong>278.0</strong></td>
<td><strong>113.2</strong></td>
</tr>
</tbody>
</table>
Enabling Economic Growth

The Enabling Economic Growth portfolio financed five active projects, all of which are recipient-executed investment projects. One of these, the Somali Core Economic Institutions and Opportunities (SCORE) Program (P152241) closed in September 2020 during this reporting period [see box on following pages]. The MPF provides financing worth US$48.7 million to this focus area. The portfolio is co-financed with US$179.5 million in IDA resources (Table 2). 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.12

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 (SMEs), 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.

The Somali Electricity Access Project (SEAP) aims to expand access to electricity in targeted urban, peri-urban, and rural communities. In the reporting period, the Bank team:

- Secured US$1.45 million in additional financing from the Somalia Multi-Partner Fund, increasing the recipient-executed project budget from US$5.75 million;
- Secured US$0.55 million in additional financing from the Somalia Multi-Partner Fund, increasing the bank-executed project budget by US$0.55 million; and
- Carried out a virtual Implementation Support Mission from December 1 to 14 in the Federal Government of Somalia (FGS) and Somaliland.

The FGS and Somaliland continue to make progress on activities: the grant managers completed inception reports; prepared implementation manuals for the disbursement of the grants; the calls for grant applications were formally launched; and the fund manager’s selection of solar companies to benefit from grants is at advanced stage. The PIUs are working on the monitoring and evaluation system to support the selection of firms and subsequent validation of outputs.

Discussions have been held with the governments in FGS and Somaliland on the support of the Bureau of Standards. The MoEM is in the process of recruiting a Quality Assurance (QA) consultant to support Somaliland in designing and implementing QA activities, including skills development for solar PV Installations and standards adoption and development of frameworks for renewable energy products and components. This will initiate/increase household and institutional adoption of off-grid solar solutions in Somaliland.

In the FGS, the consultant for consumer awareness and citizen engagement campaign design and implementation has been recruited (contract signed on August 1, 2020) and contract is under implementation in the FGS. In Somaliland, contracting of consultants for consumer awareness and citizen engagement campaign design and implementation are at an advanced stage.

The procurement of consultants to undertake the preparation of geospatial least-cost electrification options analysis for use by the government in preparation of electrification strategy and invest-

12. 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.
ment pipeline for mini-grids, has been completed by both the FGS and Somaliland. The outputs of the geospatial work will inform the investment for mini-grids under the proposed Somali Electricity Sector Recovery project (P173088) expected for board delivery in FY21. In Somaliland, however, the consultant declined to sign the contract without providing reasons; and Somaliland continues to get support through the Energy Sector Management Assistance Program (ESMAP) team.

The Bank task team recognizes the ongoing COVID 19 global pandemic and anticipates some delays in implementation as a result of challenges in

**BOX 5**

**Complementarity of Energy Sector Investments with Development Partners’ Activities**

The Somali Electricity Access Project (SEAP) team has continued to develop and foster partnerships and collaborative approaches with other donor-financed energy initiatives in Somalia. The Federal Government, the Africa Enterprise Challenge Fund (AECF), Swedish International Development Cooperation Agency (SIDA), and WB teams have collaborated in defining implementation arrangements that make both Renewable Energy, Adaptation and Climate Change Technology Sub-Saharan Africa (REACT SSA) and SEAP more complementary in supporting off-grid renewable energy market development.

Launched in December 2020, REACT SSA is a US$8.5 million grant facility financed by SIDA and implemented by the AECF, which aims to support adoption and diversification of renewable energy solutions in Somalia and Somaliland, and to “reduce poverty through a transformational increase in the use of renewable energy”.13

While SEAP provides demand- and supply-side market building interventions in the nascent Somali market, REACT SSA will help scale up off-grid initiatives by providing grants and technical assistance to individual companies, including support in raising additional capital for their growth. Both initiatives are coordinated by the project implementation unit (PIU) at the Federal Ministry of Energy and Water Resources. A committee has been established to ensure coordination and close monitoring of activities, ensuring that there shall be no double dipping from solar service providers, and that only complementary activities aimed at scale up are supported. The PIU will monitor the results of the two programs mainly from off-grid product sales and households reached, to assure robustness of the results. Monitoring will also involve periodic site visits and independent verification by third parties.

The Somali Core Economic Institutions and Opportunities Project (SCORE) was approved in January 2016 and became effective in May 2016. It provided US$28.5 million grant financing under the Multi-Partner Fund (MPF) to the Federal Government of Somalia (FGS).

Built on experiences and lessons learned from Somalia Private Sector Development Reengagement Program (SOMPREP) Phase I (SOMPREP1) from 2009–2011, and Phase II (SOMPREP2) from 2011–2015, the project development objectives (PDOs) for SCORE were to: (a) improve the enabling environment for private and financial sector development; and (b) catalyze private investment and job creation. SCORE expanded the geographic coverage of SOMPREP1 and SOMPREP2 interventions beyond Somaliland and Puntland to cover the entire Somali peninsula. It also extended the offering on Small and Medium Enterprises (SME) development, entrepreneurship, and sustainable livelihoods.

SCORE was completed in 4.7 years and closed in September 2020. Project achievements are considered ‘substantial’ as it mostly achieved and, in some cases, exceeded its PDO-level objectives. SCORE successfully advocated innovative approaches to institution building and SME development, and expanded economic opportunities aligned with inclusive growth. These new approaches have been adopted in follow-on IDA/MPF operations—the Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project (SCALED-UP) (P168115) and the SCALED-UP additional financing (under preparation).

SCORE provides effective lessons for similar operations in FCV situations:

- **Private sector partnerships.** Domestic private sector (financial intermediaries and SMEs) are important sources of co-financing for creating sustainable impact. These domestic sources can complement pooled funds under ‘umbrella’ facilities such as the MPF, allowing for greater alignment of private sector incentives boosting confidence in the state and promoting stability. SCORE mobilized a total of US$9.6 million in private sector capital investments from domestic financial institutions, beneficiary SMEs as well as family and friends against US$5.3 million in disbursements under the Somali Business Catalytic Fund (SBCF) operated under SCORE—that is, leveraged SBCF financing by a factor of 1.8x by private capital. Identifying and selectively engaging domestic co-financing sources at the early stages of project design is critical to maximizing impact.

- **Sequencing.** Phased and iterative approaches, that is, ‘sequencing’, to deliver gradual but sus-
tained reforms—in the form of SOMPREP1, SOMPREP2, SCORE, and SCALED-UP—reflect an emerging ‘best-practice’ approach of continuing to develop and build on past gains in FCV situations. This also reflects the operating environment with all-around capacity weaknesses affecting operations including considerations for both the safety of staff and challenging logistics within the country. This will involve conscious risk taking (tolerance for a degree of failure) to introduce midstream adjustments as needed—informed by changed political and economic contexts, improved evidence base, learning, and other feedback loops.

- **Stakeholder engagement and conflict sensitivity.** Use inclusive forums for frank (and confidential) discussions to advance difficult reforms and strengthen legitimacy of institutions. The political commitment of the country’s authorities to carry out project activities may waver at times. Experience has shown that the challenges of governance in FCV situations are difficult to overcome, and a multifaceted approach might be needed to improve decision making. In the case of SCORE, the Financial Governance Committee (FGC) played an important role in assisting the FGS to mobilize governmentwide efforts to re-negotiate the concession agreement for the Port of Mogadishu. The FGC provided political/diplomatic oversight of the renegotiation process while SCORE supported the FGS to engage advisers to provide technical inputs to the renegotiation processes. Spurred by FGC engagement on the topic long after SCORE support for the port sector was scaled down, the FGS signed a revised 14-year agreement to manage the Port of Mogadishu with the same concessionaire in October 2020.

- **Balance immediate actions and long-term impacts.** Consider trade-offs on policy traps, governance, and trust when designing and implementing immediate actions in the ‘emergency’ phase. The crystallization of derisking of Somali financial institutions in 2013 called for an ‘emergency’ intervention under the so-called Safer Corridor Initiative. Care was taken in the design of immediate actions to not undermine long-term legitimacy of local institutions. The trusted agent engaged under the Initiative was able to interact with the private sector, regulators, policy makers, the World Bank/International Monetary Fund. SCORE picked up from where the Safer Corridor Initiative left off. This helped cement confidence in local institutions as they were not replaced, thereby avoiding policy traps undermining state legitimacy.

- **Adapt to new opportunities and risks as they emerge.** Continually respond to changes in the operating environment and economic risks presented by the FCV situation to chart alternative pathways. As supply chain and travel restrictions related to the COVID-19 pandemic intensified, it meant the Central Bank of Somalia (CBS) could not deploy ‘on-premises’ IT infrastructure for the national payment system (NPS) modernization initiative by SCORE closing. The client and vendor, the World Bank, mobilized to explore alternative delivery pathways and cloud hosting emerged as a feasible option; this allowed the CBS to gain access to computing as a service rather than a product—making system setup and management easier and quicker. New ground was broken by this milestone: it marked the first time ever a World Bank operation support cloud hosting of solutions under an NPS modernization initiative.
supply, importation and distribution of products.

The Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project (SCALED-UP) will support progress toward increased access to basic digital financial and government services targeting entrepreneurship and employment, particularly for women, drawing capacity and lessons from the ICT and SCORE projects. SCALED-UP also links closely to the Financial Sector Initiative, aiming at unlocking international investment and correspondent banking relationships in Somalia by improving (a) the integrity of the financial sector; (b) corporate governance standards; (c) risk management; and (d) compliance safeguarding against terrorist financing and illicit financial flows.

As of December 2020: 13 banks, 10 MTBs, and one mobile network operator were licensed by the CBS under the Financial Institutions Law (FIL) of 2012 to provide banking and money transfer business, and mobile money services under the Central Bank of Somalia Act.

The Somalia Transaction and Reporting System (STARS) and the Somalia Payment Switch (SPS) were installed, tested, and accepted on cloud as scheduled on September 30, 2020, marking the first-ever ATS+ deployment on cloud globally. At the same time, the telecommunication networks and modular tier-3 data center were deployed, marking the first-ever very private fiber optic network in Somalia interconnecting Somali financial institutions and the central bank. The successful deployment on cloud of STARS and SPS has resulted in the projects being delivered remotely ahead of the planned November 2020 schedule.

Preparations for stakeholder feedback on the draft National Payment Systems (NPS) Law, FIL, and Insurance Law are in advanced stages. Once stakeholder consultations are finalized, the package of the draft pieces of legislation will be processed through Parliament later in 2021.

The FRC (Somalia’s financial intelligence unit) is in the advanced stages of procuring and installing the necessary ICT hardware and software support for GoAML (an applications software for anti-money
laundering and countering terrorist financing), a fully integrated software solution developed for use by the United Nations Office on Drugs and Crime (UNODC); it is one of the strategic responses to financial crime by UNODC.

SCALED-UP is supporting institutional strengthening and capacity building in the Ministry of Posts, Telecommunications, and Technology (MoPTT) and the National Communications Authority (NCA). For the former, the World Bank secured in-kind support for a Cybersecurity Maturity Assessment Model (CMM), a standardized tool to assess the cybersecurity ecosystem, through its framework partnership agreement with Oxford University and affiliates, which will be implemented by the Cyber Capacity Center for Southern Africa (C3SA).

The FGS adopted a Bill to establish the Digital ID agency, which was approved by the lower house of Parliament in October 2020. Significant gaps remain in the enabling legal and institutional framework, about the legislation governing the ID system specifically, as well as more generally applicable enabling legislation such as data protection, cybersecurity, and e-transactions.

Gargaara Company Limited and the MSME Financing Facility is fully operational on both lending windows, and three Participating Financial Institutions (PFIs) are onboard. First disbursements under small and microloans window were made in June 2020 and reached a total US$1.45 million as of September 2020 to 76 beneficiaries; a further US$0.85 million are in the immediate pipeline. The large loans window was activated in December 2020.

A digital services and solutions firm has been hired by the MoCI to advance reforms and automation of business registration services, including the operationalization of full functionality of the online business registration system (BRS) in Mogadishu.
The ICT Sector Support Program in Somalia (P152358), which closed on June 2020, was conducted in two overlapping phases running from 2014–2020. A planned third phase evolved instead as the ongoing SCALED-UP program. The Implementation Completion and Results Report (ICR) for the second phase has been prepared and a Decision Meeting held on March 10, 2021.

The project was one of the first large grants to be awarded under the World Bank’s reengagement with Somalia and was rated as high risk. At project initiation, the privately-led ICT sector was recognized as “one of the brightest spots of the Somali economy” but was completely unregulated and approaching the limits of what could be sustained without sector regulation. The project objective was to develop the sector by “establishing an enabling environment and by encouraging efficiency and equity in access to connectivity.” Fundamental to achieving this was passing a Communications Act and establishing a telecom sector regulator, as well as improving the framework for mobile money given its important role in the economy. To enhance access to connectivity, the project sought to address issues related to SIM card registration, and connectivity for government institutions and universities. Extensive capacity building was also at the heart of the project to underpin activities and sustainability.

By successfully passing the Communications Act, in October 2017, and establishing the National Communications Authority (NCA), by May 2018, the project achieved its main goals, and Somalia has leaped from the absolute bottom of the ITU ICT Regulatory Tracker, rising from 16 to 63 points out of 100, which positions Somalia in the vicinity of regional peers. However, as expected in such a fragile environment, there is still some way to go before legislation is fully implemented and the NCA matures as a truly independent regulator.

On mobile money, the project filled a gap and generated an impressive body of knowledge which has been leveraged across many internal and external stakeholders. Following the passage of the Communications Act, which made SIM card registration mandatory, the focus of this subcomponent was shifted to research on Digital ID. This subsequently informed Digital ID roll-out through the SCALED-UP project (P168115). The project also contributed significantly to enhanc-

**BOX 7**

**ICT Sector Support Program: Lessons Learned**

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ing the connectivity of government institutions and universities, with all targets met or exceeded. Due to security issues and capacity constraints, many project costs came with a high overhead. However, with these factors in mind, the project was implemented efficiently with reasonable value for money.

Based on a review of project material and interviews with stakeholders across the project, the following represent preliminary learnings, which are currently subject to internal and client review.

- **Less is more.** FCV contexts (unsurprisingly) require simplicity and agility. It is especially useful to design interdependent activities in an agile way. At an activity level the project succeeded with this. On the broader goal of enhancing access in Somalia it is challenging to directly link project results with development, though there was an impressive reduction in sector prices. A design learning is that the overall objective, rather than being broad, should track activities closer, and hone in on objectives that match the (difficult) context.

- **Reform drivers are needed.** The project helped pass the Law and established the regulator, a feat that had been attempted many times without success, going back as early as 2006. One success factor this time around was the ability to link the expected reforms to cross-government goals of achieving HIPC status enabling critical debt release. The results also highlighted the value of persistent stakeholder engagement.

- **Local anchoring is paramount.** In a low security environment with a trust-deficit and limited physical access, it is essential to employ local language-speaking staff members who understand local context, sensitivities, and relationships.

- **Cross-government alignment is needed.** The project mainly focused on core ICT-related stakeholders, which in some cases caused a problem for ownership and commitment to reforms and actions which were dependent on other stakeholders across the government.

- **Management of hybrid models should be enhanced.** A hybrid implementation model was chosen, with a mix of recipient execution and bank execution on behalf of the recipient. This enabled a rapid start and reduction of risks, but in the long term provided a mixed blessing by adding significant administrative complexity and rigidity. In general, Bank procedures related to this modality can be significantly improved. In addition, the agreed funds for Phase II of the project were allocated to the project in tranches subject to replenishment of the parent Trust Fund (SMPF). To accommodate the transfer of funds, the project needed to be restructured each time, which further caused delays and implementation challenges. In retrospect, it might have been better to have appraised a smaller amount and then added additional financing rather than making available only a third of the appraised financing to the project team.

- **Project design must include sustainability measures, especially for projects focused on reform and institutional strengthening.** At the time of project completion, a handful of critical challenges remain. Some activities were carried forward by other projects, but other successful ones were not. To push the sector forward, these activities (for example, related to SomaliREN, the connectivity agenda) should be picked up through World Bank or partner engagements.

The Somalia Crisis Recovery Project (SCRP) responds to multiple ongoing and overlapping crises. It will provide immediate recovery support to the 17 districts in the three FMS of Jubbaland, South West, and Hirshabelle hit by flooding in late 2019, by supporting livelihoods and infrastructure rehabilitation. It will also respond to the country’s desert locust infestation and public health crisis, aligned with the FGS’s COVID-19 strategy, as well as strengthen governmental systems and capacity for disaster preparedness. For the locust and COVID-19 response and preparedness elements, activities will extend across other FMS, and the self-declared independent territory of Somaliland.

The project has commenced locust control and livelihood support activities through a US$10 million component being implemented by the Food and Agriculture Organization (FAO) of the United Nations under a service agreement signed in July 2020 with the FGS. Together with the Ministry of Agriculture and Irrigation (MoAI), the FAO has thus far provided 7,050 vulnerable agro-pastoral and farming households in south-central districts with quality agricultural inputs. The FAO has so far treated 4,532 hectares in Puntland, Somaliland, and Galmudug. Ground control has also recently commenced in vulnerable farming communities in 30 districts in which personal protective equipment (PPE), sprayers, and malathion are distributed to farmers by the respective FMS’ MoAIs.

Good progress has been made on the ground-work to enable implementation of medium-term flood recovery, though activities have yet to start. Subprojects have been identified through the completed prioritization process and will be implemented using MDAs through competitive tendering in the local market. The PIU is in the process of signing a contract with the FAO to provide support on design and construction supervision of flood management infrastructure, including the rehabilitation of flood
relief canals and open river breakages along the Jubba and Shabelle basins.

To strengthen flood risk management, the PIU has facilitated setting up a partner group on flood-risk management to ensure coordination and alignment of investments. The SCRP will support a government-led framework for collaboration with donors/partners and for coordination among FMS and provide resources to plug key gaps where it can, but the needs far exceed project resources. The technical team has been using trust fund resources from the Global Facility for Disaster Reduction and Recovery (GFDRR) to support hydromet and early warning services in two strands. The MoF has signed MoUs with the three participating FMS for project implementation of the flood recovery related project components—a significant step forward for cross-government collaboration and project ownership.

The Bank, along with the PIU, OPM, and Ministry of Humanitarian Affairs, have together undertaken a number of dialogues, which have extended to other donors intending to, or currently providing finance to, the Emergency Operation Center (NEOC) to ensure its operationalization. The SCRP will consider early stage ‘transitional’ capacity building activities to breathe life into the NEOC until its new physical headquarters is complete, and upon receipt of a costed and time-bound plan.

A concept note by the MoAI, with inputs from the FAO and World Bank Agriculture GP, was submitted in June 2020 to the PIU for establishing a locust early warning system. The proposed scope, outputs, and budget of this activity has not advanced further, though the PIU may include this activity under a second phase of contracting with FAO.

The PIU is in the process of contracting the Ipsos Group to develop an integrated system for disease response and COVID-19 related decision making.

The Bank cleared the FGS’ request for the activation of the SCRP Contingency Emergency Response Component (CERC) in September 2020 for an initial amount of US$4 million in response to the COVID-19 pandemic. Progress on CERC activation was significantly delayed, but the PIU has finalized the recruitment of a health consultant and service agreements now need to be urgently put in place for the agreed CERC implementing partners—the International Organization for Migration (IOM), Unit-
The Special Financing Facility for Local Development (SFF-LD, P156257) project, which closed in March 2020, supported the construction/reconstruction of infrastructure and the development of public service delivery capacity in targeted areas of Somalia. It also supported the Federal Government and Interim Administration capacity to respond to an eligible crisis or emergency. It was restructured to provide multisector recovery and reconstruction to support Somalia’s recovery from the unprecedented crises it currently faces—droughts, floods, locust invasion, and the COVID-19 pandemic. The Somalia Crisis Recovery Project (SCRP) was developed as the follow up operation, building upon the successful experience of the SFF-LD in public sector and civil collaboration for disaster response.

SFF-LD successfully advocated innovative approaches to institution building and provides effective lessons applicable to similar operations:

- **Engaging early in complex crises and cutting across the perceived divide between humanitarian and recovery interventions**, thus helping clients transition from early to medium-term recovery and resilience-building activities. This approach operationalizes the World Bank’s corporate priority and inter-agency agenda on supporting the humanitarian-development nexus.

- **Adopting a highly responsive and adaptable approach in fragile and vulnerable contexts.** The Contingent Emergency Response was a key tool in enabling maximum flexibility to respond to an emergency which occurred during project implementation.

- **Having a supplementary supervision budget** enabled intense early technical supervision and support to third party monitoring. This went beyond what is to be expected by the Bank under ‘regular’ supervision missions and helped mitigate risk (including shortening delays) and supported iterative learning in government counterparts.

- **Piloting small scale innovative approaches in FCV remains relevant.** In this case the State and Peacebuilding Fund was willing to take a risk on allocating US$2.8 million for drought response, which led to the utilization of INGO consortia to deliver recovery services. This innovative concept of delivery is now being deployed and on a much larger scale by the SCRP, with full buy-in from the government.

- **Using country systems meant greater ownership of the project and the Bank was able to become a trusted convener of key actors.** As a result, the Bank enjoys an influential and ‘trusted partner’ relationship. During the ICR mission government officials in multiple jurisdictions made clear their strong sense of ownership of the project and the assets it delivered, increasing the likelihood they will be maintained. The standing capacity in the PIU meant that the SCRP was able to hit the ground running.

- **Demonstrating the utility of a government-NGO model for service delivery and trust building in weak capacity FCV environments.** As the government gradually builds its own systems and structures, closer collaboration with civil society and other partners—like the one proven
with the BRCiS consortium under the project—particularly in regions where it has limited access, is critical to enable it to respond to crises facing the country and gradually build citizen-state trust and legitimacy of government institutions. The same model is being used under the SCRP. Consider further institutionalizing and standardizing support for the use of INGOs/CSOs as implementing partners, particularly in FCV contexts where the delivery capacity of government institutions are weak.

Enhancing government visibility is essential to building state-citizen trust. Engaging external partners to support implementation, strategic communications, and government positioning were key elements under SFF-LD in promoting visibility. Strengthening social cohesion is thus critical as any engagement must support bottom-up planning and accountability. This will allow government to migrate from a purely reactive humanitarian response to one which is more preventative, development focused, and sustainable in the long term. Communications towards enhancing state-citizen trust and legitimacy for the government in FCV settings require a highly contextualized and politically sensitive approach. SFF-LD presents a good case study of how to balance security risks with efforts to increase visibility for government.

- Using diverse strategic communications for project ownership and government visibility. The BRCiS consortium/PIU used a wide range of communication channels to create transparency and secure citizen buy-in. Despite these efforts, FGS visibility could have been more strategic and impactful. In project design stage, consider setting out a more cohesive and targeted communications strategy across all project components to ensure more comprehensive and streamlined messaging.

- Using independent verification agent tools for better M&E and to provide credibility. The World Bank directly hired third party monitors to assess and monitor the project. Having a close third party working between the Bank and FGS was really important in providing credibility on both sides. The Bank can consider expanding this approach for directly engaging independent verification agents, using the Bank’s own resources, or through multipartner–financed arrangements.

15. BRCiS, or Building Resilient Communities in Somalia, is a humanitarian consortium.
ed Nations Children’s Fund (UNICEF) and World Health Organization (WHO)—which will deliver on the initial activities.

The **Water for Agro-Pastoral Productivity and Resilience** (or **Biyoole**16) project, declared effective in December 2019, aims to deliver improved water and agriculture services to agro-pastoral communities in drought-prone dryland areas of Somalia and improve their productivity and their resilience to climate-induced shocks. The primary project beneficiaries are estimated to be more than 250,000 (of which 140,000 are women) agro-pastoralists. The project currently operates in Galmudug, Puntland, and South West State; it aims to ultimately cover 100 rural communities across all six states and Somalia.

With the establishment of the National Project Coordination Unit (NPCU) and PIUs in each FMS participating in the project, all of them well staffed, equipped and furnished, as well as with a functional project steering committee, the institutional aspect of the project implementation is improving by the day. Some ministries which have no permanent offices benefitted from the project and are now building new ministry offices. Federal ministries have been mobilizing sector planning workshops with their state-level counterparts to ensure close collaboration on planning and implementation of activities. Moreover, as implementing agencies get more clarity, the project design is becoming clearer as a multisectoral platform to strengthen rural resilience in Somalia.

The NPCU initiated various Biyoole sectoral meetings, and the states also organized meetings. This marks an important milestone in the project, opening the door for discussion and networking, co-

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16. ‘**Biyoole**’ means ‘water fetcher’ in Somalia—a person who collects water from shallow wells or other sources to distribute for household consumption, livestock, and agriculture. The **biyoole** is a staple of Somali agricultural and pastoral life.
ordination and supervision of project activities and implementation status, as well as capacity development of the institutions. The National Inter-Ministerial Project Steering Committee is meeting regularly and providing overall oversight on project implementation processes and activities.

The Project Coordination Unit at federal level provided technical training and guidance to the state PIUs on project implementation frameworks, procurement (using Systematic Tracking of Exchanges in Procurement [STEP] system), finance (establishment of project accounts), work plans, procurement plans, and budget preparation. During the Biyoole sector meetings, WALP end line reports have been distributed to the state PIUs for reference and learning purposes.

Community Driven Development (CDD) operational guidelines have been developed by an FAO-supported consultant in consultation with the NPCU, PIUs, and community development specialists. The aim is to initiate engagement with target communities—developing the CIPs under this component is a top priority so that the project can begin to identify the types of support needed by the community in terms of goods and services. Community consultation meetings have also been conducted. The preparation of community engagement guidelines and manuals is at an advanced stage. The guidelines, manuals, and accompanying in-field facilitation tools, after going through an iterative review process, were ready for use and rolled out by the end of 2020.

A Capacity Needs Assessment consultant has been recruited to support the preparation of a Capacity Needs Assessment Report—which will identify and analyze capacity weaknesses (individual, institutional, and societal) and highlight financial and physical asset deficiencies in the region—for the implementing entities.

The backstopping engineering firm procurement process was completed for Puntland and consultants are onboard; the process is ongoing for South West and Galmudug States. This will result in backstopping engineering and construction support for site selection and water source construction monitoring. Sites have been previously identified but need to be confirmed with the support of the available technology. In Puntland, the site selection process is ongoing and six sites have been selected. The Construction Investment Reports of the sites have been submitted to the Puntland Government to start the implementation of the water points. Hydrological monitoring equipment (GPS tools) has also been procured to establish the impact of the wadi developments.

The Directorate of Environment of Climate Change (DECC) under the Office of the Prime Minister (OPM) developed Environmental and Social Impact Assessment Regulations. All the PIUs in each of the participating FMS (Galmudug, Puntland, and South west) have a dedicated safeguards specialist. The project is in the process of establishing its grievance redress mechanism (GRM), which was impeded due to the pandemic. However, efforts to put in place the GRM are ongoing and it is expected to be in place by early 2021.
### Table 2. Overview of Projects: Enabling Economic Growth

As of December 31, 2020 (in US$ million)

<table>
<thead>
<tr>
<th>Projects</th>
<th>Objectives</th>
<th>Budget</th>
<th>MPF Grants</th>
<th>MPF Disbursements</th>
<th>IDA Grants</th>
<th>IDA Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Somalia Core Economic Institutions and Opportunities (SCORE)(^{17})</td>
<td>(a) Improve the enabling environment for private and financial sector development; (b) catalyze private investment and job creation.</td>
<td>28.5</td>
<td>28.5</td>
<td>25.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Somali Electricity Access Project (SEAP)</td>
<td>Expand access to electricity in targeted rural and peri-urban communities in Somalia, including Somaliland.</td>
<td>7.2</td>
<td>7.2</td>
<td>1.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Program (SCALED-UP)</td>
<td>Support progress towards increased access to basic digital financial and government services supporting entrepreneurship and employment, particularly for women.</td>
<td>31.0</td>
<td>13.0</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Somalia Crisis Recovery Project (SCRP)(^{18})</td>
<td>Support the recovery of livelihoods and infrastructure in flood- and drought-affected areas and strengthen capacity for disaster preparedness nationwide.</td>
<td>137.5</td>
<td></td>
<td>137.5</td>
<td>19.4</td>
<td></td>
</tr>
<tr>
<td>5. Water for Agro-Pastoral Productivity and Resilience (or ‘Bijoole’)</td>
<td>Develop water and agricultural services among agro-pastoralist communities in dryland areas of Somalia.</td>
<td>42.0</td>
<td></td>
<td>42.0</td>
<td>2.7</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>246.2</td>
<td>48.7</td>
<td>27.7</td>
<td>179.5</td>
<td>22.1</td>
</tr>
</tbody>
</table>

17. This project closed successfully in September 2020.
18. The SCRP project was developed as a follow up to the Special Financing Facility for Local Development (SFF-LD, P156257) Project, which successfully closed in March 2020.
Urban Infrastructure

The Urban Infrastructure portfolio financed three active projects, all of which are recipient-executed investment projects. The MPF provides financing worth US$79.6 million. The portfolio is co-financed with US$50 million in IDA resources (Table 3). 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.

This year, Somalia faced yet another drought due to the impact of poor rains. Water scarcity, widespread crop failure, a locust infestation, and accelerated decline in livestock productivity have seen communities slide into acute food insecurity, which often leads to increased displacement into urban centers. Approximately 2.8 million people are internally displaced in Somalia, of which 80 percent live in urban areas.

The urban portfolio seeks to support Somali authorities at multiple levels to get ahead of these urban challenges. In such a context, the World Bank and partners, such as German Development Cooperation (through KfW), EU, DFID, and others, have a significant role to play in strengthening government institutions.

Under the original Somali Urban Investment Planning Project (SUIPP) (US$9 million, 2016–2017), feasibility studies, preliminary engineering designs, and safeguards instruments were prepared for the rehabilitation of urban secondary and tertiary roads in Mogadishu and Garowe to improve people’s access to basic services. Activities were completed by December 2018 and the investments are currently being implemented under the Somalia Urban Resilience Project (SURP). Investments for Hargeisa were unfortunately not followed through due to budget constraints.

The additional financing for SUIPP (SUIPP AF) builds on the findings of an urban assessment previously undertaken for Kismayo and Baidoa. UNOPS has provided technical assistance for the design of priority urban investments. Currently, the project is almost fully disbursed. 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 the second phase of the SURP (SURP II).

A program coordinator has been assigned in Mogadishu to help the two new cities liaise with the federal government, and also to foster peer-to-peer learning across the four cities supported under the SUIPP.

The Somali Urban Resilience Project (SURP) is the national urban resilience project that aims to pilot the use of country systems at the subnational level and strengthen municipal governments’ capacity. The scope of works in Mogadishu involves the construction of 14 community roads (6.03 km)
Portfolio Overview

across seven districts, which is a variation from the scope mentioned in the previous edition of the Progress Report. The changes were made following community consultations conducted by the BRA in Boondhere, Warta-Nabada, and Shangani districts.

Due to delays in the completion of works, the original contract period increased from 14 months to 21 months, which consequently pushed the expected completion date from May 15, 2020, to December 30, 2020. However, it is more likely that the contractor will complete all remaining works by April 2021 due to foreseeable construction challenges. The BRA has initiated the extension of both the works and supervision contracts.

As of September 30, 2020, more than 6,554 labor days have been created in the overall project. Maintenance Committees established by the BRA in the six districts where roads are completed or in progress continue to assist the BRA in the maintenance of SURP-financed roads.

All civil works in Garowe were completed by June 30, 2020. The roads were officially handed over to Garowe Municipality on August 1, 2020, in a ribbon cutting ceremony attended by the Mayor of Garowe, the Minister of Interior, Federal Affairs and Democratization, and other government officials. Meanwhile, the certificate of completion was issued on June 23, 2020, following UNOPS’ recommendation that the contractor address all notified defects. The defects liability period of 12 months will close on June 22, 2021.

As of September 30, 2020, an estimated 42,512 labor days have been created in the overall project—more than 10 percent of those employed were women. In addition, the PIU has established one Maintenance Committee comprising seven representatives from the Department of Public Works and Public Relations, community elders, women and youth groups and IDPs. A road operation and maintenance manual has been prepared by UNOPS.
The same firm which carried out the baseline survey has been contracted to carry out an end line survey in both cities. The survey commenced in November 2020 starting in Garowe and will be subsequently carried out in Mogadishu following the completion of remaining civil works.

The Somali Urban Resilience Project II (SURP II) was approved by the IDA Board of Directors on December 9, 2019, and declared effective on February 24, 2020. It has an overall financing envelope of US$112 million from the Somalia MPF (US$62 million) and IDA (US$50 million). The project will be implemented over a period of five years.

This demonstrates how the MPF is able to crowd in resources from other streams. SURP II builds on the ongoing SURP and SUIPP—both of which are delivered through local governments and have proven effective. SURP II will scale up infrastructure support in Mogadishu and Garowe, support prioritized infrastructure investments in Kismayo and Baidoa that were selected under SUIPP, and lay the groundwork for further expansion to strategic cities in Dhusamareb (Galmudug) and Beledweyne (Hirshabelle).

The project will strengthen urban resilience by (a) providing capacity building support to municipalities and strengthening government systems at the subnational level by channeling funds on-budget; (b) financing prioritized urban infrastructure investments in cities; and (c) generating short-term income generation opportunities for the vulnerable such as women, urban poor, IDPs, and returnees.

SURP II also supports the NDP Infrastructure Pillar which aims to “lay out the foundations of resilient infrastructure systems that will contribute to the country’s stability and will provide necessary services for all.”

The four PIUs (Kismayo, Baidoa, Mogadishu, and Garowe) have agreed to engage UNOPS to provide technical assistance for the supervision of civil engineering works and monitoring of the contractors’ adherence to the ESF instruments. TA services are expected to commence by end-February 2021.
Finalized in June 2020, the Somalia Urbanization Review: Fostering Cities as Anchors of Development aims to improve an understanding of the complex issues pertaining to urbanization in Somalia and to identify priority interventions. There is wide consensus among the government as well as development partners on the critical importance of urbanization for Somalia’s development. Yet, there has been little comprehensive analysis that serves as a basis for a coherent urban development strategy.

This review puts forward policy recommendations on how to leverage the existing hybrid governance and non-state-led service delivery systems and improve them to make Somali cities more effective at generating economic development, better able to deliver key services to the citizenry, and more inclusive and equitable for all.

Somalia is urbanizing rapidly. Somalia is home to an estimated 15.9 million people, of whom 7.4 million (46 percent) are urban dwellers. The growth rate for urban areas is extremely high—around 4.3 percent per annum. By 2050, the urban population is expected to triple.

If managed well, urbanization can help Somalia to develop faster and further. On the other hand, if poorly managed—if Somalia fails to meet the needs of growing urban populations—Somalia’s modest successes and wider stability will be undermined. Given the central role cities play in Somalia’s development and stability, managing Somalia’s urbanization is crucial.
This review aims to improve our understanding of the complex issues pertaining to urbanization in Somalia and identifies priority interventions that can help better manage it. It draws on both technical and political economy analyses to provide a better understanding of a broader range of urban issues in Somalia, and craft recommendations that are better tailored to the local contexts—filling in a much-needed knowledge and policy gap. The report aims to facilitate a more informed dialogue between the government, private sector, civil society, development partners, and other stakeholders on a more comprehensive urban development strategy in Somalia.

Operationalization of some of the policy recommendations is under way. A policy dialogue platform was recently launched, together with DFID, called the Somalia Cities Initiative (SCI) to help the government address the most pressing challenges Somali cities face today which can encompass urban planning, local economic development, urban infrastructure, and delivery of services to forced displacement. By applying a spatial lens, the SCI will help develop a suite of policy, advisory, and program solutions to meet the challenges of sustainable urbanization and leverage data-driven diagnostics to inform the decision making. Monthly consultations are held with key partners and government actors to implement key recommendations in selected strategic cities.

The Urbanization Review also makes an important contribution to the emerging urban-FCV agenda that goes beyond Somalia. FCV countries are increasingly urbanizing, in no small part due to the large inflows of forcibly displaced persons. Their inability to cope with this rapid urbanization is leading to increased fragility. Yet, there have been few analyses that have undertaken urbanization reviews through an FCV lens and provided tangible recommendations on how to address them.

19. The Somali terminology for urban settlement is ballad for main towns, buula for smaller towns or a neighborhood within a town. Degmo refers to a district and tuula to a settlement.
## Projects Objectives

1. Somali Urban Investment Planning Project (SUIPP)
   - Objectives: Provide feasibility assessments and preliminary plans for selected urban investment and institutional strengthening activities.

2. Somalia Urban Resilience and Recovery Project (SURP)
   - Objectives: SURP Phase I: Strengthen municipal planning and implementation capacity to improve access to basic infrastructure in targeted areas.
   - Objectives: SURP Phase II: Strengthen public service delivery capacity at the municipal level and increase access to urban infrastructure in selected areas.

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

As of December 31, 2020 (in US$ million)

<table>
<thead>
<tr>
<th>Projects</th>
<th>Objectives</th>
<th>Budget</th>
<th>MPF Grants</th>
<th>MPF Disbursements</th>
<th>IDA Grants</th>
<th>IDA Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Somali Urban Investment Planning Project</td>
<td>Provide feasibility assessments and preliminary plans for selected urban</td>
<td>8.6</td>
<td>8.6</td>
<td>8.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(SUIPP)</td>
<td>investment and institutional strengthening activities.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Somalia Urban Resilience and Recovery Project (SURP)</td>
<td>SURP Phase I: Strengthen municipal planning and implementation capacity to improve access to basic infrastructure in targeted areas.</td>
<td>9.0</td>
<td>9.0</td>
<td>7.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SURP Phase II: Strengthen public service delivery capacity at the municipal level and increase access to urban infrastructure in selected areas.</td>
<td>112.0</td>
<td>62.0</td>
<td>1.4</td>
<td>50.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>129.6</td>
<td>79.6</td>
<td>17.9</td>
<td>50.0</td>
<td>0.8</td>
</tr>
</tbody>
</table>
You worked on Somalia for four years as it transitioned out of conflict. What were the critical changes you saw in this process?

I joined the Somalia team just before the first elections happened. It was a peaceful transition of power. During my time we were lucky enough to have counterparts in the government with incredible political willingness to bring change. Our role was to further advance the transition from a war economy towards credible and trusted systems of government—systems and institutions that could create value and distribute wealth and opportunity, including to those who have been excluded during decades of conflict. Our engagement and the support of the World Bank Group (WBG) have been critically important in supporting this shift.

I personally saw the transition happening, especially in Mogadishu. During my time visiting the city there were more signs of everyday life—more people on the streets, more outdoor leisure activity, more trucks backed up outside the port. At the government level, we saw the emergence and strengthening of institutions at federal and provincial levels and an increasingly confident Central Bank. The World
Bank (WB) team that worked to strengthen the Central Bank played a hugely important role; beyond putting in the software and the systems, the team helped it negotiate new regulations and policies with a financial sector that was both eager for, and wary of, a new regulatory environment. This was an important step in helping the country to move towards reengaging with international financial systems and connecting the country back into international systems.

There were other signs of the increasing trust and confidence in these nascent systems, such as the steady increase in revenue collection. It always struck me that in a context where there is no capacity to enforce, there must be other reasons why people were increasingly willing to pay taxes. We saw a steady increase in revenue each year, albeit from an incredibly low base, indicating that people were buying into this change, away from the old status quo. They were literally paying into a hope of a new type of governance and an alternative vision for the country.

One thing that really helped us through all this was the stability of our team and our long-term relationships and perspectives. In a low-trust environment, it helped that we had staff that had built relationships with client counterparts and had demonstrated their commitment to supporting Somalia’s recovery. The ability to look back over several years also helped give us both the context to understand how to adapt the WB’s role and the confidence to take risks and push innovation.

Short term snapshots of Somalia miss the retrospective of the magnitude of what has been achieved since 2012 and the efforts that have been made by the government and the people to move the country forward. The pace of reform in Somalia is fast. Working on the country for a number of years, I, along with other colleagues, was able to see firsthand the impact of the innovations and the risks we were taking. This gave us the confidence to calibrate and adapt the role of the WB to respond to both risk and opportunity.

**How did you engage civil society and communities when we did not have a presence on the ground?**

Even though physical outreach was limited, we came up with innovative ways to get opinions from different sectors in society. When we did our Country Partnership Framework, we had to do our consultation process without being able to go into the country. We aired public service announcements on private and public radio stations and invited listeners to call and give their feedback on different policy areas; we worked with the government and local radio stations to produce live radio shows about thematic areas for the WB’s work in Somalia with panel discussions with government, civil society organizations, parliamentarians, and other community leaders. These were very popular; each radio show received over hundreds of calls and thousands of messages related to the topic of discussion. In parallel, we conducted Twitter polls which were also promoted in the radio segments, and also partnered with iRise, a major tech incubator based in Mogadishu, for face-to-face consultations and focus group discussions.

The other thing we did in 2019 was engage with a group called Africa’s Voices. It does a lot of SMS-based engagement, radio programs, and surveys. Its Common Social Accountability Platform (CSAP) was launched as an independent channel to engage with Somali citizens and provide insight on their perspectives. It uses a network of 25+ FM radio stations that broadcast across Somalia’s regions, covering over 70 percent of its geographical area. We were trying to quickly and effectively understand what the population felt were the highest priorities and where they thought the WB and other development actors
could best use resources.

Ninety percent of people in Somalia own a mobile phone and 75 percent of people listen to FM radio on a weekly basis, so our outreach leveraged the reach and vibrance of Somalia’s media and telecommunications landscape.

Is there anything you wished you had done better?

Collectively as an international community, I think we didn’t do as much as we could have to address gender disparities or improve representation in our dialogue. This is important, particularly when we are helping a country move away from postconflict status quo and redefine new norms. There is a risk of perpetuating norms that exclude women and girls if we don’t address this directly in our dialogue with the client. By the time I left there seemed to be fewer women around the table than when I started—and not just on the government’s side of the table. As an international community, we need to reflect what we promote as well. I don’t think it’s acceptable to see only male colleagues in the media releases, the tweets, and the photo opportunities. We are documenting a history with no women in it every time we do this. When we think about the next generation of Somali women looking back on this period of the country’s history—what is it we want them to see? I was thrilled about the appointment of Kristina Svensson as Country Manager for Somalia for a number of reasons, but one of them is that I know she will be a strong and effective champion for women and girls’ inclusion in the country’s development trajectory.

In your experience, how has the Bank changed how it works in fragility, conflict, and violence (FCV) settings?

I did experience a shift in the Bank’s attitude to FCV. When I started, there was skepticism from some colleagues about whether we should be engaged in Somalia at all, for example: “What’s the value of having an engagement in a country you can’t even visit?” It was sometimes difficult to build the consensus that the risks were worth taking. Our Somalia engagement started with a US$20 million investment from the State and Peacebuilding Fund (SPF). It was a small portfolio that needed a lot of attention and hand-holding with little analytical backing. Luckily, we had an extremely dedicated, innovative, and passionate country team and visionary management.

By the time I left, things had completely changed. We had the full support of top management, with acknowledgement and acceptance of the levels of risk involved. The FCV Group has a lot to be credited for, raising the Somalia case to the highest level and helping advocate to senior management and partners, articulating the Bank’s value-add. One of the last things I did was to take the Africa Regional Vice President to Mogadishu to officiate the opening of the new WBG Somalia office and meet the President at the end of 2019. Following that, and after clearing its arrears, Somalia reengaged with the International Development Association (IDA) at a ceremony that was presided over by President Malpass. When I started in 2014 it was a portfolio of about US$20 million; today it’s over US$1 billion.

What’s a lesson you’ve learned that you’d like to share with other colleagues working in FCV and that you’re bringing to your current role in Pakistan?

I came to work in Pakistan in January 2020—10 years since I last worked here as a consultant. Here, there is a real case example of an FCV engagement that led to a new WBG client. Ten years ago, when the province of Khyber Pakhtunkhwa was recovering from crisis, I came here to help set up the post-conflict multidonor trust fund which provided grant funds to support the rehabilitation of the province.
and the neighboring province of Balochistan. State-citizen trust was weak; there were very few services, and little formal rule of law. Gender disparities were extreme and much of the province was inaccessible. At the time, the teams that were going to Khyber Pakhtunkhwa in armored vehicles to prepare projects were breaking new ground.

In September this year, the Board approved a US$450 million hydropower project including a US$250 million IDA credit and a US$200 million International Bank of Reconstruction and Development (IBRD) loan directly to the provincial government, taking the provincial portfolio of Khyber Pakhtunkhwa to just over US$1 billion. From this I’ve learned what many of us knew already—difficult, grant-financed engagements in FCV contexts are the launch pads of our future clients. We have clearly demonstrated our relevance and now need to get better at supporting teams working in these settings.

The Bank has an important role to play in the transition out of conflict and this requires us to be engaged in contexts that are challenging, costly, and risky. While these contexts don’t lend themselves to good disbursement rates in the near term, we must engage there, particularly given the increasing concentration of extremely vulnerable and poor communities living in FCV contexts.

FCV needs to be considered part of the bread and butter of what the WBG does if we are to remain relevant as a development organization. We’ve come a long way as an institution but need to take this to the next level.

How do you think having an FCV strategy is helpful in this regard?

The FCV strategy helps to internalize and reemphasize within the institution three things: one, the fact that we need to be there in FCV settings; two, how we should be there; and three, what we need to change to really step up our game. The strategy describes all three very clearly.

Another big gap that the FCV strategy addresses is related to Human Resources (HR). By raising the profile of the work we do in FCV settings, the strategy helps address the stigma associated with working in FCV contexts. When I started in Somalia, I was advised by a senior colleague to “correct” my FCV profile quickly in order to have a successful career at the Bank. In the past, hiring managers might have made decisions based on the size of the projects and the disbursement successes. But the FCV strategy exemplifies our new HR approach, which is to make sure experience in FCV settings is valued. The strategy values the skills and experience required to bring the best of the World Bank to those living in situations of extreme poverty and vulnerability in highly challenging settings. I found that my colleagues both in Somalia and now in Pakistan are driven by the understanding that we can have a lot of impact on the lives of people living in these settings. They also have the skills and the vision to make it happen. The FCV strategy, in a way, recognizes and validates this drive and vision as important to what we have to offer in the WB.

The challenge is now to translate the strategy into practice, and to actually put our best resources into fragile settings. The strategy, I hope, helps make the case to an overstretched Practice Manager wondering where to put their best people—that is, into a large portfolio in a country with easy access, or a small and difficult portfolio, which will probably have an Integrity Vice Presidency (INT) investigation at some point and will also cost a lot more in terms of supervision budget. I hope the FCV strategy and its implementation can help convince them that—despite costs, resources, and complications—this is where we do some of our best work and have the most impact.
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 work of 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.

The COVID-19 pandemic has added to an already complex environment with additional uncertainties and complexities and introduces additional shocks to the World Bank 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 Multi-Partner Fund (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 major 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 Federal Member States (FMS) and significant growth there.
also, albeit from a smaller base. This combined with increased government transfers to FMS that have weaker systems and certain heightened risks due to COVID-19. 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 M&E 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 Fragility, Conflict, and Violence (FCV).

**Strategic Reviews and Portfolio-Level Monitoring**

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, 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, recommend actions to the WBG, and provide
targeted capacity-building support to government.

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 use-of-country-systems. These costs include salaries for civil servants and social sector workers on 19 payrolls, across the country, which enable government operations and, increasingly, education and health service delivery. Task teams’ support to government to rebuild and strengthen core state functions are bolstered through insight into the performance of Somali institutions responsible for financial governance.

During 2020, reviews were undertaken that specifically addressed performance against the WBG Environmental and Social Framework (ESF), adherence to which presents substantial challenges to implementing agencies as well as third party participants, such as construction companies. Country legal frameworks are weak or absent and there are very limited regulatory capabilities, leaving much to be compensated through project-specific arrangements. There is little experience of the actors in the application of the ESF, and these reviews inform the WBG and governments on how to meet the challenges ahead, both under WBG projects as well as more broadly.

**Portfolio Risk Profile**

The WBG Somalia portfolio risks are high, even when compared to those for portfolios in other fragile and conflict-affected settings.

Financing to the WBG Somalia portfolio is growing rapidly, with almost half of total commitments to date having been made during 2020. While much of this is WBG IDA financing, these investments are, most often, leveraging MPF-financed investments and cannot be seen as fully independent of the MPF-financed portion of the portfolio. World Bank financing implemented by government is expanding and is foreseen to expand further, with new commitments of US$372 million have been made during 2020, about half of the total commitments since World Bank reengagement with Somalia in 2013.

**Figure 3. Risks are rated as high for projects in the Somali portfolio**

![Risk Rating Categories](image)

*Note:* Global $n = 2101$, Fragile $n = 403$, Somalia $n = 13$.

*Source:* World Bank ISRs, Abyrint Analysis. ©abrint 2020
As the portfolio grows, exposure and residual unmitigated risk of engagement in Somalia is increasing. Exposure is higher in purely financial terms, with the rapid increases in financing outpacing major developments in the strength of government systems and the enabling environment.

Over many years, the MPF investments have helped build systems and drive reforms in key institutions, which are now being leveraged to enable scaled-up financing. The nature of the investments is also becoming more complex. Financing is increasingly transferred from the federal level to Federal Member States (FMS), which have weaker systems, and the portfolio is expanding significantly beyond the administrative sector, where there is an established track record. Investments in the social sector and physical infrastructure bring with them new risks with respect to procurement as well as environmental and social risks, including labor and working conditions, land use and resettlement, stakeholder engagement, and Gender Based Violence (GBV) and its manifestations of Sexual Exploitation and Abuse and Sexual Harassment (SEA/SH).

There are significant challenges in adequately addressing environmental and social risks. Government frameworks are nonexistent, outdated or otherwise insufficiently robust, the experience base of implementing governments and the expectations of the public are nascent or absent, and the costs and risks of monitoring are high. Social protections are expanding in scope under the new ESF policy. Project design requires risk management measures that consider the limited codified and empirically based knowledge of discriminatory practices and specific high-risk issues, the high opacity of discrimination, and long-run conflict and violence impacting behavior, and minimal public trust and experience with institutionalized channels for grievances redress, and especially for issues of sexual exploitation and GBV.

Challenges to managing procurement processes have resulted in implementation delays. These risks can be expected to be heightened as the projects grow in scale. Procurement risks are further height-

**Figure 4. Exponential increase in WB financial exposure on-government-systems**

*Note: MPF Recipient Executed (RE) grants + IDA.*

*Source: MPF Progress Reports; IDA; Abyrint Analysis. ©abyrint 2020*
ened in Somalia by the difficulties in verifying business information, track records, and ownership. Contract management will become more difficult, reflecting the more complex service and works agreements to be entered into for social sector and infrastructure investments.

The ongoing COVID-19 pandemic has heightened certain risks and warrants extra caution. While government- and Bank-led fiduciary risk mitigation measures continue through COVID-19 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.

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.

**Improving Financial Integrity**

To support the government to improve its public financial management and projects’ fiduciary systems, the Bank engaged with the government on several trainings and workshops targeting both active and pipeline operations. A joint fiduciary workshop was held on September 10–12, 2019, in Hargeisa, Somaliland, and a similar event for the FGS and FMS on February 11–13, 2020, in Mogadishu. The overall objective was to hold technical consultations with the relevant government staff involved in project management to enhance project financial and procurement management performance, develop an action plan for resolving fiduciary gaps identified in the financial management implementation reviews, quarterly Interim Project Financial Reports (IFRs), and the end-of-the-year project external audit reports and recommendations therefrom. The participants shared their common understanding on the level of risks for each project, associated negative impact on the Project Development Objectives (PDOs) in event the identified fiduciary risks are not addressed on a timely basis, Public Financial Management (PFM) strengthening measures, and the eventual negative effects on the entire portfolio.

**A. Background**

Financial Management (FM) arrangements for all recipient-executed (RE) operations are fully mainstreamed with the country PFM systems. The PFM systems are assessed and progressively monitored at three levels: (a) PFM systems and supporting legal framework at FGS and FMS; (b) implementing entities; and (c) project-specific FM arrangements. In Somalia, lack of unified PFM architecture is compounded by constraints recognizable in FCV countries, including limited access to the client (par-
particularly Federal level—Mogadishu and some of the FMS), which continues to present challenges in the provision of effective implementation support. The Somalia Bank PFM/Fiduciary function has dual twin roles: (a) providing assurance that projects’ resources are used for the intended purposes with due consideration to the principles of economy, efficiency, effectiveness, transparency, and accountability; and (b) developing institutional and PFM systems and capacities with specific focus to the Office of the Accountant General and Auditor General in the FGS and FMS.

**B. 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 principle information to facilitate design of appropriate contextual framework 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 are monitored and updated continuously throughout the project cycle management. The FM risk model has a qualitative focus and takes into consideration principles embodied in internationally recognized good 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 donors.
C. PFM/Fiduciary Engagement Model

The projects’ FM arrangements are designed to facilitate and promote sustainable development of the capacity of the country’s PFM institutions and implementing entities. The offices of the Accountant General, Auditor General, and Budget Directorate are central counterparts in the PFM/Fiduciary workstreams. All the project PFM/Fiduciary arrangements are fully aligned to the country PFM systems, including alignment to the outlined priorities in the National Development Plans (NDPs). Project-specific Interim Unaudited Financial Reports and governmentwide fiscal progress reports are generated through a single integrated window using the Government Public Financial Management Systems (Integrated Financial Management Information Systems—IFMs) at Federal, Puntland, and Somaliland. IFRs for the projects implemented in the other FMS (Hirshabelle, Galmudug, South West, and Jubbaland) and generated through Bisan IFMIS system and consolidated into the FGS generated IFRs. The projects’ PFM/Fiduciary arrangements in the FGS and across the FMS\(^{23}\) are managed directly by the Office of the Accountant General—centralized External Assistance Section (EAFS) units through collaboration with PREMIS\(^ {24}\) team. The projects’ external audit reports for FY2019 for the Government of Somaliland were submitted to the Bank within the set deadline of June 30, 2020, reviewed, and feedback provided to the government with an action plan to strengthen internal control weakness identified during the audit. The audit reports from the FGS and FMS (excluding Somaliland) were on December 11, 2020, way beyond the June 30, 2020 deadline. The late submission of these reports was due to delays in the recruitment of Technical Assistance to the Office of the Auditor General. These audit reports have been revised and relevant feedback has been provided to the government and respective project implementation teams.

A pragmatic approach combining 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 virtual implementation support leveraging on technology with the first wave of review concluded in May 2020. The second virtual review commenced in late November and is expected and marked for conclusion in early December 2020. The team interfaces with the third-party Monitoring Agent majorly focusing on verification of outputs to which reviews from the financial per-

\(^{23}\) Puntland, Somaliland, Jubbaland, South West, Galmudug, and Hirshabelle.

\(^{24}\) Third party PFM vehicle established and funded by a group of donors to lead PFM reforms across the newly formed states.
The forums usually:
(a) focus on PFM/Fiduciary implementation lessons, regular FM implementation support reports, the quarterly unaudited Interim Financial Reports, and the Auditor General’s recommendations from the project audits for prior years; and
(b) identify key cross-cutting (portfolio related) FM issues, project specific issues; and (c) develop an action plan for each of the identified FM issues on priority basis for resolution in the immediate term but within a financial year.

**E. Next Steps**

Follow up progress in the implementation of the joint action plan identified in the various reviews, including agreements from the joint fiduciary forum, are the next steps. The team will be focusing towards
use of technology in the wake of the COVID-19 pandemic as well as deepening collaboration with the Offices of the Auditor General, Accountant General, Internal Audit function and EAFS units as key institutions charged with operational fiduciary managements and oversight. Through collaboration with the SCALED-UP operation, the team is supporting full automation of activities in the FGS Office of the Accountant General towards a paperless office. The team will focus efforts towards areas of high systemic risks and on decentralized financial management arrangements of projects in the FMS. The Bank FM team is also working closely with the Office of the Auditor General and the Accountant General to ensure that the projects’ audited financial statements for the financial year ended December 31, 2020, are prepared and audited in a timely manner. Despite the adverse impacts of COVID-19, it is expected that the government will submit to the Bank project audits and management letters by June 30, 2021.

Environmental and Social Risk Management

Implementation of the World Bank’s new Environmental and Social Framework (ESF) for managing project risks, applicable to all projects starting after October 1, 2018, is well under way. On the environmental side, the ESF provides for expanded guidance on occupational health and safety (OHS), resource (energy, water, and raw materials) efficiency, pollution prevention and management, grievance redress mechanisms, and stakeholder engagement which continues from initial project design through the length of project implementation. Government ministries and PIUs with World Bank–funded projects have received both initial ESF training as well as one-on-one support on ESF from Bank technical staff, as needed.

So far seven projects are under implementation and have prepared various project-specific assessments and mitigation plans that align with the ESF.
requirements. These ESF instruments include Labor Management Procedures, Gender-Based Violence (GBV) Action Plans, Security Management Plans, Resettlement Policy Frameworks, Environmental and Social Impact Assessments, and Environmental and Social Management Plans. All projects also prepare a Stakeholder Engagement Plan for the entire project duration that includes Grievance Redressal mechanisms. All projects are also expected to pay specific attention to identification and inclusion of disadvantaged or vulnerable individuals or groups. These instruments/mitigation plans are expected to respond to both contextual risks in Somalia as well as project-induced risks.

The Bank carried out a country level assessment on Social Risk Management, which is at its draft final stages. The recommendations emanating from this assessment direct the Social Risk Management Approach in the four major areas of (a) enhancing ESF readiness of the fast growing portfolio; (b) building project level capacity; (c) strengthening national capacity in key social risk aspects; and (d) strengthening Environmental and Social Systems. This study is being complemented by a rigorous social assessment of Somalia.

To facilitate the International Development Association's scale up of the portfolio, the Bank has reviewed the environmental and social risks in Somalia and is developing systems to meet the country's unique requirements. Based on experience thus far, additional capacity and resources will be dedicated to the mitigation of social and environmental risks and towards improved stakeholder engagement to aid task teams in project design and implementation. In addition, the World Bank is exploring ways in which to pool ESF client capacity to support multiple projects through the RCRF project. This pooling would create sufficient funding to hire some senior advisors to lead capacity building at the FGS level, while also being able to hire full-time staff at the FMS level for environmental and social standards as well as GBV engagement.

Significant efforts will be required to enhance the capacities of government and communities in the management of environment and social risks on the portfolio; the Bank is continuing efforts to train counterparts in the ESF. Innovative solutions to the complex operational context of Somalia (such as enhanced consultation to facilitate land and resource transactions and multi-project GRMs) are being developed.

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.

The Somalia Country Environmental Analysis, completed in June 2020, encapsulates an extensive baseline of Somalia's natural resource assets (including biodiversity, soil, water, forests) as well as issues associated with degradation of those asset streams. This should aid individual development institutions as they each conduct their environmental baselines as well as identify potential negative environmental impacts and accompanying mitigation measures. It is also worth noting that the analysis has provided the authorities in Somalia with both strategic and operational recommendations for improving governance and management of natural resources.

The Bank is supporting economic and livelihood sectors in Somalia with information of climate exposure and resilience. The ongoing Somalia Climate Risk Assessment will provide technical resources to assist the Bank’s Somalia portfolio and the Somali government in managing climate-related risks.
The World Bank’s (WB) portfolio in Somalia has grown substantially since 2012, with WB reengagement with the country. Since the March 2020 normalization of relations between the Bank and the government, a greater expansion of the portfolio is anticipated as Somalia will be able to access International Development Association (IDA) financing to help meet its immense development needs. However, Somalia’s recent history of instability and conflict is complex, presenting the WB with significant operational challenges.

Ensuring that the Bank meets its obligations regarding environmentally and socially sustainable development is among the key challenges facing the Somalia portfolio. The introduction of the Environmental and Social Framework (ESF) in 2018 changed the way in which the WB assesses and manages social risks, seeking to ensure that WB-financed operations are environmentally and socially sustainable and that they avoid harming people and the environment. To do this, the framework considers an expanded set of risk factors and impacts compared with the previous operational policies.

Implementing the ESF is challenging for the Bank globally, but particularly so in Somalia. Given the government’s limited capacity and the complex operating environment, the majority of emerging Bank-supported operations within the Somalia portfolio will likely be categorized as substantial or high.
risk under the ESF. To manage the extraordinary operating environment and associated risks, the Bank commissioned an approach paper to support identification of ESF-covered social risks and to develop approaches to their management.

This report outlines the key social and institutional challenges to implementing the ESF in Somalia and proposes a series of design considerations, resourcing requirements, and management approaches to meeting these obligations. The report also identifies specific standards under the ESF—related to land acquisition and voluntary resettlement, for example—that require further analysis either to enhance the Bank’s understanding of complex formal and informal social systems in Somali or to develop specific approaches to WB operations where local systems are opaque or inaccessible.

The report, intended for Bank teams, recommends atypical levels of resourcing—including time, money, and human capital—to effectively manage the portfolio’s social risks. At the same time, the report emphasizes that there are no simple solutions, recognizing that systemic risks in Somalia are too complex and regionally varied for detailed blueprints or checklists for project planning and implementation. Working in Somalia will require continuing project-level assessments, increased effort, due diligence, and support to government partners, as well as the ability to be proactive and responsive to changing circumstances.

In addition to this report, a detailed social assessment for Somalia is being developed in collaboration with the Rift Valley Institute to provide deeper insights into Somalia’s social complexity, as well as the range of contextual risks that may influence project design and implementation.

and vulnerability throughout the project cycle. The assessment will also result in the development of climate risk screening tools, technical guidelines for climate-proofing investments in critical development sectors, and knowledge products that will assist in establishing the costs associated with this outcome.

The Bank has been supporting the Somali national government in developing basic legislation for environmental governance and resource management. Key among this is the Somalia National Environment Policy, which was approved at Cabinet level on February 13, 2020. This policy will be the foundation for sustainable management of natural resources both at the Federal and member state levels. The Bank also technically supported the Somali government in the preparation of the National Environment Management Bill of 2020, which was passed by a Cabinet resolution on November 26, 2020. The Bill, based on Article 25 and Article 45 of the Provisional Constitution, will be moved to the two houses of Parliament for approval. The Bill has 18 sections and will aid in improving environmental governance in Somalia.

In addition, the Directorate of Environment and Climate Change has also begun negotiations with departments in charge of the environment from the various FMS. A four-day inter-departmental meeting was organized in Mogadishu on November 24, 2020, aimed at strengthening coordination and collaboration between Federal and State level environmental Institutions. With the Bank’s technical support, the Somali government has also published draft Environmental and Social Impact Assessment (ESIA) regulations. The Bank has provided direct input into the draft regulations and has counseled the FGS to conduct further stakeholder consultations.

The Bank will continue to play a prominent role in strengthening the capacity of the Directorate to implement the new policy and legislation framework
for environmental management. To aid in this, the Bank has prepared a long-term capacity visioning plan for State-led environmental governance.

The Bank continues to strengthen attention to GBV, both as a critical development challenge in Somalia, as well as a key risk that may emerge in Bank-supported operations. The WBG has provided technical GBV expertise to ensure that new operations effectively address and manage risks of GBV. The WBG has also conducted a portfolio review of GBV that may emerge in Bank-supported operations.

This review highlights contextual, portfolio-level, and project-specific dynamics that may exacerbate or create new risks of GBV in operations, recommends key interventions and risk management tools for projects to be able to address these risks more effectively, and identifies opportunities for proactive GBV prevention and response programming within the larger development context (thereby reducing GBV risks within the Bank’s operating areas, writ large).

Financial Update

As of December 31, 2020, donors had committed a total of US$524.9 million to the MPF, of which US$501.3 million had been paid in. US$409.1 million has been committed for (a) signed project grants (US$354.3 million); (b) preparation, supervision, and monitoring of endorsed MPF pipeline and active projects (US$33.9 million); and (c) trust fund management and administration (US$20.8 million). This financial overview does not include funds from Pre-Arrears Clearance (PAC) Grants or IDA19.

The MPF has disbursed a total of US$289 million, representing 57.6 percent of paid-in contributions. A majority of the disbursements have been for project grants (US$242.2 million, 83.8 percent). Of these grants, most have been recipient-executed (US$202.8 million, 83.7 percent) and implemented by Somali authorities. In addition to grants, funds have been disbursed for management and administration (US$19.1 million, 6.6 percent) and preparation, supervision, and monitoring by WBG teams (US$27.7 million, 9.5 percent).
### Table 4. MPF Financial Overview

As of December 31, 2020 (in US$ million)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (in US$ million)</th>
</tr>
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<tbody>
<tr>
<td>Contributions</td>
<td>534.8</td>
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<tr>
<td>Paid-in</td>
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<tr>
<td>Unpaid</td>
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<tr>
<td>Investment Income</td>
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<td>Commitments</td>
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<td>Management and Administration</td>
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<tr>
<td>MPF Administration</td>
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</tr>
<tr>
<td>HQ Central Fee</td>
<td>9.9</td>
</tr>
<tr>
<td>Preparation, Supervision, Monitoring</td>
<td>33.9</td>
</tr>
<tr>
<td>Project Preparation and Supervision</td>
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</tr>
<tr>
<td>Monitoring Agent</td>
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</tr>
<tr>
<td>Project Grants</td>
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<td>BE Grants</td>
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<td>BE on Behalf Grants</td>
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<tr>
<td>RE Grants</td>
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<tr>
<td>Appraised but Not Signed</td>
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</tr>
<tr>
<td>Disbursements</td>
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<tr>
<td>Management and Administration</td>
<td>19.1</td>
</tr>
<tr>
<td>MPF Administration</td>
<td>9.2</td>
</tr>
<tr>
<td>HQ Central Fee</td>
<td>9.9</td>
</tr>
<tr>
<td>Preparation, Supervision, Monitoring</td>
<td>27.7</td>
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<tr>
<td>Project Preparation and Supervision</td>
<td>15.1</td>
</tr>
<tr>
<td>Monitoring Agent</td>
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<td>Project Grants</td>
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<td>BE Grants</td>
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<tr>
<td>BE on Behalf Grants</td>
<td>22.5</td>
</tr>
<tr>
<td>RE Grants</td>
<td>202.8</td>
</tr>
<tr>
<td>Unallocated Cash Balance (Paid-in—Commitments)</td>
<td>92.2</td>
</tr>
</tbody>
</table>
Figure 5. Total and Average Monthly Disbursements (MPF and IDA) 
(in US$ million)

- **MPF Disbursement**
  - CY14: 10
  - CY15: 24
  - CY16: 38
  - CY17: 62
  - CY18: 75
  - CY19: 38
  - CY20: 32

- **Avg Monthly Disbursement**
  - CY14: 2
  - CY15: 2
  - CY16: 3
  - CY17: 5
  - CY18: 6
  - CY19: 6
  - CY20: 12

- **IDA net**
  - CY14: 30
  - CY15: 111

Figure 6. Pledged vs. Paid-In Contributions to the MPF
(in US$ million)

- **Contributions**
  - **Pledged**
    - ITA: 3
    - SPF: 8
    - USA: 12
    - FIN: 14
    - SWI: 19
    - DEN: 36
    - SWE: 65
    - GER: 74
    - NOR: 79
    - UK: 97
    - EU: 118
  - **Paid-in**
    - ITA: 2
    - SPF: 8
    - USA: 12
    - FIN: 8
    - SWI: 17
    - DEN: 27
    - SWE: 59
    - GER: 74
    - NOR: 79
    - UK: 97
    - EU: 118

- **European Union**
- **United Kingdom**
- **Norway**
- **Germany**
- **Sweden**
- **Denmark**
- **Switzerland**
- **Finland**
- **USA**
- **SPF**
- **Italy**
Figure 7. MPF and IDA Disbursements (by Type and Month)\textsuperscript{25}

(in US$ million)

\textsuperscript{25} This figure excludes DPO disbursements.
Somali authorities continue to reach major milestones with the support of the Multi-Partner Fund (MPF) and its development partners (DPs). 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 World Bank (WB) MPF and International Development Association (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.

Somalia’s turnaround, though fraught with challenges, had made considerable progress over the last eight years, and in 2020 in particular. 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 break-through 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 during the second half of 2020, which illustrates the capacity of Somalia’s nascent federal arrangement to manage political confrontation; nonetheless, important challenges and fragility remain. Progress has been made on key fronts, including: the gradual entrenchment of the Finance Ministers’ Fiscal Forum (reconvened earlier in 2020) to push forward a systematic dialogue on fiscal transfers; the passage of the Electoral Law in February 2020; the resumption of high-level talks between Somalia and Somaliland in June and again in December 2020; as well as an agreement on September 17 concerning the electoral model for the presidential and parliamen-
tary elections in late 2020/early 2021. Unfortunately, this momentum has been lost towards the end of the calendar year 2020 and progress has not been linear, still facing significant challenges. Until these 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 (DPs). 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 World Bank (WB) MPF and International Development Association (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.

The MPF will continue to support the integration of the MPF portfolio into the wider IDA engagement, and find complementarities as well as scale up opportunities, as highlighted in the Mid Term Review of the MPF. A strategic review and discussion with DPs continues in CY21. The MPF will continue to support and strengthen institutions for service delivery and build resilience and opportunities in the economic space. The Performance and Learning Review that the Bank is discussing and finalizing during CY21 will help guide the delivery of more resources in MPF focus areas; the MPF can help set the stage or enable larger investments through IDA by building capacity of government, testing concepts, and managing risks—fiduciary, environmental, and social—and government capacity to manage risks.

The MPF will continue to support inclusive and robust economic recovery from the major impacts of COVID-19 and 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.

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-19 response and recovery operations. MPF-financed
COVID-19 support to understand the situation better in Somalia includes many initiatives:

- **COVID-19 Economic Monitoring:** To facilitate an understanding of the transmission channels of COVID-19 on the Somali economy, regular economic monitoring of high frequency indicators is being undertaken: for instance, of prices and food security, trade patterns; remittances reported by the Central Bank of Somalia; developments in the financial sector; and revenue collection and expenditure patterns. In addition, as Somalia continues efforts to secure debt relief in the context of the Heavily Indebted Poor Countries (HIPC) Initiative, there is regular implementation monitoring of the wider reform agenda and restructuring of debt agreements with bilateral creditors.

- **COVID-19 High-Frequency Phone Survey:** Effective policy responses to COVID-19 require that decision makers have access to timely information about who is affected and how. To monitor the socioeconomic impacts of the COVID-19 pandemic and inform policy responses and interventions, the WB designed and conducted a nationally representative Somali High-Frequency Phone Survey (SHFPS) of households. The first round of the SHFPS was conducted between June 18 and July 23, 2020, covering a sample of 2,811 households across all regions of Somalia and population type (urban, rural, IDPs, and nomads), drawn using a random digit dialing protocol. The same households will be tracked over time. The second round of data collection was recently completed, and the initial findings are expected to be available soon. This effort will improve our understanding of the effects of, and household responses to, the COVID-19 pandemic in near-real time. Information about coronavirus transmission knowledge and hygiene behavioral responses, as well as household enterprise situations, has been collected in the first round.

- **COVID-19 Enterprise Survey:** This has been launched 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 coronavirus on the private sector. The World Bank Group (WBG) and United Nations Industrial Development Organization (UNIDO), with support from the Somali Ministry of Commerce and Industry and the Somali Chamber of Commerce, undertook a survey of businesses in the country in June and July 2020. The survey covered 550 formal businesses, including microenterprises, across five cities in the country: Baidoa, Beledweyne, Bosaso, Kismayo, and Mogadishu. Wave 1 of the survey was conducted in June-July 2020. Wave 2 is expected to be completed in January 2021, and the third round is expected around May-June 2022.

In addition, the team is seeking multiyear programmatic funding to add additional rounds of the survey, expand the coverage to include more cities across Somalia, increase the number of respondents, and also cover the informal sector. New data will help sharpen the insights, track COVID-19 impacts on the Somali private sector over time, and inform WBG interventions in Somalia to support micro, small, and medium enterprises to strengthen resilience and speed up economic recovery.

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.

In this reporting period (July to December 2020), the MPF continued to catalyze government-led implementation of governance, economic growth, and urban development in Somalia. Knowledge generation will continue to be a core element of the MPF in the next reporting period to support and strengthen Somali authorities’ and development partners’ ability to plan and target resources strategically, despite depleting resources in the Knowledge Fund.

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 close of the year 2020 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.
To monitor the socioeconomic impacts of the COVID-19 pandemic and inform policy responses and interventions, the World Bank designed and conducted a nationally Somali High-Frequency Phone Survey (SHFPS) of households, implemented between June 18 and July 23, 2020. The survey covers important and relevant topics, including knowledge of COVID-19 and adoption of preventative behavior, economic activity and income sources, access to basic goods and services, exposure to shocks and coping mechanisms, and access to social assistance.

Presented here are the findings of the first round of the SHFPS. The information is based on a sample of 2,811 households across all regions of Somalia, drawn using a random digit dialing protocol. Sampling weights are computed to ensure representativeness at the national and state level, and by population type. The same households will be tracked over 12 months, with selected respondents—typically the household head—completing interviews every eight or 12 weeks.

Monitoring the well-being of households over time will improve understanding of the effects of, and household responses to, the COVID-19 pandemic in near-real time.

The sample for the COVID-19 SHFPS was designed to provide reliable and representative estimates for the country as a whole, at the state level (Jubbaland, South West, Hirshabelle, Galmudug, Puntland, and Somaliland) including Benadir as well as separately for urban, rural, nomads, and inter-
nally displaced persons (IDP) populations.

The sampling procedure had two steps. The sample was stratified according to the 18 pre-war geographic regions—which are the country’s first-level administrative divisions—and population types. This resulted in 57 strata, of which 7 are IDP, 17 are nomadic, 16 are exclusively urban strata, 15 exclusively rural, and 2 are combined urban-rural strata. Round 1 interviewed 2,811 randomly selected households across these strata using random digit dialing, working with quotas to ensure the final data represent the Somali population at the macro-level (a companion SHFPS report explains the sampling strategy in detail). The sample size was established based on a specific budget.

The SHFPS sample captures households with access to mobile phones. Mobile phone penetration rates in Somalia are high even among nomads and rural dwellers. According to the Somali Health and Demographic Survey, around 74 percent of households own mobile phones. Sixty-seven percent of rural dwellings and 59 percent of nomadic households own simple mobile telephones with access to FM radio.

However, despite high phone penetration rates across Somalia, reaching rural and nomadic respondents proved difficult. Relative to urban settings, phone penetration is lower for these households, and lifestyle considerations and access to energy makes mobile phone usage irregular. The weighting procedure accounts for the potential selection bias of phone surveys. This is achieved using a propensity score weighting procedure to correct for the under-coverage of households that do not have access to a mobile phone. The final weight is w1 (propensity weight) x w2 (post-stratification weight). Interviews were completed with 2,811 households (1,396 urban, 529 rural, 454 IDP, and 432 nomadic). The average duration of an interview was 28 minutes.

26. Wendy Karamba led the Somali High-Frequency Phone Survey (SHFPS) team, comprising Nobuo Yoshida, Kazusa Yoshimura, and Xiaomeng Chen. Altai Consulting implemented the survey with World Bank technical and financial support.
Household Profile

Sample composition in terms of population type, age, and gender in the phone survey is similar to those obtained from previous household surveys. Most households reside in urban areas. Nomadic and rural households are equally represented at around 24 percent, while IDP households represent 14 percent of the sample. Most respondents head their household, with a lower proportion of households headed by women. The gender distribution of respondents largely reflects the Somali population and is similar across different population types, though with a slight over-representation of women. Typical of the Somali population, most of the respondents are young. Urban respondents are, on average, younger than respondents in other population groups.

Most respondents have completed at least some primary schooling, with a large education gap between men and women (68 versus 50 percent). The sample is skewed towards more educated individuals, who are often overrepresented in phone surveys. The average household size is 5.7 persons. Household size varies across population groups. Nomadic households, which have 6.4 persons per household, are slightly larger than IDP households with 5.7 persons per household and rural households with 5.5 persons per household. Urban households have the lowest average household size, with 5.4 members.

FIGURE A1.1
Key Demographics

Households by population type
- Nomad: 24%
- Urban: 39%
- IDP: 14%
- Rural: 23%

Status of respondents within the household
- Household head: 81%
- Other: 19%

Gender of respondents
- Women: 54%
- Men: 46%

Age of respondents
- 18-29: 27%
- 30-39: 42%
- 40-49: 14%
- 50-59: 9%
- 60+: 9%

Highest level of education of respondents
- Never completed Primary: 42%
- Completed Primary: 13%
- Completed Secondary: 7%
- Attended Tertiary: 12%
- Completed Quaranic school: 26%
Knowledge and Behavior in Response to COVID-19

Awareness of the COVID-19 disease, associated symptoms, and main preventative measures is high, but adoption of some preventative behaviors is less common. Somalis across all states, population groups, ages, and gender show a high level of awareness of the ongoing COVID-19 pandemic, with an overall average of 98 percent of respondents citing that they had heard about COVID-19.

Somalis also show a good understanding of the most common and the most serious symptoms associated with COVID-19. Awareness of less serious symptoms that are still commonly associated with COVID-19 is substantially lower, however. Knowledge of preventative measures related to hygiene, social distancing, movement restrictions, and protective equipment is high, with close to 90 percent of respondents mentioning each measure. While Somalis wash their hands more often than usual and avoid unnecessary physical greetings and gatherings, less than half of respondents regularly wear a mask in public spaces. Other sources suggest that, in part, limited access to such personal protective equipment, perhaps together with fear of social stigma and discrimination, could prevent adoption of these preventative measures.

![FIGURE A1.2](image1.png)
**FIGURE A1.2**
Share of Respondents Aware of COVID-19 Pandemic, by Population Type

![FIGURE A1.3](image2.png)
**FIGURE A1.3**
Share of Respondents Aware of Potential COVID-19 Symptoms

![FIGURE A1.4](image3.png)
**FIGURE A1.4**
Share of Respondents Adopting COVID-19 Preventative Behaviour
Somalis are aware of some of the government actions taken to curb the spread of the COVID-19 virus, including stay-at-home measures and closure of educational institutions. Only a few are aware of the closure of mosques and nonessential businesses, as well as the government’s relief interventions. With a satisfaction rate of 95 percent, Somalis appear to be highly satisfied with the government’s response to the COVID-19 pandemic.

Despite high levels of satisfaction, a majority of respondents consider the pandemic a serious health and financial threat. Many are worried about the potential impact of COVID-19 on the health of their household members and household finances. Others perceive the response to the COVID-19 emergency as a source of political concern: some are worried the COVID-19 response could potentially limit their rights and freedoms, and others worry about the potential misuse and illicit appropriation of resources devoted to the COVID-19 response.

More vulnerable populations, namely nomadic and rural households, more strongly feel the stress and concerns brought about by the COVID-19 outbreak. This is true for financial- and health-related concerns, but it holds particularly true for the concern about the potential diversion of COVID-allocated resources by authorities. This may signal that such pastoral and agricultural populations fear that they would be excluded from benefiting from the government’s COVID-19 response.
Employment Patterns and Household Income

Somalis have experienced disruptions to regular work activities due to reasons strongly associated with the outbreak of COVID-19. Twenty-one percent of Somalis had been working prior to COVID-19 but had to stop their work activity following the outbreak of COVID-19. Business closures due to COVID-19-related restrictions are cited as the main reason.

Among salaried workers, who constitute almost half of all respondents, 23 percent were not able to work as usual. Work activities in the agricultural, energy, and professional services sectors have been most disrupted, whereas retail trade and the hospitality sector have been affected the least.

Among the 34 percent of Somali households owning a family business, 83 percent had fewer or no sales since February 2020. Eighty percent of Somalis cite COVID-19-related reasons—such as business closures due to government restrictions, fewer customers, and the unavailability of inputs—as the cause of low business activity. Moreover, 25 percent of households involved in farming or livestock activities have not been able to carry out their normal farming activities.

Employment Status
Remittances

The COVID-19 outbreak has adversely affected remittance flows, another important source of income for Somali households. Since March 2020, the frequency of remittances and amounts received has decreased for 49 percent and 36 percent of households, respectively. The impact of COVID-19 on this crucial source of livelihood for the Somali population is not unexpected; the pandemic has adversely affected many economies around the world that host the Somali diaspora, and consequently the livelihoods of remittance-senders. The cost of receiving remittances from abroad has remained about the same. Access to financial services and institutions—including banks, mobile money agents, and money transfer services—have remained nearly unaffected by COVID-19. Nearly all households that needed to physically access financial institution premises managed to do so.

Income

The ensuing disruptions to regular work activities meant that income from all livelihood sources has drastically decreased during COVID-19.

27. Only 14 percent of respondents reported that they had needed to access premises of financial institutions in the recent past.

FIGURE A1.10
Main Reasons for Stopping Work between March and July 2020

FIGURE A1.11
Share of Respondents Experiencing a Change in Income during COVID-19, by Income Source
Access to Basic Necessities

Around 34 percent of Somali households that tried to purchase their preferred staple were unable to do so. Poor access to basic food items (rice, maize, or dry beans) is more common among vulnerable populations, namely rural residents, nomads, and IDPs.

Deep-rooted poverty, rather than COVID-19, appears to explain poor access to staple food items. Almost 73 percent of those unable to source their preferred staple food cite financial reasons, whereas only 14 percent and 5 percent of respondents, respectively, mention price increases and supply reductions.

Food, Staples, and Medicine

Many Somali households experience food insecurity, especially rural and nomadic households. While 60 percent of all households report having run out of food, 73 percent of rural and 66 percent of nomadic households experienced this type of food insecurity.

Forty-three percent of households report having had an adult household member who was hungry but did not eat, a more severe type of food insecurity. With an adult not having eaten for an entire day in 32 percent of households, the most severe form of food insecurity is prevalent among Somali households, and is even more prevalent among nomads (42 percent) and rural households (37 percent).

FIGURE A1.12
In the Last 7 Days, Was Your Household Unable to Purchase ...?

![Rice](Image)
- Able
- Unable
- Not tried

![Maize](Image)
- Able
- Unable
- Not tried

![Beans](Image)
- Able
- Unable
- Not tried

FIGURE A1.13
Reasons for a Lack of Access to Preferred Staple Foods

- Financial reasons: 73%
- Price increases: 14%
- Supply reductions: 5%
- Movement restrictions or limited transport: 7%
Beyond staple foods, many Somali households lack access to medicine during the COVID-19 pandemic. Of the 91 percent of households that recently tried to buy medicine, half were unable to. The survey did not inquire why household were unable to do so.

In addition, with 59 percent of households unable to access medical services when needed, a significant proportion of Somalis lack access to medical services, and vulnerable and remote populations even more so. With 82 percent of respondents citing insufficient financial resources as the main reason hindering access to healthcare, entrenched poverty appears to be the root cause.
Schooling and Access to Other Goods and Services

The COVID-19 outbreak has disrupted children’s educational activities. On March 18, 2020, the Government of Somalia announced the closure of all primary and secondary schools to curb the spread of the COVID-19 virus. The survey asked households whether any children had been attending school before the onset of the outbreak, and whether they were recently engaged in any learning activities. Of the 72 percent of households with children aged 6-18 years attending school prior to school closures in March 2020, only 36 percent had children recently engaged in alternative learning activities.

Access to learning activities is particularly low in rural areas (23 percent), where fewer households already had children attending school before they closed (66 percent). Such alternative learning activities most commonly take the form of teacher-provided assignments (68 percent).

As of August 2020, the Federal Government of Somalia and Federal Member States had lifted many of the restrictions.

While access to running water for handwashing is fairly good, access to soap is more limited. Only 15 percent of households report not having enough running water for handwashing, whereas 29 percent do not have access to soap when needed. Many Somali households also lack a sufficient supply of drinking water. IDPs have the lowest access to sufficient running water for handwashing, while access to soap is scarcest among rural households.

FIGURE A1.17
Share of the Population Lacking Access to Basic Goods and Services, in the Week Prior to Survey

<table>
<thead>
<tr>
<th>Access to</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Running water</td>
<td></td>
</tr>
<tr>
<td>Soap</td>
<td></td>
</tr>
<tr>
<td>Drinking water</td>
<td></td>
</tr>
<tr>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>26%</td>
<td></td>
</tr>
</tbody>
</table>
Shocks and Coping Mechanisms

Since the COVID-19 pandemic outbreak, Somali households have been affected by numerous negative shocks, economic and food security-related being most prominent. Seventy-seven percent of households have experienced increases in food prices, contributing to food insecurity, while 75 percent have experienced an economic shock. In addition, 45 percent of households have suffered from natural disasters, most commonly a recent locust invasion.

Financial assistance provided by family and friends is the most common way to cope with such shocks. Fifty-four percent of households use family assistance to cope with shocks. Resorting to drastic coping strategies, such as reduced consumption and the distress sale of assets, appear relatively uncommon.

Access to humanitarian assistance is generally low, as only 7 percent of respondents received cash assistance since March 2020, and 8 percent received "in-kind" assistance. Humanitarian assistance plays a larger role in helping Somali households cope with the consequences of natural disasters, however.

FIGURE A1.18
Share of Households Affected by Shocks

FIGURE A1.19
Means of Dealing with Shocks

28. Economic shocks include (a) job loss; (b) nonfarm business closure; (c) disruption of farming activities; (d) lack of availability of business/farming inputs; (e) increased price of farming/business inputs; and (f) reduced price of farming/business output. Food security shocks include (a) increase in price of major food items. Natural disasters include (a) flooding; (b) drought; and (c) locust invasion. Security threats include (a) theft/looting of cash and other property; and (b) conflict or community violence.
# APPENDIX 2

## MPF Monitoring Framework: 2019–2021

### MPF OPERATIONAL PERFORMANCE

*As of December 31, 2020*

#### QUALITY OF OPERATIONS

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disbursements Total MPF disbursements to date (US$ million)</td>
<td>–</td>
<td>289.0</td>
</tr>
<tr>
<td>Total disbursements by calendar year (US$ million)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MPF IDA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>10.3</td>
<td>–</td>
</tr>
<tr>
<td>2015</td>
<td>24.4</td>
<td>–</td>
</tr>
<tr>
<td>2016</td>
<td>38.1</td>
<td>–</td>
</tr>
<tr>
<td>2017</td>
<td>62.5</td>
<td>–</td>
</tr>
<tr>
<td>2018</td>
<td>75.5</td>
<td>–</td>
</tr>
<tr>
<td>2019</td>
<td>37.8</td>
<td>29.9</td>
</tr>
<tr>
<td>2020</td>
<td>32.0</td>
<td>111.0</td>
</tr>
<tr>
<td>Commitment ratio of paid-in donor contributions</td>
<td>–</td>
<td>95.5%</td>
</tr>
<tr>
<td>Disbursement ratio of signed project grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a: Including RCRF</td>
<td>–</td>
<td>a. 64%</td>
</tr>
<tr>
<td>b: Excluding RCRF</td>
<td>–</td>
<td>b. 49%</td>
</tr>
<tr>
<td>Timeliness Average # of months from SDRF endorsement to first disbursement</td>
<td>&lt; 4 months</td>
<td>5.9</td>
</tr>
<tr>
<td>Portfolio quality % of active operations rated moderately satisfactory or higher</td>
<td>90%</td>
<td>100%</td>
</tr>
</tbody>
</table>

#### WORLD BANK MANAGEMENT

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultation % of MPF projects that have been consulted with relevant Working Groups during design</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td># of total MPF Consultative Group meetings</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

#### DONOR ENGAGEMENT

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited preferencing % of MPF contributions preferred by donors</td>
<td>&lt; 30%</td>
<td>27%</td>
</tr>
<tr>
<td>Pledge predictability Donor payments on schedule (% of total funds paid according to Administration Agreement schedule)</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

#### CROSS-CUTTING ISSUES

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender mainstreaming Gender considerations integrated into MPF portfolio (% of MPF projects with World Bank gender flag)</td>
<td>NA</td>
<td>75%</td>
</tr>
<tr>
<td>Capacity building % of active projects with a capacity development component</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Conflict sensitivity % of MPF projects that utilize conflict analysis to inform project management, going beyond basic World Bank requirements for project preparations</td>
<td>50%</td>
<td>100%</td>
</tr>
</tbody>
</table>

29. This excludes the Re-engagement and Supplemental DPO in CY20.
30. This is only for the MPF.
31. 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.
## CPF Focus Area 1: Strengthening Institutions to Deliver Services

### Cross-cutting

1. Government demonstrates progress on key reforms and benchmarks, as demonstrated by achievement of RCRF disbursement-linked indicators (DLIs) (cumulative)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Baseline</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Data Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-cutting</td>
<td>7</td>
<td>8</td>
<td>12</td>
<td>RCRF reporting after March and August reviews of DLIs. In addition to #s, narrative to be provided about specific DLIs</td>
<td></td>
</tr>
</tbody>
</table>

### Objective 1.1: Improve public finance management and institutional effectiveness

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

<table>
<thead>
<tr>
<th>Objective</th>
<th>Baseline</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Data Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective 1.1: Improve public finance management and institutional effectiveness</td>
<td>5 of 7 DLIs met by deadlines</td>
<td>Cumulative total: 10 5 of 10 DLIs for 2020 met by deadlines</td>
<td></td>
<td>RCRF reporting</td>
<td></td>
</tr>
</tbody>
</table>

### Objective 1.2: Enhance domestic revenue mobilization and resource sharing

3. Revenue ‘instruments’ (both tax and nontax) with basic ‘processes’ automated at the FGS (cumulative)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Baseline</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Data Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective 1.2: Enhance domestic revenue mobilization and resource sharing</td>
<td>2 (progress on automating revenue processes)</td>
<td></td>
<td></td>
<td>DRM/PFM reporting using FGS MOF Tax codes and Tax administration system in place</td>
<td></td>
</tr>
</tbody>
</table>

4. Improved fiscal relations between the FGS and FMS, as evidenced by:
   - i) Inter-governmental meetings and knowledge products lead to concrete decisions being made on fiscal federalism issues (yes/no)
   - ii) Annual increase of inter-governmental transfers from FGS to FMS and BRA (% cumulative increase compared to baseline)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Baseline</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Data Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective 1.2: Enhance domestic revenue mobilization and resource sharing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Qualitative reporting from RCRF, K4R, FGC, Oil and Gas, Education, Health</td>
</tr>
</tbody>
</table>

### Objective 1.3: Improve delivery of systems for inclusive social services

5. Expanded access to health care in Benadir, Galmudug, and Puntland, as evidenced by:
   - i) # of female health care workers in place with MPF support
   - ii) # of women and children visited by female health care workers annually with MPF support

<table>
<thead>
<tr>
<th>Objective</th>
<th>Baseline</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Data Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective 1.3: Improve delivery of systems for inclusive social services</td>
<td></td>
<td></td>
<td></td>
<td>Health ASA/RCRF</td>
<td></td>
</tr>
</tbody>
</table>

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**MPF RESULTS**

*As of December 31, 2020*
## MPF RESULTS (continued)  
**As of December 31, 2020**

<table>
<thead>
<tr>
<th>CPF Objectives</th>
<th>Focus Area 1: Strengthening Institutions to Deliver Services</th>
<th>Baseline</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Data Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(Contd.)</strong> Object 1.3: Improve delivery of systems for inclusive social services</td>
<td>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</td>
<td>i) 0 ii) 0</td>
<td>Target</td>
<td>i) 300 teachers in BRA tested ii) 100 (PSS and BRA)</td>
<td>i) 1,200 teachers in at least 2 eligible FMS tested ii) 300 in 2 eligible FMS</td>
<td>i) 1,500 teachers in at least 2 eligible FMS tested ii) 300 in 2 eligible FMS</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objective 1.4: Build the capacity of Somali municipalities for urban resilience</td>
<td>7. Municipalities demonstrate improved capacity for urban resilience, as evidenced by: i) Kilometers of road rehabilitated (cumulative) ii) People with access to improved roads within a 500-meter range (number, % female, % IDPs)</td>
<td>i) 0 ii) 0</td>
<td>Target</td>
<td>i) 0 ii) 0</td>
<td>i) 4.9 km ii) NA</td>
<td>i) 12.1 km ii) 2,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

33. Full breakdown of 2020 DLIs is in Appendix 3.  
34. Increased % of appropriated expenditures processed through the commitment system (81.68 percent) less baseline of 25 percent, over the previous year.  
35. Based on last assessment on June 30, 2020, provided in project implementation status report on February 9, 2021.  
36. Based on last assessment on December 31, 2020, provided in project implementation status report on February 9, 2021.  
37. 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.  
38. 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.  
39. Both the FGS and PSS have automated the taxpayer registration process. Such a process is being used for both inland revenue and customs instruments. In this regard, the FGS registration is linked to the SFMIS, and the PSS to the PLFMIS. As a result, the taxpayer identification numbers (TNs) are system generated. The FGS authorities confirm the issuance of about 430 TNs, and the PSS of about 1,600 TNs. This taxpayer registry and system-generated TNs will be transferred to the ITAS, once operational. Both FGS and PSS have made significant progress in the joint procurement process for ITAS, which is at advanced stages of procurement.
40. KPMG hired to prepare user requirements and bidding documents for a third party who will automate the revenue processes.
41. Only inter-governmental meetings will be tracked.
42. A meeting of finance ministers was held in Addis Ababa in September 2019; an Inter-Governmental Fiscal Federalism Committee (IGFFCC) meeting together with a full Finance Ministers’ Fiscal Forum (FMFF) meeting was held in Kampala in November 2019; a follow-on IGFFCC/FMFF was held in Kismayo in December 2019. All these meetings led to decisions and agreements being made, that is, strong joint commitment from finance ministers to reinvigorate regular inter-governmental 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.
43. A monthly forum of finance ministers was held online on April 25, 2020; May 2, 2020; June 7, 2020; and July 6, 2020. A face-to-face meeting of the Finance Ministers’ Fiscal Forum was held in Mogadishu on August 12, 2020, where a policy note on the fiscal transfer formula was endorsed.
44. Overall implementation of activities has been delayed due to the COVID-19 pandemic and lack of progress on the procurement of HTP that significantly disrupted the planned implementation of activities. A total of 360 FHWs and Female Health Supervisors (FHSs) have been vetted and placed on payroll by the government. In PSS there are a total of 180 FHWs and 10 FHS. In BRA, there are 129 FHWs and 9 FHS, and in GSS, 30 FHWs and 2 FHSs. The government is currently in the process of recruiting an additional 530 FHWs and 40 FHS. The deployment of these additional cohorts which will be spread to all the other FMS will be contingent upon the recruitment of the HTP. All the FMS are planning to recruit and train additional FHWs. All the FMS that previously did not have FHWs including JSS, SWSS, HSS, and GSS will each recruit 100 FHWs and 7 FHS, while PSS and BRA will each recruit an additional 65 FHWs and 7 and 5 FHS, respectively. In total, 530 new FHWs and 40 FHS will be recruited by the end of December 2020. According to the original roll-out plan documented in the POM, the HTP was meant to support the government in the selection of FHWs by validating the work done by the government. The government has made plans to continue with the recruitment even as the HTP recruitment process is being finalized. The HTP recruitment is expected to be finalized by October 15, 2020, and deployment in November. The government will lead the process of recruitment and deployment of the FHWs. The HTP’s role is to validate the selection undertaken by the government. After the selection of the limited number of FHWs during FY 2020, the next steps will be put on hold until the HTP comes onboard.
45. During the Mid-Year RCRF Review mission, government counterparts noted that the planned roll-out for female health workers has been significantly delayed. Revising the planned implementation modality based on government feedback led to extensive technical discussions with different FMS and partners. This has since been resolved and the planned roll-out is now scheduled to take effect from January 1, 2020. Support from the Global Fund continued to support the payment of salaries for existing female health workers until the end of 2019. For more information, see RCRF project brief.
46. Recruitment of HTP to support the government in implementing the FHW program was expected to be completed in Q1 of 2020. This process has been significantly delayed. Finally, Population Services International (PSI) has been selected and the draft contract is at the negotiations stage. The final contract signing is expected by December 31, 2020, and the firm should begin operations in January 2021.
47. The female health workers have supported COVID-19 response by visiting households to provide education and contact tracing. Overall, they have reached more than 200,000 beneficiaries.
48. For more details, see project brief for the Education ASA in the MPF Project Briefs of the MPF Progress Report (July-December 2019).
49. Approximately 1,500 schools in Benadir, Hirshabelle, South West, Galmudug, and Jubbaland will be visited in Phase I, which is currently under way.
50. In 2019, a pilot TPT program was administered in the Benadir region to measure teachers’ understanding of both pedagogical and content knowledge in Mathematics, Somali Language, Islamic Studies, and the English Language. After successfully piloting in Benadir, in March 2020, FGS MoECHE rolled out TPT exercise in Hirshabelle, Jubbaland, South West, and Galmudug. A total of 1,816 public and private primary and secondary teachers participated in the proficiency testing. Planned TPT exercises, covering five FMS, were undertaken and completed. Teacher testing is not anticipated in 2021.
51. Only referring to rehabilitated roads financed by a WBG-assisted project.
### CPF Focus Area 2: Restoring Baseline 2019–2021

**Objectives Economic Resilience and Opportunities**

<table>
<thead>
<tr>
<th>Objective 2.1: Improve the business environment and lower barriers to entry</th>
<th>Baseline</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Data Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Access to inclusive finance improved and used to generate job growth as demonstrated by:</td>
<td>Target</td>
<td>i) 0</td>
<td>ii) 0</td>
<td>i) 2 (30%)</td>
<td>i) 8 (30%)</td>
</tr>
<tr>
<td>Value of loans from the MSME Financing Facility (US$ million)(^{52}) (% women-owned)</td>
<td>Actual</td>
<td>To be assessed in 2020(^{53})</td>
<td></td>
<td>i) 2.4 (6.5%)</td>
<td>i) Not yet assessed(^{54})</td>
</tr>
<tr>
<td>ii) Jobs created by firms that access the MSME Financing Facility (% women)</td>
<td></td>
<td></td>
<td></td>
<td>(30%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>ii) 0</td>
<td>ii) 0</td>
<td>ii) 200 (30%)</td>
<td>ii) 650 (30%)</td>
</tr>
<tr>
<td>Objective 2.2: Access to finance to increase inclusion and digital development opportunities</td>
<td></td>
<td>No</td>
<td>Target</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>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 CBS website</td>
<td>Actual</td>
<td>To be assessed in 2020</td>
<td></td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Objective 2.3: Increase access to renewable energy</td>
<td></td>
<td>No</td>
<td>Target</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>11. Access to renewable energy enabled, as demonstrated by:</td>
<td>Actual</td>
<td>No</td>
<td>Yes</td>
<td>No(^{56})</td>
<td></td>
</tr>
<tr>
<td>i) Number of people provided with new or improved energy service (at least 30% female)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii) Number of energy sector studies completed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii) Renewable energy generation capacity deployed (MW)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>i) 0</td>
<td>ii) 0</td>
<td>iii) 0</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>i) 11,390 (30%)</td>
<td>ii) 0</td>
<td>iii) 0</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>i) 30,753 (30%)</td>
<td>ii) 1</td>
<td>iii) 0.10</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>i) 71,757 (30%)</td>
<td>ii) 3</td>
<td>iii) 0.15</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>i) 6,430 (50%)</td>
<td>ii) 0</td>
<td>iii) 0</td>
<td></td>
</tr>
</tbody>
</table>

52. 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.

53. 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.

54. 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.

55. To be assessed as part of the in-field verification process.

56. Expected by FY22 as per the Results Framework for SCALED UP. A Bill establishing a National ID Agency is pending Parliament approval.
## APPENDIX 3

### Status of Reform Benchmarks/Disbursement-Linked Indicators (DLIs)

<table>
<thead>
<tr>
<th>DLIs</th>
<th>DLRs to be achieved by end-February 2020</th>
<th>DLRs to be achieved by end-August 2020</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI 1: Strengthen customs administration: Poor systems capacity: organizational, technology, and workflows to support effective and efficient customs management and collection.</td>
<td>NA</td>
<td>DLR 1.2: Implementation of interim IT system in Mogadishu, Bosaso, and Kismayo ports, including common goods classification, customs practices and procedures, and valuation of goods.</td>
<td>Progress towards achievement was good, but not enough to qualify for the DLI. Specifically, a customs modernization roadmap was developed, discussed, and agreed, followed by two presentations at Finance Ministers’ Fiscal Forum. Ministers subsequently endorsed implementation of the IT customs system in all three ports. IT equipment was purchased, delivered, and installed; therefore front-end declaration system was successfully implemented. A technical team from the FGS revenue department undertook travels to do the installations and trainings for the PSS and JSS custom teams. A server and computer terminals were installed at the headquarters of Puntland Ministry of Finance, Garowe airport, Bosaso seaport, and Bosaso airport. An FGS team successfully trained all PSS and JSS customs teams in all locations. A sample declaration report was generated from the all systems indicating the automation of using single administrative document. SomSad is live and operational in all three ports. However, with respect to customs automated system (CAS) covering all functions of customs was not installed due to delays in contracting.</td>
</tr>
<tr>
<td>DLI 2: Strengthen tax administration systems and staffing: Poor systems capacity: organizational, technology, and workflows to support effective and efficient tax collection of both large and smaller tax payers.</td>
<td>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).</td>
<td>DLR 2.3. Targeted automation for collection of sales tax, excise duty, road tax, stamp duty, and registration tax deployed.</td>
<td>Both DLRs were not met due to delays in contracting the ITAS consultant, who will prepare the specifications and tender for the launch of the ITAS. The contract was signed in September 2020. COVID-19 impact on personnel engagement should be considered as well.</td>
</tr>
</tbody>
</table>

**Key:**
- **Red**: DLR either cannot be achieved, or the delay in achievement is impacting negatively on achievement of future results under the DLI.
- **Orange**: DLR is likely to be achieved, but with delay.
- **Yellow**: DLR on track for being achieved on time.
- **Green**: DLR has been substantively achieved (subject to verification).
### Appendix 3: Status of Reform Benchmarks/DLIs

<table>
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<tr>
<th>DLI</th>
<th>DLRs to be achieved by end-February 2020</th>
<th>DLRs to be achieved by end-August 2020</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DLI 3: Strengthen cash management and Treasury Single Account (TSA):</strong> Limited ability for Treasury to effectively manage cash; limited view of all liquid assets, limited view of commitments, and of revenue accrued but not booked.</td>
<td>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.</td>
<td>Although the timeline for this DLR was extended till August 2020, the FGS failed to meet the benchmark. There are still issues to be resolved with the auto reconciliation functionality of the SFMIS and T24 integration. The Accountant General has been following up with the SFMIS team and they anticipate having all issues fixed by April 2021.</td>
<td></td>
</tr>
<tr>
<td><strong>DLI 4: Payment process for operational expenditures:</strong> Extensive use of cash advances to finance MDA operational costs, with lack of associated financial controls and unrequited expenditures.</td>
<td>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].</td>
<td>Met by end-February 2020. As part of the requirement on the target of this indicator, the government's effort in reducing cash advances to MDAs has been significantly reduced to well below the required target (16.4 percent). At the end of February 2020, cash advances to MDAs were 3.6 percent.</td>
<td></td>
</tr>
<tr>
<td><strong>DLI 5: Strengthen inter-governmental fiscal policy framework:</strong> Lack of a rule-based approach to the distribution of funds between the FGS and FMS/BRA, with limited assurance that Article 50(e) of the Constitution (‘fair distribution of resources’) is being adhered to.</td>
<td>DLR 5.1: Policy paper outlining policy framework for inter-governmental fiscal transfers agreed at Finance Ministers’ Fiscal Forum covering: budget timetable, reporting, accountability, and disbursement conditions. (Note: Originally planned for achievement in 2019.)</td>
<td>Met by end-February 2020. From the Minutes obtained it was confirmed that the meeting agenda revolved around discussion and development of Interim Governmental Transfer Procedures between the FGS and FMS, and that all the FMS were duly represented at the meeting. Assessment of the Inter-governmental Fiscal Transfers Policy Paper shows agreement on budget timetable, reporting, accountability, and disbursement conditions.</td>
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<td></td>
<td>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.</td>
<td>Met by August 2020. The paper was developed with TA input from World Bank economic team and presented to the meeting of FMFF on August 10–11, 2020. The adoption of the paper is reflected in the FMFF communiqué as well as in the meeting minutes. The policy paper and meeting minutes include the discussion of the reform options in the short term and the long term, as well the comparative analysis reflecting the regional context.</td>
<td></td>
</tr>
</tbody>
</table>

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<th>DLIs</th>
<th>DLRs to be achieved by end-February 2020</th>
<th>DLRs to be achieved by end-August 2020</th>
<th>Follow-up actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DLI 6: Strengthen FGS transfers to FMS:</strong> Select FMS have minimal sources of revenue in their local economy, and therefore difficulty in sustaining their operations, while the FGS collects tax and customs, partly from goods and services that are destined for delivery in FMS. Historically, FGS transfers to FMS have been made on an ad hoc and unpredictable basis.</td>
<td>NA</td>
<td>DLR 6.2: Execution rate for transfers to FMS equal to or greater than the outturn rate for domestic revenues (Year 2).</td>
<td>This indicator, measured for January through June 2020 as per the verification protocol in the PAD, is met. The execution rate for fiscal transfers was 76 percent of the annual budget and domestic revenue realization was 45 percent.</td>
</tr>
<tr>
<td><strong>DLI 7: Strengthen teacher proficiency testing:</strong> Lack of an established system for teacher proficiency testing hampers merit-based recruitment and promotion, and undermines the effective development and targeting of pre- and in-service teacher training.</td>
<td>NA</td>
<td>DLI 7.2: Proficiency testing of teachers conducted in at least two eligible FMS/BRA as an annual exercise, establishing a minimum competency level of teachers (Year 2).</td>
<td>Proficiency testing of teachers was conducted in four states: Galmudug, Hirshabelle, South West, and Jubbaland. The report has been drafted, calculated, validated, and issued.</td>
</tr>
</tbody>
</table>

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## Status of HIPC Completion Point Triggers (Implementation Monitoring, March 2021)

<table>
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<tr>
<th>HIPC Completion Point Trigger</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public financial and expenditure management</strong></td>
<td></td>
</tr>
<tr>
<td>Publish at least two years of the audited financial accounts of the Federal Government of Somalia.</td>
<td>The 2018 audited financial accounts were published in October 2019. The Office of the Auditor General published the 2019 accounts in December 2020. PFM regulations covering debt and natural resource revenue management have been issued.</td>
</tr>
<tr>
<td>Issue regulations to implement the Public Financial Management Act’s provisions on debt, public investment, and natural resource revenue management.</td>
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<tr>
<td><strong>Domestic revenue mobilization</strong></td>
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</tr>
<tr>
<td>Adopt and apply a single import duty tariff schedule at all ports in the Federal Republic of Somalia (to also foster greater trade integration).</td>
<td>The FGS and the FMS have reached agreement on the single tariff, and this has been published on the MoF website. Technical support is being provided by the World Bank and the UK’s FCDO.</td>
</tr>
<tr>
<td><strong>Governance, anticorruption, and natural resource management</strong></td>
<td></td>
</tr>
<tr>
<td>Enact the Extractive Industry Income Tax (EIIT) Law.</td>
<td>Cabinet approved the EIIT Bill in December for submission to Parliament. However, there may be some alterations to the draft following further discussions between the MoF and MPMR on the proposed royalty regime set out in the Bill.</td>
</tr>
<tr>
<td>Ratify the ‘United Nations Convention Against Corruption’ (UNCAC)</td>
<td>The UNCAC was ratified by the Somali Parliament and assented by the President in December 2020.</td>
</tr>
<tr>
<td><strong>Debt management</strong></td>
<td></td>
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<tr>
<td>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).</td>
<td>The Ministry of Finance is making progress to improve debt reporting. A joint IMF-WB technical assistance mission was concluded in February 2020, which concluded that some supporting technical assistance debt reporting requirements can be met.</td>
</tr>
<tr>
<td><strong>Social sectors</strong></td>
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</tr>
<tr>
<td>Establish a national unified social registry (USR) as a functional platform that supports registration and determination of potential eligibility for social programs.</td>
<td>The authorities are establishing a USR with support from the World Bank, the World Food Program (WFP) and UNICEF. The common registration forms for the USR and data protection policy need to advance for this trigger to be back on track.</td>
</tr>
<tr>
<td><strong>HIPC Completion Point Trigger</strong></td>
<td><strong>Progress</strong></td>
</tr>
<tr>
<td>-------------------------------</td>
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</tr>
<tr>
<td><strong>Social sectors (continued)</strong></td>
<td><strong>FGS and FMS Ministers of Education adopt an agreement defining their respective roles and responsibilities on curriculum and examinations.</strong></td>
</tr>
<tr>
<td><strong>FGS and FMS Ministers of Health adopt a joint national health sector strategy.</strong></td>
<td><strong>The FGS and FMS continue to develop the “Investment Case (IC)” for health, a prioritized, costed strategy that maps actions to available resources. The IC builds on the second national Health Sector Strategic Plan (HSSP, 2017–2021). The Somali Country Coordination Platform, inclusive of health sector stakeholders, continues to meet regularly to support IC development. Analytics on health information systems, supply chain, and the private sector are currently being finalized. Analytics of the health workforce are under way. Due to competing priorities, completion of the investment case has been delayed. The IC is being developed as part of the Global Financing Facility (GFF) process in Somalia. Currently, a draft of the IC is expected in late April 2021.</strong></td>
</tr>
<tr>
<td><strong>Growth/structural</strong></td>
<td><strong>Enact the Electricity Act and issue supporting regulations to facilitate private sector investment in the energy sector.</strong></td>
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<td></td>
<td><strong>Issue Company Act implementing regulations on minority shareholder protection to encourage private sector investment.</strong></td>
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</tbody>
</table>

*Note: Progress in completing the HIPC Completion Point Triggers is monitored on a quarterly basis.*